

HANSCOM FEDERAL CREDIT UNION
65th ANNUAL MEETING OF THE MEMBERSHIP
MAY 4, 2019

- I. CALL TO ORDER:** The meeting was called to order at 6:30 PM by the Chairman, Mr. Marotta at The Lantana, Randolph, MA. Chairman Marotta thanked everyone for their attendance as well as thanked the Lowell and Bedford High Schools JROTC for the presentation of the colors and Chantel Perez for singing the National Anthem. Hanscom Federal Credit Union is proud to be involved in teaching Financial Management to the JROTC students at both of these high schools.
- II. ASCERTAINMENT OF QUORUM:** Since approximately 515 individuals were in attendance, Mr. Marotta stated that the required 15 member quorum was established.
- III. ORDER OF BUSINESS:** On a motion by Mr. West seconded by Mr. Lavrentios, the membership voted to allow the Chair to change the order of business as he sees fit.
- IV. REPORT OF THE NOMINATING COMMITTEE:** Mr. Phillips reported that the Nominating Committee consisting of Teresa Conrad, Hugh McNeil, and himself as Chairman met on October 18, 2018 and nominated Messrs. Marotta, Walsh, and Rzepecki for three year terms on the Board of Directors. Each of these individuals indicated their availability and willingness to serve the membership of Hanscom Federal Credit Union. There being no nominations received by the petition deadline of February 5, 2019 the above named nominees were elected by acclamation.
- V. APPROVAL OF MINUTES OF MAY 5, 2018 ANNUAL MEETING:** On a motion by Mr. Handwerker seconded by Mr. Busa the membership voted to approve the minutes of the May 5, 2018 Annual Meeting as printed.
- VI. APPROVAL OF SUPERVISORY COMMITTEE REPORT:** On a motion by Mr. Danna seconded by Mr. DiIanni the membership voted to accept the Supervisory Committee's report as printed.
- VII. REPORT OF THE CHAIRMAN:** Chairman Marotta welcomed everyone to the 65th Annual Meeting and thanked everyone for being in attendance. He noted that as of the end of 2018, we had 88,000 valued members who make Hanscom Federal Credit Union what it is today.

Mr. Marotta stated that HFCU had another outstanding and award winning year. We were named Air Force Credit Union of the Year by the Assistant Secretary of the Air Force for Financial Management and #1 Credit Union in the entire United States by Kiplinger Personal Finance Magazine. In addition, Mr. Marotta was inducted into Defense Credit Union Hall of Honor.

Mr. Marotta introduced Mr. Sprague, President/CEO to provide HFCU's financial and operational accomplishments in 2018. Mr. Sprague reported that HFCU assets grew to over \$1.3 Billion in 2018. Member deposits grew to \$1.2 Billion, loan balances grew to \$1.2 Billion. Our delinquency rate fell to 0.54% which is better than the credit union average. For the 22nd year in the row, the Board authorized a special year-end bonus dividend on shares and share certificates and an interest refund on consumer loans to our member owners in the amount of \$1 Million.

Mr. Marotta reported that in addition to continued growth and strong financial standing the credit union continued giving back to the community. This year HFCU supported the Credit Union Kids at Heart program sponsored by Eastern Corporate Credit Union by donating \$64,000 primarily raised from members, staff, volunteer, and vendor donations as well as a matching donation from HFCU in support of our Boston Marathon Team. We also donated to the Massachusetts Coalition for the Homeless Bed for Every Child Initiative which is sponsored by our trade association, the Cooperative Credit Union Association. Besides our direct donation of \$34,000, we also participated in their blanket drive, donating 244 blankets, and in their annual book drive, which we donated over 2,000 children's books.

Further, the Hanscom Federal Credit Union Charitable Foundation Inc., whose purpose is to support our military and civilian community in a major way is also hard at work. We provided \$135,000 to the Home Base organization in Boston last year to take care of troops returning from war zones across Iraq and Afghanistan who are suffering from traumatic brain injuries and post-traumatic stress disorder which are known as the invisible wounds of war. Additionally, we have supported Crossroads for Kids the last 4 years which helps kids growing up in difficult environments and gets them on the right track to becoming productive citizens. Mr. Marotta encouraged everyone in attendance to become a supporting member of the Foundation which is only \$10 per year.

- VIII. SCHOLARSHIP PRESENTATIONS:** Mr. Marotta called on Mr. Pronchick, Chairman of the John F. Condon Memorial Scholarship Committee, to present this year's awards to: Julia Taylor, Amanda Donahue, David Arango, Nicholas Karalis. Sarah Reidy, also a recipient was unable to attend. Mr. Pronchick presented the Bedford High School JROTC Scholarship to Cadet Chief Master Sergeant Kathryn Brown. The Lowell High School JROTC Scholarship was awarded to Cadet Colonel Shaynon Peden who was unable to attend.
- IX. UNFINISHED BUSINESS:** Mr. Marotta asked if there was any unfinished business to record, there was none.
- X. NEW BUSINESS:** Mr. Marotta asked if there was any new business to be brought before the assembly, there was none.
- XI. ADJOURNMENT:** On a motion by Mr. Mleziva seconded by Mr. Tyler, the 65th Annual Meeting of the members of Hanscom Federal Credit Union adjourned at 7:25 P.M.

