



NorState

Federal Credit Union

Serving YOU Since 1941

www.norstatefcu.org

1-800-804-7555

2023
Annual Report

President/CEO's message



As I look back on 2023, I not only reflect on my first full year as NorState's CEO, but also on the 82-year history of our credit union, including the hard-working employees and volunteers who have played key roles in helping us get to where we are today. We feel strongly that leveraging those lessons learned and successes from the past, while balancing the constant evolution of new products, services, technology, and competition will help provide a solid path to success as an organization.

2023 was a challenging year for everyone. With higher-than-normal inflation leading to higher interest rates, as well as increasing costs of food, gas, utilities, etc., this has led to some higher delinquencies, charge-offs, and increasing costs of doing business for your credit union. With all these challenges, your credit union staff and volunteers have worked hard to maintain a solid level of Capital to weather the current and potential future stormy days, while preparing ourselves to evolve and grow in this ever-changing financial services industry.

As we move further into 2024 and enter 2025, our focus will not change. We will continue to explore new technologies, products, and solutions that will provide our members with opportunities for financial growth and security, while meeting their financial goals. We will also continue to leverage these same concepts to improve our operational efficiency to reduce redundancy in our operations while using those savings to reinvest in our members and employees through dividends, better loan rates, and improved employee packages to ensure quality retention and recruitment of new employees.

I would like to commend our staff for creating NorState's 5 Core Values that we intend to exhibit every day at NorState. Those values are Community, Courage, Integrity, Passion, and Trust. These values will not only impact how we treat you, our members, but how we treat each other as a credit union team. What I'm most proud of is that these are the values our employees chose and not something management had to cascade down to them as expectations.

I want to thank our dedicated staff, management team, volunteers, and our members for their support, patience, and for allowing us to be your financial partner.

Jeff Davenport
President & CEO

COMPARATIVE FINANCIAL STATEMENTS BALANCE SHEET

| | 2022 | 2023 |
|----------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Loans | \$126,450,811 | \$128,465,413 |
| Student Loans | 94,592 | 53,845 |
| VISA Loans | 5,692,944 | 5,692,722 |
| Mortgage Loans | 50,151,658 | 51,090,106 |
| Allowance for Loan Loss | (938,856) | (1,849,975) |
| Net Loans Outstanding | \$181,451,149 | \$183,452,111 |
| Cash | \$2,841,541 | \$2,178,166 |
| Net Investments | 45,385,773 | 54,751,369 |
| Fixed Assets | 2,676,023 | 2,533,875 |
| Deposit in NCUIF | 1,914,906 | 2,202,994 |
| Pension Plan Assets | 4,861,494 | 5,062,992 |
| Other Assets | 4,079,387 | 4,509,912 |
| Total Assets | \$243,210,273 | \$254,691,419 |
| LIABILITIES & EQUITY | | |
| Accounts Payable | \$1,068,707 | \$1,516,555 |
| Other Liabilities | 382,236 | 832,430 |
| Notes Payable | 4,000,000 | 6,000,000 |
| Total Liabilities | \$5,450,943 | \$8,348,985 |
| SHARES/DEPOSITS | | |
| Shares | \$68,219,212 | \$56,899,307 |
| Share Drafts | 40,103,277 | 38,385,449 |
| Share & IRA Certificates | 68,860,057 | 89,857,797 |
| Money Market Fund (Flex) | 21,112,871 | 20,722,178 |
| Non-Member Certificates | 599,525 | 0 |
| Regular & IRA Clubs | 12,621,157 | 10,957,177 |
| Total Deposits | \$211,516,099 | \$216,821,908 |
| EQUITY | | |
| Reserves & Undivided Earnings | \$33,344,158 | \$33,439,867 |
| Unrecognized Gn (Ls) in Pension Plan | (3,623,682) | (3,256,798) |
| Accum. Unrealized Gn/Ls on AFS Invest. | (3,477,245) | (662,545) |
| Total Liabilities & Equity | \$243,210,273 | \$254,691,419 |
| INCOME STATEMENT | | |
| | 2022 | 2023 |
| INTEREST INCOME | | |
| Interest on Loans | \$9,410,738 | \$10,725,027 |
| Income From Investments | 633,711 | 1,139,128 |
| Total Interest Income | \$10,044,449 | \$11,864,155 |

2023: A YEAR IN REVIEW

INTEREST EXPENSE

| | | |
|--------------------------------------|---------------------|--------------------|
| Dividends | \$1,310,986 | \$3,106,152 |
| Interest on Borrowed Funds | 72,359 | 197,298 |
| Total Liabilities | \$1,383,345 | \$3,303,450 |
| Net Interest Income | \$8,661,104 | \$8,560,705 |
| Provision for Credit Losses | \$798,672 | \$269,313 |
| Provision for off B/S CR Exposure | 0 | 22,407 |
| Net Interest Income After PCL | \$ 7,862,432 | \$8,268,985 |

