

2021 Annual Report



RTN Federal Credit Union

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Chairman's Report

It is my pleasure to present the annual 'State of the Credit Union.'

The year can certainly be described as the 'year that was.' The onset of the pandemic caused members and the Credit Union itself to completely pivot in the manner business was conducted. From the Credit Union's perspective, many strategic decisions were made to create the safest and most convenient environment for members to conduct their financial affairs with us. These were well received as many members now use products and services they never envisioned using just a few short years ago.

Our ability to continue to provide superb services to the membership can be attributed to the hard work and dedication of our employees, who although faced with many of their own hardships, did what they had to do to make sure the members needs were cared for. A big 'thank you' to them. Hopefully, we have turned the corner of this pandemic and can return to some normalcy in the upcoming year.

On separate note, sadly, this past year we lost two long-time dedicated volunteers, Joe Donlin and Bill Croteau. Their contributions to not only to RTN but to the credit union industry will be certainly missed.

On behalf of the Board of Directors, I extend a heartfelt 'thank you' to our dedicated directors, volunteers and employees for their efforts during the year.

Respectfully submitted,

Arthur R. Osborn, Jr.

Chairman

Treasurer's Report

The Credit Union's financial records are reported on a calendar year basis ending December 31, 2020. Assets finished the year at \$1.021 billion, an increase of more than \$116 million from 2019's levels.

Capital now stands at \$92.5 million or 9.1% of assets. Capital is a reflection of the strength of a financial institution. As a result of this continued strength, RTN received, for the 26th straight year, a five-star rating from Bauer Financial Services, an independent organization that measures strength and assigns ratings to credit unions and banks.

Financial records are reported under the accrual method of accounting in accordance with generally accepted accounting principles. Statements of condition and income are included with this report.

I extend my appreciation to all employees of the Credit Union for their efforts during the year.

Respectfully submitted,

Richard E. Wright

Treasurer & Chief Executive Officer

Statements of Financial Condition (in thousands)

	2020	2019
ASSETS		
Cash and cash equivalents	\$112,682	\$ 86,329
Certificates of deposit	23,983	30,878
Securities, AFS at fair value	93,126	26,557
Securities HTM, at amortized cost	228,536	197,562
Loan receivable, net	524,417	523,316
Accrued interest receivable	2,176	2,369
Restricted equity securities	3,672	3,598
Property & equipment, net	5,933	6,288
NCUSIF deposit	8,001	7,274
Other assets	<u>18,943</u>	<u>19,885</u>
Total assets	<u><u>\$ 1,021,469</u></u>	<u><u>\$ 904,056</u></u>
LIABILITIES		
Members' shares	\$887,099	\$765,330
Borrowed funds	35,793	40,058
Accrued expenses and liabilities	<u>6,036</u>	<u>5,161</u>
Total liabilities	\$ 928,928	\$ 810,549
MEMBERS' EQUITY		
Regular reserves		\$ 10,307
Undivided earnings	\$10,307	87,621
Equity acquired in merger	87,642	4,336
Accumulated other comprehensive loss	5,288	-8,757
Total members' equity	<u>-10,696</u>	<u>93,507</u>
Total liabilities & members' equity	<u><u>\$ 1,201,469</u></u>	<u><u>\$ 904,056</u></u>
STATEMENTS OF INCOME		
Income		
Loan income	\$ 23,089	\$ 23,921
Investment income	5,322	7,011
Other income	<u>4,621</u>	<u>5,938</u>
Total interest and dividend income	\$ 33,032	\$ 36,870
Expense		
Total non-interest expense	25,150	26,283
Cost of funds	<u>7,161</u>	<u>7,282</u>
	32,311	33,565
Provision for loan losses	<u>700</u>	<u>600</u>
Net income	<u><u>\$ 21</u></u>	<u><u>\$ 2,705</u></u>

Supervisory Committee Report

The Supervisory Committee is empowered by the Board of Directors to oversee Credit Union compliance with regulatory issues established by the National Credit Union Administration (NCUA), our regulator, and for maintenance and implementation of internal controls. The Committee meets regularly with the internal auditors and management of the Credit Union.

The committee is responsible for engaging an independent auditing firm to review credit union records. The firm Moss Adams LLP performed this review. We received another unqualified opinion, the highest opinion that can be issued.

The Credit Union also contracted Plante Moran to perform internal audits on an ongoing basis.

The Credit Union is subject to review by the National Credit Union Administration. The agency completed its review of our records as of December 31, 2020 during calendar year 2020.

On behalf of the committee, I extend my thanks to all Credit Union personnel involved in facilitating the successful audit and regulatory examinations.

Respectfully submitted,

Henry Doyle

Chairman, Supervisory Committee

Credit Committee Report

During 2020, the Credit Union booked nearly 2,400 loans valued at more than \$161 million. This represents a 22% increase in dollars lent compared to the year before.

Mortgage and vehicle lending were the two areas with significant growth during the period. The decline in mortgage rates provided members with opportunities to save thousands by refinancing their existing mortgages. A record \$95 million in new mortgages were booked, nearly double the \$52 million booked in 2019.

Vehicle lending activity dropped significantly during the first two months of the pandemic as the economy ‘shut down.’ The improving conditions during the summer resulted in increased consumer confidence and very active vehicle lending during much of the second half of the year. For the year, the amount of vehicle loans issued increased 54% from 2019 to \$23.7 million.

While the curtailed business environment dampened consumers’ and business lending needs, the credit union booked more than \$42 million in additional loans to members. Total outstanding loans increased by nearly \$1.5 million compared to December 2019.

On behalf of the committee, I extend my thanks to all Credit Union personnel for their efforts in providing these critical lending services to our members.

Respectfully submitted,

Paul McGowan

Chairman, Credit Committee

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