

# **HERSHEY FEDERAL CREDIT UNION**

2020 ANNUAL MEETING





**H**

**Member Focus...  
Members Together**

**F**

**Care and Respect  
for Others**

**C**

**Integrity**

**U**

**Authenticity**

# Leadership Report

In 2019, Hershey Federal Credit Union exhibited a community spirit and demonstrated fantastic growth in multiple areas including loans, shares, and membership. While the impact of COVID-19 has delayed our Annual Meeting until October, and it seems a long time ago, it is important to look back at the building blocks established in 2019-2020. As well, we look ahead to new opportunities, while acknowledging the challenging impact COVID-19 has had on the credit union and our membership.

At the outset of 2019, HFCU framed a new mission statement based on long held values of the Credit Union. Among the most important values are serving the membership and getting engaged in the community we serve as a primary focus. To that end, Hershey employees stepped up as the Credit Union jumped into action at various local civic events, such as the American Cancer Society Bark for Life Walk and the Vista School Fair. Hershey forged a strong partnership with The Giving Tree of Hummelstown & Hershey to take part in various “Roll Up Your Sleeves” activities designed to help children and adults in the community. On Veteran’s Day, in partnership with the Giving Tree, HFCU donated “Care” bags with health supplies for veterans at the Lebanon VA Medical Center. In the Fall of 2019, the HFCU Management Team volunteered for Feed the Need at the Hershey Food Bank. During these tough times for folks, we continue to support the Hershey Food Bank and other local initiatives.

Over the course 2019-2020, we have established the groundwork for improving member experience and this continues on. The COVID-19 pandemic has taught all financial institutions that our members need access to their finances with quality, secure, and reliable tools, even when we are closed. In 2019, HFCU had strategically planned for various upgrades that are now underway.

This included upgrading the lending system in order to make it compatible for future products, online banking, and mobile application enhancements. As well, upgrading the lending system has allowed HFCU to bring our business lending program in-house. We now fully underwrite, service, and manage our business member relationships fully at Hershey Federal Credit Union.

# Leadership Report *Continued*

To help foster this growing program, HFCU hired Michael Stern as our 1st ever VP Relationship Manager in September of 2019. Plans are underway to roll out a new Home Equity Line of Credit product before the end of 2020 that will give members the choice to lock in a portion or the entirety of a balance for a fixed rate and term. Currently, the account opening system is in line to be upgraded as well, which combined with the lending system upgrade, will give HFCU the ability to make major enhancements to our online services moving forward. This includes applying for a loan. In line with this strategy, HFCU will be able to offer digital document signing through DocuSign over the coming months. Going into 2021, we plan to take the lessons learned over the past year and review all of our online and mobile products to ensure we are able to deliver the best possible member experience, no matter what challenges may arise in our environment.

While the impact of COVID-19 has been felt by many, HFCU is doing its best to be there for people who have been adversely impacted by loss of income. Back in March, we created a COVID Relief program designed to give loan payment relief and provide available liquidity for both members, and business members in need. To improve financial literacy, HFCU partnered with Banzai in 2019 to offer financial education tools for youth and adults. These tools are available through our website and cover a wide range of topics from budgeting, paying down credit card debt, to buying your first home. For kids, there is an interactive financial education program design. We will continue to work as a force of positive impact in our community as we continue to grow our credit union.

While 2019 was one of the best years on record at HFCU, 2020 has brought reminders that adversity can occur at any moment. That lesson is an important reminder that Hershey Federal Credit Union exists to serve our membership and our community. We are thankful to have a dedicated and diverse membership. We are committed to delivering an outstanding member experience, delivering products and services that benefit our membership, and engaging in volunteer activities that benefit the communities we serve.

*Richard E Miller, Chairman*  
*Joseph E Marchese, Chief Executive Officer*



# Treasurer's Report

During 2019, HFCU demonstrated a strong financial position, which continued a trend of growth and improvement over the last few years. Assets increased by \$2,922,532 or about 4.47%. Share deposits grew by 4.07%, while loans grew by 8.06%. This balance sheet growth was reflected in the income statement results. The credit unions interest income was up 12.10% in 2019 higher investment rates combined with strong loan growth to improve overall net interest earnings. This flowed to the Net Income results as HFCU grew net income by 12.30%. This continued the trend of improving our overall net worth position.

