
The Art of Service



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 | ED HOWARD

Report of the President | DAN SPRINGER

Report of Election | REX CHRISTNER

Volunteer Recognition | REX CHRISTNER

Unfinished Business

New Business

Adjournment

Board of Directors



Rex Christner
CHAIR



Caroline Phelps
VICE CHAIR



Kendal Pulliam
SECRETARY & TREASURER



Libby Beck



Roy Broxterman



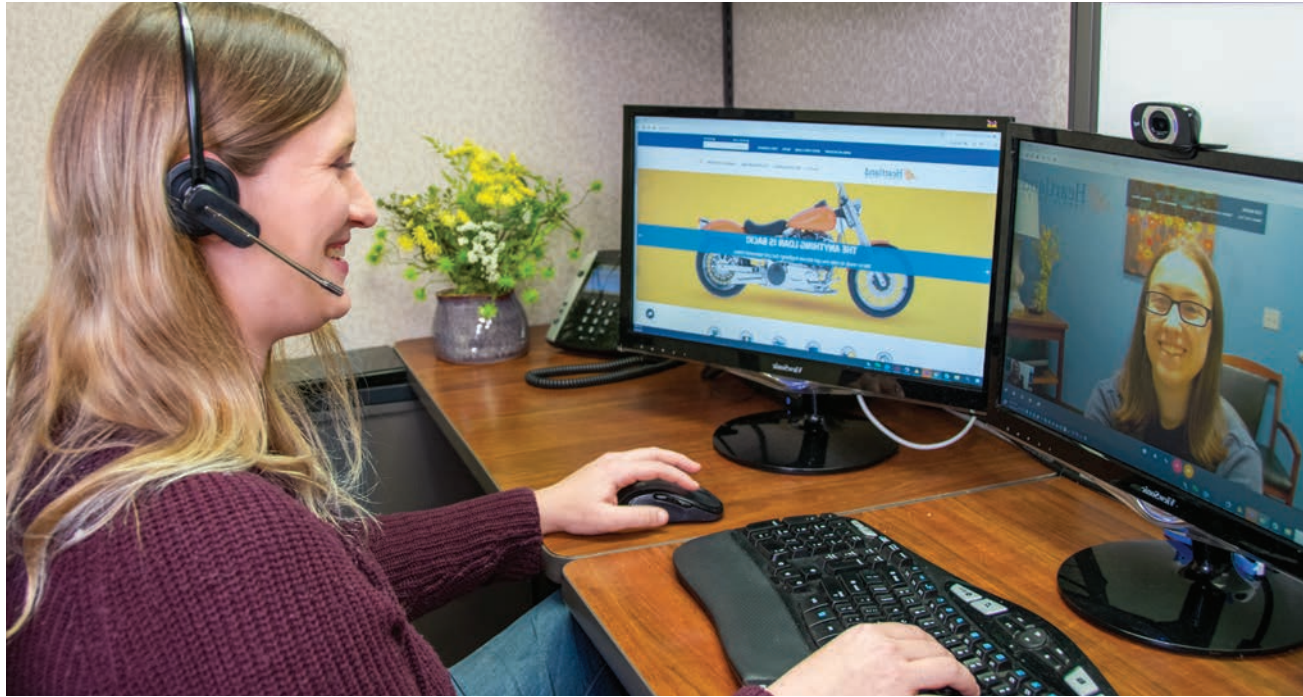
John McCannon



Mark Woleslagel



Financially Insured by NCUA



The Art of Service

Excellent service transcends transactions. At Heartland Credit Union, our focus is always on the people we serve, because our members aren't just numbers to us: they're our neighbors, friends, and family.

From taking the time to truly understand your situation to sending you on your way with a smile, everything we do is about making our members' lives a little easier.

Sculpting a Foundation

We're a learning organization that invests in continual education to equip our staff with the knowledge and tools they need to provide our members with honest advice and personalized solutions to help you bring your dreams to life.

In addition to the training staff receives at the beginning of their career at the credit union, each HCU staff member completes more than 60 hours of additional training each year. The annual training includes courses on new products, member service, security, communication, and leadership—all carefully curated by our education department at HCU.

Imaginative Innovation

Superior service starts with consistent service, no matter how you choose to bank at HCU—in person at a branch, via video chat, online, or on your mobile

device. To carry out this level of service, we diligently seek innovations in technology, delivery systems, and management approaches. For example, in 2020—during the height of the pandemic—we quickly adapted by introducing the Heartland Connections video banking app to help you bank safely and stay connected to your finances without sacrificing service.

