

# **REPORT of the CHAIRPERSON and CEO**

## **OUR COMMITMENT TO MEMBERS**

Healthcare Employees Federal Credit Union is committed to providing high value products and services, unparalleled access, and world-class service to you, our member-owners.

Enhancing member value is part of every initiative we undertake on your behalf. We strive to keep operating expenses low so we may provide you with low interest rate loans and high dividends on deposits. However, our commitment to you goes well beyond price. We continually work at adding and enhancing services to meet your changing financial needs.

## **OUR INVESTMENT IN MEMBER EXPERIENCE**

Healthcare Employees Federal Credit Union's guiding principle has been to help members plan for their financial needs in the most convenient and cost effective way possible. This past year, as always, we taken steps to enhance your experience with the Credit Union:

- Developed a strategic plan focused on creating a financial solutions and service culture
- Retained an independent consultant to train staff on an ongoing basis to ensure that quality standards are met and maintained
- Offered new on-line free Debt Management (Debt in Focus) to help members manage debt more responsibly
- Began exploring new services to members including Student Loans and First Mortgages
- Implemented Fraud Shield and Precise ID to ensure member validity and prevent ID Theft when memberships are opened or loan applications are made
- Developed process to have field representatives able to issue immediate on-site account numbers for member convenience
- Converted all social security based account numbers to random six-digit numbers in order to enhance member privacy and security

## **OUR FINANCIAL STRENGTH CONTINUES TO IMPROVE MEMBER VALUE**

Healthcare Employees Federal Credit Union Board of Directors is charged with maintaining the sound financial condition of the Credit Union. We take this responsibility very seriously. Your Board continues to set policies and approve product offerings that not only supports our strategic plan but also ensures the Credit Union is able to achieve the financial performance that ultimately creates value for our owners/members for generations to come.

We are proud of the 2009 (through October) results of operations including:

- Capital/Asset ratio in excess of 10% (regulatory status: well capitalized)
  - Received 5 Star Rating (highest) from Bauer Financial Rating Service
- Delinquency under 1%
- Net Earnings of 0.90% of assets
- 43% of Net Income is paid out in the form of Dividends
- Over 70% of our deposits are loaned out to other members

Despite the downturn in the economy, we are proud that HEFCU continues to maintain a sound financial condition in which our members can rely upon for long-term security and financial solutions for life.

## **OUR RESPONSIBILITY TO YOU**

Your elected Board of Directors is comprised of a diverse group of dedicated volunteers to represent your interests and fulfill the fiduciary and legal responsibility of directing your Credit Union. Unlike like many Boards of Directors in corporate America, your Board is not compensated. The nominating committee selects Boards based upon experience in areas such as technology, finance, human resources, marketing, and public relations. Your Board is also committed to ensuring that we meet guidelines in terms of cultural diversity and high ethical standards. In addition, to best represent the members of the Credit Union each member of the Board of Directors and other Committees are also members of the Credit Union. We are very proud of the success of the Credit Union, which in many ways is a reflection of the leadership demonstrated by the Board of Directors.

To further our commitment for sound financial management of your Credit Union, the Board has engaged in the following:

- Opinion Audit from Certified Public Accounting Firm
- NCUA Examination
- BSA/ACH Audit
- VISA Credit Card Audit

## **OUR SPECIAL THANKS**

We would like to thank you for your continued membership in the Healthcare Employees Federal Credit Union. We look forward to serving you in a tradition built upon excellence and providing you *financial solutions for life*.

We would also like to acknowledge and thank the Board of Directors, Supervisory Committee, Management, and Staff for their contributions to HEFCU this year.

*Carl O'Brien*

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Carl O'Brien  
Chairperson

*John J. Dawidowski*

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John J. Dawidowski  
CEO

## REPORT of the TREASURER

Our strategic direction incorporates many areas, which ultimately affect the financial performance of your Credit Union. First and foremost, our responsibility is to maintain a safe and sound financial position for the benefit of our members now and well into the future.

Our measures include such areas as loan growth, reduced exposure to loan losses, increasing deposit relationships, and reducing operating expenses through the use of technology. We continually perform exceptionally well in these areas with delinquency of less than 1% with internal loan growth projected in excess of 4% and deposit growth in excess of 8%. During 2009, we would have issued more than 14 million dollars in loans to qualified members. Our capital position, which reflects the equity formed by the efficiencies generated and loyalty of members, is in excess of 10%. By all industry standards, we continue to maintain a capital position that is classified by regulators as “well capitalized”.

