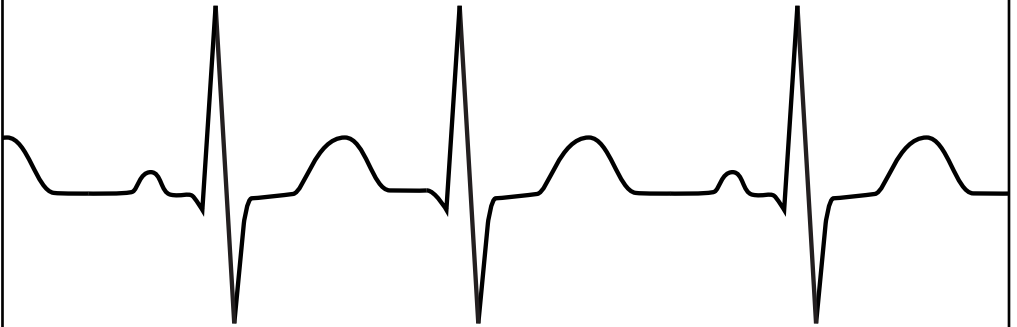


2020

ANNUAL REPORT

For 2019 Operations



Healthcare Systems
Federal Credit Union

It's better to be a member

Federally Insured By NCUA

Your Financial Health is Our Passion.



Healthcare Systems Federal Credit Union

It's better to be a member



The Credit Union National Association (CUNA) estimates that Healthcare Systems FCU provided \$988,325 in direct financial benefits to its 9,386 members during the twelve months ending September 2019.



Annual Meeting Agenda

Wednesday, August 26, 2020, 5:00 p.m.

- Registration and refreshments
- Verification that a quorum is present
- Reading and acceptance of the minutes of the last meeting
- Report of the Directors
- Report of the Treasurer
- Report of the Supervisory Committee
- Report of the Marketing Committee
- Unfinished business
- New business other than elections
- Other business deemed relevant by the Board
- Introduction of nominees up for election
- Speaker
- Question and answer period
- Drawing for door prizes
- Results of election
- Adjournment



Banking can be beautiful! Personable, precise and prompt service that leaves you feeling like a VIP. Healthcare Systems Federal Credit Union take quality to a whole new level. LOVE THEM!

*– D. Helton
Member since 2013*



2019 Annual Meeting Minutes

Welcome and Determination of a Quorum

The Annual Meeting was held at Inova Fairfax Hospital in the Physicians Conference Center lower level. With a quorum determined to be present, John Howell called the meeting to order at 5:41 p.m.

Approval of Minutes

Members in attendance were advised the March 2018 Annual Meeting Minutes were included in their handouts. A motion was made, seconded and approved to waive the reading of the minutes.

Report of the Directors

Chairperson's Report

As part of his report, John Howell presented "For me, For you, For the World" as part of recognition of the Credit Union's 50th Anniversary celebration. Mr. Howell thanked those in attendance for their continued support and membership.

Report of the Treasurer

Henry Schmitt reported:

- Assets in 2018 increased by \$6.8 million or 8.9% over year-end 2017
- Assets as of the end of 2018 have reached \$82 million.
- Overall, a gain from operations of \$1.1 million was recorded in 2018 compared to a \$692K gain in 2017.
- Dividends of \$400,496 were distributed to members in 2018 resulting in a net income of \$711,502 added to the Capital Reserves.
- At the end of 2018, the Credit Union's Capital Reserves stood at 8.97% and the Credit Union continues to thrive and be successful.

Report of the Supervisory Committee

John Howell reported on the Committee's responsibilities and the appointment of the independent audit firm DeLeon & Stang, which report directly to the Committee. The firm recently completed their internal audit of the Credit Union and issued a clean audit report. The Committee also met regularly to, among other things, review internal audit services, internal controls and risk management processes, and examinations by regulatory agencies. In the opinion of the committee, the Credit Union has operated in a fiscally sound manner and, in all material respects, in accordance with federal and state regulations.

