



HERSHEY FEDERAL CREDIT UNION

2021 ANNUAL MEETING



H

**Member Focus...
Members Together**

F

**Care and Respect
for Others**

C

Integrity

U

Authenticity

Leadership Report

In 2020, Hershey Federal Credit Union managed the impacts of the pandemic and demonstrated growth in multiple areas including loans, shares, and membership. We exist to serve our members and as members together in our community. HFCU continued to forge ahead with initiatives designed to grow the credit union and improve our service to members. Driven by our desire to provide our membership with the best products and services, we made great strides in 2020, and we are now looking ahead to new opportunities in lending and technology that will help shape the future of the credit union.

Among the most important values of HFCU are serving our membership with excellence, integrity, and getting engaged in the community we serve as a primary focus. We want members to feel like being a part of HFCU and utilizing our services is a benefit to the community in which they live and work. That their investment in HFCU is an investment in their community. To that end, HFCU created a broad COVID Relief Loan program to assist members, non-members, and local business owners that were adversely impacted by the pandemic. While in-person volunteering efforts were halted, HFCU partnered with local food banks and charitable organizations, such as the Giving Tree of Hummelstown and Hershey to offer financial support. The Giving Tree was founded in 1997 to provide basic necessities to community members, adults, and children who are in transition or need support. By dedicating our resources to work with locally focused organizations, HFCU hopes to make a big impact in our immediate community. We believe working to enrich the communities we are chartered to service will have a positive impact on our membership, as will the continued development of our financial services.

The groundwork for improving member experience continued throughout 2020 and into the beginning of 2021. This included upgrading our lending system in order to make it compatible for future product and service tool development. One of the first steps was to bring our business lending program in-house, meaning that we now fully underwrite, service, and manage our business member relationships. This program hit the ground running and we continue to look to grow in this area as the pandemic subsides and local small business opportunities emerge. We partnered with a new mortgage vendor in 2020, providing a new "Home Loan Center" online mortgage application tool that gives members an easy streamlined way to apply for a mortgage through HFCU. Our credit card and personal loan programs are amongst the most competitive in the local market, and we continue the credit card promotional 1.90% offer in 2021. As well, we launched a comeback promotion with the "Drive Free for Three" offer, which gives members the opportunity to buy a new or used car and have 3 months with no payments and no interest.

Leadership Report *Continued*

Plans are underway to roll-out a new Home Equity Line of Credit product in time for springtime projects in 2021 that will give members the choice to lock in a portion or the entirety of a balance for a fixed rate and term. The account opening system has been upgraded as well, which combined with the lending system upgrade, will give HFCU the ability to make major enhancements to our online services moving forward. In line with this strategy, we are currently able to offer digital document signing to make getting business done more convenient at Hershey FCU. And lastly, please stop in and check out our newly renovated Annville location. As the credit union grows, we want to ensure that we are investing earnings back into your credit union, and we have refreshed the member experience in Annville. Going into 2021, we plan to take the lessons learned over the past year and review all of our online and mobile products to ensure we are able to deliver the best possible member experience, no matter what challenges may arise in our environment.

To live our mission of providing financial literacy to our membership and community, HFCU continues to partner with Banzai to offer online financial education tools for youth and adults. Using these tools our Marketing Manager has taught several classes online for local elementary schools in Hummelstown and Annville. As we anticipate schools opening later in 2021-2022, we hope to expand this outreach effort. Please check out our "Planning and Education" financial resources webpage on the HFCU website to learn more. These interactive tools cover a wide range of topics such as budgeting, paying down credit card debt, buying your first home, and programs for kids. We will continue to work as a source of financial literacy in our community as we continue to grow our credit union.

2020 was a strong year for the credit union, but also a reminder that adversity can strike at any moment. That lesson is an important reminder that Hershey FCU exists to serve our membership and community. We are thankful to have a dedicated and diverse membership. We are committed to delivering an outstanding member experience, delivering products and services that benefit our membership, and engaging in volunteer activities that benefit the communities we serve.

