

ANNUAL  
REPORT

2018



There's a Reason People Bank Here



# Chairman and President's Report

In 2018, your credit union remained focused on our mission to serve members with the highest quality products and services while remaining financially sound and secure. Whether it was introducing new products, increasing members' financial literacy, or expanding our footprint to serve more people, Hudson Valley's staff and management worked to not just maintain the level of excellence you've come to expect, but to exceed it whenever possible.

## Strong Growth

Savings growth was strong in 2018 in both personal and business accounts. Our Flex Certificate Account continued to offer a short-term option for increased earnings; as the 3-month Treasury Bill increased, so did the Annual Percentage Yield on Flex Accounts. Each quarter in 2018 brought another increase, so by year-end members were earning 2.47% on a convenient 12-month term. As local businesses learn of our convenient products, more and more each month are turning to our credit union to help their businesses grow. In 2018, member business deposit growth was a strong 6%.

Real Estate loan growth was also very strong in 2018, with over 700 members turning to us for the purchase or refinancing of their homes, which represented more than \$143 million. By offering a wide range of financing options, the credit union helps members achieve home ownership.

## New Additions

During the year, we increased borrowing options with two new products for our members. First, our Flex Lock Home Equity Line of Credit offered members the best of both worlds – a variable rate line of credit that allows members to take a portion of their balance and lock it into a fixed rate loan separate from the credit line. This feature is available up to three times so members can choose which specific items make the most sense for them to lock in at a fixed rate. Our Personal Assistance Loan (PAL) introduced late in 2018 offered a great option for members who require a quick small dollar loan (\$200 to \$1,000). PAL is especially helpful in emergency situations, such as home and auto repairs or unexpected medical bills. We were even able to help one member return to her hometown for a family funeral on short notice with this loan.

Our Poughkeepsie Branch moved in 2018, though not far. Its new location on the corner of Route 9 and IBM Road has been busy since our Grand Opening in February. Our 19th branch and third one in Putnam opened in mid-December. The Mahopac Branch offers a unique mix of personalized service and technology, with advanced Interactive Teller Machines (ITMs) that can perform normal teller/ATM functions and more, offering members access to all their accounts with or without staff assistance. We encourage you to stop by and visit the new branch at 152 Route 6 to see all it has to offer.

We provided educational opportunities to 1,400 people at 60 different community seminars

In 2018, member business deposit growth was a strong 6%

### Financial Education Programs

The credit union is committed to increasing our members' financial literacy across all age groups. This year we offered more educational videos via our social media feeds and website, joined Instagram as a means to reach more members, and provided educational opportunities to 1,400 people at 60 different community seminars. We hosted our first Women in Business half-day conference for more than 100 female entrepreneurs and corporate leaders. And through partnerships with two online programs (Banzai and EverFi), Hudson Valley was able to reach over 2,200 students at 20 elementary schools and over 825 students at five high schools with structured financial education modules that offer real-world situational learning as well as greater teaching flexibility for educators.

### Connecting with our Community

Our credit union has always prided itself on our connection to the communities we serve. In 2018, we received over 370 requests for financial, volunteer, or in-kind support from a variety of non-profit organizations. We're proud to have been able to support almost half of those, ranging from local food pantries to child development programs and economic development agencies that improve our region. We also continue to advocate for members by staying in close contact with our Federal and State legislators on important topics such as data breach legislation and regulatory reforms.

### Moving forward

This year will be an exciting one for the credit union and our members. We'll be undertaking one of our most important projects in recent years – a change to new, improved Internet and Mobile Banking platforms to provide even greater convenience. In addition, we'll be moving into Chester with the addition of our fifth Orange County branch. Please watch for more details as 2019 progresses.

Our strategy to continue measured growth for the benefit of our membership will take us in new directions, but always with the goal of providing you with even better, more affordable financial options. We are proud to take this journey with you, and look forward to serving even more of your friends, families, and neighbors in 2019 and beyond. Thank you for turning to Hudson Valley for all your financial needs.



A handwritten signature in black ink that reads "Noreen Hennessy".

**Noreen Hennessy**  
Chairman



A handwritten signature in black ink that reads "Mary D. Madden".

**Mary D. Madden**  
President and CEO

# Treasurer's Report

Now serving more than 292,000 members, an increase of 3.0%

Savings increased 5.6% to \$4.39 billion

As your Treasurer, I'm pleased to report your financial cooperative remains the strong, stable, financially secure one you have come to expect. 2018 was a year of growth, with Savings increasing 5.6% to \$4.39 billion and loans by 9.2% to \$3.02 billion.