Report of the Marketing Committee

Anthony Tutt reported on the 2018 marketing highlights:

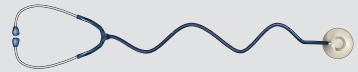
- Themes: "Your financial health is our passion" and clear and consistent quality, one-stop shop for all personal financing needs
- Promotions: A 30-Month Certificate Program; Fixing the rate - Home Equity Line of Credit; Auto loans, A back-to-school loan; Mobile banking and Holiday loans
- Outreach to perspective members
- Education

Unfinished Business

None

Old Business

None



New Business other than Elections

None

Other Business Deemed Relevant by the Board

None

Introduction of Nominees up for Election/Nominating Committee Report

Diane Latvala discussed the Nominating Committee Report.

There were two incumbents eligible for re-election; Jay Brown and John Howell, who indicated to the Nominating Committee their desire and ability to continue for another term as Director. There was only one nominee per vacancy and no additional candidates were qualified through the petition process. As a result, there was no election by ballot.

Guest Speakers:

Mr. Bill Hawkins presentation discussed the Credit Union Movement and People Helping People

Time was provided for a question and answer period.

Drawing for Door Prizes

A drawing for door prizes was held with only those in attendance being eligible. The following persons were awarded:

Name	Prize
Henry Schmitt	\$50 gift card
Braulio Bustamante	\$50 gift card
Matthew Rosales	\$50 gift card
Bertha Rosales	\$50 gift card
Marta Solis	\$50 gift card
Hillery Braxton, Jr	\$50 gift card
Paul Rosales	\$50 gift card
Jazmin Miatch	\$50 gift card
Ashley Rosales	\$50 gift card
Melissa Turner	\$50 gift card
John Howell	\$100 gift card
Erik Peterson	\$100 gift card

Respectfully submitted:
Erik Peterson, Secretary

Approved by:
John L. Howell, Chairperson



Chairman's Report

In 2019 we mourned the passing of one of our founders, Jay Brown. Beloved husband of Judy Brown, Jay was a loving father and devoted grandfather. As a founding board member, Jay was integral to the creation and development of this Credit Union. His tireless volunteer spirit and generosity laid a foundation that we continue to build upon today. Jay's commitment to providing caring and affordable financial service to his co-workers lasted 50 years. Jay Brown served Inova as head of IT during the beginning of the technology revolution, helping to keep Inova up to date during times of frequent and rapid change. Jay never sought recognition or spotlight, but was always ready to share his knowledge and experience to help his co-workers and Credit Union staff. He served with a distinction and character that is difficult to put into words. We are grateful for his wealth of knowledge and many years of service. We will truly miss him.

Healthcare Systems Federal Credit Union enhanced our core strengths in 2019, ending the year with important new features and services and a solid financial performance.

Our strong, year-end financial results demonstrate our commitment to passionately improving our members financial health. Total assets were up 8% over year-end 2018, to \$82.8 million – an outstanding performance. In 2019, member outreach included Surgical Resident events, Donut and Coffee Fairs, Holiday Toy Drive, Clin Tech Day, participation in the highly successful Inova New Hire Expo, perennial Nurses Week, and Benefit Fairs. The continued and demonstrable support from our Hospital Partners is truly a treasured relationship.

In December 2019, we concluded our most recent Net Promoter Score Survey. The Net Promoter Score (NPS) is a cornerstone of our relentless focus on measuring and responding to our Members' Experience. NPS reflects our members' loyalty and their willingness to refer family and friends, which is one of the greatest compliments we can receive. I'm pleased to announce that our NPS score of 62.7 places us among the highest-rated financial institutions in the area.

On behalf of me, our entire board, CEO, management and staff, I thank you for your continued support and membership.

Respectfully submitted,
John L. Howell, Chairman




I always receive excellent service and am treated with respect and honesty. You went above and beyond to help me and my daughter. We are glad to be members of a credit union we can trust.

