

Here to Help

IT'S THE HEARTLAND WAY

Board of Directors



Rex Christner

CHAIRMAN



Roy Broxterman

VICE CHAIRMAN



Kendal Pulliam

SECRETARY & TREASURER



Libby Beck



Caroline Phelps



John McCannon



Mark Woleslagel

Agenda

Call To Order

Determination of a Quorum | REX CHRISTNER

Approval of Minutes and Agenda | REX CHRISTNER

Report of Chair | REX CHRISTNER

Report of Treasurer | KENDAL PULLIAM

Report of Supervisory Committee | LORI BLAKESLEY

Report of the President | DAN SPRINGER

Report of Election | REX CHRISTNER

Volunteer Recognition | REX CHRISTNER

Unfinished Business

New Business

Adjournment

Minutes of the 2019 Annual Meeting

The 72nd Annual Meeting of the Heartland Credit Union was held March 10, 2020 at the Drury Inn, 400 W Douglas Ave, Wichita Kansas. Approximately 90 members were in attendance.

Chairman Rex Christner called the meeting to order at 6:00 p.m. and a quorum was established.

Roy Broxterman moved to approve the minutes of the 2019 Annual Meeting as presented to the members. The motion was seconded by Darren Werth. Motion carried.

Chairman Christner presented the Report of the Chair. He reported that 2019 ended with total assets of \$325.7 million and net income of \$586,549. Christner also reported on return of the member ratings, the launch of Heartland Connections and new loan origination systems, the opening of a branch in Hutchinson High School and other highlights from 2019. John McCannon moved to approve, Roy Broxterman seconded. Motion carried.

Lori Blakesley presented the Report of the Supervisory Committee. Blakesley explained the responsibilities of the Supervisory Committee to ensure members' assets are safeguarded and the means used to accomplish this task. She further reported that the CPA firm of Moss Adams LLP was engaged to conduct the annual audit as of 9-30-19 and they reported that HCU records fairly and accurately represent the credit union's financial position. On behalf of the Supervisory Committee, Blakesley reported to members that their funds and records are being maintained in a safe, sound and confidential manner. Kendal Pulliam moved to approve the report, the motion was seconded. Motion carried.

Brock Wells presented the Report of the Credit Committee. Wells discussed the role of the credit committee in insuring lending policies are reviewed and carried out by the loan

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Minutes of the 2019 Annual Meeting Continued ▶

officers. He highlighted notable information and actions in the lending area during 2019, including statistics on loan activity, delinquencies and charge-offs. Wells further reported that at year end, 95.8% of HCU's member shares were reinvested in member loans compared to our peer average of 78.88%. Lori Blakesley moved to approve the report, Kendal Pulliam seconded. Motion carried.

Secretary-Treasurer Kendal Pulliam presented the Treasurer's Report. He reported that HCU surpassed \$325 million in assets during 2019 and placed \$586,549 of net income into reserves. Pulliam further reported on the impact of HCU's 43.9% ownership in Members Mortgage Services, LLC, noting that HCU's original investment in MMS of \$450,000 in 2004 has grown to \$8.6 million. Brock Wells moved to approve the report, Roy Broxterman seconded. Motion carried.

Dan Springer, President, addressed the members. He reported on HCU's efforts in 2019 to bring better service and solutions to members. He spoke about Heartland Credit Union's commitment to empower our members to take control of their financial life and experience financial well-being and plans for expanding these types of services. Springer also commented on the successful opening of the new Hutchinson High School branch staffed by HHS students. He assured membership that HCU will continue to empower members with the right advice, tools, and services.

Christner gave the Report of Election. Those elected without contest were: Caroline Phelps and Richard Carlisle to the Board of Directors, and Mike Juby and Libby Beck to the Supervisory Committee.

There was no unfinished business to report, and no new business brought forth.

Kendal Pulliam moved to adjourn, Roy Broxterman seconded. Chairman Rex Christner adjourned the meeting at 6:35 p.m.