Paul J. Marotta, Chairman

John A. Delcore, Secretary



1610 Eqlin Street • Hanscom AFB, MA 01731 • 800.656.4328 • www.hfcu.org

August 2020

Dear Member Owner,

Our Annual Meeting letter to you historically highlighted the operating results of the Hanscom Federal Credit Union for the prior year. This no longer seems adequate in light of the unprecedented challenges we all face due to COVID-19 which has forever changed the world.

The annual meeting which was postponed by three months and to which you are encouraged to attend virtually is not what we envisioned nor do we expect to be able to host our annual meeting in the traditional large scale in person format next year.

Fortunately, your credit union remains well positioned to continue to serve you. Our staff remains healthy and we have been able to transition a majority of them to working remotely. We were able to resume normal branch hours and operations at the end of June and thank you for your understanding during the early months of the pandemic.

During 2019 Hanscom, Federal Credit Union balanced long term performance and security against market changes in the near-term. We were pleased to end the year with results that benefited you, our Member Owners, and that positioned us to continue to do so over the long term. Our total assets grew to \$1.510 billion, an increase of 14% for the year and our total membership increased to over 92,000 members, an increase of 4.5%.

We maintained our above-market rates on savings and certificates as a way to return value directly to our depositing members. As a result, total share and deposit balances increased 15% to \$1.342 billion. Meanwhile, our total loan portfolio remained flat at \$1.193 billion in a very competitive lending environment.

Because of our common-sense approach to underwriting, loan losses totaled only .16% of total loans, a rate that was much lower than the industry average of .45% in 2019. We looked for every opportunity to control expenses while investing in improving member service, which helped us grow profitably last year.

For the 23rd consecutive year, your Board of Directors voted to authorize a special year-end loyalty dividend on shares and to expand the interest refund beyond consumer loans to include first mortgages and student loans. This year's bonus dividend was authorized in December and paid in January at a rate of 0.50% of dividends earned and interest paid on all eligible accounts and totaled \$430,000.

On December 31, 2019, our net worth-to-assets ratio of 9.96% was well above the 7% standard set by the National Credit Union Administration (NCUA) to be defined as well capitalized. Our balance sheet remains strong and well-positioned to accommodate loan growth in 2020 and beyond.

Last year we continued to refine our products and services, devoting resources to train our staff, who are committed to serving our Member Owners with the utmost care and respect. In addition our team of professionals and volunteers were especially proud of many of the achievements we reached, such as:

- Being named Kiplinger's Personal Finance Magazine's #1 credit union in the U.S. for the second consecutive year. The August 2019 issue has identified its top picks among national, regional, and internet banks, along with credit unions that offer the best combinations of high rates on deposits, low fees, and a customer-friendly focus.
- Opening our 22nd branch at the South Bay Center in Dorchester, MA, a pedestrian-friendly shopping and entertainment district. The branch is open 7 days a week and features a 24/7 deposit-taking ATM, a coin counting machine free for members, and the friendly and knowledgeable staff you've come to expect when you step into any of our branches.
- Upgrading our online and mobile tools to keep your personal information secure, while allowing you more options for handling your money, including more nimble remote check deposit, the ability to use Apple Watch to handle banking needs, and more secure password functions.
- Continuing the outstanding work of the Hanscom FCU Charitable Foundation, which collected books for homeless children, raised over \$60,000 to benefit Boston Children's Hospital through our annual Boston Marathon campaign, built beds for the Massachusetts Coalition for the Homeless, prepared meals for veterans' families at Fisher House Boston; and set up monthly volunteers at the Burlington Food Pantry.
- Confirming our Foundation's dedication to Home Base's mission to heal the invisible wounds of war of Veterans of all eras, Service Members, Military Families and Families of the Fallen with a five year, \$750,000 commitment. The annual Alan M. Hart Memorial Charity Classic, our primary fundraiser to fulfill this commitment, raised \$150,000 this year.

On behalf of the Board of Directors, our management team, and the entire staff of Hanscom Federal Credit Union, thank you for your continued membership and support. Every day, we're appreciative that you are part of the Hanscom Federal Credit Union family and are grateful for your continued loyalty as we strive to serve your best interests. We look forward with enthusiasm and sincerity to 2020 where we can continue to work together to help you meet all of your financial needs and dreams.



