



2018

ANNUAL REPORT

*Taking the next step*





*Taking the next step*

### TABLE OF CONTENTS

- Chief Trailblazer Report ..... 2
- Introduction ..... 3-4
- Chairman of Explorers Report ..... 5
- Board of Explorers ..... 6
- Path Monitor Report .....7-8
- Backpack Wallet Report ..... 9
- Strategic Pillars ..... 10
- 2018 Financials .....11-12
- Executive Navigator Team ..... 13



# 2018

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## ANNUAL REPORT

### REPORT FROM THE CHIEF TRAILBLAZER

Close to home, we continued our investment into our current market through the lease of what will become a new administrative office, drive-up ATM, and transaction center (no, Transformation Center!) on the Ithaca Commons. Here we will roll out the newest banking technologies, ask for crucial feedback from our members, and continue offering CFCU’s top-notch service, all while in a new, contemporary, and convenient space just steps away from downtown businesses.

Looking ahead to the new territory our trail is weaving us toward, we are also expanding our cooperative reach into the communities of Cayuga, Seneca, and Ontario counties. This expansion will enable us to extend CFCU’s impact, improving lives and providing needed financial services to more than 220,000 new neighbors to our north.

In addition to making plans to bring in new members, we also took steps to care for those already in the CFCU family. In early December, we updated our internal and external technology systems and processes, becoming more adaptable, providing more efficient service offerings, and ultimately meeting the ever-changing needs of our membership. Our staff worked tirelessly to prepare for and help during this transformation, for which I am extremely grateful.

As I look back at the steps we’ve taken this year and those we are preparing for in 2019, it is my honor to serve as your Chief Trailblazer. I thank you for your membership, your partnership, and your support of CFCU. I especially want to express my gratitude to CFCU’s Board of Directors and Supervisory Committee for their guidance and careful oversight. My thanks also goes to all our amazing employees and their executive leadership team, who live out CFCU’s vision statement every time they enter CFCU’s doors: “Transforming generations and communities. Simply. Personally.”

Our boots are laced. Our path is charted. And as always, it’s time to look ahead to what’s coming our way next. And I can think of no other team I’d rather share this journey with.

Sincerely,

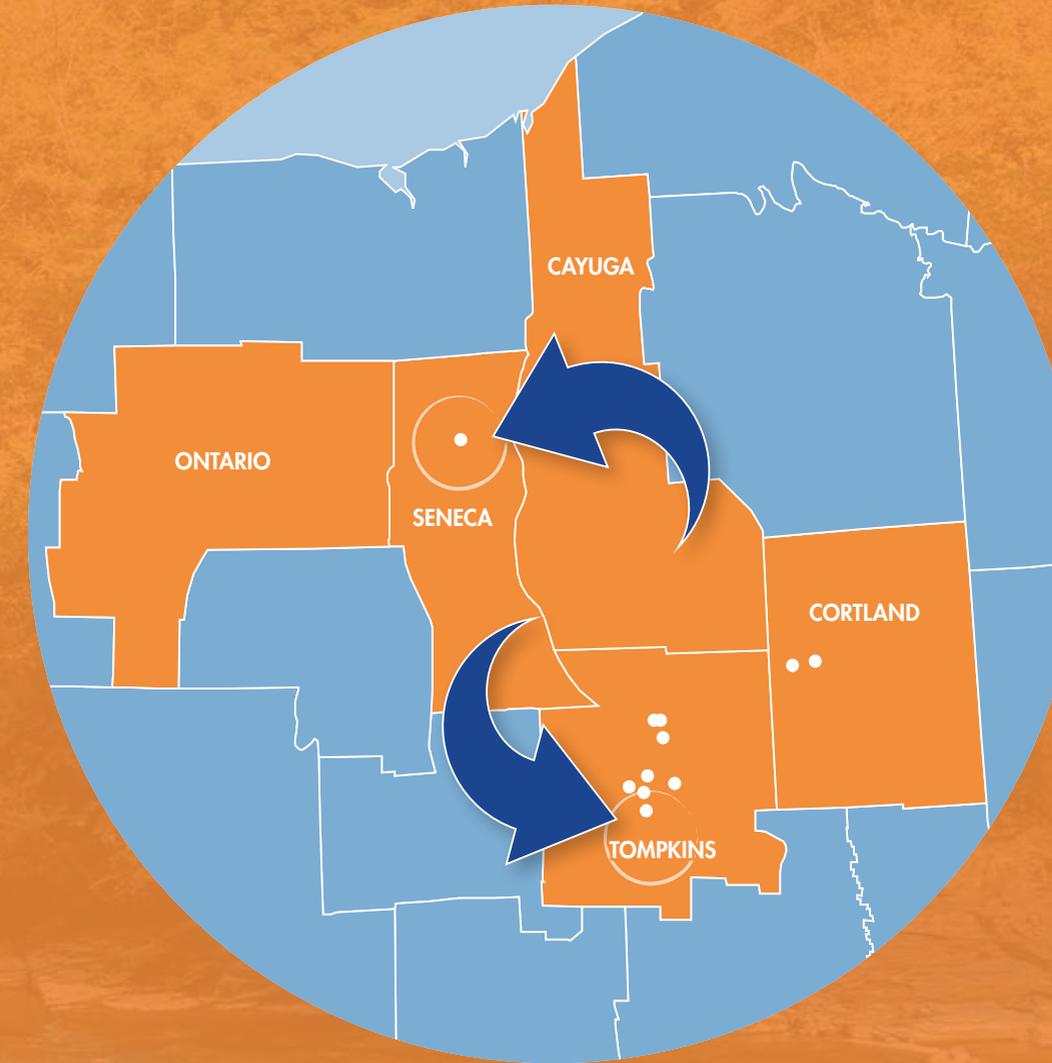
**Lisa Whitaker**  
President & Chief Trailblazer

