



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

May, 2016

Dear Member Owner:

Despite decreasing unemployment and dramatic declines in energy prices in 2015, international economic conditions weighed heavily on the markets and U.S. consumers remained cautious about their financial future. Home prices continued their own recovery spurred by historically low interest rates and an extremely limited inventory of homes for sale. New vehicle purchases remained strong, with demand for SUVs rebounding as a result the drop in gas prices.

The credit union industry and Hanscom Federal Credit Union in particular benefited from this dynamic environment. Our total assets continued to grow, ending 2015 at over \$1.1 billion thanks to the trust and confidence that our Member-Owners have placed in us. We welcomed 11,042 new members to the Hanscom FCU family during the year, increasing our total membership by 14.6% to over 65,000 members. But rest assured, as we continue to grow and reach new heights that our structure as a Member-Owned, volunteer-controlled financial institution we will remain accountable to you. We always put members first by focusing on our mission: **“to provide superior financial service responsive to our members’ needs.”**

We continued our practice of offering above market rates on savings and certificates and below market rates on loans and fees. Our members took advantage of the outstanding value that our products provide. As a result, we ended the year with a loan portfolio of \$921.5 million, an increase of 18.0% from 2014. At the same time, our overall member share and certificate balances increased by \$25.6 million, or 2.4% for the year.

Our prudent underwriting practices and the improving economy reduced loan losses to 0.17% of total loans...a rate that is substantially better than the industry average. Our continued focus on controlling expenses while continuing to invest in improving member service helped us increase profitability during 2015 with a return on assets of 0.62%. In recognition of our outstanding financial performance, your Board of Directors authorized a special year end loyalty dividend of 2% on shares and consumer loans of approximately \$596,000.

We ended 2015 with a net worth to assets ratio of 9.97% which is defined as well capitalized according to the standards of the National Credit Union Administration (NCUA). Additionally we positioned the balance sheet of the credit union to be prepared for an increase in interest rates forecast in 2016.

In 2015 we continued to enhance our products and services and devote ongoing resources to further train our staff of dedicated professionals who are committed to our founding principle of **People Helping People**. Specifically, we were proud to:

- Welcome the Houghton Mifflin Harcourt Employees FCU in Wilmington Massachusetts into the Hanscom family when the credit union joined ours by merger.
- Open a state-of-the-art **iBranch** in Burlington where you can **interact** with our highly trained staff, be **informed** on financial products and services, and be **inspired** to take control of your finances.

- Increase the hours of service provided to members at our Brockton VA Hospital Branch to Monday through Friday 7:30 AM to 3:00 PM.
- Expand our presence on social media to provide you with additional ways to communicate with us and for us to provide you with timely and useful information to make better informed decisions.
- Upgrade our Online and Mobile Access platforms so that you have consistent, easy access to your accounts whether you use a mobile phone, tablet, laptop or desktop device.
- Receive first place recognition for both the Dora Maxwell Social Responsibility and the Louise Herring Philosophy in Action Awards from the Massachusetts Cooperative Credit Union Association.
- Provide community outreach by collecting 2,785 books for homeless children, sponsoring three participants in the Boston Marathon raising \$45,000 to benefit Children's Hospital Boston, continuing to provide financial support for the Massachusetts Coalition for Homeless Families and having our volunteers and staff prepare meals for veteran's families at Fisher House Boston.
- Continue the support provided by the Hanscom FCU Charitable Foundation, Inc. by providing \$100,000 in donations to the Home Base Program and also donating \$10,000 to Crossroads for Kids.

On behalf of the Board of Directors, the management team and the entire staff of Hanscom Federal Credit Union, thank you for your continued membership and support. We are very appreciative that you are part of the Hanscom Federal Credit Union family and are very grateful for your continued loyalty. Rest assured that you can count on us to always serve our **Member-Owners'** best interests.

We look forward to the future with much enthusiasm in meeting all of your financial needs while remaining strong and true to our founding principle of **People Helping People**



Paul J. Marotta
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, Patricia Corey, Matt Mleziva, Ray Phillips and David Pronchick to the Supervisory Committee in 2015. The committee elected Patricia Corey as the Chairwoman 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 which 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 continued a contract with Sheshunoff Consulting + Solutions to perform internal audits during 2015. After a comprehensive bid review, the committee contracted with Macpage to perform internal audits during 2016. 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 Sheshunoff 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 2015–16 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. By virtue of our reviews and the results of our independent auditor's efforts, the Supervisory Committee maintains that Hanscom Federal Credit Union has kept accurate and timely accounting records as well as effective internal controls

A handwritten signature in cursive script that reads "Patricia Corey". The signature is written in black ink and is positioned above the printed name and title.

Patricia Corey
Supervisory Committee Chairwoman

Hanscom Federal Credit Union

Consolidated Statements of Financial Condition

Assets

	December 31,	
	2015	2014
Cash and cash equivalents	\$ 72,548,742	\$ 66,822,329
Investment securities		
Available-for-sale, at fair value	80,238,861	182,449,966
Held-to-maturity, at amortized cost	678,105	961,616
Other	12,834,433	11,378,092
Loans held-for-sale	5,384,075	6,260,575
Loans receivable, net	908,800,118	774,346,105
Accrued interest receivable	2,378,686	2,376,331
Other real-estate owned	114,000	169,000
Premises and equipment, net	4,062,000	4,168,247
NCUSIF deposit	9,332,562	9,138,649
EasCorp and TriCorp membership deposits	537,551	498,438
FHLB stock, restricted, at cost	1,882,100	2,537,500
Prepaid expenses and other assets	18,818,875	22,845,825
Total Assets	\$ 1,117,610,108	\$ 1,083,952,673

Liabilities and Members' Equity

	December 31,	
	2015	2014
Members' shares and savings accounts	\$ 984,796,855	\$ 959,154,920
Borrowed funds	6,402,276	8,571,392
Accrued expenses and other liabilities	17,426,793	15,333,781
Total Liabilities	1,008,625,924	983,060,093
Commitments and contingencies		
Members' Equity - Substantially Restricted		
Unappropriated earnings	100,524,204	93,730,221
Regular reserves	10,168,683	10,168,683
Accumulated other comprehensive loss	(2,464,552)	(3,234,017)
Equity acquired in mergers	755,849	227,693
Total Members' Equity	108,984,184	100,892,580
Total Liabilities and Members' Equity	\$ 1,117,610,108	\$ 1,083,952,673