Richard E Miller, Chairman

Joseph E Marchese, Chief Executive Officer

Treasurer's Report

During 2020, HFCU demonstrated a strong financial position, which continued a trend of growth over the last few years, despite impacts of the pandemic. Assets, fueled by economic stimulus, increased by \$14,153,642 or about 20.70%. This rapid asset growth was the result of share deposit growth of 22.45%, directly related to the effects of the combined pandemic and stimulus deposits to members. Offsetting the large share growth, HFCU had a very strong year of loan growth, as net loans grew by 24.15%. This balance sheet growth impacted the net worth ratio of the credit union in 2020, but as the economy strengthens post-pandemic, it is expected to increase as shares begin to be utilized by members.

The credit unions interest income was down 2.67% in 2020. Lower investment rates caused the investment interest to drop 43.26%. While investment rates dropped, loan growth led to an improvement in loan interest showing growth of 3.37%. Overall net income for the year was \$231,005.

The condensed financial statement is included in the Annual Report. Please review it for more information. The financial analysis shows that HFCU continues to be secure and well-positioned for sustainable growth, managing the challenges brought on by the pandemic.

I thank the Board of Directors, Committees, Management and Staff for their continued dedication and assistance during the year to make HFCU a strong financial partner for our members and for our community.

Paul Wagner, Treasurer

ALCO Committee Report

The Asset/Liability Committee (ALCO) is made of HFCU Board members and members of the HFCU Senior Management Team. The committee meets to review loan and share rates, liquidity, investments and other financial and operational issues. The committee also discusses and reviews all the financial issues and has the authority to change rates, as needed, and act on other decisions. Asset and liability management is an important part of the credit union financial management. The HFCU Board of Directors relies on the committee to act on their behalf and to be responsive to the needs of the credit union and its members. In 2020, HFCU remained strongly positioned with high liquidity, a conservative investment approach, and low interest rate risk. HFCU remains consistent in its Asset and Liability Management approach to meet the needs of members, adapting to changing environments, and working to preserve the safety and soundness of the credit union.

I wish to thank the ALCO committee members: Amy Hahn, Jill Sottile, Jeremy Kline, Michael Stern and Joseph Marchese for their assistance in 2020.

Paul Wagner, Chairperson

Statement of Financial Condition

Assets & Liabilities

As of December 31, 2020 (Condensed)