*– Etetu N.
Member since 2007*



Healthcare Systems Federal Credit Union Staff

President	William Hawkins
CFO	Emeline Tatah
VP- Member Experience	Shonari Hale
VP- Business Lending	N. Bradford May
VP- Consumer Lending	Joe French
Loan Officer	Connie Monge-Gregory
Collections Manager / Financial Counselor	Melissa Turner
Accounting Specialist	Marta Solis
Accounting Operations Officer	Robin Cramer
Operations Support Assistant	Stephanie Heymann
Branch Manager	Jazmin Miatech
Branch Supervisor	Bertha Rosales
Contact Center Manager	Trenice Grinage
Member Experience Officer	Caroline Salzberg
Member Relations Specialist	Fay Bowers
Member Relations Specialist	Wendy Solis
Member Service Representative	Braulio Bustamante
Member Service Representative	Judy Claire
Member Service Representative	Deysi Rodriguez-Platas
Member Service Representative	Kimberly Quiles
Member Service Representative	Mi C Williams
Universal Banker	Fariba Keyvani


I have been a member of Healthcare Systems Federal Credit Union for years because the staff is like a friendly neighbor that listens and takes care of my banking needs. I wouldn't want to bank anywhere – else.
 – Member since 1996



Financial Report

DESCRIPTION	2019	2018
Interest on Loans	\$3,312,963	\$3,031,819
Income from Investments	\$597,457	\$539,825
Other Income	\$1,135,383	\$1,148,568
TOTAL INCOME	\$5,045,803	\$4,720,212
Compensation & Benefits	\$1,662,409	\$1,720,661
Operations	\$1,672,337	\$1,605,594
Member Insurance	\$40,990	\$42,084
Dividends	\$651,172	\$400,496
Reserves and Loan Losses	\$396,700	\$226,500
Gain (Loss) on Sale of Assets	\$2,192	(\$13,375)
Undivided Earnings	\$624,347	\$711,502
Assets		
Loans to Members	\$58,660,766	\$57,802,253
Allowance for Loan Losses	(\$978,637)	(\$1,041,293)
Net Loans	\$57,682,129	\$56,760,961
Accounts Receivable	\$23,842	\$8,348
Cash	\$2,557,211	\$3,327,438
Suspense Accounts	\$1,495	\$2,125
Investments	\$26,946,628	\$20,378,416
Prepaid Expenses / Insurance	\$311,584	\$187,157
Fixed Assets	\$209,637	\$175,044
Accrued Interest on Loans	\$121,700	\$130,655
Other Assets	\$1,930,385	\$1,862,053
TOTAL ASSETS	\$89,784,611	\$82,832,198
Liabilities and Equity		
Accounts Payable	\$91,470	\$95,382
Notes Payable	\$1,500,000	\$2,522,985
Taxes Payable	\$2	\$35
Other Liabilities	\$390,472	\$989,395
TOTAL LIABILITIES	\$1,981,944	\$3,607,798
Shares	\$32,595,246	\$31,803,057
Club Accounts	\$926,505	\$835,061
Share Drafts	\$11,072,507	\$10,943,161
Share Certificates	\$26,525,905	\$20,267,096
IRA Shares	\$1,662,727	\$1,815,290
Money Market Accounts	\$6,822,512	\$6,491,097
Reserves	\$614,224	\$614,224
Undivided Earnings	\$7,443,563	\$6,819,216
Unrealized P/L Investments	\$139,479	(\$363,802)
TOTAL EQUITY	\$87,802,668	\$79,224,400
TOTAL LIABILITIES AND EQUITY	\$89,784,611	\$82,832,198



Financial Report

Assets for year-end 2019 were \$89.8 million which is an increase of \$6.9 million or 8.4% over year-end 2018. At the end of 2017, assets were \$76.0 million. This resulted in a continued trend upward of the HSFCU (Credit Union). Assets of the Credit Union have increased substantially since 2011 when they were at \$60 million. We have continued to see the national Credit Union industry stabilize in recent years resulting in this growth. In addition, the Capital/Net Worth is well above the 7% recommended by the National Credit Union Association (NCUA). Also, the recent NCUA examiners report to the Board of Directors continued to rate the CU favorably.

Loan growth also continued an upward trend. For the seventh year, the Credit Union experienced an increase in loans. Loans made to members had a modest increase of 1.5% over 2018. Total loans recorded as of the end of year were just under \$59 million compared to \$57 million at the end of 2018 and the \$53 million from 2017. The loan-to-share ratio decreased from 80% in 2018 to 74% in 2019, due in part to the increases in share balances. Competitive rates continue to be provided to our members and are reviewed with similar institutions on a monthly basis.

