



Weaving **TOGETHER**

2019 ANNUAL REPORT





Weaving TOGETHER

It takes more than one thread to weave something inspirational and enduring. It takes many strong and vibrant strings, each bringing its own unique contribution to the whole. At CFCU Community Credit Union, we're committed to providing our members and communities with the financial fabric to inspire each experience, every day. **Read on to learn more about how we've done so in 2019...**

Table of Contents

President & CEO's Report	1
Chairman's Report	2
Board of Directors	3
Supervisory Committee Report	4-5
Treasurer's Report	6
Strategic Plan	7
2019 Financials	8-9
Community Report	10
Executive Leadership Team	11

President & CEO's Report

Here at CFCU Community Credit Union, we understand the importance of weaving together many different elements within and among us to make our organization stronger. For instance, quality service, financial prudence, and community support have always made up the very fabric of CFCU's identity and history.

This year, we were excited to extend our pattern with the opening of two new branches: one called the "Transformation Center" on the Ithaca Commons, which better serves our downtown Ithaca residents and businesses, and one at Tops Plaza in Waterloo, NY, offering us a new neighborhood to call home. Each of these offer a unique fiber to our growing membership.

Throughout the last nine years, serving as your President and CEO continues to be a great joy. But as you can imagine, many hands are involved in creating the CFCU that we all cherish. I want to highlight those who truly make our tight-knit organization one I'm proud to lead.

First and foremost, I'd like to thank you, our CFCU member. We appreciate your loyalty and how you continue choosing to entrust us to help you save more money, earn more money and make your financial experience gratifying. Our passion is to positively impact you.

Additionally, I'd like to thank our wonderful Executive Leadership Team and all our dedicated employees who work hard every day to carry out CFCU's vision: Transforming generations and communities. Simply. Personally.

Finally, I am extremely grateful for our Board of Directors and Supervisory Committee, who so generously give their time to make sure CFCU successfully and responsibly serves our members year after year.

Let's continue dreaming of what we can create together, embracing the consistent patterns, celebrating the emerging newness and treasuring the whole. Each of us contribute in our own unique way to preserve our past and enfold the future.

Sincerely,

Lisa Whitaker
President & CEO



"We understand the importance of weaving together many different elements within and among us to make our organization stronger."





"We are fortunate to be able to weave together all these pieces and people to continue excellent service for CFCU Community Credit Union's members."

Chairman's Report

CFCU Community Credit Union has just completed another fantastic year. The addition of the Transformation Center in Ithaca and the Tops Plaza in Waterloo has added new opportunities for both the credit union and its members in these areas. And we have seen growth throughout the organization, too.

An organization our size with over \$1 billion in assets is complex and requires weaving together many facets to prosper. We have been fortunate to have facilities that meet the needs of a credit union. But it takes so much more than that to be successful. First and foremost, our members are the backbone of this strong credit union. Their loyalty and use of services help grow our product lines and enable us to create new services.

We are also fortunate to have outstanding staff to provide those services. They are knowledgeable, dedicated, and always willing to go the extra mile for our members. A member happened to see that I was wearing a jacket with a CFCU logo this past fall. She started crying as she told me that a staff member went out of her way to assist her with a car loan after the member had gone through some difficult times.

Our leadership has the education, financial background, expertise, and dedication to ensure that the credit union is always performing at peak levels. The oversight by these individuals ensure the best possible experience for our members. They help weave together the operations while thinking outside the box to create new opportunities.

We have been fortunate to attract volunteers to the Board of Directors and Supervisory Committee who freely give of their time to ensure that policies are developed, strategic plans are created and enacted, regulations are followed, and oversight is provided throughout the year.

I am proud to serve as your Chairman working with people who bring a strong varied background to make sure that our members have the most efficient and caring experience. **We are fortunate to be able to weave together all these pieces and people to continue excellent service for CFCU Community Credit Union's members.**

Brian Mitteer
Board Chairman

Board of **DIRECTORS**



Brian Mitteer
Board Chair



Amy Wood Gonzalez
Vice Chair



Joseph During
Treasurer



Skip Hewitt
Secretary



Dana Decker
Member



Katie Foley
Member



Lisa Whitaker
Member



"The Supervisory Committee remains confident that CFCU maintains adequate controls, complies with applicable laws and regulations, and is well managed and fiscally sound."

