

2016

ANNUAL REPORT



HRCU

Better, Not Bigger Banking
HRCU.org



President's Message

2016 was an exciting year for HRCU and one that continued to reinforce our mission of being a successful, trusted, and community-focused credit union. From improving our members' experience in the branch and through technology to being active in our community we have worked hard to help our members better achieve their financial goals and improve the lives of those in our community.

At HRCU, we are committed to bringing our members the very latest in technology and the best member service available. In February, we were proud to reopen our Brock Street lobby after an extensive redesign and expansion. Member convenience and comfort, along with expanded services, were priorities for us in the project and the open concept design and enhanced one-on-one member interaction through dialogue banking allows us to better address the needs of today's members. Our financial partners, Northeast Planning Associates and Bernier Insurance, are also able to provide more benefits through greater access in financial planning and insurance products and services.

With the success of the Brock Street branch improvement, and in keeping with our goal of providing exceptional service to our members, we decided to bring the same design concept to Dover. In the spring of 2017, the Dover branch will reopen as a dialogue banking branch and offer enhanced services to our members, including a state of the art interactive teller machine, **HRCU Live**.

HRCU remains financially strong to meet our members' needs and help them achieve their goals. In 2016, our financials showed tremendous growth and strong performance for our membership. Asset, loan and deposit growth all exceeded expectations. Now at almost \$250 million in assets, \$224 million in deposits and \$181 million in loans, HRCU has more than doubled in growth over the last ten years. As a local financial institution, we take great pride that deposits are all local and we use those funds to distribute loans to our neighbors right here in our community. HRCU, although a not for profit, is not a charitable organization. We lend with compassion and flexibility but we also are responsible knowing we have our members to answer to. The return of income to our members capital is very strong. We do this while keeping our fees low, rates very competitive and making significant investments in technology and facilities. I am proud to say we work very hard to manage our financials for sustainability to serve our members now and well into the future.

2017 will be an exciting year for HRCU. We look forward to many positive changes with new technology being introduced in Dover and continued improvements to our mobile technology. Exceptional member service remains a top priority for us just as our commitment to the community will remain strong and continue to grow.

Brian F. Hughes,
President & CEO



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President & CEO

Supervisory Committee Report

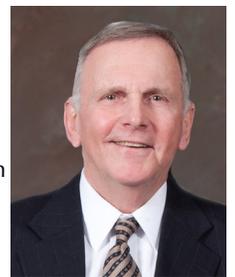
The Supervisory Committee works to achieve four goals, ensuring that HRCU operates in a financially sound manner, meets required financial reporting objectives, complies with the National Credit Union Administration (NCUA) and the New Hampshire Division of Banks, and establishes practices and procedures sufficient to safeguard member assets.

In doing so, the Committee engaged in a comprehensive financial statement audit by GT Reilly & Company, an internal control and compliance audit, as well as member account verification by MacPage, LLC. The Committee also met with the NH Division of Banks to review the progress of their regularly scheduled exam, and engaged the firm Baker, Newman & Noyes to perform an IT controls review. The Supervisory Committee reviewed management's response to the above noted audit recommendations and assured that all recommendations were addressed to the Committee's satisfaction.

The Supervisory Committee also performed various duties throughout the year to review credit union operations and financial statements. To meet our goal of in-service training, we attended the annual strategic planning session with the board of directors and senior management and a series of webinars presented by the CCUA (Cooperative Credit Union Association). Furthermore, the Committee reviewed and approved the revised Supervisory Committee Charter.

In conclusion, the Committee commends the board of directors, management and staff in their efforts and level of commitment in positioning HRCU for future success. Members should be assured that HRCU continues to be financially and operationally sound and serves its membership well.

Don Doyon, *Chairman*
Supervisory Committee



Don Doyon, *Chairman*
Supervisory Committee

What was new in 2016

- Brock Street Opens
- 20K Member Milestone
- HRCU Today with Jack Heath
- Dover Remodel Begins
- Live Chat
- EMV Chip Cards
- CardValet

Brock Street Opens to Great Reviews

February marked the opening of our remodeled Rochester branch on Brock Street. We have received tremendous feedback from members, who have expressed that they are seeing the benefits of these improvements. The new branch design allows us to provide our members with the highest level of service possible. As we keep pace with the ever-changing world of banking, this redesign will give us the ability to stay current and convenient to our members for years to come.

20K Member Milestone

In 2016 HRCU reached the 20,000 member milestone. From our humble beginnings in 1962 with eight members, HRCU continues to grow and provide exceptional service to its members. We commemorated reaching this mark with a number of contests and giveaways, including in-branch celebrations and weekly giveaways of 20,000 VISA Rewards points to members during October and November.