Rex Christner, Chairman

Kendal Pulliam, Secretary-Treasurer

MINUTES SUBMITTED BY KRIS PFISTER

Report of the Chair



Rex Christner
CHAIRMAN

2020 was a unique and challenging year, to say the least. Thanks to the hard work of our staff and volunteers, and the dedication of our members, we experienced another positive and productive year for our credit union. In 2020, we ended the year with total assets of \$398 million, an increase of 22.2% since Dec. 31, 2019. Heartland Credit Union posted net income of \$6.7 million for 2020. The story of 2020 was about more than just the bottom line. It was about being there for our members.

The pandemic was a challenge for many of our members and your credit union stepped up to help them meet that challenge. We provided relief and assistance to our members in several ways, including:

- 2,612 loan deferrals and Skip-a-Pays
- 496 small dollar loans to help members make ends meet
- 0% Payroll Assistance Loans for members facing furloughs
- 90 days no payments on auto purchase and refinance loans
- \$9.4 million in Paycheck Protection loans, which provided relief for nearly 250 small businesses

Other highlights of the year included:

- Experienced strong member growth of 7.5%, ending the year at just over 29,400 members.
- Launched the Heartland Connections video banking app, allowing members to video chat with HCU staff from the safety and convenience of their home.
- Developed new consumer checking accounts, providing cash back rewards to members just for using their HCU debit cards.

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Report of the Chair Continued ▶

- Finished the year ranked #5 for “Return of the Member” among all credit unions in Kansas, calculated by Callahan & Associates.
- HCU is #9 in asset size out of 77 credit unions in Kansas.
- The Members Mortgage Services servicing portfolio topped \$2.375 billion, representing 40% growth in 2020.

I want to say a special thank you to the HCU staff who adapted and served our members in new ways during some very challenging times. From our Financial Service Representatives who counseled our members and helped them through tough circumstances, to branch staff who assisted our members in the drive-thru when we had to close our lobbies. I also can't forget our support staff who processed loans, kept our facilities clean, and maintained our digital banking services that allowed members to bank from home. Your dedication and service to our members was nothing short of inspiring.

Finally, thank you to our members. We greatly appreciated your patience this past year, as we strived to serve your needs.

Our financial cooperative is successful because of your commitment to utilize the services of the credit union.

Your participation in the credit union helps HCU grow and provide even better service to the membership. Thank you for your continued support.



Here to Help You Stay Connected

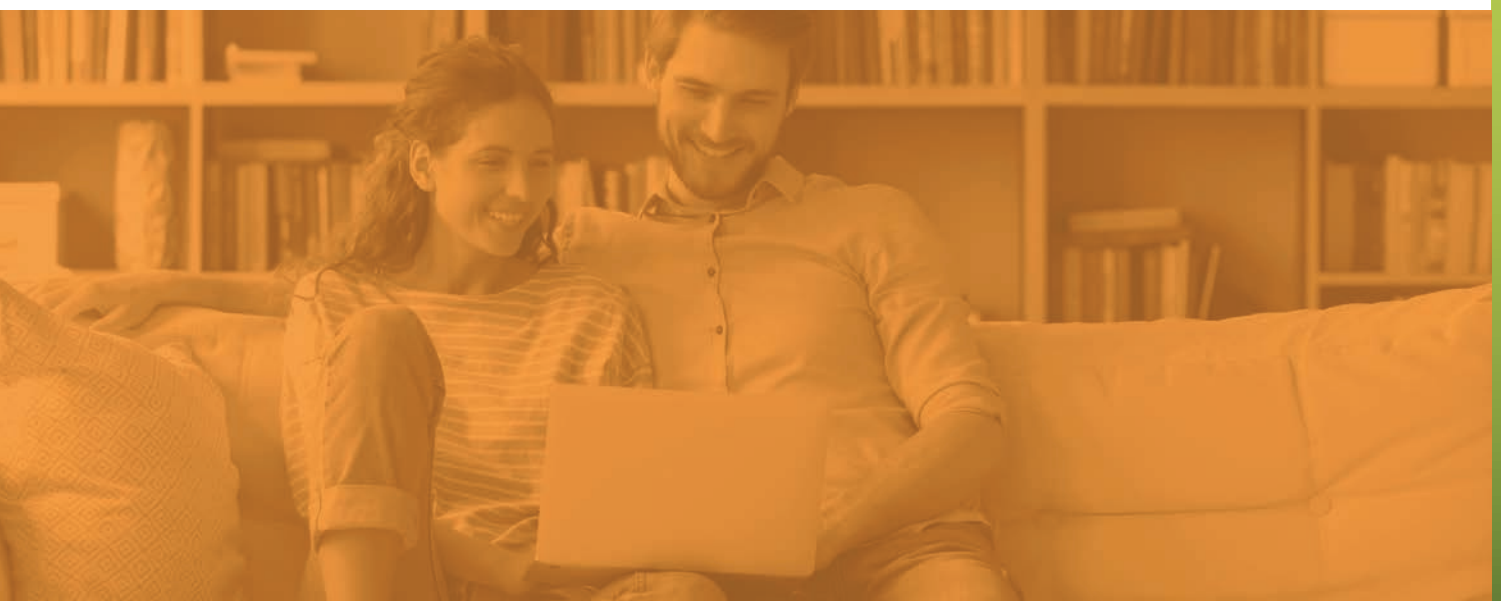
Throughout the pandemic, it was our priority to help you bank safely, stay connected to your finances, and provide exceptional service, no matter the circumstances. Last April, we launched our newest technology—the Heartland Connections video banking app—making it possible for our members to talk to HCU staff face-to-face, even when our branches were closed due to COVID-19.