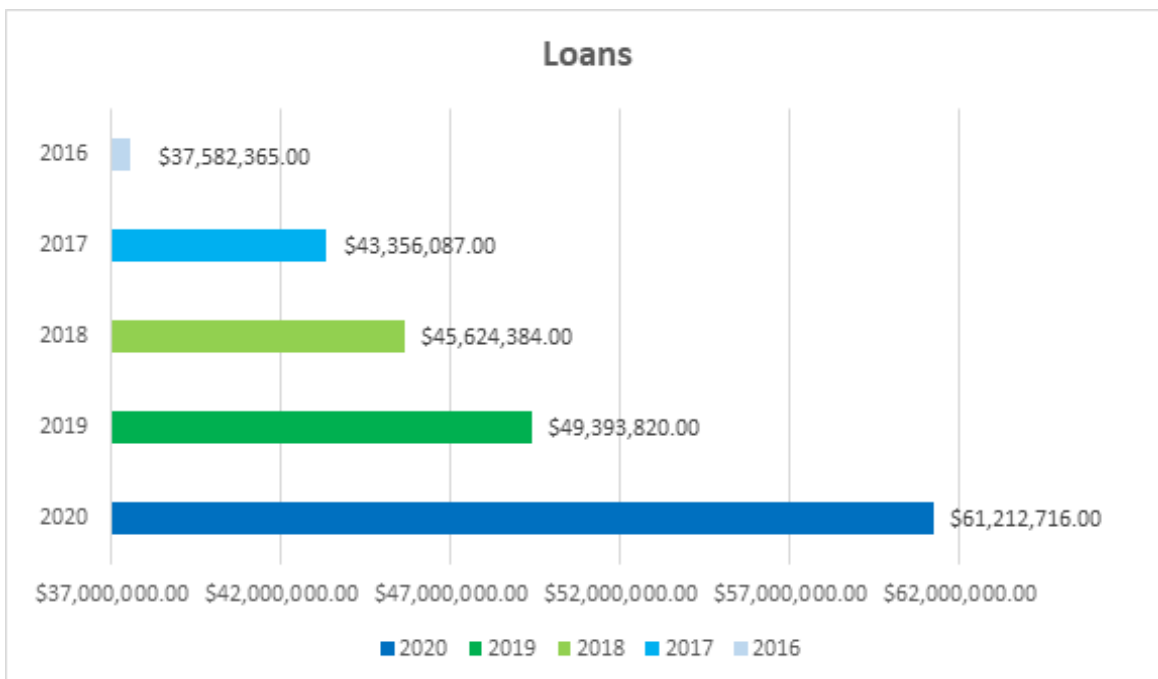
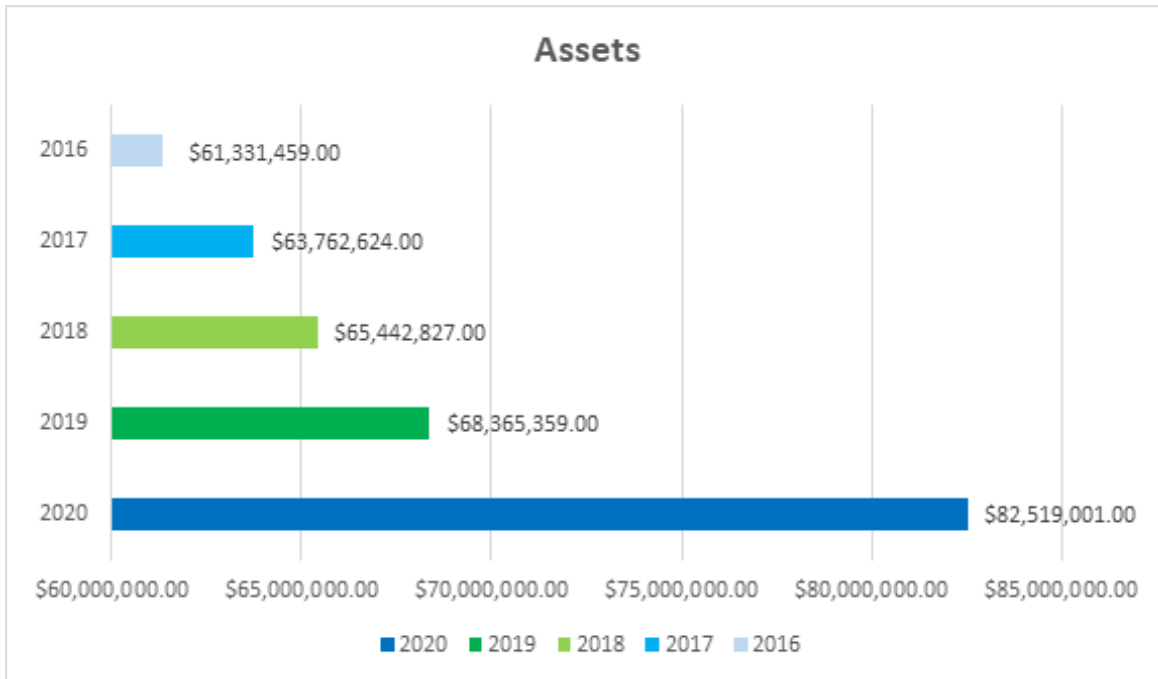
Assets	2019	2020
Loans (Net)	\$49,303,740	\$61,212,716
Cash & Investments	\$14,064,533	\$15,629,474
Other Assets	\$4,997,086	\$5,676,811
Total Assets	\$68,365,359	\$82,519,001
Liabilities	2019	2020
Deposits	\$62,230,248	\$76,203,481
Other Liabilities	\$134,936	\$84,340
Total Liabilities	\$62,230,248	\$76,287,821
Reserves	\$6,000,175	\$6,231,180
Total Liabilities/Reserves	\$68,365,359	\$82,519,001