Now serving more than 292,000 members, an increase of 3.0%, our credit union ended 2018 with \$4.936 billion in assets and a Net Worth of 11.38%, a continued strong benchmark of our safety and soundness.

We remain committed to providing you with the best mix of personal service and self-service options. Our strong financial position allows us to offer new products and services, as well as increase convenience through new branches and enhanced technology. Our newest branch in Mahopac now provides additional convenience for members in Southern Putnam and we're pleased to join that community.

As we look forward to 2019, your Board and management team will continue to look for ways to maximize your membership value, providing competitive products with the member service you demand and deserve while maintaining a strong financial position. We greatly appreciate the trust you place in us.



**Nancy Kappler-Foster**  
Treasurer



## Key Measurements

Net Worth at the end of 2018 was **11.38%** of Total Assets.

*B = Billions*

	2018	2017	% Growth
Total Assets	\$4.936 B	\$4.682 B	5.4%
Member Savings	\$4.392 B	\$4.159 B	5.6%
Member Loans	\$3.022 B	\$2.768 B	9.2%
Member Growth	292,048	283,433	3.0%

# Annual Meeting

Our Annual Meeting returns to Dutchess County on Tuesday, April 30<sup>th</sup> with a standard business meeting, including a brief review of the State of the Credit Union. The meeting begins promptly at 7 pm. To ensure everyone's safety, all attending will be required to pass through a security checkpoint. Potentially hazardous items (such as pocket knives or weapons) will be held by security personnel during the Meeting or you will be asked to return them to your vehicle. Thank you.

**Tuesday  
April 30, 2019  
7 p.m.**

Culinary Institute of America  
Marriott Pavilion  
1946 Campus Drive, Hyde Park

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## Supervisory Committee Report

Hudson Valley Federal Credit Union members can be assured your Supervisory Committee is a strong partner to ensure your financial cooperative remains one that you can trust every day. With the day-to-day assistance from our Internal Audit Department, the five members and three associate members of the Committee work to ensure the credit union follows the proper processes and procedures.

Our 2018 audit cycle was another successful one. Our external accounting firm, CliftonLarsonAllen, delivered an unqualified opinion of our financial statements, and the National Credit Union Administration also found no areas of concern in their examination.

The Supervisory Committee also works directly with members who may have experienced an issue that management cannot resolve to the member's satisfaction. We appreciate these interactions, as they help Hudson Valley maintain our focus on safety, security, and soundness. We look forward to a bright 2019 filled with more prosperity for all members.



A handwritten signature in black ink that reads "Kathleen Dispensa".

**Kathleen Dispensa**  
Supervisory Committee  
Chair

# Consolidated Statements of Financial Condition

December 31,

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$120,067,346	\$121,083,047
Investments	1,635,774,663	1,640,567,436
Loans to members:		
Real Estate loans	729,418,913	675,846,619
Consumer loans	1,913,667,168	1,700,232,064
Member Business loans	379,362,994	391,749,868
Total loans to members	3,022,449,075	2,767,828,551
Allowance for loan losses	(60,580,632)	(48,757,947)
Accrued interest receivable	13,290,410	12,740,630
Prepaid expenses	4,032,097	3,282,266
Property and equipment, net	89,819,105	78,607,600
NCUSIF deposit	38,525,956	39,327,146
Other assets	72,299,480	67,815,380
<b>TOTAL ASSETS</b>	<b>\$4,935,677,500</b>	<b>\$4,682,494,109</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Members' savings accounts:		
Regular Savings	\$1,108,854,379	\$1,044,459,010
Checking	638,826,874	596,635,649
Money Market	711,435,021	784,232,349
IRAs	240,320,000	238,161,457
Certificate Accounts	1,326,067,386	1,149,436,441
Business Accounts	366,824,318	346,062,013
Total members' savings accounts	4,392,327,978	4,158,986,919
Borrowed Funds:	-	-
Accrued expenses and other liabilities	33,655,686	41,052,127
<b>TOTAL LIABILITIES AND SAVINGS</b>	<b>4,425,983,664</b>	<b>4,200,039,046</b>
Members' equity, substantially restricted	509,693,836	482,455,063
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$4,935,677,500</b>	<b>\$4,682,494,109</b>