The condensed financial statement is included in the Annual Report. Please review it for more information. The financial analysis shows that HFCU continues to be secure and well-positioned for sustainable growth, managing the challenges brought on by the pandemic.

I thank the Board of Directors, Committees, Management and Staff for their continued dedication and assistance during the year to make HFCU a strong financial partner for our members and for our community.

*Franklin Wagner, Treasurer*

# ALCO Committee Report

The Asset/Liability Committee (ALCO) is made of HFCU Board members and members of the HFCU Senior Management Team. The committee meets to review loan and share rates, liquidity, investments and other financial and operational issues. The committee also discusses and reviews all the financial issues and has the authority to change rates, as needed, and act on other decisions. Asset and liability management is an important part of the credit union financial management. The HFCU Board of Directors relies on the committee to act on their behalf and to be responsive to the needs of the credit union and its members. In 2019, HFCU remained strongly positioned with high liquidity, a conservative investment approach, and low interest rate risk. Despite the financial impact of COVID-19, HFCU remains consistent in it's Asset and Liability Management approach to meet the needs of members, adapt to changing environments, and preserve the safety and soundness of the credit union.

I wish to thank the ALCO committee members: Paul Wagner, Jill Sottile, Jeremy Kline, Michael Stern and Joseph Marchese for their assistance in 2019.