We continue to make certain we have a sound plan for reinvestment of earnings in improved services, technology, and delivery channels to benefit our members. This ultimately translates into higher dividends for our members. During 2009, we have paid out an average of approximately 11% of our gross revenue in the form of dividends to our members.

In order to maximize Investment Income we retained the services of a professional investment advisory firm to assist management in the planning and investment of excess funds to further our overall returns without comprising sound business practices.

Challenges lay ahead in terms of industry regulations, unemployment and real estate values. We remain committed to meeting those challenges with a steadfast desire to meet and exceed the needs of our members.

I wish to thank the Board, Management, and Staff for the diligence and patience displayed in selecting a strategic direction for the long-term benefit of our members. The value proposition offered by your Credit Union in terms of low loan rates and competitive deposit returns is in keeping with the spirit of what a true financial cooperative is intended to be. The strategic positioning of your Credit Union will continue to meet our member’s needs today and in the future.

Respectfully submitted,

***Garrick Stoldt***

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Garrick Stoldt, CPA  
Treasurer

# **REPORT of the SUPERVISORY COMMITTEE**

The Supervisory Committee is responsible for conducting audits, confirming members' accounts, reviewing operating procedures, and monitoring the Credit Union's adherence to National Credit Union Administration rules and regulations and Credit Union bylaws.

A summary of the activities performed and/or coordinated by the Supervisory Committee over the past year are summarized below:

## **AUDITED FINANCIAL STATEMENTS AND MANAGEMENT LETTER**

The Healthcare Employees Federal Credit Union Board of Directors retained The Curchin Group, LLC, Certified Public Accountants, to conduct an examination of the Credit Union financial statements for the year ended December 31, 2008. This examination was conducted in accordance with generally accepted auditing standards and included such tests of the accounting records and other auditing procedures as were necessary under the circumstances. An overall opinion was expressed on whether the financial statements were fairly presented in accordance with generally accepted accounting principles applied on a consistent basis. The opinion was unqualified for 2008.

The audited financial statements have been presented to and approved by the Healthcare Employees Federal Credit Union (HEFCU) Board of Directors.

The Supervisory Committee also retained The Curchin Group, LLC to perform special audit engagement for Bank Secrecy, ACH Compliance, and VISA Credit Card Program Audit.

The Curchin Group, LLC, as a function of finalizing the financial statement audit, prepared a management letter that recommends alternatives to current processes or procedures that should strengthen the overall operations of the Credit Union. The recommendations made by The Curchin Group, LLC in the management letter were presented to the Board of Directors and Credit Union management. None of the recommendations made were of a significant nature and management has concurred with the improvements suggested.

The Board of Directors has directed management of the Credit Union to take actions as required to address those comments/items raised as a result of the aforementioned activities.

## **NATIONAL CREDIT UNION ADMINISTRATION**

The Supervisory Committee provides primary interface with National Credit Union Administration examiners assigned to do periodic reviews of HEFCU. Outcomes and recommendations are reviewed with management and presented to the HEFCU Board of Directors for action.

Members with questions or concerns regarding Credit Union operations should feel free to contact me or one of the other members of the Supervisory Committee.

Respectfully submitted,

*Sean Hopkins*

Sean Hopkins  
Chairman

*Patrick Ahearn*

Patrick Ahearn  
Member

*Julie Lynch*

Julie Lynch  
Member

## REPORT of the CREDIT COMMITTEE

Providing credit to its members at the lowest possible rates is a principal objective of the Credit Union. With that in mind, the Credit Committee has been actively reviewing and, when appropriate, recommending changes to the loan policy. Currently, loan applications may be submitted for the following purposes:

- Unsecured Personal Loans
- New or Used Automobiles
- VISA Credit Cards
- Home Equity Loans

The purpose of the Credit Committee is to act on behalf of members who have been denied a loan. This appeal mechanism is critical to our mission of providing sources of credit to our members.

During 2009, HEFCU generated over 14 million dollars in loans to members. This represents an increase of over 3% from the prior year.

Loan volumes have continued to grow as new access points such as Internet Lending has made it more convenient for borrowers to apply with HEFCU.

I am proud of the continued professionalism of our Staff in meeting the needs of our members and the outstanding work performed by the HEFCU Board of Directors.

Respectfully submitted,

*Luanne Rooney-Frascella*

Luanne Rooney-Frascella  
Chair – HEFCU Credit Committee