# Consolidated Statements of Income

Years Ended December 31,

	2018	2017
<b>INTEREST INCOME:</b>		
Loans	\$142,950,095	\$131,851,564
Investments	39,774,519	38,031,657
Total interest income	182,724,614	169,883,221
<b>INTEREST EXPENSE:</b>		
Members' savings accounts	34,762,970	28,545,178
Borrowed funds	2,228,263	2,829,097
Total interest expense	36,991,233	31,374,275
Net interest income	145,733,381	138,508,946
<b>PROVISION FOR LOAN LOSSES</b>		
Net interest income after provision for loan losses	43,755,757	35,070,055
	101,977,624	103,438,891
<b>NON-INTEREST INCOME:</b>		
Gain on sale of assets	7,591,172	4,863,031
HVFCU Financial Services Income	4,570,615	4,193,887
HVFCU Insurance Agency Income	654,891	645,444
Other	42,935,081	41,830,321
Total non-interest income	55,751,759	51,532,683
<b>NON-INTEREST EXPENSES:</b>		
Compensation	42,153,011	40,050,998
Office operations	23,342,439	24,942,749
Loan servicing	21,934,125	21,822,518
Employee benefits	16,976,743	15,492,319
Office occupancy	6,558,648	6,211,781
Marketing	3,109,477	2,907,418
Professional and outside services	2,464,609	2,920,895
Federal operating fee	608,474	495,310
Travel, conferences and training	510,945	481,144
Association dues	329,386	319,132
Members' insurance	313,279	310,149
Directors/Volunteers expense	118,486	118,432
Cash over and short	11,476	28,669
Annual meeting/election	909	120,603
Miscellaneous	(49,289)	(22,260)
Total non-interest expenses	118,382,718	116,199,857
<b>NET INCOME</b>	<b>\$39,346,665</b>	<b>\$38,771,717</b>
NCUSIF/TCCUSF Stabilization Expense	(2,634,570)	0
<b>NET INCOME AFTER NCUSIF/TCCUSF STABILIZATION EXPENSE</b>	<b>\$41,981,235</b>	<b>\$38,771,717</b>

# 2018 Board of Directors



**Noreen Hennessy**  
Chairman



**Takao Inouye**  
First Vice Chairman



**Joseph E. Eppich**  
Second Vice Chairman



**Nancy Kappler-Foster**  
Treasurer



**Ken J. Muckenhaupt**  
Assistant Treasurer



**William L. Spearman**  
Secretary



**Stephen M. Caswell**  
Director



**Marianne Collins**  
Director



**Misty Decker**  
Director

## DIRECTOR EMERITUS

**Jan Mahar Sturdevant**

## SENIOR MANAGEMENT

**Mary D. Madden**  
President and Chief Executive Officer

**Anton L. Rohrmeier**  
Executive Vice President and Chief Operating Officer

**Scott VanZandt**  
Chief Financial Officer

**Diane M. Allenbaugh**  
Senior Vice President, Human Resources and Organizational Development

**Chelen L. Reyes**  
Senior Vice President, Retail Delivery and Marketing

**Brian M. Waldron**  
Senior Vice President, Lending

## Committees

### Asset Liability Management Committee

Nancy Kappler-Foster, Chairman  
Ken J. Muckenhaupt  
William L. Spearman  
Mary D. Madden  
Scott VanZandt  
Brian J. Haughey  
Peter Lampasona

### Policy Committee

Misty Decker, Chairman  
Joseph E. Eppich  
Marianne Collins  
Chris Wyble

### Compensation & Benefits Committee

Takao Inouye, Chairman  
Noreen Hennessy  
Stephen M. Caswell  
Lauren Gillett  
Sharon McGinnis

### Nominating Committee

Lynn R. Fielitz, Chairman  
William L. Spearman  
Paul Anderson  
Julieta Majak  
Vanessa S. Primus

### Supervisory Committee

Kathleen Dispensa, Chairman  
Daniel F. Thomas, Secretary  
William J. Mulvey, Member  
Tuknekah Noble, Member  
Michael Young, Member  
Davide DiGenova, Associate Member  
Alan Gallantar, Associate Member  
Elinor Speckman, Associate Member

### CUSERVE Board of Directors

Andrea J. Mannix, Chairman  
Mary D. Madden, Secretary/Treasurer  
Ken J. Muckenhaupt  
Joseph Lapore  
Rich Trocino