*Franklin Wagner, Chairperson*

# Statement of Financial Condition

## Assets & Liabilities

*As of December 31, 2019 (Condensed)*

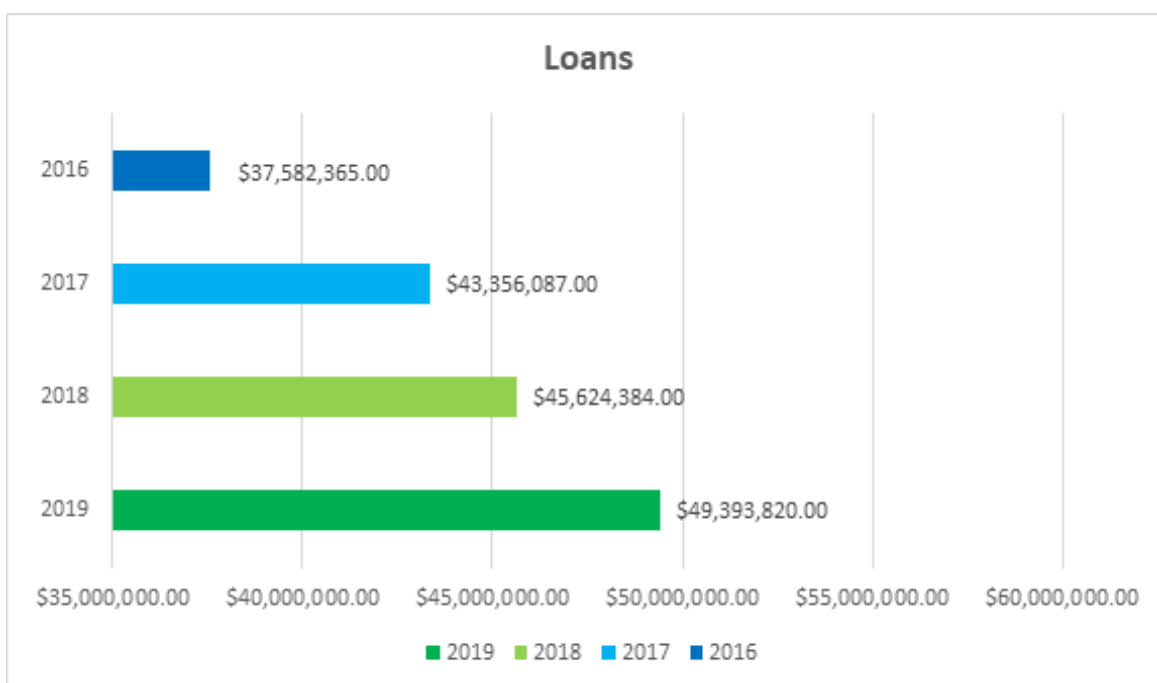
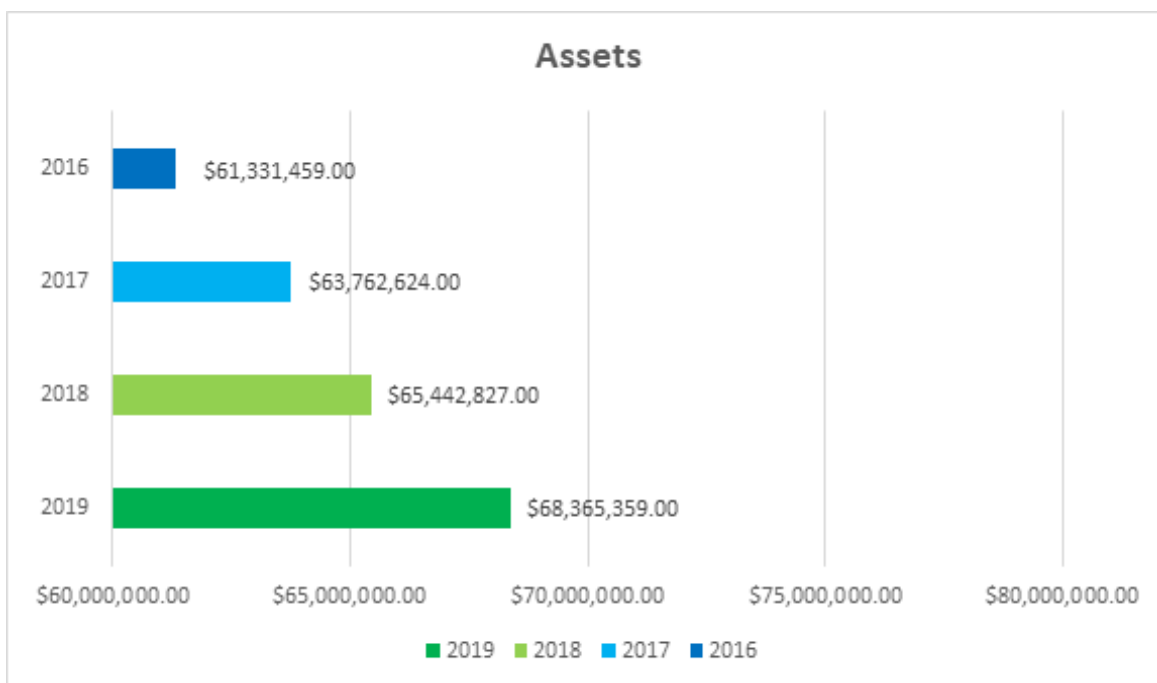
<b>Assets</b>	<b>2018</b>	<b>2019</b>
Loans (Net)	\$45,624,384	\$49,303,740
Cash & Investments	\$15,107,010	\$14,064,533
Other Assets	\$4,711,433	\$4,997,086
<b>Total Assets</b>	<b>\$65,442,827</b>	<b>\$68,365,359</b>
<b>Liabilities</b>	<b>2018</b>	<b>2019</b>
Deposits	\$59,794,851	\$62,230,248
Other Liabilities	\$158,878	\$134,936
<b>Total Liabilities</b>	<b>\$59,953,729</b>	<b>\$62,230,248</b>
Reserves	\$5,489,098	\$6,000,175
<b>Total Liabilities/Reserves</b>	<b>\$65,442,827</b>	<b>\$68,365,359</b>