Supervisory Committee Report

The role of the Supervisory Committee is to verify that adequate internal controls are in place to safeguard member assets, monitor compliance with applicable laws and regulations and ensure the fiscal integrity of CFCU. The internal audit staff fulfills these responsibilities and reports to the Supervisory Committee. In addition, the Committee engages independent auditors to perform an annual audit of CFCU.

2019 was another year of transition for the Supervisory Committee as our AVP of Internal Audit Celeste Unvanni chose to leave CFCU in September to take a position closer to her family. As we searched for a new AVP of Internal Audit during the last quarter of 2019, Gil Bohene and CoPilot assisted the Supervisory Committee with the internal audit plan. Special thanks to Kim VanDonsel and Bill Crane for keeping the trains running while this position was vacant.

Our search for a new AVP of Internal Audit successfully concluded with the hire of Dave Sandoval on January 2. Dave comes to us with a degree in Accountancy and is both a Certified Information Systems Auditor and a Certified Construction Auditor. He has a broad range of experience including heavily regulated industries such as Public Utilities and Aerospace Manufacturing, as well as Federal Research Grants, Real Estate and Construction.

The Supervisory Committee meets quarterly to review the work of the internal audit staff. Dave Sandoval prepares an annual audit plan at the start of each year that is approved by the Committee. Comprehensive reports are prepared for each audit conducted, as well as a quarterly summary report. Written responses addressing any audit findings are subsequently provided by the responsible party for each internal audit conducted.

The 2019 internal audit plan initially included 70 audits – 55 of which were outsourced, and 15 performed by internal audit staff. Of the 70 audits scheduled for 2019, 60 were completed or in process as of 12/31/19. Ten planned audits were removed from the audit plan, 5 of which were covered in other planned audits, 3 due to changes in business process rendering the work unnecessary, and 2 carried over to 2020. The carried-over audits are scheduled to be completed in the last quarter of 2020 to allow for new processes to mature. The Supervisory Committee was satisfied with the completion rate of the internal audit plan, the responsiveness to new audit requirements, as well as management's timely response to any audit findings.

Our 2020 audit plan currently includes 66 audits, with 50 outsourced, including the two carryover items. We anticipate a significant drop in the number of audits reported in the future. This comes as a result of revised risk assessment based on NCUA guidance and an ongoing evaluation of audits to streamline workflow and combine audit scope where possible. While our goal is to generally avoid the practice of carrying over planned and unplanned audits from year to year, it is not unusual for a minimal number of audits to carry over due to scheduling challenges or changes in strategic priorities.

The Supervisory Committee is pleased to report that our independent audit firm, Doeren Mayhew, has issued an unmodified (clean) opinion report on CFCU's consolidated financial statements as of, and for the year ended, December 31, 2019. The full report is available at CFCU's offices for inspection. As in previous years, members of the Supervisory Committee met with our independent auditors and the New York State and NCUA regulatory examiners in 2019. Findings were minimal, and management was quick to address and resolve any issues or concerns. Based on the examiners' reports, internal audit reports, and the positive results received from our independent auditors, **the Supervisory Committee remains confident that CFCU maintains adequate controls, complies with applicable laws and regulations, and is well managed and fiscally sound.**

I would also like to remind members that the CFCU code of ethics requires that any member who suspects there has been a violation of Corporate Policy, laws or regulations, or general business ethics should report their suspicion. You may contact the Supervisory

Committee in writing or by email. All mail is strictly confidential. You do not have to identify yourself, but it is important that you provide enough information and/or documentation to allow the Committee to investigate your concern. For further information, please go to Supervisory Committee information at myfcu.com/about.

Many thanks go to our internal auditors for their outstanding work. The requirements for internal audit become more demanding every year. The Supervisory Committee is grateful to have such dedicated, competent people working with us. Thanks to the management of CFCU for responding promptly to our many questions and functioning in such a responsible, knowledgeable manner.