HRCU Today/YouTube

Our YouTube presence took a step up in 2016 with the introduction of "HRCU Today with Jack Heath". This monthly YouTube series is available on our channel and keeps our members up-to-date on the latest HRCU happenings. Members can also get a behind the scenes look at the people who make HRCU run on a daily basis. Be sure to subscribe to our YouTube channel to keep up with the latest episodes, or view the series on our Facebook page or on HRCU.org.

Dover Remodel Begins

In December 2016, renovations began on our Dover branch. These improvements will bring the same look and feel of our new Rochester branch to Central Ave. Once completed, Dover will feature a modern layout geared for personalized, one-to-one service and additional offices. A key part of the renovation is upgrading the branch technology, including a state-of-the-art interactive teller machine, **HRCU Live**, at the drive-up. Please visit HRCU.org and our Facebook page for the latest news on the renovation process in Dover.



Live Chat

In our efforts to make our online experience as convenient as possible for our membership, we introduced a Live Chat option on HRCU.org in Fall 2016. During Member Support hours Monday through Saturday, you can now live chat with a representative from our Member Support team from any page of our website. We hope that our members find this a useful tool that makes their online experience as easy and user-friendly as possible.

EMV Chip Cards

This year we upgraded our credit and debit cards to EMV chip cards to provide increased security and protection to all our members. The new cards use embedded microprocessor chips that store and protect your cardholder data. This technology helps reduce fraud and keeps your personal information more secure at all times.



CardValet

With the introduction of a smartphone app called CardValet, our debit card holders now have additional control and security. CardValet is a tool that enables users to manage their debit card transactions, including how, when and where the card can be used, with the ability to turn the card "on" or "off" at any time. This tool is available to use for Android or Apple smartphones. Download CardValet through the app store or go to HRCU.org to learn more about what it can offer.

What's coming in 2017

- Dover Grand Opening
- HRCU Live - ITMs (Interactive Teller Machines)
- New Mobile App
- Mobile Pay (Apple, Android & Samsung)
- A New HRCU.org

STATEMENT OF FINANCIAL CONDITION

(As of December 31, 2016)

ASSETS	2016	2015
Loans to Members	\$ 181,526,555	\$ 163,533,538
Less: Allowance for Loan Losses	(671,949)	(797,690)
Net Loans to Members	\$ 180,854,606	\$ 162,735,848
Cash & Equivalents	9,663,814	9,909,816
Investments	42,426,264	36,320,297
Fixed Assets	6,286,923	5,591,204
Accrued Loan Interest	777,758	787,784
Other Assets	6,369,246	6,711,019
NCUSIF Deposit	2,110,970	1,898,352
Total Assets	\$ 248,489,581	\$ 223,954,320