## Income & Expenses

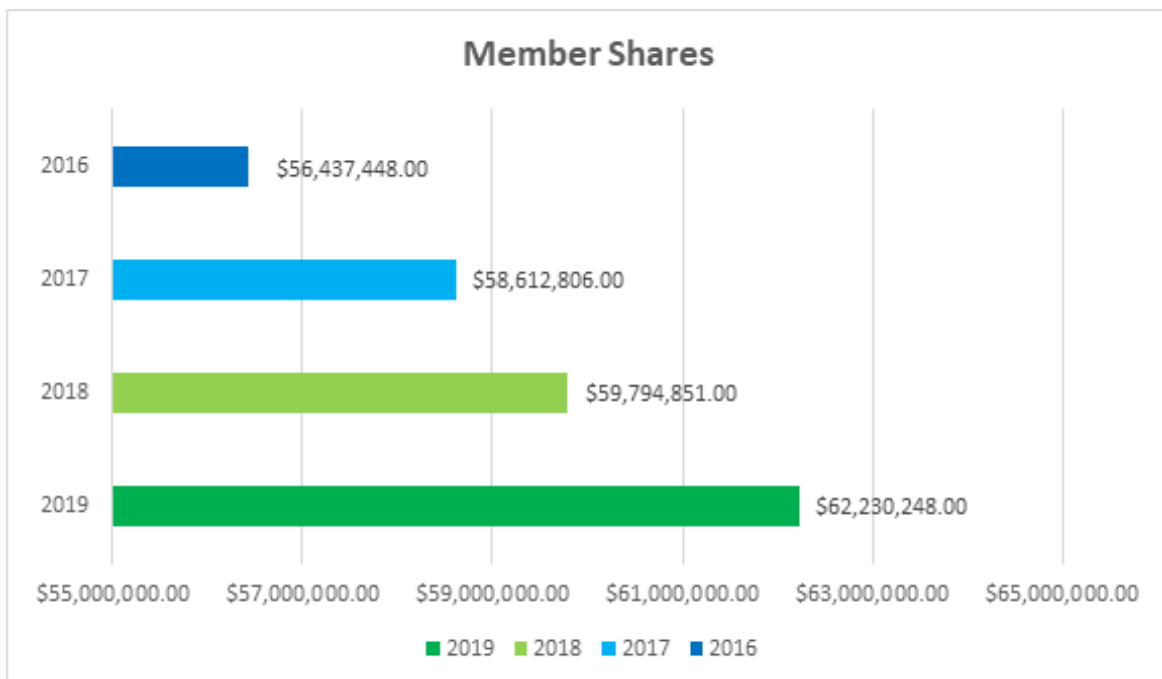
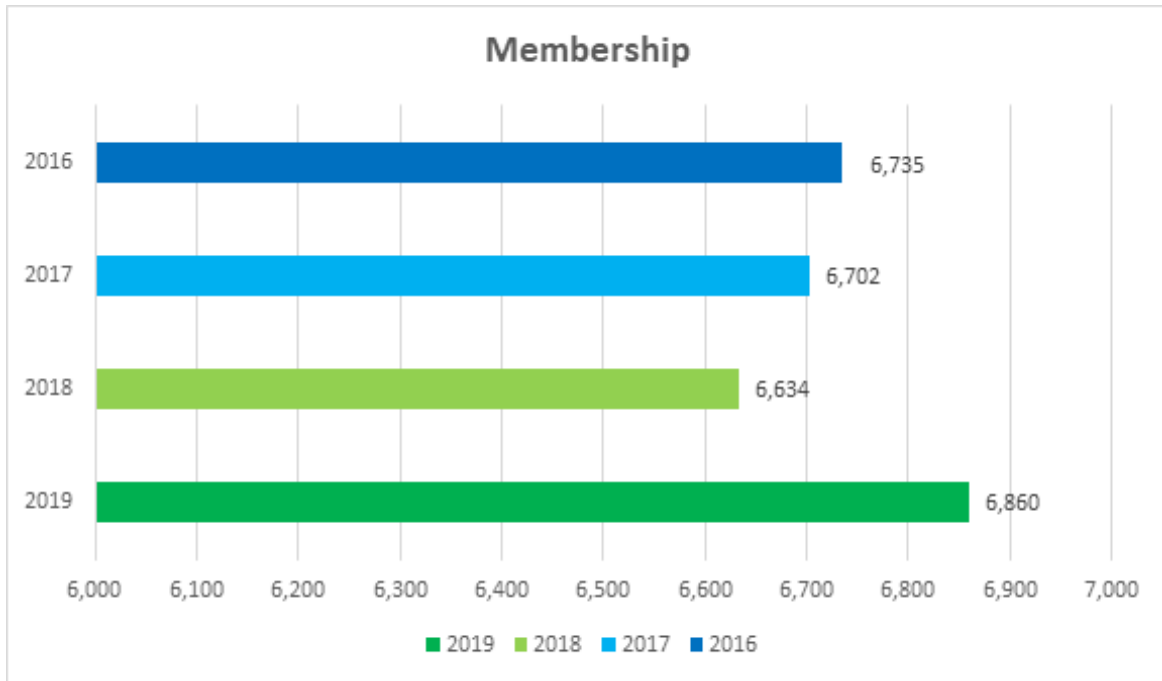
*As of December 31, 2019 (Condensed)*