Overall, a gain from operations of \$1.275 million was recorded in 2019 compared to a \$1.1 Million gain in 2018. With the increase in loans and other investments total revenue from operations increased substantially to \$5.0 million in 2019. Total operating expenses of \$3.4 million in 2019 showed no increase from 2018. Reserves and loan losses showed an increase of \$170k. Thus, the annualized return on assets for the Credit Union in 2019 was 0.695%. In 2018, the return on assets was 0.859%.

Dividends of \$651,172 were distributed to the members in 2019, resulting in a net income of \$624,347 added to the Capital Reserves. This compared to the \$711,502 net income experienced in 2018. Thus, as of the end of the year 2019 the Credit Union's capital reserves stood at 8.975% the same as 2018 year-end. Thus, the Credit Union continues to thrive and be successful.

Respectfully submitted,
Henry A. Schmitt, Jr., Treasurer



I transferred the balance from a Wells Fargo Credit Card to my Healthcare System FCU Platinum Card because the credit union cut my rate in half!!

*– Irene R.
Member since 2006*

Loan Report

During 2019 1,231 members looked to Healthcare Systems Federal Credit Union for their credit needs. Many members were able to save a significant amount of money via our many loan promotions. As responsible stewards of your deposits, we loaned more than \$13.5 million to you, our members.

During 2019, the following number of loans were reviewed:

Reviewed by loan officers	2,422
Total loans reviewed in 2018:	2,312
2018 vs 2019 :	+110



Nominating Committee Report

Two incumbents are eligible for re-election this year. Each of these Directors – Mary Proctor and Diane Latvala – has indicated to the Nominating Committee a desire and ability to continue for another three-year term as director. One unexpired term vacancy (expires 2022) was filled by Kylenn Criste. He has also indicated a desire and ability to serve the remainder of the unexpired term. After careful consideration, the Nominating Committee recommended these individuals to the Board. The recommendations were posted in all branch offices. All elections are determined by plurality vote and will be by ballot except where there is only one nominee for each position filled. Since there was only one nominee per vacancy and no additional candidates were qualified through the petition process, there will be no election by ballot. Nominations will not be accepted during the Annual Meeting. The nominating committee is pleased to present the following Board nominees:

Diane Latvala (incumbent) is currently serving as Vice Chairman of the Board of Directors and has been a Board Member since 1987. Diane has contributed to the Credit Union as a member of the Asset-Liability Management Committee since 1993 and as Marketing Committee Chairman from 1988 - 1992. She retired from her position as Director of Management Information Systems at Sentara Regional Medical Center (formerly Potomac Hospital), where she was employed from 1980 - 2007. Diane served for several years as National Director for the Forte International Exchange Association (high school student foreign exchange program). She earned her Masters of Business Administration degree from George Mason University and is the proud Mom of two lovely daughters and will soon welcome her 3rd grandson. She enjoys reading, travel, movies and assisting others.

Mary Proctor (incumbent) joined the Credit Union in March 2002 and served on the Supervisory Committee from April 2006 - May 2015. In June 2015, she was elected by the Board of Directors to fill a midterm vacancy on the board. Mary has been a full-time employee of Inova Fairfax Hospital from November 1998 thru December 2018. She is currently working part time for IHVI Outcomes doing data abstraction for the Cath/PCI registry. She looks forward to continuing her service to the members of Healthcare Systems Federal Credit Union.

Kylenn Criste has worked at Inova Fairfax Hospital since 2016. He currently works as the Growth & Operations Manager for Surgical Services, carrying out strategic initiatives and working on physician engagement. Kylenn obtained his Bachelor's degree in business administration from American University in Washington, DC, and his MBA from West Virginia University in Morgantown, WV. Kylenn believes in mission-driven work and is passionate about not-for-profit enterprises. In his free time, he enjoys hiking, playing basketball, and spending time with friends and family. Kylenn and his wife, Amanda, reside in Gainesville, VA.