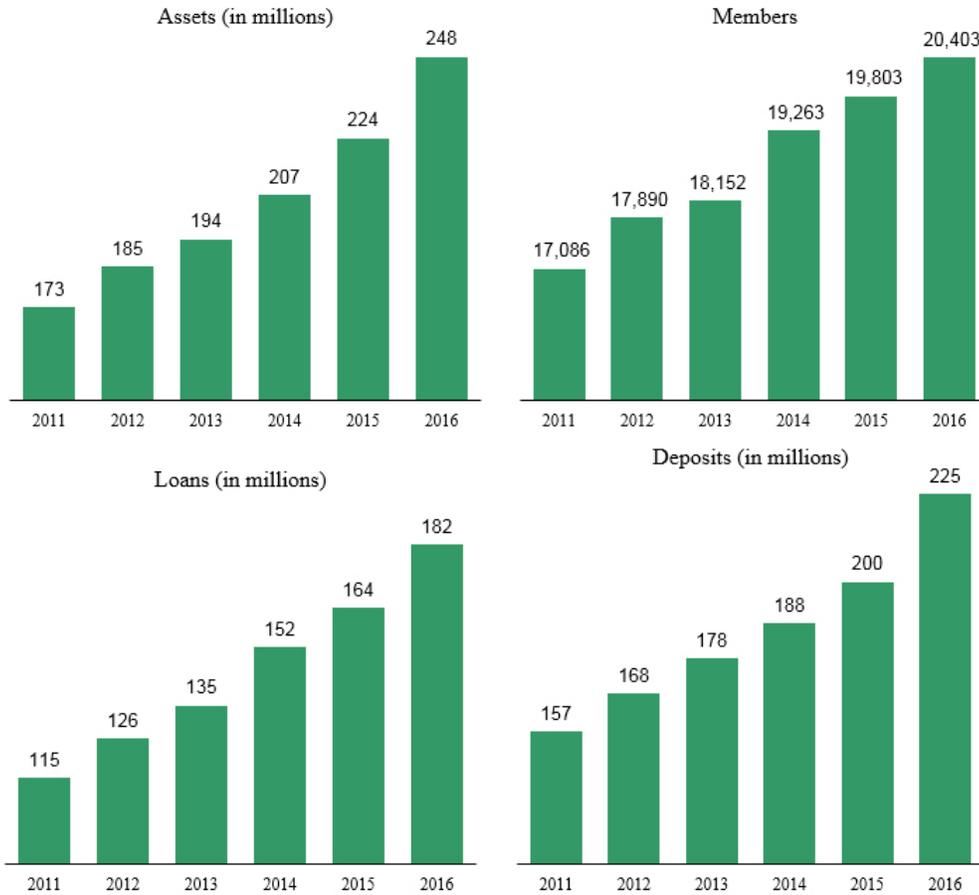
LIABILITIES & EQUITY

Member Shares	224,531,759	199,833,970
Notes Payable	—	3,000,000
Other Liabilities	1,497,811	671,973
Regular Reserves	2,125,672	2,125,672
Undivided Earnings	20,345,423	18,325,529
Unrealized Gain (Loss) on AFS Investments	(11,084)	(2,824)
Total Liabilities & Equity	\$ 248,489,581	\$ 223,954,320

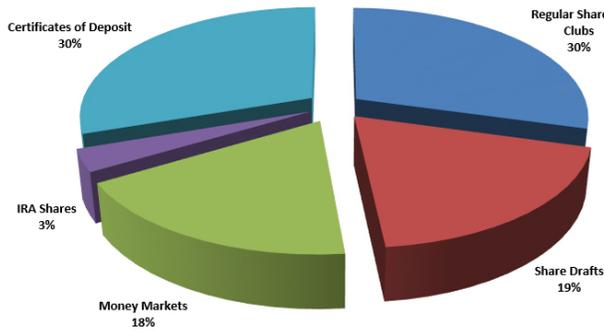
STATEMENT OF INCOME

(Year-to-Date)

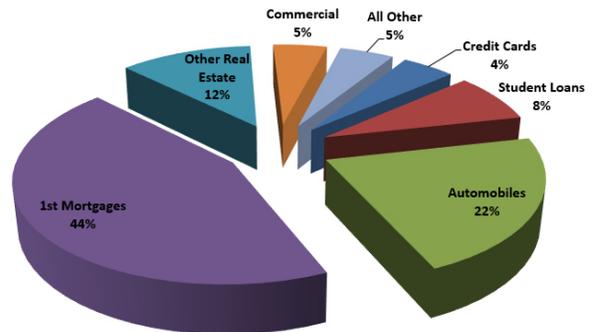
INCOME	2016	2015
Interest on Loans	\$ 8,120,654	\$ 7,840,745
Interest on Investments	451,262	337,671
Other Income	3,119,200	2,867,985
Total Operating Income	\$ 11,691,116	\$ 11,046,401
LESS		
Compensation and Benefits	4,021,125	3,908,992
Other Operating Expenses	4,290,851	4,089,724
Total Operating Expenses	\$ 8,491,976	\$ 7,998,716
Dividends and Interest Expense	1,108,230	983,443
Provision for Loan Losses	216,244	436,143
NCUA Assessments	—	—
Non-Operating Gains (Losses)	145,229	225,776
Net Contribution to Capital	\$ 2,019,895	\$ 1,853,875



Deposit Composition



Loan Portfolio



2016 Employee Award Winners

Difference Makers

Chris Maxwell



Dallas Nelson



2016 Christmas Caring Campaign

We were excited to continue our Christmas Caring Campaign for a third-straight year. The Christmas Caring Campaign gives HRCU a chance to support the non-profit organizations in the community that help our friends and neighbors all year long.

2016 was our most successful year yet, as we donated over \$30,000 to 20 local non-profits. These organizations serve those in need in our community in many ways, from donating appropriate clothing to children, providing food and shelter, helping those recovering from addiction and making sure the holiday season is a special time for everyone. The work of these groups is nothing short of remarkable and we are fortunate to be in a position at HRCU that we can contribute to help them with their efforts.

The Christmas Caring Campaign also gives our staff an opportunity to visit these outstanding organizations and learn about the work they are doing to improve the lives of those around us. Hearing the inspiring stories behind the work they do all year round to help make our community better is one of the most important aspects about this campaign each year.



