

ANNUAL REPORT

2017

TRANSFORMING
TOMORROW TOGETHER





Transforming generations
and communities.

SIMPLY. PERSONALLY.

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PRESIDENT & CEO'S REPORT

2017 was an exciting year of transformation; seen and unseen to our member-owners.

Not only did we have major announcements and launches, groundwork was laid that will impact members and staff for years to come.

One of the more recognized announcements was CFCU's approval to expand our cooperative reach into the communities of Cayuga, Seneca and Ontario counties. This will enable us to extend our impact, improve lives and provide needed financial services to over 220,000 people. Paired with this announcement was our continued investment into our current market through the lease of what will become a new office, drive-up ATM and transactional center on the Commons in the heart of Ithaca. The community response to our expansion and commitment to downtown has been tremendously supportive and rewarding.

CFCU also launched two new companies in 2017. CoPilot, a business-to-business auditing firm, and CFCU Insurance Services. CFCU Insurance Services is already impacting our communities through providing necessary coverages with savings to our local households.

Behind the scenes, management began the process of reviewing all technology offerings, which included internal and external technology systems and processes. The outcome of this research is a technology roadmap that will be implemented over the next several years. This roadmap will enable CFCU to become more adaptable to changes in technology, service offerings and the needs of our membership. Our entire staff had the opportunity to be a part of this process, participate in the implementations, and will ultimately champion the benefits to over 70,000 members.

It is my honor to serve as your President/CEO, and I thank you for your membership, your trust and your support. I would like to express my gratitude to the Board of Directors and Supervisory Committee for their guidance and careful oversight. I give my thanks, appreciation and respect to our staff of nearly 200, affectionately called "Team CFCU." The support of the Tompkins and Cortland communities has enabled CFCU to make a difference and strive to even greater heights, as reflected in our Vision Statement, "Transforming generations and communities. Simply. Personally."

I truly appreciate your commitment to CFCU. Join us for an exciting year of continued transformation in 2018!

Sincerely,
Lisa Whitaker
President & CEO



ANNUAL REPORT

2017

"It is my honor to serve as your President/CEO, and I thank you for your membership, your trust and your support."

– Lisa Whitaker



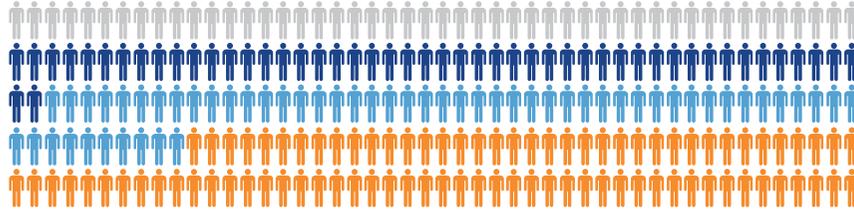
TRANSFORMING TOMORROW **TOGETHER**

When we committed to transform the CFCU experience for our members, it was not something we expected to be accomplished within a year. Transformation to the degree we decided upon is a multi-step, ongoing commitment to innovation and excellence. These last few years have brought many significant evolutions to CFCU, each allowing us to take another step further for the sake of our member-owners. Through the feedback from our staff and members we are looking to transform tomorrow, together.

BY THE NUMBERS

150

individuals assisted through financial counseling



12

**FINANCIAL
EDUCATION
SESSIONS/
PRESENTATIONS**



525 ADULTS ATTENDED THESE SESSIONS AND 90 YOUNG ADULTS

TWO HUNDRED

HOURS OF FINANCIAL COUNSELING BY STAFF TO MEMBERS

76



COMMUNITY EVENTS PARTICIPATED IN BY TEAM CFCU STAFF WITH BOTH TIME AND MONEY

17



**COLLEGE SCHOLARSHIPS
AWARDED FOR A TOTAL OF**

\$40,500

“The fact that you believe in me and my goals is truly astounding, and it makes me want to push even harder to reach them.”

– **Scholarship Recipient,
Gavin Tabel**



“I am extremely proud to serve on a Board of Directors who bring business experience, common sense and creativity to the table.”

– **Brian Mitteer**

CHAIRMAN’S REPORT

It takes complete teamwork to create a successful year!

