

HANSCOM FEDERAL CREDIT UNION
66th ANNUAL MEETING OF THE MEMBERSHIP
August 5, 2020

- I. CALL TO ORDER:** The meeting was called to order at 4:02 PM by Chairman Phillips at Hanscom Federal Credit Union Littleton Operations Center, Littleton, MA. All Directors were in attendance except for Direct Rzepecki. Chairman Phillips thanked everyone for their attendance.
- II. ASCERTAINMENT OF QUORUM:** Since approximately 16 individuals were in attendance, Chairman Phillips stated that the required 15 member quorum was established.
- III. REPORT OF THE NOMINATING COMMITTEE:** Mr. McNeil reported that the Nominating Committee consisting of Larry Rzepecki, John Delcore, and himself as Alt Chairman met on October 6, 2019 and nominated Directors Conrad, Kahre, Pronchick 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 3, 2020 the above named nominees were elected by acclamation.
- IV. APPROVAL OF MINUTES OF MAY 4, 2019 ANNUAL MEETING:** On a motion by Ms. Houle seconded by Mr. Becker the membership voted to approve the minutes of the May 4, 2019 Annual Meeting as printed.
- V. APPROVAL OF SUPERVISORY COMMITTEE REPORT:** On a motion by Ms. Bradley seconded by Ms. Coleman the membership voted to accept the Supervisory Committee's report as printed.
- VII. REPORT OF THE CHAIRMAN:** Chairman Phillips welcomed everyone to the 66th Annual Meeting and thanked everyone for being in attendance. The Chairman expressed that despite the challenges that the COVID-19 pandemic has created that the credit union continues to offer all of the products and services in a safe and healthy environment. He thanked the members for their continued patience as work is continuously being done to with their health and safety in mind.

Chairman Phillips highlighted Hanscom Federal Credit Union's 2019 achievements:

- Opening of the 22nd branch located in the new South Bay Center of Dorchester.
- Winning for the second consecutive year, we were named Kiplinger's Personal Finance Magazine's #1 credit union in the U.S.A.
- Reached a new milestone of 92,000 members.
- The HFCU Charitable Foundation raised over \$60,000 to benefit Boston Children's Hospital through our annual Boston Marathon campaign and presenting our annual golf tournament which raised \$150,000 for the Home Base Program.

- VIII. UNFINISHED BUSINESS:** Chairman Phillips asked if there was any unfinished business to record, there was none.

IX. NEW BUSINESS: Chairman Phillips asked if there was any new business to be brought before the assembly, there was none.

X. ADJOURNMENT: On a motion by Mr. Becker seconded by Ms. Houle, the 66th Annual Meeting of the members of Hanscom Federal Credit Union adjourned at 4:10 P.M.

Ray T. Phillips, Chairman

Teresa S. Conrad, Secretary



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May 2021

Dear Member Owner,

It is no great revelation to say that 2020 was a unique and difficult year for people across the world and right here at Hanscom Federal Credit Union. For those of us in the financial services sector, planning for 2020 was punctuated by questions about whether an inverted yield curve meant that we were entering into a recession or if traditional tailwinds like low unemployment and a strong stock market signaled that we would continue to experience growth into 2020. Few of us could have predicted how the spread of COVID-19 would come to define the year, both in terms of its immediate and unprecedented impact on the economy and in how it impacted our everyday lives.

The Federal Reserve took swift and decisive action in March 2020, quickly reducing interest rates to spur economic activity in the face of the economy shutting down. This change pushed loan rates and deposit and share rates down across the financial services sector. At Hanscom Federal Credit Union, we worked to offer you the best value that we could following these rate changes by reducing loan rates while maintaining deposit and share rates well above the industry average. We made the strategic decision to maximize our return to our members throughout the year by maintaining rates that consistently beat the market in lieu of a one-time bonus dividend at the end of the year. In addition, we responded to the change in the economic conditions with a new Lifeline Loan program, fee-free skip-payment and home loan forbearance programs, and by participating in the federal Payroll Protection Program. Meanwhile, we worked in our branches and back office to adapt to a “new normal” by allowing some staff to work from home and by implementing social distancing controls to allow us to continue to offer you the level of service that you expect from us.

As we look forward to 2021 and beyond, we do so with hope. Promises of widely available vaccines and the ability to return our operations to normal are both positive indicators for how we expect the next year to play out. Based on our performance in 2020, we are confident that Hanscom Federal Credit Union is well positioned to thrive as we expect to see life return to normal. Despite the impact of the pandemic, we saw total assets grow to \$1.67 billion, an increase of 10.3% for the year.

Changes in consumer spending habits contributed meaningfully to share and deposit growth, which grew to \$1.48 billion, an increase of 10.4%. Total loan balances, meanwhile, grew to \$1.36 billion, or 14.0%, as new and existing members looked to capitalize on historic low rates. Business loans more than tripled in 2020, increasing from \$31.7 million in outstanding balances to \$97.0 million at year-end, and first mortgages saw an 80% increase from \$237.8 million to \$397.0 million at year-end.