Ray Phillips
Chairman of the Board



David P. Sprague
President and CEO



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Report of the Supervisory Committee

The Hanscom Federal Credit Union Board of Directors appointed Brian Bethune, Michael McLane, Matt Mleziva, Daniel Towers, and Hugh McNeil to the Supervisory Committee in 2019. The committee elected Matt Mleziva as the Chairman of the Committee.

The Supervisory Committee's two general goals are to ensure that management's financial reporting objectives have been met, and that practices and procedures are in place that safeguard and protect the interests of the members in the assets of the Hanscom Federal Credit Union. The independent accounting firm of GT Reilly & Company CPAs and Advisors (hereinafter "GT Reilly") was retained by the Supervisory Committee to perform an audit as prescribed by the Credit Union's governing agency. The Supervisory Committee initiated a contract with Wipfli to perform internal audits during 2019. These firms were selected because they provided the best value to perform audits for Hanscom Federal Credit Union.

The Supervisory Committee met regularly with management and supported the positive actions taken to implement the Board of Directors' plans for the Credit Union and to maintain high quality service to its membership. The committee also met with the Board on a regular basis and held its own separate meetings with GT Reilly and Wipfli throughout the year to fulfill its fiduciary responsibilities. The Supervisory Committee examined the results and findings of the annual examination of the National Credit Union Administration (NCUA). A detailed plan of work for 2019-2020 internal audit was established at the initial committee meeting. The annual review cycle starts with a Risk Assessment which assigns relative weightings for all substantive areas of risk. With input from management and Supervisory Committee, this becomes the outline for the annual work plan.

The audits performed and the periodic reviews accomplished support our opinion that Hanscom Federal Credit Union is being managed, operated, and guided in a financially safe and sound manner. The Supervisory Committee, with the support of its auditors and management, will continue its oversight efforts to ensure that the Hanscom Federal Credit Union members' financial assets are safe and secure in the future.

A handwritten signature in black ink that reads "Matt Mleziva". The signature is written in a cursive, flowing style.

Matt Mleziva
Supervisory Committee Chairman

Hanscom Federal Credit Union

Consolidated Statements of Financial Condition

	December 31	
	2019	2018
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 6,259,515.61	\$ 4,609,351.66
Investments	258,893,766.19	78,801,832.50
Loans		
Credit Card Loans	46,634,594.40	46,004,359.80
Other Unsecured Loans	82,964,409.57	83,136,148.54
New Car Loans	89,173,879.83	104,092,960.44
Used Car Loans	283,478,695.73	292,626,504.13
Business Loans	31,716,218.75	26,325,164.20
First Mortgage Loans	231,779,573.39	196,685,088.50
Other Real Estate Loans	416,517,098.40	437,888,066.42
Other Secured Loans	10,765,993.60	11,094,738.06
Total Loans	1,193,030,463.67	1,197,853,030.09
Less: Allowance for Loan Losses	(6,533,054.60)	(6,605,433.36)
Other Assets		
Land and Building	13,530,617.50	14,094,350.80
Other Fixed Assets	7,552,572.26	5,812,257.33
NCUA Insurance Capitalization Deposit	11,713,176.32	10,939,712.21
Loan Collateral in Liquidation	87,400.00	311,229.67
Other Assets	25,172,798.92	21,763,230.91
Total Assets	\$ 1,509,707,255.87	\$ 1,327,579,561.81
<u>LIABILITIES & EQUITY</u>		
Shares & Deposits		
Checking Accounts	\$ 186,546,935.00	\$ 172,689,981.57
Regular Shares	252,244,992.75	255,119,032.31
Higher-Yield Savings Account	408,684,998.28	362,167,796.04
Kasasa Saver	7,573,074.12	6,575,162.90
Business Checking	7,639,941.62	8,586,360.61
Business Investment	3,930,517.51	3,613,035.63
IRA Shares	473,944.80	533,148.25
IRA Money Market	6,963,865.67	8,171,745.80
Money Market	60,239,583.55	67,437,829.60
Escrow Shares	909,000.11	749,882.45
Share Certificates	346,492,865.37	219,943,655.37
IRA Certificates	60,549,280.87	57,527,506.59
Total Shares	1,342,248,999.65	1,163,115,137.12
Liabilities		
Accounts Payable	17,061,863.43	11,652,260.94
Notes & Interest Payable	0.00	10,025,144.45
Dividends Payable	0.00	0.00
Total Accounts Payable	17,061,863.43	21,677,405.39
Equity		
Regular Reserves	10,168,683.04	10,168,683.04
Unrealized G/L on AFS Investments	6,945.15	(80,204.28)
Equity Acquired in Merger	1,644,524.27	1,644,524.27
Undivided Earnings	138,576,240.33	131,054,016.27
Total Liabilities & Equity	\$ 1,509,707,255.87	\$ 1,327,579,561.81

