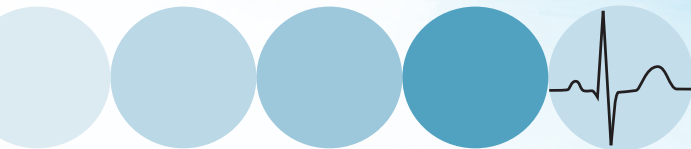


2021 ANNUAL REPORT

For 2020 Operations



**Your
Financial Health
is Our Passion.**



**Healthcare Systems
Federal Credit Union**

It's better to be a member

Federally Insured By NCUA



Healthcare Systems Federal Credit Union

It's better to be a member



The Credit Union National Association (CUNA) estimates that Healthcare Systems FCU provided \$1,249,848 in direct financial benefits to its 9,247 members during the twelve months ending September 2020.



Annual Meeting Agenda

Wednesday, March 24, 2021, 4:00 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*



2020 Annual Meeting Minutes

Welcome and Determination of a Quorum

The Annual Meeting was held via Zoom on Wednesday, August 26th. With a quorum determined to be present, John Howell called the meeting to order at 5:07 p.m.

Approval of Minutes

A motion was made, seconded and approved to waive the reading of the March 2019 Annual Meeting minutes.

Report of the Directors

Chairperson's Report

As part of his report, John Howell reflected on the passing of Jay Brown, one of the Credit Union's founders. Mr. Howell reported on the enhanced core strengths in 2019, ending the year with important new features and services; and a solid financial performance.

Report of the Treasurer

Henry Schmitt reported:

- Assets for year-end 2019 increased by \$6.9 million or 8.4% over year-end 2018
- Assets as of the end of 2019 were \$89.8 million
- Overall, a gain from operations of \$1.275 million was recorded in 2019 compared to a \$1.1million gain in 2018.
- Dividends of \$651,172 were distributed to members in 2019 resulting in a net income of \$624,347 added to the Capital Reserves.
- At the end of 2019, the Credit Union's Capital Reserves stood at 8.975%, the same as the 2018 year-end. The Credit Union continues to thrive and be successful.

Report of the Supervisory Committee

John Howell reported on the Committee's responsibilities and the employment of an independent audit firm, which report directly to the Committee. 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

Shonari Hale reported on the 2019 marketing highlights:

- During 2019, the foundation was laid for a robust financial education platform as an integral part of the Credit Union's mission to help members improve their lives.
- Financial Wellness: An engaging, personal wellness platform on a range of topics such as budgeting, investing, homeownership, retirement planning, and more.
- Thanks to all staff for their tireless service on behalf of the Credit Union's members, and to the members for their faith in the Credit Union.

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

Erik Peterson discussed the Nominating Committee Report.

There were two incumbents eligible for re-election; Mary Proctor and Diane Latvala who indicated to the Nominating Committee their desire and ability to continue for another term as Director. One unexpired term vacancy (expires 2022) was filled by Kyleen Criste, who also indicated a desire and ability to serve the remainder of the unexpired term. 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.

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
Paul Rosales	\$50 gift card
Mary Proctor	\$50 gift card
Erik Peterson	\$50 gift card
Joe French	\$50 gift card
Genoveva Callejas	\$100 gift card

Respectfully submitted:
Erik Peterson, Secretary

Approved by:
John L. Howell, Chairperson



Chairman's Report

In a challenging year, we all have been asking Why? Why did COVID-19 have to come and wreak havoc on the globe creating a new normal, causing many to feel isolated and anxious? Why can't we do more to help? Despite not finding many satisfying answers, we didn't have to ask why about our credit union.

With the credit union, the question wasn't Why. We know the Why, the Why is our members. The only question was, "Now, what are we going to do?" What we did was stand by our members and remain open every day, despite the uncertainty. Your Board takes immense pride in knowing that the Healthcare Systems FCU staff was there to answer the phone when the calls came in.

Most years, we discuss financials in a broad sense. However, I want to first think about the members, whom we helped to defer loan payments when COVID physically or financially affected them or their loved ones. Or the emergency loans we quickly provided to furloughed or separated staff. We all know that your continued support enables your co-workers to make ends meet through skip-a-payments, emergency loans, and sometimes even mortgage deferrals.

Your credit union's rapid adaptation to this changing environment was possible because of a sincerely held belief that service matters. Our members aren't special just because they work in healthcare. They are special because they provide compassionate expertise that safeguards the health and well-being of all, frequently challenging their own physical or mental health.

Our strong, year-end financial results demonstrate our commitment to improving our members' financial health. Total assets were up 12.5% over year-end 2019, to \$101 million – an outstanding performance!