Other Non-Interest Operating Income \$2,835,086 \$2,715,194

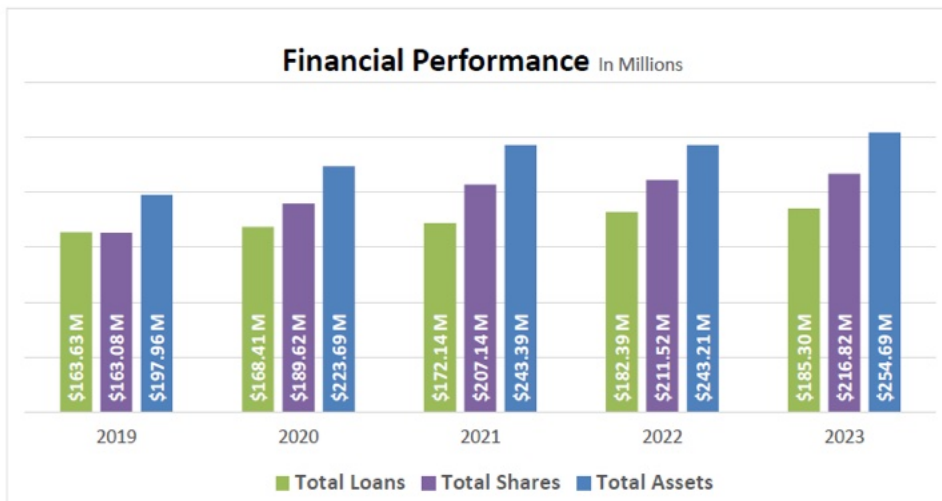
OPERATING EXPENSES

| | | |
|---------------------------------|--------------------|--------------------|
| Salaries & Employee Benefits | \$4,999,910 | \$5,645,460 |
| Education & Conference Expenses | 95,969 | 101,534 |
| Office Occupancy Expenses | 497,204 | 548,727 |
| Office Operations Expenses | 993,976 | 1,087,718 |
| Member Education & Marketing | 207,598 | 227,845 |
| Loan Servicing Expenses | 813,841 | 865,875 |
| Professional & Outside Expenses | 1,006,138 | 1,003,671 |
| NCUA Operating Fee | 38,235 | 39,520 |
| Miscellaneous Expenses | 178,566 | 149,563 |
| Total Operating Expenses | \$8,831,437 | \$9,669,913 |

NON-OPERATING GAIN (LOSS)

| | | |
|----------------------------------------|--------------------|--------------------|
| Gain (Loss) on Disposition-Assets | (\$98,109) | (\$147,691) |
| OREO Expense / Income | (19,646) | (13,752) |
| Total Non-Operating Gain (Loss) | (\$117,755) | (\$161,443) |

Net Income **\$1,748,326** **\$1,152,823**



- ◆ **JANURAY:** NorState donates 2022 coin sorter fees to PALS & Angel Flight totalling \$6000.
- ◆ **FEBRUARY:** Phone system upgraded to better serve members. This new system allows Digital Services staff to transfer calls more efficiently.
- ◆ **MARCH:** NorState FCU receives Community Involvement Award at the St. John Valley Chamber of Commerce Annual Dinner.
- ◆ **APRIL:** Staff enjoys 1st annual Spirit Week hosted by Culture Committee. Days included: Flannel Day, Tropical Tuesday, Wacky Wednesday, Throwback Thursday, and Sports/ Team Day.
- ◆ **MAY:** NorState FCU donates over \$33,000 to local pantries at Annual Meeting as part of year-long fundraising efforts for the Ending Hunger Campaign.
- ◆ **JUNE:** NorState FCU awards eight \$1000 scholarships to local high school seniors.
- ◆ **AUGUST:** NorState introduces Flex Auto Financing - the 2nd credit union in Maine to offer this lease-like auto loan.
- ◆ **SEPTEMBER:** Staff welcomes college students by attending campus community fair.
- ◆ **OCTOBER:** The Aroostook Chapter of Maine Credit Unions hosts its first in-person Financial Fitness Fair for local high school seniors since 2019.
- ◆ **NOVEMBER:** After recent certifications, NorState proudly shares having eight Certified Credit Union Financial Counselors on staff.
- ◆ **DECEMBER:** Over 1700lbs. was collected during Hope for the Holidays food drive.

#teamnorstate

