

2019 Balance Sheet & Income Statement



Balance Sheet

as of December 31, **2019** **2018**

ASSETS

Cash and Cash Equivalents

Cash	\$1,515,283	\$1,648,811
Overnight Investments	400,797	2,072,950
Due From Financial Institutions	20,034,554	18,484,379
TOTAL CASH & CASH EQUIVALENTS	21,950,634	22,206,140

Investments

Federal Agency Securities	69,984,685	69,392,289
Mortgage Backed Securities	39,887,938	47,708,708
Certificates of Deposit	40,499,000	36,449,000
Equity Investments	1,846,500	1,784,900
AFS Valuation Reserve	604,170	(1,743,857)
TOTAL INVESTMENTS	152,822,293	153,591,040

Loans

Credit Card	11,186,157	10,378,896
Other Unsecured	5,110,517	5,110,989
Share Secured	697,639	502,906
New Vehicle	12,260,402	10,474,723
Used Vehicle	21,056,429	18,299,108
First Mortgage	71,668,650	62,348,183
Other Real Estate	44,695,208	46,441,623
All Other	182,109	318,321
GROSS LOANS	166,857,111	153,874,749
Allowance for Loan Losses	(609,438)	(776,190)
TOTAL LOANS, NET	166,247,673	153,098,559

Other Assets

NCUA insurance	2,977,335	3,001,095
Accrued Interest on Investments	544,262	522,684
Accrued Interest on Loans	311,433	311,464
Other Assets	875,977	1,274,674
Fixed Assets	6,909,730	6,984,208
TOTAL OTHER ASSETS	11,618,737	12,094,125
TOTAL ASSETS	\$352,639,337	\$340,989,864

LIABILITIES AND EQUITY

Deposit

Regular Shares	\$189,465,725	185,020,804
Share Drafts	58,599,821	55,561,865
Money Market	22,095,065	23,072,300
Share Certificates	35,080,774	33,458,928
IRA Shares	7,333,977	7,713,711
IRA Certificates	7,200,499	6,923,235
TOTAL DEPOSITS	319,775,861	311,750,843
All Other Liabilities	2,069,663	1,833,084
TOTAL LIABILITIES	321,845,524	313,583,927

Equity

Regular Reserves	4,181,641	4,181,641
Undivided Earnings	26,008,002	24,968,152
Net Unrealized Loss on Investments AFS	604,170	(1,743,856)
TOTAL EQUITY	30,793,813	27,405,937
TOTAL LIABILITIES & EQUITY	\$352,639,337	\$340,989,864

Income Statement

as of December 31, **2019** **2018**

INTEREST INCOME

Interest on Overnight Investments	\$18,341	\$13,840
Interest on Other Investments	3,633,291	3,323,165
Interest on Loans	6,706,197	6,170,120
TOTAL INTEREST INCOME	10,357,829	9,507,125

TOTAL INTEREST EXPENSE	1,552,729	1,195,294
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NET INTEREST INCOME	8,805,100	8,311,831
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Provision for Loan Losses	(203,000)	(231,000)
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NET INTEREST INCOME AFTER PROV FOR LOAN LOSSES	8,602,100	8,080,831
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NON-INTEREST INCOME

Fee Income	398,047	395,207
Other Operating Income	1,713,950	1,805,813
Gain on the Sale of Loans	86,065	122,397
Loss on the Sale of Investments	(600)	-
Gain on Sale of Other Assets	2,700	-
TOTAL NON-INTEREST INCOME	2,200,162	2,323,417

NON-INTEREST EXPENSE

Salaries	3,728,873	3,549,004
Benefits	1,048,827	1,021,724
Travel & Conference	21,745	13,516
Office Occupancy	595,710	551,861
Office Operations	2,586,101	2,378,318
Marketing	369,740	374,653
Loan Servicing	667,588	516,216
Outside Services	449,561	571,087
NCUA Insurance and Operating	91,863	88,305
Other Operating	202,405	185,289
TOTAL NON-INTEREST EXPENSE	9,762,413	9,249,973
NET INCOME	\$1,039,849	\$1,154,275

Letter from the Chairman & CEO

Dear Member,

The U.S. economy continued its longest economic expansion in history in 2019, albeit at a very slow pace. That was not the case in much of the developed world as manufacturing and trade in Europe and Asia began to decline. The Federal Reserve, sensing this slowdown and a possible spillover to our economy, cut the Federal Funds rate .25% three times in 2019. The result produced a decline in long-term rates, which allowed us to reduce our rates on First Mortgages, Home Equity and Auto Loans. Our new credit cards, which are tied to the prime lending rate, had a rate reduction of .75% over the year.

Members took advantage of these lower rates and the improving economy and borrowed a total of \$54 million from the credit union, \$14 million more than the previous year. Outstanding loan balances increased \$13 million in 2019, the biggest increase since 2016. While our members were benefiting from the reduced loan rates, we actually increased the regular share rate in July and held that rate steady through the remainder of 2019. During the fall of 2019, we actually increased our money market and certificate rates to be closer to the highest rates in the market. Thus, we took the increasing revenues from our growing loan balances and returned some of that to our members in the form of better share, money market and certificate rates, which is the mission of a credit union. Our deposit balances increased by \$8 million in 2019.

