

2019 Annual Report



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54th Annual Meeting Minutes

Welcome

Steve Crow, Chairman, welcomed everyone to the 54th Annual Meeting of the Members at 4:57 p.m. All members were invited to eat dinner provided by the credit union.

Invocation

Jason Dietz gave the invocation.

Steve Crow, Chairman, officially started the meeting at 5:59 p.m.

Pledge of Allegiance

Norm Adams, Supervisory Committee Chairman, led the membership in the pledge of allegiance.

Determination of Quorum

Crow asked if there was a quorum of membership. Adams indicated a quorum was present.

Introduction of the Board and Supervisory Committee Members

Crow introduced the Board of Directors: Bill Yockey, 1st Vice Chairman; David Willett, 2nd Vice Chairman; Neal Probus (not present this evening), Secretary; Nicki Sledd (not present this evening), Treasurer; George Barnett, Ron Sheets, Brian McGuire (not present this evening), and Tim O'Brien.

Crow introduced the Supervisory Committee: Norm Adams, Chairman; George Barnett, Supervisory Board Liaison; Don Bowen, (not present this evening); Deb Anderson, (not present this evening); and TJ Dau.

Approval of Minutes

Crow instructed the members that the 53rd Annual Meeting of Heritage Federal Credit Union minutes from last year's meeting of the membership are on page 3 of the Annual Report. Crow asked if anyone had any additions or corrections to last year's minutes. A motion from the members was made to accept the minutes. The motion was seconded. The motion passed.

Crow announced that there are 285 member's present at this year's annual meeting.

Chairman's Report

Crow covered the Chairman's Report on page 5 of the Annual Report. Crow stated the Heritage Federal Credit Union has had another successful year by benefiting the membership. Crow discussed a few of the successes we had at Heritage Federal Credit Union. Crow stated the board was happy to announce the appointment of David Milligan as President/CEO.

Crow stated moving forward HFCU's goal remains the same to provide members with products, services, and guidance needed to prosper financially. Crow mentioned our volunteers and employees care about you the members and exhibit a commitment to our community by volunteering their time and energy to many local organizations.

President/CEO's Report

Crow introduced David Milligan, President/CEO. Milligan started by welcoming and thanking everyone for attending the meeting and showing their support for Heritage Federal Credit Union. Milligan pointed out that the Board of Directors and Supervisory Committee deserve a lot of credit. He said the volunteers donate all their time, countless hours in meetings, trainings, and volunteering on behalf of the credit union.

54th Annual Meeting Minutes (continued)

Milligan introduced all of the executive team, Tony Aylsworth, Chief Risk Officer; Mike Carroll, Chief Financial Officer; Jason Dietz, Chief Digital Services & Deposit Operations Officer; and Barb Winstead, Chief Human Resources Officer. Susan Gray, VP Talent Management (had to leave unexpectedly); Jennifer McGehee, VP of Accounting and Finance; Brett Slayden, VP of Retail and Delivery (out of the office); Holly Smith, VP of Marketing, and Richard Starley, VP of Lending.

In addition, Milligan acknowledged all the staff that helped with the meeting tonight.

Milligan discussed the importance of teamwork at HFCU. He stated that the teams are more excited than they have been in a long time. Milligan explained that the next few years we will strategically focus growing the Credit Union, providing exceptional member service, and investing in our employees.

Milligan explained we have done a lot of research and obtained much data to achieve growth at the credit union. He said we have ramped up our mortgage offerings and as a result, we now offer VA and FHA loans. He explained that our competition is not just local businesses, but it includes Google, Amazon, Rocket, and national financial institutions such as Bank of America, Chase, as well as wealth management firms such as Edward D. Jones and Merrill Lynch. These firms have the capital to invest in acquiring technology and marketing of their products greater than our organization. Therefore, we need to continue to grow in order to raise the capital necessary to continue to invest in technologies and resources.

Our second strategy is member service. He said that we want to exceed member's expectations.

