

2019

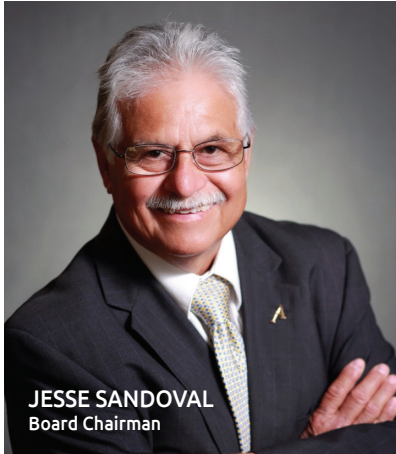
ANNUAL REPORT

HERITAGE

credit union



Report of the Board Chairman & CEO



As a not-for-profit financial cooperative, Heritage Credit Union (HCU) exists to serve our members. Service is accomplished through our team of volunteers and employees. Since our founding in 1934, Heritage Credit Union has lived by the “People Helping People” philosophy of the credit union industry. Your credit union continues to facilitate strong relationships with our members, business partners and communities. Through these relationships, HCU continues to grow by striving to help improve peoples’ lives.

Although not profit driven, growth and healthy contributions to capital are important to serving our members today and in the future. We are pleased to inform you that your credit union’s assets grew to \$389.4 million in 2019 and equity grew to \$43.5 million. Our year-end net worth ratio was 11.90%, well above the regulatory capital requirement of 7%.

2019 net income was healthy at \$2.4 million. Credit unions are owned by members, not shareholders. For this reason, net income is retained by the credit union and transferred to equity at the end of each year instead of being paid out to shareholders.

We experienced record loan growth of \$31.7 million in 2019, bringing our total loan portfolio to \$311.6 million. Total deposits increased to \$313.2 million. The basis of the credit union model is to use member deposits to fund member loans. As a testament to our success, the credit union loaned out 99.50% of deposits to our members. This is up from 95% in 2018.



OUR MISSION

simplify banking
meet people’s financial needs
save people time

HCU rolled out new deposit products in 2019. Save More Checking and Savings accounts pay above-average dividends based on the balance maintained in the account. We also joined the Saver's Sweepstakes program to encourage members to build good savings habits by making small, regular deposits. Members are entered into prize drawings for each deposit they make as outlined in the program.

It is HCU's Mission to simplify banking, meet people's financial needs and save people time. As such, we continue to enhance our digital banking channel to give members the flexibility to transact business in a way that is most convenient for them. We added online deposit account opening in 2019. This enables new and existing members to open savings and checking accounts online if they don't have time to visit a branch. Online deposit account opening compliments HCU's online loan application processing which was implemented in 2018.

Heritage Credit Union was awarded a "2019 Top Workplace" honor by the Wisconsin State Journal, a designation that is based on employee engagement and satisfaction. Heritage Credit Union was also recognized as one of Top 200 Healthiest Credit Unions in America by DepositAccounts.com. DepositAccounts.com evaluates the financial health of over 10,000 banks and credit unions in the United States during the evaluation process.

We broke ground on our new administrative office and branch located in DeForest, Wisconsin. This will allow HCU to bring its entire administrative team together under one roof for increased efficiency and collaboration. We expect the building to be completed by the end of 2020.

Saving our members money and improving members' lives is why we exist, and it is what defines our success today and in the future. As we prepare for the year ahead, we would like to thank our Board of Directors for their support and leadership. We would also like to recognize our employees for their hard work, creativity and dedication to constant improvement. Most importantly, we would like to thank you, our 30,000+ members, without whom none of what we do would be possible. We look forward to serving you for years to come.



Over 60,000 bills paid and more than 16,000 checks deposited with online and mobile banking



125 dedicated employees helping to meet the needs of our members



\$139.4 million loaned to members for cars, homes, debt consolidation and more



4,365 cars, motorcycles and other vehicles financed by our members

FINANCIAL SUMMARY

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Loans to Members	\$ 311,636,629	\$ 279,975,248	\$ 258,952,742
Allowance For Loan Loss	(1,393,600)	(1,232,164)	(1,077,346)
Cash & Due From Banks	19,791,331	18,692,824	16,775,469
Investments	26,272,585	33,387,503	46,854,001
Land	4,408,116	3,932,506	2,275,808
Fixed Assets-Net	11,175,147	9,884,408	8,663,247
Other Assets	14,628,842	3,426,917	3,575,418
NCUSIF Deposit	2,927,799	2,806,615	2,647,298
TOTAL ASSETS	\$ 389,446,849	\$ 350,873,857	\$ 338,666,637
LIABILITIES & EQUITY			
Accounts Payable	\$ 32,336,131	\$ 14,891,917	\$ 20,028,127
Other Liabilities	470,023	537,044	502,693
Deposits	313,170,525	293,816,025	279,120,167
Reserves (Equity)	43,470,170	41,628,871	39,015,650
TOTAL LIABILITIES & EQUITY	\$ 389,446,849	\$ 350,873,857	\$ 338,666,637
INCOME			
Interest on Loans	\$ 13,967,154	\$ 11,955,927	\$ 10,621,008
Interest Expense	(2,586,271)	(1,751,727)	(1,228,237)
Investment Income	791,732	964,044	884,767
Fees & Charges	3,129,725	2,921,673	2,668,253
Misc. Operating Income	1,417,566	1,221,486	863,398
TOTAL OPERATING INCOME	16,719,906	15,311,403	13,809,189
EXPENSES			
Operating Expenses	13,365,698	11,975,562	10,942,215
Provision For Loan Loss	974,523	703,948	506,888
Operating Net Income	2,379,685	2,631,893	2,360,086
Non-Operating Gain/(Loss)	(18,567)	(13,028)	(38,598)
NET INCOME	\$ 2,361,118	\$ 2,618,865	\$ 2,321,488