Not only did Heartland Connections provide members with a safe banking solution during the pandemic, it will continue to benefit the membership into the future. The Heartland Connections app is a great option for when you're out shopping for a new car and have a question about auto loans, or when your schedule is packed and you don't have time to run another errand, or even when you just don't feel like leaving home. With Heartland Connections, you get the same great service you deserve, with an extra boost of convenience!

With the Heartland Connections video banking app, you can:

- Open a new account
- Apply for a personal or home loan
- Investment and retirement planning
- Manage your business accounts and loans
- Securely view, sign, and send documents

Download the Heartland Connections app on your Apple or Android mobile device or visit connections.hcu.coop on your home computer, using a Chrome browser.



Financial Statements

BALANCE SHEET

Assets	2020	2019
Loans, Net of Allowance for Loan Losses	\$331,501,199	\$277,862,581
Cash & Investments	\$44,555,113	\$26,697,428
Other Assets	\$22,123,071	\$21,248,817
Total Assets	\$398,179,382	\$325,808,826
Liabilities & Equity	2020	2019
Other Liabilities	\$19,368,975	\$11,655,532
Share Deposits	\$342,568,644	\$284,757,584
Reserves & Undivided Earnings	\$36,241,764	\$29,395,710
Total Liabilities & Equity	\$398,179,382	\$325,808,826

LOAN REPORT

Category	2020	2019
Total number of loans made	30,253	33,065
Total dollar volume of loans made	\$266,094,202	\$182,154,410
Number of loans since April 1, 1948	608,031	577,778
Total volume of loans since April 1, 1948	\$2,479,009,853	\$2,212,915,651
Loans charged-off since April 1, 1948	\$10,954,009	\$9,965,221
Recoveries from charged-off loans	\$1,399,526	\$1,012,161

INCOME STATEMENT

Category	2019	2018
Interest Income	\$14,449,961	\$13,551,577
Dividends	(\$2,496,151)	(\$2,785,755)
Interest Expense	(\$251,316)	(\$265,827)
Net Interest Income	\$11,702,494	\$10,499,995
Non-Interest Income	7,813,282	\$7,023,822
Non-Interest Expense	(\$17,749,862)	(\$16,976,755)
Income from Operations	\$1,765,914	\$547,062
Non-operating Income	\$4,958,188	\$39,487
Net Income to Reserves	\$6,724,102	\$586,549

Report of the Treasurer



Kendal Pulliam
SECRETARY & TREASURER

2020 was a positive year for Heartland Credit Union, aside from COVID-19 and the challenges presented. Your continued support allowed HCU to grow in asset size and continue fulfilling its mission of offering financial services to members in a safe and sound manner. HCU surpassed \$398 million in assets, paid \$2.5 million in dividends, and placed \$6.7 million into our reserves.