To achieve this, we are surveying members more frequently. We are asking to rate us on our service, on the channel used, and feedback about what our members want. As a result, we will be launching a new checking product suite this summer. We have also changed the traffic flow at Bell Oaks making it one direction with a new exit designed to improve the traffic flow and make it safer.

The third strategy is investing in our employees. We are making sure we communicate better, offer more training, and a greater focus on employee development and career planning.

Milligan stated that our success is completely dependent on our membership. We urge you to use a buy local approach with all your financial decisions. When you put your money with HFCU, we put it right back to our membership and community.

In closing, Milligan thanked everyone for coming and for being such loyal members.

Supervisory Committee Report

Crow introduced Norm Adams, Chairperson of the Supervisory Committee to give the Supervisory Committee Report on page 9. Adams started by thanking everyone for attending and stated we are always looking for members to be a volunteer.

Adams stated it is the Supervisory Committee's responsibility to hire the internal and external auditors. Adams mentioned the Supervisory Committee Report on page 9 of the Annual Report. He discussed that CliftonLarsonAllen,LLP conducted the annual financial statement audit in accordance with the appropriate auditing standards accepted. CliftonLarsonAllen,LLP also conducted the member account verification as required by National Credit Union Association. The Independent Auditor's Report gives us the continued confidence that HFCU's operations are sound and our business is conducted in a proper manner.

Announcement of the New Board Members

Crow introduced David Willett, Nominating Committee Chairman, to give the Nominating Committee update. Willett stated there were no ballots this year, Bill Yockey, 1st Vice Chairman; Ron Sheets, Director; and George Barnett, Director were elected by acclamation. In addition, our new Director Tim O'Brien, previously appointed by the board to fill an existing vacancy, was introduced to the membership. Crow thanked everyone for attending.

Drawing of Door Prizes

Crow introduced Brian Russelburg, Business Development Specialist and Kurt Decker to announce winners of the drawings.

Adjournment

A motion was made to adjourn at 6:22 p.m. The motion was seconded and passed.



Neal Probus

Secretary

Welcome	Steve Crow Board Chairman
Determination of Quorum	Steve Crow Board Chairman
Minutes of the 54 th Annual Meeting	Steve Crow Board Chairman
Supervisory Committee Report	Norman Adams Supervisory Committee Chairman
Financial Report	Tim O'Brien Nominating Committee Chairman
Unfinished Business/New Business	Steve Crow Board Chairman
Announcement of New Board Members	Tim O'Brien Nominating Committee Chairman
Adjournment	

Supervisory Committee Report | Norman Adams | Supervisory Committee Chairman

As the Members' representative to the Board of Directors, the Supervisory Committee plays an important role in evaluating the performance of Heritage Federal Credit Union as well as ensuring internal controls are effectively maintained and Members' interests are protected. The Supervisory Committee accomplishes this with the help of Internal Audit and independent industry experts.

The Committee engaged the certified public accounting firm of CliftonlarsenAllen,LLP to conduct the annual financial statement audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. CliftonlarsenAllen,LLP also conducted member account verifications, as required by the National Credit Union Administration. The Independent Auditor's Report gives us continued confidence that the Credit Union's operations are sound and that our business is conducted in a proper manner.

Cordially,



Norman Adams

Supervisory Committee Chairman

People Helping People

In 2019, HFCU partnered with over 100 local non-profit organizations across the four counties we serve (Warrick, Vanderburgh, and Posey, IN and Henderson, KY). In addition, HFCU donated tens of thousands of dollars to these organizations with 76 volunteers providing 2,728 hours of volunteer support.

Many of our staff also hold volunteer board and committee positions with local non-profit agencies and, true to the HFCU spirit of participation, give many hours of their time and expertise in volunteering to work at events and helping to facilitate programs that are offered by the non-profit agencies.