<b>Income</b>	<b>2018</b>	<b>2019</b>
Interest on Loans	\$1,968,992	\$2,181,575
Interest on Investments	\$266,476	\$324,444
Other Income	\$844,050	\$784,432
<b>Total Income</b>	<b>\$3,079,518</b>	<b>\$3,290,451</b>
<b>Expenses</b>	<b>2018</b>	<b>2019</b>
Operating Expenses	\$2,543,778	\$2,669,146
Non-Operating Expenses	\$0	\$0
Net Income Before Dividends	\$535,740	\$621,304
Dividends	\$80,630	\$110,228
<b>Total Income</b>	<b>\$455,110</b>	<b>\$511,076</b>

# Financial Charts



# Financial Charts *Continued*





# Supervisory Committee Report

The Supervisory Committee of Hershey Federal Credit Union complies with the guidelines set forth by the National Credit Union Administration and the bylaws of Hershey Federal Credit Union.

Commitment to safety and soundness is our foremost concern. In 2019, the committee engaged Feather CU Services, LLC to conduct the Supervisory Committee Annual Review of the financial statements. The review included tests of accounting records and auditing procedures. No material weaknesses were identified as a result of the review.

To conform with HFCU's commitment to the highest levels of safety and soundness, throughout 2019, the committee expanded the engagement with Chris Feather, CU Services, LLC to perform quarterly audits across various areas of the credit union to assess the adequacy of, and effectiveness of the internal controls.

The committee would like to thank the Board of Directors, Chief Executive Officer Joe Marchese, and the dedicated staff for their continued support and commitment the safety and soundness of Hershey Federal Credit Union.

*Lori A. Gall, Chairperson*

## Board of Directors

Richard F. Miller	• • • • • • • • • •	Chairman
Rita F. Ramacciotti	• • • • • • • • • •	Secretary
Franklin D. Wagner	• • • • • • • • • •	Treasurer
Louise C. Lingenfelser	• • • • • • • • • •	Director
Dan Davis	• • • • • • • • • •	Director
Paul R. Wagner	• • • • • • • • • •	Director
Amy Hahn	• • • • • • • • • •	Director
William Sprandel	• • • • • • • • • •	Director Emeritus
Ercoli DiVittore	• • • • • • • • • •	Director Emeritus
Barbara McLaughlin	• • • • • • • • • •	Director Emeritus

## Supervisory Committee

Lori Gall	• • • • • • • • • •	Chairperson
Diane Carroll	• • • • • • • • • •	Member
Dan Davis	• • • • • • • • • •	Member
Elaine Royer	• • • • • • • • • •	Member

## HFCU Management Team

Joseph Marchese	• • • • • • • • • •	Chief Executive Officer
Jill Sottile	• • • • • • • • • •	Chief Financial Officer
Jeremy Kline	• • • • • • • • • •	Chief Strategy Officer
Michael Stern	• • • • • • • • • •	VP Relationship Manager
Kelli Koehler	• • • • • • • • • •	Branch Operations Team Leader
Miranda Ikeda	• • • • • • • • • •	Marketing Manager
Janice Hocker	• • • • • • • • • •	Compliance & E-Services Manager



# HERSHEY FCU

- 2020 Community Outreach -