*“Our boots are laced. Our path is charted. And as always, it’s time to look ahead to what’s coming our way next.”*

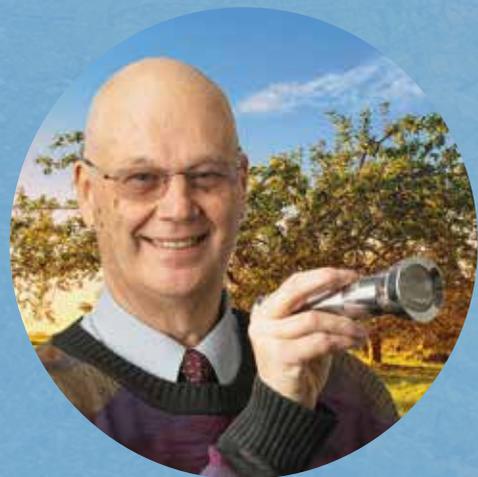


## *Taking the next step...*

In the midst of shifting into new neighborhoods, new markets, and new banking technologies, we just thought we'd pause here on this journey to celebrate the year that's passed. The reports, letters and summaries of 2018 on the pages that follow will inform you, inspire you, and reinvigorate you for the exciting next steps ahead.



*...with new locations across the street and up the lake!*



## REPORT FROM THE CHAIRMAN OF EXPLORERS

BRIAN MITTEER

Your CFCU Community Credit Union has been extremely busy this past year accomplishing the goals set forth in its strategic plan. We have been taking big steps forward to meet the needs of our members by enhancing services, increasing savings rates, expanding our area of service and improving technology for both our members and employees.

CFCU has a terrific team in place. I always enjoy hearing all the testimonials from members about their positive interactions with the branch staff. Headquarters' staff have provided the support that is necessary to assist our branches and give our members a better experience and understanding of services. Managers have used their expertise to strengthen the operation of the credit union. And we assembled a dedicated, talented senior leadership team. Their experience and leadership have helped the credit union take those big steps forward. A special thank you to every single employee for all that you do on a daily basis for our members.

Our Supervisory Committee, comprised of three very experienced members, has done an outstanding job in our audits and compliance to regulations. I am extremely proud to serve on a Board of Explorers who bring business experience and the ability to look forward.

Taking the steps forward allows CFCU Community Credit Union to be one of the most successful in comparison to peers both in New York State and across the country. We measure up to the top credit unions in every comparable category. We want to make sure that in taking these big steps forward that you have the products you need, the service you deserve and the convenience necessary in today's busy world. Thank you for your support.

Sincerely,

**Brian Mitteer**

Chairman, Board of Explorers

*"I am extremely proud to serve on a Board of Explorers who bring business experience and the ability to look forward."*

## Board of Explorers

**Brian Mitteer**  
Chair

**Amy Wood Gonzalez**  
Vice Chair

**Skip Hewitt**  
Secretary

**Joseph During**  
Treasurer

**Dana Decker**  
Director

**Katie Foley**  
Director

**Lisa Whitaker**  
Director





## REPORT FROM THE PATH MONITOR

BLIXY TAETZSCH

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.