My Friend's Place



Hope on Haven Hill



Dover Police Charities

Our Christmas Caring Campaign recipients in 2016 were:

- The Community Food Pantry, Somersworth**
- Interfaith Food Pantry, Farmington**
- Christmas for the Elderly, Rochester**
- Triangle Club, Dover**
- Dover Police Charities**
- Dover Housing Authority**
- Barrington Community Food Pantry**
- Hope on Haven Hill, Rochester**
- Friends of Hyder House Family Hospice, Dover**
- Seeds of Faith, Somersworth**
- SHARE Fund, Rochester & Somersworth**
- Rochester Youth Reach**
- My Friend's Place, Dover**
- Spaulding High School Raider Station Student Pantry**
- Community Action Partnership of Strafford County**
- St. Elizabeth Seton School, Rochester**
- The Rotary Club of Rochester**
- Homeless Center for Strafford County**
- Rochester Recovery Center**

HRCU's Community Focus

Giving back to the community is part of the mission of HRCU, and in 2016 we have continued our efforts to find ways to help make a difference.



2016 marked the beginning of a new volunteer program at HRCU. Throughout the year, we have been lending a hand at the Soup Kitchen of the First United Methodist Church in Rochester along with our friends at Bernier Insurance. It is a great experience for our staff members to get involved in the community by helping provide meals and a smile to those in need.

We look forward to continuing with this volunteer program into 2017 and beyond as we follow our mission of helping our community in any way we can.

HRCU Management



Brian F. Hughes
President & CEO



Rosemary Shields
Chief Operating Officer



Brian Therrien
Chief Financial Officer



Lisa Rodman
Vice President of Lending



Chris Patrowicz
Vice President of Human Resources



Kristy Method
AVP of Financial Services



Aimee Doherty
AVP of Operations



Ken Mauser
AVP of Technology

Board of Directors



Left to right, seated: Kathleen Simoneau; Dana R. Flanders, Chairman; Nancy Gilbert, Secretary. **Standing:** Paul Auger, Treasurer; Paul Turner; Ronald G. Vachon, Vice Chairman; Richard Brunelle; Richard Falardeau.

Supervisory Committee



Left to right, seated: Don Doyon, Chairman; Robert Langelier. **Standing:** Constance Hamann, Barry Checchi, Rachel Gilman.

Council of Trustees



Left to right:
Gerry Bisailon, James Brock, Robert Chasse,
Normand Lanoie, Andre Therrien.

www.HRCU.org

Branch Locations

Rochester, NH

Main Office:

133 Brock St., P.O. Box 2078, Rochester, NH 03867
Telephone: (603) 332-6840
Fax: (603) 335-2730

Spaulding High School Branch:

140 Wakefield St., Rochester, NH 03867
Telephone: (603) 332-1609
Fax: (603) 332-1087

Dover, NH

490 Central Ave., Dover, NH 03820
Telephone: (603) 743-3999
Fax: (603) 740-9438

Farmington, NH

341 Route 11, Farmington, NH 03835
Telephone: (603) 755-5000
Fax: (603) 755-9023

Bank your way!

We offer the convenience of today's technology

Though we love to see our members face-to-face, we know today's busy lifestyles need a variety of technology options from their financial provider. We will soon be happy to offer:

- **Updated Mobile App**
- **Updated Website**
- **New Mobile Lending**
- **HRCU Live - ITMs**
(Interactive Teller Machines)
- **Mobile Pay**
(Apple, Android & Samsung)

Coming Soon!



Better, Not Bigger Banking®

From our members...

It's not always the impersonal lowest rate that is most important... it is the personalized service.
- Ann Marie

Excellent customer service!
- Pat

You've got a great team there and I hoped Christine would get some recognition for being as awesome as she is. Thank you for having people like her helping at your branches. It is much appreciated!!

-Stephanie

Amanda, thank you so much for taking the initiative on my behalf. I did not realize fees were generating from a previous agreement to use bill pay. What's more is I would not have made the connection without your explanation. I can't tell you how relieved I feel. You and the employees at HRCU have always been and continue to be, the kindest people.. Thanks again.
Jess



Dallas, she's got to be the most sweetest and friendly person ever. Thank you for your help and patience with us today! You're a doll 😊



Just wanted to say how Very Happy I am to be a member of 30 Years with you all. I was recently on a cruise in the Caribbean and when I tried to use my debit card in St. Maarten it was declined. When I got back to ship my only means of communication was via Facebook, so I sent a private message asking for assistance so that I would be able to use my card for the rest of the trip. You answered me within seconds and marked my account for me that I could use my card! I can't thank you enough as you made the rest of my vacation worry free ❤️ Thank you again for being the BEST Credit Union around!!! Sincerely Drina, Gage & Rylan



I've been an HRCU member now for several years and love the atmosphere when I do my banking at the credit unions. I've just recently had another great transaction with Meg Cote. She was able to process my loan and provide the best transaction possible for my new snowmobile. It's employees like her that make me coming back for more business! So thank you Meg!