After less than two years on the market, we made enhancements to the Premium Rewards visa card. In addition to the first year of 0% interest on new purchases, cardholders will now receive double points on gas and groceries all the time. New cardholders will receive a \$100 statement credit for spending only \$300 within the first 30 days. The balances of our premium rewards card almost doubled in 2019, and we continue to boast that 25% of our members have one of our credit cards proving that we can compete in a very crowded credit card market.

Our Flat Fee First Mortgage product continues to be popular. In April, we held a very successful mortgage seminar entitled "Let's Taco about Mortgages" in which both members and potential members enjoyed great food while we explained our mortgage products and took the mystery out of the mortgage process. We reached another milestone in March of 2019. During that month, the credit union reached 18,000 in total membership. We ended the year with 18,339 members, an increase of 410 members from the previous year.

We look ahead to a very exciting and challenging year of change in 2020. As we write this, the economies in Asia and Europe continue to decline with some heading into recession. The fear of coronavirus is shaking world

markets and interest rates are testing historic lows. The Federal Reserve is under pressure to reduce rates further and, of course, it is a presidential election year. Our objective will remain the same. Our mission is "Caring about our Family of members by offering financial solutions to help them achieve their goals and realize their dreams." Part of how we do this is with our low fees and great rates, but "caring" means so much more. It means adjusting our products whether it be credit cards or mortgage loans to make sure you are getting the best features. It means continuing to improve our technology.

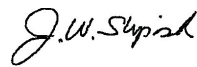
In 2020 we will be instituting palm authorization for our members in all of our branches. This will avoid our staff from asking any identifying questions to which they have to respond verbally. We hope to someday extend palm authentication to our ATM's. We will be instituting a new mobile account opening process to eliminate some of the friction in the current process. Our online banking system will be replaced with one that is easier to use, much more intuitive and up to date. The web page "picacreditunion.com" will be getting a much needed face-lift that will make navigation easier and much more intuitive.

The members who normally visit our Rockaway Office have already noticed that construction is underway as we are "Building the Future" of Picatinny Federal Credit Union. The office will be more welcoming and friendly, and designed to fit our Member Experience Professionals who can do everything from cash your check to take and in many cases approve your loan application. Data security is a big issue for everyone, and in 2020 we have made additional investments in data vaulting and cyber security to protect your information.

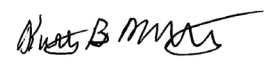
It may sound cliché that a credit union is only as strong as its members, but without you joining with all the other members helping one another, we would just be a bank.

Thank you for all of your support, whether you have been a member for 50 years or 50 days.

Sincerely,



Joe Shiposh
Chairman of the Board



Keith McCarthy
President & CEO

BOARD OF DIRECTORS

Chairman Joe Shiposh
Vice Chairperson Nancy Mueller-Davis
Treasurer Jay Decker
Assistant Treasurer Gary Caltabilotta
Secretary Leon Moreau, IV
Director Matthew Adams
Director Joe Carroll

BOARD OF DIRECTORS (continued)

Director Anthony Hawthorne
Director Kim Jones
Director Valerie Morgan
Director Ray Rokicki

CREDIT UNION CEO

President & CEO Keith McCarthy

SUPERVISORY COMMITTEE

Acting Chairperson Kim Jones
Committee Member Frank Cautero
Committee Member Dominick Moreo
Committee Member Lawrence Pinder
Committee Member Rudolph Sabatino

Picatinny Federal Credit Union

BRANCHES & LOCATIONS

Denville Branch 340 E. Main Street Denville, NJ 07834	Monday–Friday: 8:00am–6:00pm Saturday: 8:30am–12:00pm ATM (Drive Up)
Rockaway Branch 100 Mineral Springs Drive Dover, NJ 07801	Monday–Friday: 8:00am–6:00pm Saturday: 8:30am–12:00pm ATM
Mt. Olive Branch 10 International Drive South Flanders, NJ 07836	Monday–Friday: 8:00am–6:00pm Saturday: 8:30am–12:00pm ATM (Drive Up)
Parsippany Branch 200 Baldwin Road Parsippany, NJ 07054	Monday–Friday: 8:00am–6:00pm Saturday: 8:30am–12:00pm ATM
Arsenal Branch Building 30 South Picatinny Arsenal, NJ 07806	Monday–Wednesday and Friday: 8:00am–3:30pm Thursday: 8:00am–6:00pm ATM

For a complete set of 2019 audited financial statements & footnotes contact: Ray Silfies, Chief Financial Officer, Picatinny Federal Credit Union, 100 Mineral Springs Drive, Dover, NJ 07801, rsilfies@picacreditunion.com.

The 5300 quarterly report filed with the NCUA for Picatinny Federal Credit Union for December 31, 2019 can be obtained at www.NCUA.gov under Credit Union Data. Our charter number is 3291.

The address for the NCUA is: NCUA, 3375 Duke Street, Alexandria, VA 22314-3428.

MISSION:

Caring about our family of members by offering financial solutions to help them achieve their goals and realize their dreams.