This past fall, we launched yet another new convenient service: HCU Digital Banking. The new platform has all the features you loved about HCU Online and Mobile Banking—fingerprint and facial recognition login, InstaCheck mobile check deposit, external transfers, Bill Pay—plus new future-forward features to make managing your money simpler and stress-free. With HCU Digital Banking, you can:

- Monitor your credit score, get alerts, learn tips for improving your score, and even simulate various financial decisions and how they might impact your score
- Centralize your accounts across multiple financial institutions so you can see a complete snapshot of your finances
- Create a spending plan and set savings goals
- Expanded access for our digital business banking members, making it easier to manage your finances, giving you more time to focus on your business
- And more! To learn more about all that HCU Digital Banking offers, visit www.hcu.coop/digitalbanking.

Our Signature Style

Extensive knowledge of our craft and innovative services alone are not what set us apart as a financial institution; what sets us apart—what makes our service unique—is our commitment to building lasting, meaningful relationships with our members. We are here to be your partner in life to help you create your own path to financial well-being. ***It's the Heartland Way.***

Our focus is always on the people we serve, because our members aren't just numbers to us: they're our neighbors, friends, and family.



Minutes of the 2020 Annual Meeting

The 73rd Annual Meeting of the Heartland Credit Union was held March 23, 2021 at Heartland Credit Union, 4000 N Monroe, Hutchinson, Kansas. Approximately 50 members are known to have attended either in person or virtually.

Chairman Rex Christner called the meeting to order at 6:30 p.m. and a quorum was established.

Caroline Phelps moved to approve the minutes of the 2020 Annual Meeting as presented to the members. The motion was seconded by Kendal Pulliam. Motion carried.

Chairman Christner presented the Report of the Chair. He reported that 2019 ended with total assets of \$398 million and net income of \$6.7 million. Christner also reported on HCU's response to the pandemic, new developments with Heartland Connections and consumer checking accounts, and other highlights from 2020. Kendal Pulliam moved to approve the Report of the Chair, Libby Beck 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 September 20, 2020 and they reported that HCU records fairly and accurately represent the credit union's financial position and conform to Generally Accepted Accounting Principles. Blakesley also stated that Moss Adams LLP found HCU Investment & Insurance Services in good order and reported that HCU's other CUSO, Members Mortgage Services, was audited by J Tenbrink & Associates as of Dec. 31, 2019 and received a clean opinion. Their 2020 audit fieldwork is completed, and the final report is expected to be available by March 30. 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. Libby Beck moved to approve the report and the motion was seconded by Mark Woleslagel. Motion carried.

Secretary-Treasurer Kendal Pulliam presented the Treasurer's Report. He reported that HCU surpassed \$398 million in assets during 2020, paid \$2.5 million in dividends to members and placed \$6.7 million of net income into

reserves. Pulliam further reported that income from HCU's 45.7% ownership in Members Mortgage Services, LLC, along with HCU's own \$1.76 million in operating income, allowed HCU to realize asset growth of 22.2% and maintain a capital ratio above 9%. John McCannon moved to approve the Treasurer's report, Libby Beck seconded. Motion carried.

Dan Springer, President, addressed the members. He reflected on all that had happened in 2020, particularly in relationship to the pandemic. Springer spoke about HCU's response including ways to safely address members' day-to-day transactional needs by closing lobbies to reduce COVID risks and enhancing drive-thru, phone, digital banking and Heartland Connections mobile services. In addition, he reported, HCU focused on delivering solutions for our members facing financial uncertainty, such as no-fee loan deferrals, waived fees on other services, 0% paycheck replacement loans for furloughed members, and member counseling.

Christner gave the Report of Election. Those elected without contest were: Rex Christner, Kendal Pulliam and Mark Woleslagel to the Board of Directors, and Ed Howard to the Supervisory Committee.

Christner then recognized Richard Carlisle's retirement from the Board of Directors in 2020 and expressed gratitude for his 29 years of service as an HCU volunteer on the Credit Committee and Board of Directors. He also announced that in 2020, HCU dissolved the Credit Committee as a result of state legislators removing the requirement of a Credit Committee from the state statute and thanked outgoing Credit Committee members for their service to the credit union.