We thank you for your continued support and tireless efforts on the frontline. Our staff and volunteer board of directors and committee members want you to know that Your Financial Health is Our Passion

Respectfully submitted,
John L. Howell, Chairman



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 1997



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
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	Kimberly Quiles
Member Service Representative	Mi C Williams
Universal Banker	Fariba Keyvani



I love this credit union because the location at the hospital is super convenient. If I need anything, I just run upstairs to the branch.

*– Michaela L.
Member since 2000*



Financial Report

DESCRIPTION	2019	2020
Interest on Loans	\$3,312,963	\$3,126,026
Income from Investments	\$597,457	\$554,996
Other Income	\$1,135,383	\$960,320
TOTAL INCOME	\$5,045,803	\$4,641,343
Compensation & Benefits	\$1,662,409	\$1,725,055
Operations	\$1,672,337	\$1,627,233
Member Insurance	\$40,990	\$37,050
Dividends	\$651,172	\$764,395
Reserves and Loan Losses	\$396,700	\$204,587
Gain (Loss) on Sale of Assets	\$2,192	\$0
Undivided Earnings	\$624,347	\$283,022
Assets		
Loans to Members	\$58,660,766	\$56,657,335
Allowance for Loan Losses	(\$978,637)	(\$1,011,236)
Net Loans	\$57,682,129	\$55,646,099
Accounts Receivable	\$23,842	\$18,035
Cash	\$2,557,211	\$2,884,246
Suspense Accounts	\$1,495	\$2,332
Investments	\$26,946,628	\$40,015,755
Prepaid Expenses / Insurance	\$311,584	\$239,562
Fixed Assets	\$209,637	\$203,362
Accrued Interest on Loans	\$121,700	\$96,147
Other Assets	\$1,930,385	\$1,964,438
TOTAL ASSETS	\$89,784,611	\$101,069,977
Liabilities and Equity		
Accounts Payable	\$91,470	\$87,300
Notes Payable	\$1,500,000	\$1,000,000
Taxes Payable	\$2	\$1,751
Other Liabilities	\$390,472	\$450,384
TOTAL LIABILITIES	\$1,981,944	\$1,539,495
Shares	\$32,595,246	\$38,635,732
Club Accounts	\$926,505	\$1,331,520
Share Drafts	\$11,072,507	\$15,473,158
Share Certificates	\$26,525,905	\$25,102,187
IRA Shares	\$1,662,727	\$1,941,286
Money Market Accounts	\$6,822,512	\$8,217,421
Reserves	\$614,224	\$614,224
Undivided Earnings	\$7,443,563	\$7,726,585
Unrealized P/L Investments	\$139,479	\$488,229
TOTAL EQUITY	\$87,802,668	\$99,530,542
TOTAL LIABILITIES AND EQUITY	\$89,784,611	\$101,069,977



Financial Report

Assets for year-end 2020 were slightly over \$101 million, which is an increase of \$11.3 million or 12.6% over year-end 2019. At the end of 2018, assets were \$82.3 million. This resulted in a continued growth trend upward of the HSFCU (Credit Union). Assets of the Credit Union have increased substantially since 2011 when assets were at \$60 million. One of the good things that resulted from COVID-19 is the increased savings by the members. This contributed to the substantial asset increase.

But, one of the areas that was most affected during the past year was loan growth. For the first time in seven years, the Credit Union experienced a decrease in loans. Loans made to members showed a modest decrease of 3.4% over 2019. Total loans recorded as of the end of year were \$55.6 million compared to \$57.7 million at the end of 2019 and \$56.7 million from 2018. The loan-to-share ratio decreased from 74% in 2019 to 62% in 2020, 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. To offset this loan decrease, the credit union has increased in other loan investments.

Overall, a gain from operations of \$1.047 million was recorded in 2020 compared to a \$1.275 million gain in 2019. With the decrease in loans, total revenue from operations decreased to \$4.6 million in 2020. For the third year in a row operating expenses remained constant, just shy of \$3.4 million. Thus, the annualized return on assets for the Credit Union decreased in 2020 to 0.280% mainly a result of the increase in assets mentioned above. In 2019, the return on assets was 0.695%.

With the increase in shares by members, dividends of \$764,395 were distributed to the members in 2020. Net income of \$283,022 could be then added to the Capital Reserves. Thus, as of the end of the year 2020, the Credit Union's capital reserves stood at 8.253% compared to the 2019 year-end 8.975%. 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. Thus, the Credit Union continues to thrive and be successful for its members.

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



I want to thank Caroline for helping me with my car loan and several other loans over the years. She is an exemplar of what customer service is all about!

*– Stacey C.
Member since 1994*

Loan Report

During 2020, 1,538 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 \$16 million to you, our members.