Income & Expenses

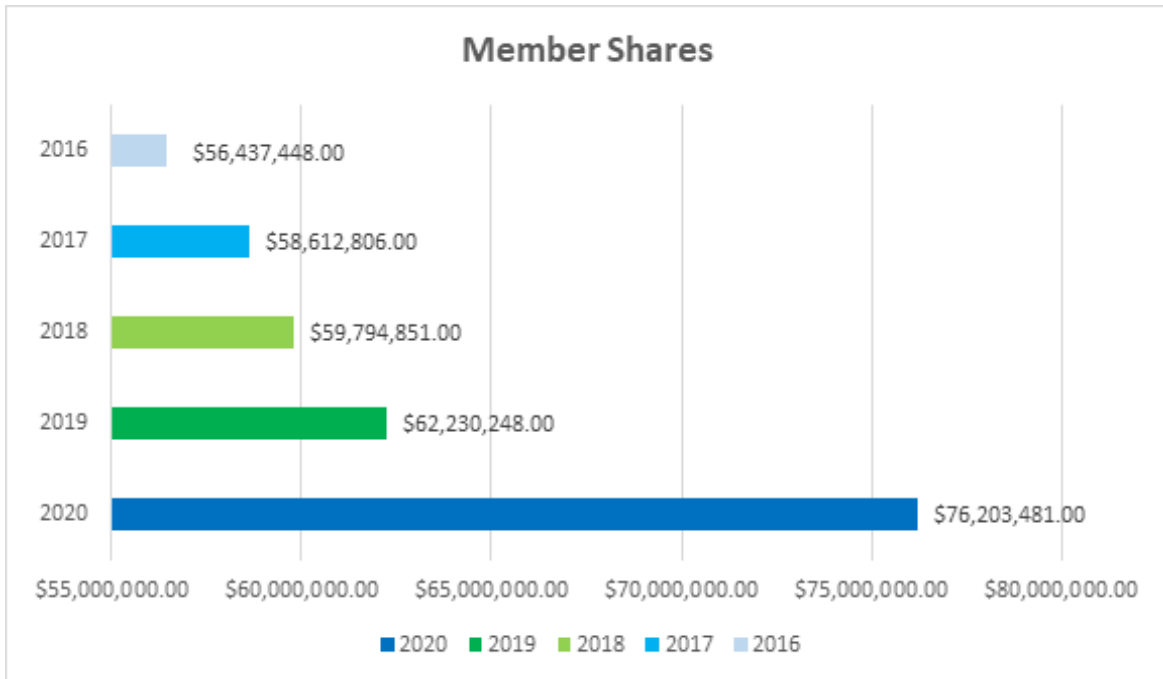
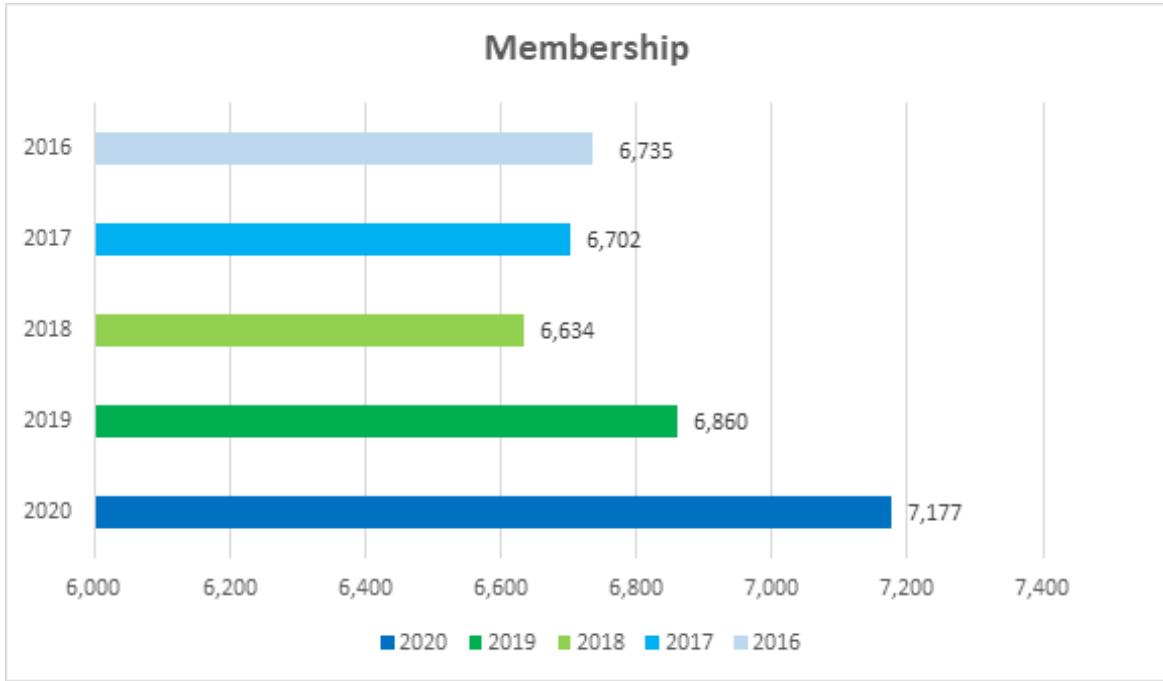
As of December 31, 2020 (Condensed)