Sincerely,
Blixy Taetzsch

Committee Members:
Blixy Taetzsch, Chair
Robert Cree, Secretary
Susan Schattschneider

Internal Audit Staff:
Dave Sandoval, AVP of Internal Audit
Kim VanDonsel, Auditor

Independent Audit Firm:
Doeren Mayhew



"We undertook significant expansion of our physical facilities in opening two new locations as well as continuing to invest in our most important resource: our people."

Treasurer's Report

Strong and clear leadership of the loom – that's what we have in our CEO, Lisa Whitaker, as well as our Executive Leadership Team. The Board of Directors also helps form the parameters of what we weave so that goals are clearly defined and our dedicated staff are supported.

As a result-oriented, member-focused organization, CFCU Community Credit Union has seen another financially successful year in 2019. We undertook significant expansion of our physical facilities in opening two new locations as well as continuing to invest in our most important resource: our people. All this would not be possible without your confidence in and support of our endeavors.

Technology continues to be a significant part of our planning. Keeping up with the latest and best technology in order to provide members with the very best in financial services is a constant challenge. Our entire organization is dedicated to being efficient and forward-thinking when it comes to serving our members. The results speak for themselves. Another very successful year!

I am proud and grateful to be just one thread helping make **the tapestry that is CFCU – one that will not only be successful in the short term, but will easily stand the test of time.**

Respectfully submitted,
Joseph H. During, Jr., CPA
Treasurer

CFCU Community Strategic Plan



Financial Prudence

- Net Worth
- Efficiency Ratio
- Loan to Share Ratio
- DLQ/CO ratio
- Liquidity ratio
- ROA



Diversification

- Expand into New Markets
- Deposit and Loan Alternatives
- Ancillary Income
- Member Products & Services
- CUSO Strategies



Innovation

- System utilization
- Lean Sigma Projects
- Member Experience
- Net Promoter Score
- Data Analytics Program
- Culture of Change



Human Capital

- Recruitment
- Culture of Speed & Innovation
- Compensation Philosophy
- Data Analytics Program
- Employee Surveys
- Strategic Plan



Governance

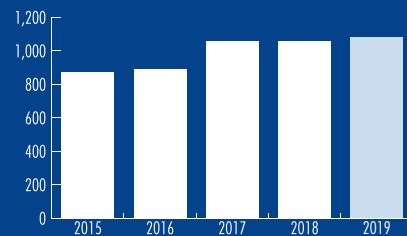
- KPIs
- Education & Training
- CEO Mentoring/Assessment
- Strategic Planning
 - Mission
 - Values
- Organizational Structure
- Succession Planning
- Regulatory/Compliance

Members

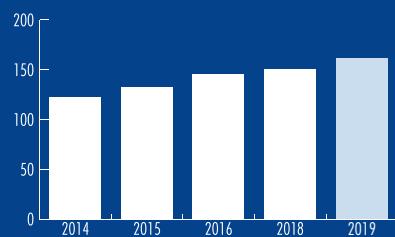
Statement of **FINANCIAL CONDITION**

AS OF DECEMBER 31, 2019

Total Assets (in thousands)



Total Members' Equity (in thousands)



\$915M

MEMBERS' SHARE AND
SAVINGS ACCOUNTS

ASSETS

	2019	2018
Cash and Cash Equivalents	\$177,753,682	\$157,110,875
Certificates of deposit in other financial institutions	\$250,000	\$250,000
Investments:		
Equity	\$29,007,266	\$0
Available-for-sale	\$49,518,837	\$89,159,363
FHLB stock	\$2,594,200	\$2,198,100
Loans to members, net of allowance for loan losses	\$798,238,053	\$783,808,316
Accrued interest receivable	\$2,868,073	\$2,962,388
Prepaid and other assets	\$8,063,508	\$6,726,227
Property and equipment	\$15,797,889	\$11,108,549
NCUSIF Deposit	\$8,353,722	\$8,224,075
TOTAL ASSETS	\$1,092,445,230	\$1,061,547,893