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

Kendal Pulliam moved to adjourn; John McCannon seconded. Chairman Rex Christner adjourned the meeting at 6:49 p.m.

Rex Christner, Chair
Kendal Pulliam, Secretary-Treasurer

MINUTES SUBMITTED BY KRIS PFISTER

Report of the Chair



Rex Christner
CHAIR

2021 was an exciting year filled with growth, change, and opportunity. Thanks to the hard work of our staff and volunteers, and the dedication of our members we experienced one of the strongest years in the history of the credit union. In 2021, we ended the year with total assets of \$477 million, an increase of 20% since December 31, 2020. Heartland Credit Union posted net income of \$10.54 million for 2021. This strong financial performance allowed us to give back to our members for the first time in four years. We also laid the groundwork for better member service and future growth for the credit union.

For the first time since 2017, Heartland Credit Union's Board of Directors declared a Bonus Dividend of approximately \$575,000 be paid back to our members, based on each member's relationship with the credit union. In true cooperative spirit, we were delighted to provide this benefit back to our members. The bonuses were paid on January 21, 2022.

To enhance the member experience and service, we upgraded our Online and Mobile Banking system. The new Digital Banking system provides a more member-friendly layout and upgrades the HCU Mobile Banking App with more features. The new system allows members to sign up for credit score management and provides educational resources for improving their financial well-being. There are also enhanced features for HCU business members, including entitlements and custom reporting.

A tremendous opportunity for HCU presented itself late in the year with the announcement of our intent to merge with Farmers Credit Union in Hays. The merger will allow us to better serve our growing membership in western Kansas and provide Heartland with access to a vibrant new market. Pending a confirmation vote of each membership, the merger should take place by mid-2022.

Other highlights of the year included:

- HCU experienced strong member growth of 9.9%, ending the year at just over 32,300 members.
- Developed new commercial checking accounts, providing business members more features and money-saving benefits.
- HCU finished the year ranked #2 among all credit unions in Kansas in terms of "Return of the Member" as calculated by Callahan & Associates.
- HCU is #9 in asset size out of 75 credit unions in Kansas.
- The servicing portfolio of Members Mortgage Services topped \$2.74 billion, representing 15% growth in 2021.

Our financial cooperative is successful because of the commitment our members make to utilize the services of the credit union.

Your participation in the credit union helps HCU grow and provide even better service and products to the membership. Without you, none of this would be possible. We thank you for your continued support.

Report of the Supervisory Committee



Ed Howard
CHAIR

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 and uses a variety of resources, including an internal auditor. This allows the 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 September 20, 2021. 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 December, 21, 2020 and received a clean opinion. Their 2021 audit final report is expected to be available by March 30, 2022.

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 March 31, 2021. The exam included one deficiency involving board reporting, which has since been corrected. No other material deficiencies were noted.

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

- The Committee met several times during 2021 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 Board of Directors meetings.

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



Lori Blakesley



Deb Hammond



Mike Juby



Shandi Stallman

Financial Statements

BALANCE SHEET

Assets	2021	2020
Loans, Net of Allowance for Loan Losses	\$403,241,280	\$ 331,501,199
Cash & Investments	\$40,660,519	\$44,555,113
Other Assets	\$33,821,934	\$22,123,071
Total Assets	\$477,723,732	\$398,179,383
Liabilities & Equity	2021	2020
Other Liabilities	\$19,352,175	\$19,368,975
Share Deposits	\$411,689,113	\$342,568,644
Reserves & Undivided Earnings	\$46,682,444	\$36,241,764
Total Liabilities & Equity	\$477,723,732	\$398,179,382

LOAN REPORT

Category	2021	2020
Total number of loans made	33,331	30,254
Total dollar volume of loans made	\$322,439,364	\$266,511,796
Number of loans since April 1, 1948	641,363	608,032
Total volume of loans since April 1, 1948	\$2,801,866,811	\$2,479,427,447
Loans charged-off since April 1, 1948	\$11,713,076	\$10,954,009
Recoveries from charged-off loans	\$1,704,689	\$1,399,526

INCOME STATEMENT

Category	2021	2020
Interest Income	\$16,679,049	\$14,449,961
Dividends	(\$2,439,381)	(\$2,496,151)
Interest Expense	(\$252,751)	(\$251,316)
Net Interest Income	\$13,986,917	\$11,702,494
Non-Interest Income	\$10,702,281	\$7,813,282
Non-Interest Expense	(\$17,374,390)	(\$17,749,862)
Income from Operations	\$7,314,808	\$1,765,914
Non-operating Income	\$3,233,933	\$4,958,188
Net Income to Reserves	\$10,548,741	\$6,724,102

Report of the Treasurer



Kendal Pulliam
SECRETARY & TREASURER

2021 was a positive year for Heartland Credit Union, aside from COVID 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 \$477 million in assets, paid \$2.4 million in dividends, including a direct payment Bonus Dividend, and placed \$10.5 million into our reserves.