Statement of Financial Condition

Assets	2019	2018
Cash and cash equivalents	\$ 59,093,472	\$ 33,920,540
Investments	64,334,522	67,189,850
Loans receivable, net of allowance for loan losses	488,538,778	454,881,040
Premises and equipment, net	18,688,685	19,166,372
Other assets	26,787,576	26,319,845
Total assets	\$ 657,443,033	\$ 601,477,647
Liabilities and Members' Equity		
LIABILITIES:		
Members' share and savings accounts	\$ 544,774,899	\$ 502,713,699
Borrowed funds	40,000,000	32,000,000
Dividend payable	174,629	149,895
Accounts payable and other liabilities	7,100,581	5,869,731
Total liabilities	\$ 592,050,109	\$ 540,733,325
Commitments and contingent liabilities		
MEMBERS' EQUITY:		
Regular reserve	\$ 4,843,456	\$ 4,843,456
Undivided earnings	60,151,611	55,886,997
Unrealized gain on investments	397,857	13,869
Total members' equity	\$ 65,392,924	\$ 60,744,322
Total liabilities and members' equity	\$ 657,443,033	\$ 601,477,647

Consolidated Statement of Income

	2019	2018
INTEREST INCOME:		
Total interest income	\$ 26,069,766	\$ 21,865,592
INTEREST EXPENSE:		
Total interest expense	4,560,287	3,147,588
Net interest income	21,509,479	18,718,004
PROVISION FOR LOAN LOSSES	3,168,852	2,986,162
Net interest income after provision for loan losses	18,340,627	15,731,842
NON-INTEREST INCOME:		
Total non-interest income	10,745,124	10,735,929
NON-INTEREST EXPENSE:		
Total non-interest expense	24,821,137	22,917,136
Net income	\$ 4,264,614	\$ 3,550,635

Board of Directors, Executive Team, Committees

Board of Directors

Steve Crow - Chairman
Bill Yockey - 1st Vice Chairman
David Willett - 2nd Vice Chairman
Tim O'Brien - Treasurer
Neal Probus - Secretary
George Barnett - Director
Ron Sheets - Director
Dr. Brian McGuire - Director
Nicki Sledd - Director

Executive Team

David K. Milligan, CIA - Chief Executive Officer
Tony Aylsworth - President
Barbara Winstead - Chief Human Resources Officer
Jason Dietz - Chief Operations Officer
Mike Carroll - Chief Financial Officer

Supervisory Committee

Norman Adams - Chairman
George Barnett - Board Liaison
Deb Anderson
Don Bowen
TJ Dau

Nominating Committee

Tim O'Brien - Chairman
Ron Sheets
Bill Yockey
George Barnett

(as of 5/1/20)

Personnel Committee

Neal Probus - Chairman
George Barnett
David Willett

Building Committee

Bill Yockey - Chairman
Ron Sheets
Nicki Sledd
Neal Probus
George Barnett
David Willett

ALCO - Asset Liability Committee

Dr. Brian McGuire - Chairman
Tim O'Brien
Ron Sheets
David Willett

Governance Committee

Bill Yockey - Chairman
George Barnett
Tim O'Brien
Nicki Sledd

Strategic Planning Committee

Dr. Brian McGuire - Chairman
Tim O'Brien
Ron Sheets
Nicki Sledd

Office & Branch Locations

Headquarters

8266 Bell Oaks Dr.
Newburgh, IN 47630

Bell Oaks

8266 Bell Oaks Dr.
Newburgh, IN 47630

Boonville

966 N. State Rd. 61
Boonville, IN 47601

First Avenue

3540 First Ave.
Evansville, IN 47710

Henderson

2011 U.S. Hwy 60 E.
Henderson, KY 42420

Lending

5422 Darlington Rd.
Newburgh, IN 47630

Main

5388 Old State Rd. 66
Newburgh, IN 47630

Mt. Vernon

321 North Main St.
Mt. Vernon, IN 47620

Northfield

331 E. Boonville-New
Harmony Rd.
Evansville, IN 47725

Operations Center

8300 Bell Oaks Dr.
Newburgh, IN 47630

Vogel Road

4920 Vogel Rd.
Evansville, IN 47715

West Side

5343 Pearl Dr.
Evansville, IN 47712