2018 was a year of transition for the Supervisory Committee as we searched for a new AVP of Internal Audit and conducted a process for formal Request for Proposals (RFP) for independent audit services. Our search for a new AVP of Internal Audit was successfully concluded with the hire of Celeste Uvanni on June 18, 2018. Celeste comes to us with over ten years of experience in the financial services internal auditing field, specifically with credit unions. She holds the CIA (Certified Internal Auditor), CFE (Certified Fraud Examiner) and CAMS (Certified Anti-Money Laundering Specialist) designations, as well as an MBA in Accountancy. Special thanks go to Kim VanDonsel and Bill Crane for keeping the trains running while this position was vacant.

The RFP process for independent auditors resulted in a decision to change audit firms from Clifton Larsen Allen (CLA) to Doeren Mayhew. The Supervisory Committee was not concerned or dissatisfied with CLA, but felt that Doeren Mayhew presented the best overall proposal for independent audit services. It is not unusual to change independent audit firms from time to time and is best practice to periodically conduct an RFP process every 5 – 10 years.

The Supervisory Committee meets quarterly to review the work of the internal audit staff. Celeste Uvanni 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 2018 internal audit plan included 61 audits – 46 of which were to be outsourced, and 15 performed by internal audit staff. Of the 61 audits scheduled for 2018, 56 were completed or in process and 5 were

carried over to the 2019 audit plan. One carryover was at the request of the outsourced auditors. The carried-over audits are all scheduled to be completed in the first quarter of 2019.

The Supervisory Committee was highly 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 2019 audit plan currently includes 70 audits, with 55 outsourced (including the 5 carried over from 2018). 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, 2018. 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 2018. 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 on the CFCU website at <http://www.mycfcu.com/about.html>.

Many thanks go to our internal auditors, Celeste Uvanni and Kim VanDonsel 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,

**Blix Taetzsch**

**Committee Members:**

Blix Taetzsch, Chair  
Robert Cree, Secretary  
Susan Schattschneider

**Internal Audit Staff:**

Celeste Uvanni, AVP of Internal Audit  
Kim VanDonsel, Auditor

**Independent Audit Firm:**

Doeren Mayhew



REPORT  
FROM THE  
BACKPACK WALLET

JOSEPH H.  
DURING, JR.

2018 was another successful, exciting and challenging year for CFCU Community Credit Union. Successful in that the credit union finished the year with another strong surplus and an equally strong balance sheet. Exciting in that our planned expansion into new markets is gaining momentum. Challenging in that we converted our member digital banking system to provide the very best products and services to our members and, at the same time, ensure that our staff is well trained in all aspects of the credit union's new and expanded services and resources. All of these were accomplished through the outstanding leadership of our extremely competent and talented CEO, Lisa Whitaker, the all-volunteer Board of Directors, our management team, and the great people we have in our branch offices. You, our members, continue to play the most significant role in accomplishing these goals. Our continued commitment to our communities and our investment in facilities, technology and personnel, while significant, has provided you, our members, with the highest quality service and the latest advancements in banking technology. Our growth continues to be well planned and managed and we are not letting up. We will continue to look at new, creative, cost effective ways to provide our services to an ever-expanding and diversified membership. Our primary focus is to provide the best resources and services to you, our members, at a reasonable cost to the credit union.

I am once again pleased to tell you that CFCU Community Credit Union is financially sound and well positioned to provide our members with high quality products and services. It is my privilege to serve as the Treasurer of our credit union. Thank you for your confidence and support of the undertakings we embark upon on your behalf.

Sincerely,

**Joseph H. During, Jr., CPA**

Keeper of the Backpack Wallet

*"I am once again pleased to tell you that CFCU Community Credit Union is financially sound and well positioned to provide our members with high quality products and services."*

2019-2021 *Strategic Plan*



*Financial Prudence*

1. Capital Ratio
2. Efficiency Ratio
3. Loan to Share Ratio
4. Share Growth



*Diversification*

1. Expand into New Markets
2. Deposit & Loan Alternatives
3. Ancillary Income
4. Member Products & Services



*Innovation*

1. Technology
2. Member Engagement Optimization
3. Back Office Fulfillment
4. Culture of Change



*Human Capital*

1. Employee Growth & Development
2. Training & Development
3. Delegation & Accountability
4. Culture of Speed & Innovation
5. Succession Plan



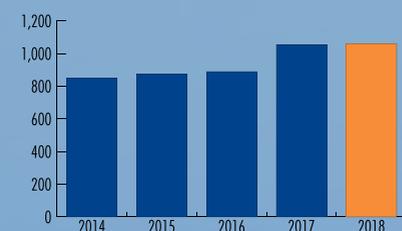
*Governance*

1. Education & Training
2. Engagement & Recruitment
3. Process Efficiency
4. Governance Initiatives
5. CEO Mentoring/Assessment
6. Mission & Values