Respectfully submitted,
Erik Peterson, Vice Chairperson
Committee Members: Henry A. Schmitt and Anthony Tutt

Supervisory Committee Report

The Supervisory Committee is responsible for monitoring the financial safety and soundness of Healthcare Systems Federal Credit Union (HSFCU) and its compliance with various financial and regulatory requirements. We also monitor the activities of the Board of Directors to ensure that they are acting within sound governance principles.

In helping to fulfill these responsibilities, the Committee employs an independent audit firm and also reviews the results of an examination every 1 and ½ years by the National Credit Union Administration (NCUA). The Committee meets regularly to, among other things, review internal audit services, internal controls, risk management processes, and examinations by regulatory agencies.

In the opinion of the Committee, Healthcare Systems FCU was operated during 2019 in a fiscally sound manner and in accordance with applicable federal and state regulations.

Respectfully submitted, Karen Moser
Chair, Supervisory Committee



Marketing Committee Report

We are always mindful that Financial Education is an integral part of our mission to help members improve their lives. During 2019, we laid the foundation for a robust financial education platform. We expended tremendous resources to acquire the tools to bring Financial Wellness to the forefront of our solution set.

Financial Wellness

An engaging, personalized financial wellness platform via modules, quizzes, and podcasts on a range of topics such as budgeting, investing, homeownership, retirement planning, and more.

Our platform includes:

- A robust library of 30+ learning topics with something for everyone, regardless of life stage or financial circumstances.
- Essential information for each learning topic can be consumed in just 3-6 minutes in order to fit into today's busy lifestyles.
- A Platform designed to work great on a cell phone, tablet, or computer, it can be accessed from almost anywhere.

Financial Literacy

A video library of effective and affordable financial education content designed to engage and teach young adults. We are inviting young adults to join our main character Jen on her journey to understand everything there is to know about money. We will feature this content prominently through our social media networks.

SavvyMoney

SavvyMoney is a comprehensive Credit Score program that helps members stay on top of their credit. Members receive their latest credit score and report, an understanding of key factors that impact the score, and can see the most up to date offers to help reduce their interest costs. With this program, members will always know where they stand with their credit and how Healthcare Systems can help them save money. SavvyMoney also monitors their credit report daily. The member is informed by email if significant changes are detected; a new account is opened, change in address or employment, delinquency was reported, or an injury has been made. Monitoring helps our members keep an eye out for identity theft. When members utilize SavvyMoney to check their credit report, there will be no impact on their score. Our thanks go out to all staff members for their tireless service on behalf of our members, and to the members for their faith in us.

Respectfully submitted, Anthony Tutt, Chairman
Committee Members: Shirley Conley, Phyllis Naworal



From my initial experience, walking into the branch and not knowing anything about credit unions, I was met with sincerity. I knew I would get the "TRUTH" about my financial situation and what my options were.

– Member since 2018



BOARD OF DIRECTORS

John L. Howell, Chairman
Diane Latvala, Vice Chairperson
Erik Peterson, Secretary
Henry A. Schmitt, Jr., Treasurer
Kylenn Criste, Director
Mary Proctor, Director
Anthony Tutt, Director
Dustin Diesing, Associate Director
G. Michael Lynch, Associate Director

The Board of Directors is composed of dedicated HSFCU members elected by fellow members to establish operating policies for the Credit Union. Board members are persons whose honesty, ability and judgment help ensure that policies are in the best interest of our members.

SUPERVISORY COMMITTEE

Karen Moser, Chairperson
John L. Howell, Secretary
Elizabeth McDaniel
Catherine Vetal

The Supervisory Committee, appointed by the Board of Directors, ensures that the Credit Union operates within all applicable laws and regulations, and in accordance with policies established by the Board of Directors.

MARKETING COMMITTEE

Anthony Tutt, Chairman
Shirley Conley
Phyllis Naworal

The Marketing Committee, appointed by the Board of Directors, oversees communications to members and non-members about HSFCU products and services, ensuring that our core message of "It's better to be a member" is meaningfully and effectively disseminated.



**Healthcare Systems
Federal Credit Union**
It's better to be a member

HealthcareFCU.org

3300 Gallows Road, Falls Church, Virginia 22042-3307



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By NCUA