CFCU Community Credit Union has been extremely fortunate to have that team in place. The members have shared their positive interactions with the branch staff, from friendliness to outstanding competence. Staff in our headquarters have provided the support necessary to assist our branches and give our members a better experience and understanding of services. Managers have excelled in the oversight of areas by providing expertise that is so important to the entire operation of the Credit Union. We are fortunate to have a remarkable senior leadership team. They bring years of experience to the organization, helping us grow in volume, expand our service area and develop new products and services. A special thank you to every single employee for all that you do every day for our members.

Our unpaid volunteers have been busy as well. The 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 Directors who bring business experience, common sense and creativity to the table. A special thank you to our volunteers for spending so many hours helping to make this a better Credit Union.

Teamwork has driven CFCU Community Credit Union to be one of the most successful credit unions 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. And the most important aspect is each of our members. We want to make sure you have the products you need, the service you deserve and the convenience necessary in today’s busy world.

Thank you for your support.
Brian Mitteer
Board Chair



Brian Mitteer
Chair



Amy Wood Gonzalez
Vice Chair



Skip Hewitt
Secretary



Joseph During
Treasurer



Dana Decker
Director



Katie Foley
Director



James Place
Director



Lisa Whitaker
Director



BOARD OF DIRECTORS



SUPERVISORY COMMITTEE REPORT

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.

The Supervisory Committee meets quarterly to review the work of the internal audit staff. Zenaida Choy 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. Findings identified from performed and reported internal audits with overall risk exposure of high risk to medium risk were either resolved during the draft report stage or have been addressed by management in the final report stating management's response for corrective actions and implementation of audit recommendation or if the response is work in progress.

The 2017 internal audit plan included 57 audits, with 44 outsourced and 13 performed by internal audit staff. An additional two outsourced audits were added during the year. Of the 59 audits scheduled for 2017, 56 were completed or in process and three were carried over to the 2018 audit plan. The carried-over audits are all outsourced audits scheduled to be completed in the first quarter of 2018. Outsourcing certain audits has been recommended by the New York State Department of Financial Services and NCUA regulatory examiners. The practice of alternating audits from internal to external provides an increased level of quality control, provides opportunity for industry standards to be included in future audits, and validates internal auditing practices and procedures. External audit firms are carefully screened and selected to ensure the highest possible expertise on the auditable entity.



The Supervisory Committee was highly satisfied with the completion rate of the internal audit plan, the responsiveness to new audit requirements, and management's timely response to any audit findings. Our 2018 audit plan currently includes 64 audits, with 47 outsourced (including the three carried over from 2017). 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. At the end of 2017, our AVP of Internal Audit, Zenaida Choy, retired from CFCU after 16 years of service. The Supervisory Committee and Management are actively searching for her replacement. In the meantime, we are utilizing professional contracted services in conjunction with the work of our Junior Auditor to complete the 2018 audit plan.

The Supervisory Committee is proud to report that our independent audit firm, CliftonLarsonAllen, has issued an unmodified (clean) opinion report on CFCU's consolidated financial statements as of, and for the years ended, December 31, 2017 and 2016. 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 2017. Again, findings were minimal and management was quick to address and resolve any issues or concerns. Based on the examiners' reports, internal

Internal Audit Staff:

Zenaida Choy, Assistant Vice President of Internal Audit
Kim VanDonsel, Junior Auditor

Independent Audit Firm:

CliftonLarsonAllen, LLP

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 mycfcu.com/about.

Many thanks go to our internal auditors, Zenaida Choy 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
Supervisory Committee Chair

Committee Members:

Blix Taetzsch, Chair
Robert Cree, Secretary
Susan Schattschneider



“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.”

– **Joseph During, Jr., CPA**

TREASURER’S REPORT

2017 was another successful, exciting and challenging year for CFCU Community Credit Union.

Successful, in that the Credit Union finished the year with a strong surplus and an equally strong balance sheet. Exciting, in that we received approval to expand into new markets. Challenging, in that we continuously strive to bring 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 services and resources. These were accomplished through the outstanding leadership of our extremely competent and talented CEO, Lisa Whitaker, the all-volunteer Board of Directors, and all our management team right through to the great people we have in our branch offices. You, our members, have played 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 high-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 continually 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.