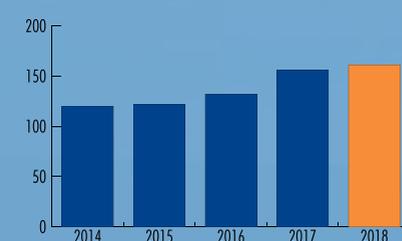
# Statement of Financial Condition

AS OF DECEMBER 31, 2018

Total Assets (in thousands)



Total Members' Equity (in millions)



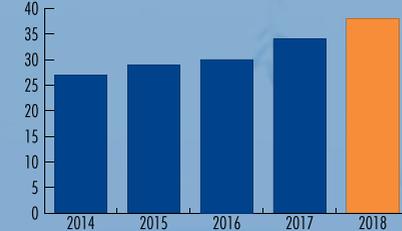
**\$901M** Members' Share and Savings Accounts

ASSETS	2018	2017
Cash and Cash Equivalents	\$ 156,582,262	\$ 167,852,153
Deposits in Other Financial Institutions	250,000	250,000
Available-For-Sale Investments	89,600,897	126,932,850
FHLB Stock	2,198,100	2,046,300
Loans Held for Sale	0	413,200
Loans to Members, Net of Allowance for Loan Losses	783,808,316	732,765,736
Accrued Interest Receivable	2,962,388	2,757,316
Prepaid and Other Assets	6,813,306	6,721,157
Property and Equipment	11,108,549	8,910,552
NCUSIF Deposit	8,224,075	8,187,046
<b>TOTAL ASSETS</b>	<b>\$ 1,061,547,893</b>	<b>\$ 1,056,836,310</b>
LIABILITIES		
Members' Shares and Savings Accounts	\$ 901,838,349	\$ 910,420,324
Accrued Expenses and Other Liabilities	9,701,858	6,709,909
<b>TOTAL LIABILITIES</b>	<b>\$ 911,540,207</b>	<b>\$ 917,130,233</b>
MEMBERS' EQUITY		
Regular Reserves	\$ 15,582,928	\$ 15,582,928
Undivided Earnings	136,058,790	124,646,148
Accumulated Other Comprehensive Loss	(1,634,032)	(522,999)
<b>Total Members' Equity</b>	<b>150,007,686</b>	<b>139,706,077</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 1,061,547,893</b>	<b>\$ 1,056,836,310</b>

# Statement of Income

AS OF DECEMBER 31, 2018

Total Interest Income (in millions)



Net Income (in millions)



INTEREST INCOME	2018	2017
Loans to Members	\$ 34,066,598	\$ 30,426,644
Investment Securities	4,756,844	3,945,960
<b>TOTAL INTEREST INCOME</b>	<b>38,823,442</b>	<b>34,372,604</b>
INTEREST EXPENSE		
Members' Share and Savings Accounts	\$ 3,172,373	3,475,671
Net Interest Income	35,651,069	30,896,933
<b>PROVISION FOR LOAN LOSSES</b>	<b>\$ 4,387,417</b>	<b>3,757,529</b>
Net Interest Income After Provision	31,263,652	27,139,404
NON-INTEREST INCOME		
Fees and Service Charges	\$ 12,029,307	\$ 10,573,512
Other Non-Interest Income	229,904	132,731
<b>TOTAL NON-INTEREST INCOME</b>	<b>12,259,211</b>	<b>\$ 10,706,243</b>
NON-INTEREST EXPENSES		
Compensation and Benefits	\$ 17,971,278	\$ 16,063,050
Office Occupancy and Operations	8,644,376	8,582,368
Other Operating Expenses	5,494,567	5,370,597
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>\$ 32,110,221</b>	<b>\$ 30,016,015</b>
<b>NET INCOME</b>	<b>\$ 11,412,642</b>	<b>\$ 7,829,632</b>

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.

# Executive Navigator 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

**Matt Duso**  
VP, Information Technology

**Madelyn Metzler**  
VP, Loan Servicing and Asset Recovery

**Kim Roman**  
VP, Member Experience

**Gil Bohene**  
CEO, CoPilot

**Paul Cognetta**  
VP, Human Resources

**Mark Hillegas**  
VP, Consumer Lending

**Eliza Mulhern**  
VP, Compliance and Assoc. General Counsel

**Sarah Tomei**  
VP, Finance and Controller

**Rick Page**  
CEO, CFCU Insurance Services  
CEO, Technology Partners

**Jeff Dobbin**  
VP, Business Lending

**Rebecca Lerch**  
VP, Learning & Development

**Chris Werner**  
VP, Mortgage Operations



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*Taking the next step*

*Secondary photos throughout the report provided by CFCU employees and members*