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

Included in HCU's 2021 net income was a \$3.2 million gain from Members Mortgage Services, LLC (MMS), representing our 45.7% ownership. The income from MMS and operating income of \$7.3 million aside from MMS allowed HCU to grow assets 20.0% 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.



From the President



Dan Springer
PRESIDENT/CEO

2020 was a year for the record books, and in many ways, 2021 surpassed it for HCU. I would never have imagined that COVID would have persisted the way it did. Through it all, our staff and the credit union thrived and continued to meet the needs of our members each and every day. I'm incredibly proud of the work that our employees do and the effort that they bring daily. It's because of those efforts we were able to best serve our members and experience one of the most outstanding years in the history of HCU, which included returning more than half a million dollars to our members in a bonus dividend. This success didn't come without its share of challenges and hard work.

2021 saw the continuation of the pandemic, which meant we had to be there to support our members, and we were. With proper planning and the sheer will of our staff, we were able to keep our branches open in all our markets to ensure our members' financial needs were met. We were able to help members take advantage of low-interest rates on home loans, navigate a competitive auto market, and help local businesses through a second round of Paycheck Protection Loans. But 2021 was about much more than the pandemic.

Our members' success is what is important to us. We want everyone to experience financial well-being, and we made significant strides in that direction in 2021. Financial well-being means having financial security and financial freedom of choice, regardless of income. As a credit union, we're here to provide our members with the tools they need to take control of their financial lives. In 2021, we helped over 1,750 members through in-person and virtual workshops, Bite of Reality events, and personal counseling sessions.

Taking control of your finances starts with having access to them. In today's world, members need to be able to manage their financial lives on their computer or mobile device. To fully meet those needs, we implemented the new HCU Digital Banking system in 2021. The updated online and mobile banking gives members better control over their HCU accounts, helps them manage their credit score, provides spending and savings tools, and even allows them

to integrate accounts from other financial institutions. The new HCU Digital Banking gives members control over their entire financial life, and I hope everyone will take advantage of it.

Finally, we took a big step forward to grow our credit union when we announced the opportunity to merge with Farmers Credit Union in Hays, KS. The merger will add a Heartland branch in Hays and open a new and vibrant market to our credit union. This is an exciting opportunity for HCU, and we look forward to bringing the Heartland Way to Hays and the surrounding communities in 2022 and beyond.

While having a successful year is important to the financial health of the credit union, it's ultimately the difference we make in our members' lives that matters. Whether that was getting someone into a new home or car, helping a small business serve its customers, or providing the tools and guidance to set a member on the path to financial well-being, those are the things that truly matter.

It's an honor to serve as the CEO of Heartland Credit Union, and I am grateful for the support you have shown our staff and your credit union.

Thank You for Your Service



Lori Blakesley

Lori Blakesley is retiring from the Supervisory Committee after 12 years of service. From 2015 to 2021, Lori held the role of the Supervisory Committee Chair.

After 37 years as Board member, Roy Broxterman is retiring. He joined the Board of Directors in 1985. During



Roy Broxterman

his time on HCU's Board, Roy served as Chair 2009 and 2010 and Vice Chair from 2015 to 2021.

"Thank you, Lori and Roy, for your many years of service to HCU's members," states HCU Board Chair Rex Christner. "We are grateful for your contributions to our credit union."

Branch Locations



23rd & Severance

900 E 23RD AVE, HUTCHINSON, KS



Ave A

129 W AVE A, HUTCHINSON, KS



Haven

103 S KANSAS AVE, HAVEN, KS



Newton

2201 S KANSAS AVE, NEWTON, KS



Heartland Wealth Strategies at 29th & Main

2900 N MAIN ST, HUTCHINSON, KS



Salthawk Center

HUTCHINSON HIGH SCHOOL



East Kellogg

12021 E KELLOGG DR, WICHITA, KS



37th & Maize

3777 N MAIZE RD, WICHITA, KS