Income	2019	2020
Interest on Loans	\$2,181,575	\$2,255,036
Interest on Investments	\$324,444	\$184,081
Other Income	\$784,432	\$717,727
Total Income	\$3,290,451	\$3,156,844
Expenses	2019	2020
Operating Expenses	\$2,669,146	\$2,815,445
Non-Operating Expenses	\$0	\$0
Net Income Before Dividends	\$621,304	\$341,399
Dividends	\$110,228	\$110,394
Total Income	\$511,076	\$231,005

Financial Charts



Financial Charts *Continued*



Supervisory Committee Report

The Supervisory Committee of Hershey Federal Credit Union complies with the guidelines set forth by the National Credit Union Administration and the bylaws of Hershey Federal Credit Union.

Commitment to safety and soundness is our foremost concern. In 2020, the committee engaged Feather CU Services, LLC to conduct the Supervisory Committee Annual Review of the financial statements. The review included tests of accounting records and auditing procedures. No material weaknesses were identified as a result of the review.

To conform with HFCU's commitment to the highest levels of safety and soundness, throughout 2020, the committee expanded the engagement with Chris Feather, CU Services, LLC to perform quarterly audits across various areas of the credit union to assess the adequacy of, and effectiveness of the internal controls.

The committee would like to thank the Board of Directors, Chief Executive Officer Joe Marchese, and the dedicated staff for their continued support and commitment to the safety and soundness of Hershey Federal Credit Union.

Lori A. Gall, Chairperson

Board of Directors

Richard F. Miller	● ● ● ● ● ● ● ● ● ●	Chairman
Franklin D. Wagner	● ● ● ● ● ● ● ● ● ●	Vice Chairman
Paul R. Wagner	● ● ● ● ● ● ● ● ● ●	Treasurer
Amy Hahn	● ● ● ● ● ● ● ● ● ●	Vice Treasurer
Rita F. Ramacciotti	● ● ● ● ● ● ● ● ● ●	Secretary
Dan Davis	● ● ● ● ● ● ● ● ● ●	Director
William Sprandel	● ● ● ● ● ● ● ● ● ●	Director Emeritus
Ercoli DiVittore	● ● ● ● ● ● ● ● ● ●	Director Emeritus
Barbara McLaughlin	● ● ● ● ● ● ● ● ● ●	Director Emeritus

Supervisory Committee

Lori Gall	● ● ● ● ● ● ● ● ● ●	Chairperson
Diane Carroll	● ● ● ● ● ● ● ● ● ●	Member
Dan Davis	● ● ● ● ● ● ● ● ● ●	Member
Elaine Royer	● ● ● ● ● ● ● ● ● ●	Member

HFCU Management Team

Joseph Marchese	● ● ● ● ● ● ● ● ● ●	Chief Executive Officer
Jill Sottile	● ● ● ● ● ● ● ● ● ●	Chief Financial Officer
Jeremy Kline	● ● ● ● ● ● ● ● ● ●	Chief Strategy Officer
Michael Stern	● ● ● ● ● ● ● ● ● ●	VP of Lending
Kelli Koehler	● ● ● ● ● ● ● ● ● ●	Branch Operations Team Leader
Miranda Ikeda	● ● ● ● ● ● ● ● ● ●	Marketing Manager
Janice Hocker	● ● ● ● ● ● ● ● ● ●	Compliance & E-Services Manager



OUTREACH

HERSHEY FEDERAL CREDIT UNION