The feel and touch for financial services changed with COVID-19, and we sincerely hope you were able to achieve your needed services during this time.

Included in HCU's 2020 net income was a \$4.9 million gain from Members Mortgage Services, LLC (MMS), representing our 45.7% ownership. The income from MMS and operating income of \$1.76 million aside from MMS allowed HCU to realize asset growth of 22.2% and maintain a capital ratio above 9%.

The Board of Directors believes your credit union is financially sound, and capable of continuing to fulfill its mission of offering financial services in a safe and sound manner.

As members, your continued support is vital to the sustained success of your credit union.

Thank you for your support.

Report of the Supervisory Committee



Lori Blakesley
CHAIRPERSON

The Supervisory Committee is charged with ensuring that members' assets are safeguarded. We accomplish this through the following:

- Oversight of the internal audit program
- Reviewing policies and procedures
- Evaluating the credit union's financial condition
- Interacting with credit union management
- Cooperating with regulatory agencies
- Reviewing activities of the Board of Directors and Committees

In order to fulfill these responsibilities and provide an objective view of the financial strengths and weaknesses of your credit union, the Supervisory Committee relies on a variety of resources, including an internal auditor. This allows the Supervisory Committee to proactively monitor the high-risk areas of the credit union on a regular basis.

Internal Audits

The Certified Public Accounting firm of Moss Adams LLP was employed to conduct the annual audit as of Sept. 20, 2020. Their report concluded that our records represent fairly and accurately the financial position of your credit union and conform to Generally Accepted Accounting Principles.

Moss Adams LLP also audits the records of HCU Investment & Insurance Services in conjunction with the HCU audit, and HCU Investment & Insurance Services was found to be in good order. Our other CUSO, Members Mortgage Services, was audited by J Tenbrink & Associates as of Dec. 31, 2019 and received a clean

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Report of the Supervisory Committee Continued ▶

opinion. Their 2020 audit fieldwork is completed, and the final report is expected to be available by March 30.

Regulatory Examinations

In addition, the committee cooperates fully with regulatory examinations by the Kansas Department of Credit Unions and the National Credit Union Administration. Any records of action are followed up by the Supervisory Committee.

The most recent exam covered transactions up to the close of business on June 30, 2019. There were no material deficiencies cited.

Finally, the Supervisory Committee relies on its own activities and findings:

- The Committee met several times during 2020 to conduct reviews of various policies, procedures, accounts, and reports.
- Staff members from various areas report to us about their operations in their respective departments.
- Committee members take turns attending the Board of Directors meetings.

In summary, the Supervisory Committee is glad to report to members that your funds and records are being maintained in a safe, sound and confidential manner.



Dan Busenbark



Randall Gray



Ed Howard



Mike Juby

Here for Our Local Businesses

2020 created unexpected challenges for local small businesses, the lifeblood of our communities. Businesses had to adapt to new norms and implement new processes to keep their staff and customers safe—all in addition to maintaining their normal day-to-day tasks of owning a business.

“HCU recognized an opportunity to help business owners in the communities we serve,” said **SHAWN RILEY**, VP of Commercial Lending. As an SBA certified lender, we were ready to help small businesses in our Heartland communities and also business throughout the state of Kansas.

In 2020, HCU secured more than \$9.4 million in Paycheck Protection loans for 248 small businesses. PPP loans assisted businesses impacted by COVID-19 in paying employees, interest on mortgages, rent, utilities, and more. Approximately 200 of the 248 First-Round PPP loans have received full loan forgiveness. The remaining 48 have a total of 16 months, which includes a 24-week coverage/draw period and 10-month automatic loan deferment period to apply for forgiveness.

“The credit union had an all-hands-on deck mentality. The entire PPP loan process at HCU is truly a team effort,” said Shawn.

“The success of the PPP loan program at HCU boils down to the hard work and the dedication that our staff has for our membership base.”