During 2020, the following number of loans were reviewed:

Reviewed by loan officers:	2,432
Total loans reviewed in 2019:	2,422
2019 vs 2020:	+10



Nominating Committee Report

Three incumbents are eligible for re-election this year. Each of these Directors – Erik Peterson, Henry Schmitt and Anthony Tutt has indicated to the Nominating Committee a desire and ability to continue for another three-year term as director. 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. 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:

Anthony Tutt has been a Board member since 2007, and also served on the Board from 2000 to 2003. He has served as Chairman of the Marketing Committee (2003-present), Supervisory Committee member (1995-1999), Marketing Committee member (1993-1995) and has been a credit union member since 1985. Anthony is currently the Supply Chain Director for the Inova Fairfax Medical Campus.

Erik Peterson has been a Board member since 1999 and Board secretary since 2000. He also served on the Supervisory Committee from 1998 to 1999, and has been a credit union member since 1986. Erik is employed as Interim Director Public Safety and Emergency Management Inova Fairfax Medical Campus.

Henry A. Schmitt, Jr. has been a Board member since 1980, Board Treasurer since 1981 and a credit union member since 1979. He also served on the Supervisory Committee from 1979 to 1980. Henry began with Inova Health System in 1978 and retired January 2018 after 39 years as a Director in the Finance department for Inova Fairfax Medical Campus.

Respectfully submitted,
Diane Latvala, Chairperson
Committee Members: John Howell, Mary Proctor

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 following sound governance principles.

In helping to fulfill these responsibilities, the Committee contracts with an independent audit firm (DeLeon and Stang), which directly reports to the Committee. The firm recently completed their annual audit of the Credit Union and issued a clean audit report. HSFCU is also examined every 1 ½ years by staff from the Federal National Credit Union Administration (NCUA). They have also concluded that HSFCU is complying with Federal stipulations. 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 has been operated during 2020 in a fiscally sound manner and, in all material respects, in accordance with applicable Federal and Virginia regulations.

Respectfully submitted, Karen Moser
Chair, Supervisory Committee



Marketing Committee Report

2020 was a year of rapid adaption with the launching a new website, frequent communications to keep our members aware of COVID-19 support programs, resources and stimulus check options. As a member owned co-operative, we take pride in knowing our members. Knowing our members and their needs was never more important. For example, we proactively identified members receiving unemployment benefits and seamlessly pointed them to timely resources. We pivoted and informed members about COVID-19 Assistance Programs, Branch Updates, Skip-a-Payment Applications, Financial Counseling Resources and Emergency Loans.

The Advisory Group and other internal advocates provided real-time crucial support and insights when the pandemic hit. Having access to employees that were deeply concerned about the staff and actively sought to communicate was crucial to staying in the loop.

Our face-to-face engagement with hospital team members has long been a highlight of our workday. We don't just market to our members; we "work" with our members. Their efforts and their absence threw into sharp relief the "Why" staff came to work every day. The pandemic rightfully restricted our outreach efforts. Yet, we ventured to show our wholehearted support and appreciation of the heroes who dutifully saved lives in the midst of the pandemic. From Material Management to Human Resources to Patient Registration to the COVID-19 Testing team, they knew their credit union cared.

Even though our branches remained open, 2020 proved that "outreach" isn't always being where your members are; sometimes, it's as simple as calling and saying, "Hey, we are thinking of you and just want to check-in or wish you a Happy Birthday."

As our members looked to limit in person contact they increased their adoption and usage of our digital solutions. Our digital assistant (Pulse) launch provided members with easily accessible responses to oft-asked questions. We've learned that our members are comfortable interacting with a digital assistant, yet still desire to speak with a team member for more delicate and consultative inquiries. We are working diligently to marry the digital assistant's depth with enhanced and friendly team member support. We have also refined our Digital Banking outreach by adding more comprehensive factors to deliver even more relevant financial solutions.

Member Journey

The Member Journey was a focal point in 2020, as evidenced by the "You" Campaign that presented solutions through a member's lens. In 2021, we'll continue to optimize that journey by refining our digital solutions utilizing data, functionality, and user experience in a way that correlates to our members' behaviors and expectations. An additional component is ensuring that each member knows where they are on that journey. Therefore, we'll clarify our signposts and signals along the way to provide illumination in potential member blind-spots.

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



I just spoke with Trenice, who took my auto loan application; she was pleasant and explained everything in detail. Being a single mom is already hectic enough; Trenice's efficient and exceptional service is much appreciated.

– Member since 2019

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
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HealthcareFCU.org

3300 Gallows Road, Falls Church, Virginia 22042-3307



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