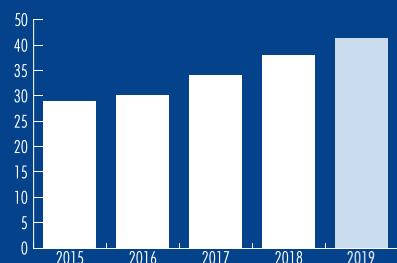
LIABILITIES AND MEMBERS' EQUITY

	2019	2018
Members' shares and savings accounts	\$915,598,420	\$901,838,349
Accrued expenses and other liabilities	\$14,426,694	\$9,701,858
TOTAL LIABILITIES	\$930,025,114	\$911,540,207
Regular reserves	\$15,582,928	\$15,582,928
Undivided earnings	\$146,819,610	\$136,058,790
Accumulated other comprehensive income/(loss)	\$17,578	(\$1,634,032)
TOTAL MEMBERS' EQUITY	\$162,420,116	\$150,007,686
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$1,092,445,230	\$1,061,547,893

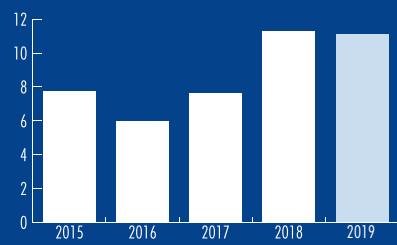
Statement of INCOME

AS OF DECEMBER 31, 2019

Total Interest Income
(in millions)



Net Income
(in millions)



INTEREST INCOME

	2019	2018
Loans to members	\$36,226,620	\$34,066,598
Investment securities	\$5,185,715	\$4,756,844
TOTAL INTEREST INCOME	\$41,412,335	\$38,823,442
Members' share and savings accounts	\$4,203,918	\$3,172,373
NET INTEREST INCOME	\$37,208,417	\$35,651,069
Provision for loan losses	\$3,649,921	\$4,387,417
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	\$33,558,496	\$31,263,652

NON-INTEREST INCOME

	2019	2018
Fees and service charges	\$11,863,818	\$12,029,307
Net unrealized gain recognized on equity securities	\$1,581,919	\$0
Gain on sale of available-for-sale securities	\$776,018	\$159,823
Other	\$265,260	\$70,081
TOTAL NON-INTEREST INCOME	\$14,487,015	\$12,259,211

NON-INTEREST EXPENSES

	2019	2018
Compensation and benefits	\$20,165,521	\$17,971,278
Office occupancy and operations	\$9,934,463	\$8,644,376
Other	\$6,784,526	\$5,494,567
TOTAL NON-INTEREST EXPENSE	\$36,884,510	\$32,110,221

NET INCOME

\$11,161,001 **\$11,412,642**

The condensed consolidated financial statements presented herein do not constitute a complete set. The complete set, including the consolidated statements of comprehensive income, changes to members' equity and cash flows and notes to the consolidated financial statements, is available in the credit union's administrative office.

Community to the



As a credit union our earnings are put back into our members' hands through better rates and yields, more services, and support of our local non-profit organizations.

That means CFCU's growth and success is tightly woven with the growth and success of the local communities we serve — and we would have it no other way!

In
2019

CFCU staff:

- Supported **130** local nonprofits
- Offered **4,185** volunteer hours
- Held **30** Jeans Days, each supporting a different nonprofit
- Raised more than **\$75,000** for local nonprofits

Executive Leadership **TEAM**



Lisa Whitaker
President & CEO



Paul Kirk
Chief Financial Officer



Cathy Benson
Chief Lending Officer



William Crane
Chief Administration Officer
and General Counsel



Beth Putnam
Chief Retail Officer



Mallorie David
Executive Assistant

Senior Management Team

Jennifer Carlton-Cooper
VP, Electronic Services

Jeff Dobbin
VP, Business Lending

Matt Duso
VP, Information Technology

Mark Hillegas
VP, Consumer Lending

Rebecca Lerch
VP, Learning & Development

Madelyn Metzler
VP, Loan Servicing and
Asset Recovery

Eliza Mulhern
VP, Compliance and
Assoc. General Counsel

Kim Roman
VP, Member Experience

Sarah Tomei
VP, Finance and Controller

Chris Werner
VP, Mortgage Operations

Gil Bohene
CEO, CoPilot

A close-up photograph showing hands knitting with light-colored, fluffy yarn on a wooden loom. The hands are positioned over the loom's white threads, with one hand holding a grey knitting needle. The background is a warm-toned wooden surface.

Let's continue *dreaming* of what we
can *create* together.

~ Lisa Whitaker