From the President



Dan Springer
PRESIDENT/CEO

2020 is a year that will go down in the history books, for many reasons. It was a year where much of what we planned was thrown out the window. We had to adapt to make sure we could be there for our members when they needed it the most. It was a year where I saw HCU truly live out its mission of “Delivering solutions, earning trust and building relationships.”

As the pandemic quickly began to affect the lives of our members, we knew we had to be there for them in a safe manner. Out of an abundance of caution, we closed our lobbies in March. Our main point of in-person contact became drive-thru service, to which members and staff adjusted well. We also relied more on phones and digital banking services to keep our members connected to their finances. A team of support staff quickly developed Heartland Connections mobile video banking. This allowed members to visit face-to-face with HCU staff directly from their mobile device or computer, from the safety of their homes. We continued to deliver the solutions our members needed in new and innovative ways.

While all that was going on, another team at HCU was developing solutions for our members facing financial uncertainty. That could have been a member losing their job or a small business owner that was forced to close their doors. We

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From the President Continued ▶

offered no-fee loan deferrals, waived fees on other services, offered 0% paycheck replacement loans for furloughed members, and counseled countless members through tough situations.

Through the hard work of our staff, members trusted us to be there for them and make sure they could stay above water.

2020 also presented some opportunities that our staff was able to help members take advantage of. As the pandemic took hold, interest rates dropped. This allowed us to refinance hundreds of home loans for members, saving them money every month. We also refinanced countless auto and personal loans from other institutions, providing even more opportunities to save. By building on the relationships with our members, we were able to not only put them in a better financial position today, but for years to come.

While 2020 did pose its share of challenges, it also reinforced what it means to live HCU's mission and the credit union philosophy of people helping people. It was a privilege to see our staff come together to care for members like never before. It was inspiring to see them care for one another as they came to work in these very uncertain times. Finally, it was humbling to see the trust our members placed in their credit union to be there for them through life's challenges.

Thank you for supporting your credit union. I wish you and your family many brighter days ahead.



Thank You for Your Service



Richard Carlisle
BOARD CHAIRMAN

After 29 years of service, Board member **RICHARD CARLISLE** retired in 2020. He joined the Credit Committee in 1991, and he has served on the Board of Directors since 2008. Richard, a Wichita resident and former employee of the Farm Credit System, became an HCU member in 1987 with the merger of the Farm Credit Bank Employees Credit Union with HCU. Richard has been a trusted colleague and friend to members of the Board and the HCU executive team for many years.

“Richard’s 29 years of service to HCU members is a great accomplishment, and we are grateful for his contributions to our credit union,” said HCU Board Chair **REX CHRISTNER**.

Credit Committee Changes

In 2020, HCU dissolved the Credit Committee after our state legislators removed the requirement of a Credit Committee from the state statute.

As the credit union grew over the years, we were able to hire professional staff to manage the day-to-day lending function. Over time, the traditional role of the Credit Committee was no longer necessary, and this was recognized by our legislators.

We would like to express our gratitude to our outgoing Credit Committee members for your service to the credit union.

- **DAN BUSENBARK** – 3 years
Dan was appointed by the board to the Supervisory Committee and remains an HCU volunteer
- **LEILA EMACK** – 18 Years
- **BROCK WELLS** – 4 Years
- **JAN STEEN** – 2 years



Dan Busenbark
CREDIT COMMITTEE



Leila Emack
CREDIT COMMITTEE



Jan Steen
CREDIT COMMITTEE



Brock Wells
CREDIT COMMITTEE
CHAIRMAN

Branch Locations



23rd & Severance

900 E 23RD AVE, HUTCHINSON, KS



Ave A

129 W AVE , HUTCHINSON, KS



Haven

103 S KANSAS AVE, HAVEN, KS



Newton

2201 S KANSAS AVE, NEWTON, KS



29th & Main

2900 N MAIN ST, HUTCHINSON, KS



Salthawk Center

HUTCHINSON HIGH SCHOOL



East Kellogg

12021 EAST KELLOGG DR, WICHITA, KS



37th & Maize

3777 N MAIZE RD, WICHITA, KS