Because of our common-sense approach to underwriting, loan losses totaled 0.16% of total loans, a rate that was lower than the industry average of 0.38% in 2020. We looked for every opportunity to control expenses while investing in improving member service, which helped us grow profitably last year.

On Dec. 31, 2020, our net worth-to-assets ratio of 9.54% 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 2021 and beyond.

Despite the impact of the pandemic, we accomplished much to further our commitment to serving our Member Owners with the utmost care and respect. Our team of professionals and volunteers were especially proud of many of the achievements we made throughout the year, such as:

- Moving our Beverly branch to 50 Dodge Street, a true retail location which now offers banking six days a week, 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.
- Implementing changes to make it easier to bank remotely with us by making our remote deposit service available to more members, increasing ATM withdrawal limits, and increasing our call center hours to 8 a.m. – 8 p.m. Monday through Friday and 8 a.m. – 3 p.m. Saturday.
- Continuing the outstanding work of the Hanscom FCU Charitable Foundation, which held a successful and safe Alan M. Hart Memorial Charity Classic when many other such events had been canceled or moved out of state. We also completed the most successful cash raffle campaign that we have run in support of the Massachusetts Coalition for the Homeless Bed for Every Child initiative.

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 2021 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, Hugh McNeil, Matt Mleziva and Daniel Towers to the Supervisory Committee in 2020. 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 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 contracted with WipFli, LLC and TraceSecurity, LLC to perform internal audits during 2020. 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 2020–21 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 style with a large, stylized initial "M".

Matt Mleziva
Supervisory Committee Chairman

Hanscom Federal Credit Union

Consolidated Statements of Financial Condition

December 31

| | 2020 | | 2019 |
|--|------------------|----|------------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | 7,213,980.40 | \$ | 6,259,515.61 |
| Investments | 239,037,533.23 | | 258,893,766.19 |
| Loans | | | |
| Credit Card Loans | 40,579,244.31 | | 46,634,594.40 |
| Other Unsecured Loans | 87,893,369.15 | | 82,964,409.57 |
| New Car Loans | 76,560,139.21 | | 89,173,879.83 |
| Used Car Loans | 282,759,096.78 | | 283,478,695.73 |
| Business Loans | 65,420,311.12 | | 31,716,218.75 |
| First Mortgage Loans | 417,471,452.56 | | 231,779,573.39 |
| Other Real Estate Loans | 381,530,607.00 | | 416,517,098.40 |
| Other Secured Loans | 7,431,668.01 | | 10,765,993.60 |
| Total Loans | 1,359,645,888.14 | | 1,193,030,463.67 |
| Less: Allowance for Loan Losses | (6,713,868.06) | | (6,533,054.60) |
| Other Assets | | | |
| Land and Building | 13,063,136.24 | | 13,530,617.50 |
| Other Fixed Assets | 7,123,008.87 | | 7,552,572.26 |
| NCUA Insurance Capitalization Deposit | 13,440,078.88 | | 11,713,176.32 |
| Loan Collateral in Liquidation | 0.00 | | 87,400.00 |
| Other Assets | 33,146,726.40 | | 25,172,798.92 |
| Total Assets | 1,665,956,484.10 | \$ | 1,509,707,255.87 |
| <u>LIABILITIES & EQUITY</u> | | | |
| Shares & Deposits | | | |
| Checking Accounts | 230,795,026.65 | \$ | 186,546,935.00 |
| Regular Shares | 322,675,448.94 | | 252,244,992.75 |
| Higher-Yield Savings Account | 446,849,559.50 | | 408,684,998.28 |
| Kasasa Saver | 17,323,043.19 | | 7,573,074.12 |
| Business Checking | 11,729,737.14 | | 7,639,941.62 |
| Business Investment | 6,266,740.54 | | 3,930,517.51 |
| IRA Shares | 429,227.39 | | 473,944.80 |
| IRA Money Market | 8,050,436.79 | | 6,963,865.67 |
| Money Market | 64,866,346.50 | | 60,239,583.55 |
| Escrow Shares | 1,423,798.47 | | 909,000.11 |
| Share Certificates | 312,096,713.81 | | 346,492,865.37 |
| IRA Certificates | 59,697,513.20 | | 60,549,280.87 |
| Total Shares | 1,482,203,592.12 | | 1,342,248,999.65 |
| Liabilities | | | |
| Accounts Payable | 23,637,179.47 | | 17,061,863.43 |
| Notes & Interest Payable | | | 0.00 |
| Dividends Payable | | | 0.00 |
| Total Accounts Payable | 23,637,179.47 | | 17,061,863.43 |
| Equity | | | |
| Regular Reserves | 10,168,683.04 | | 10,168,683.04 |
| Unrealized G/L on AFS Investments | 1,113,815.87 | | 6,945.15 |
| Equity Acquired in Merger | 1,644,524.27 | | 1,644,524.27 |
| Undivided Earnings | 147,188,689.33 | | 138,576,240.33 |
| Total Liabilities & Equity | 1,665,956,484.10 | \$ | 1,509,707,255.87 |