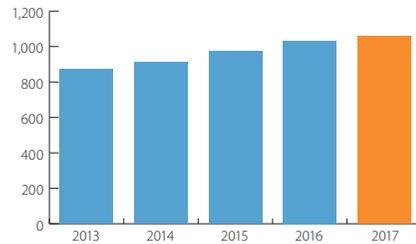
Our 2017 annual financial audit, which was conducted by our independent certified public accountants during 2018, resulted in an unqualified opinion. Again, this is a testament to the hard work and dedication of our Board of Directors, the Senior Management team and all the employees of the Credit Union.

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.

Respectfully submitted,
Joseph H. During, Jr., CPA
Treasurer

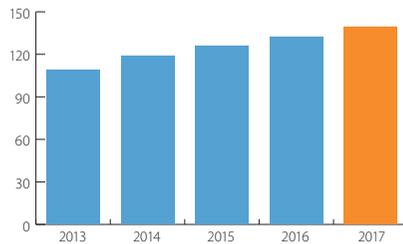
Total Assets

(in thousands)



Total Members' Equity

(in millions)



Members' Share and Savings Accounts

\$910M

STATEMENT OF FINANCIAL CONDITION

as of December 31, 2017

ASSETS	2017	2016
Cash and Cash Equivalents	\$ 168,231,348	\$ 195,417,041
Deposits in Other Financial Institutions	250,000	250,000
Securities – Available for Sale	126,553,654	133,138,162
Other Investments	5,369,579	2,258,095
Loans Held-for-Sale	413,200	66,697
Loans, Net	732,765,733	679,701,207
Accrued Interest Receivable	2,757,316	2,602,570
Premises and Equipment, Net	8,910,555	8,914,516
NCUSIF Deposit	8,187,046	7,855,872
Other Assets	3,397,881	2,494,136
TOTAL ASSETS	\$ 1,056,836,312	\$ 1,032,698,296
LIABILITIES AND MEMBERS' EQUITY		
Members' Share and Savings Accounts	\$ 910,420,321	\$ 895,244,533
Accrued Expenses and Other Liabilities	6,709,913	5,027,668
TOTAL LIABILITIES	\$ 917,130,234	\$ 900,272,201
MEMBERS' EQUITY		
Regular Reserves	\$ 15,582,928	\$ 15,582,928
Undivided Earnings	124,646,149	116,816,516
Accumulated Other Comprehensive Income (Loss)	(522,999)	26,651
Total Members' Equity	139,706,078	132,426,095
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 1,056,836,312	\$ 1,032,698,296

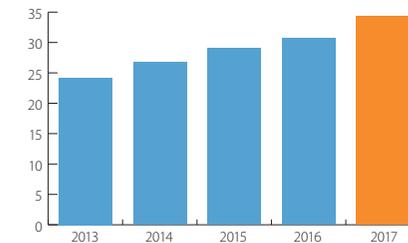
STATEMENT OF INCOME

as of December 31, 2017

INTEREST INCOME	2017	2016
Loans	\$ 30,426,644	\$ 28,045,779
Securities, Interest Bearing Deposits and Cash Equivalents	3,945,960	2,692,576
TOTAL INTEREST INCOME	\$ 34,372,604	\$ 30,738,355
INTEREST EXPENSE		
Members' Share and Savings Accounts	3,475,671	3,500,264
Net Interest Income	30,896,933	27,238,091
PROVISION FOR LOAN LOSSES	\$ 3,757,529	\$ 4,025,307
Net Interest Income After Provision for Loan Losses	27,139,404	23,212,784
NON-INTEREST INCOME		
Service Charges and Fees	\$ 9,006,645	\$ 8,277,548
Other Non-Interest Income	1,566,868	1,330,007
Net Gain on Sale of Loans	115,648	299,379
Net Gain on Sale of Securities	17,083	108,463
TOTAL NON-INTEREST INCOME	\$ 10,706,244	\$ 10,015,397
NON-INTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	\$ 16,063,050	\$ 13,799,606
Office Occupancy and Operations	8,582,368	8,202,881
Other Operating Expenses	5,295,677	5,002,370
Net Loss on Sale of Assets	74,920	9,208
TOTAL NON-INTEREST EXPENSE	\$ 30,016,015	\$ 27,014,065
NET INCOME	\$ 7,829,633	\$ 6,214,116

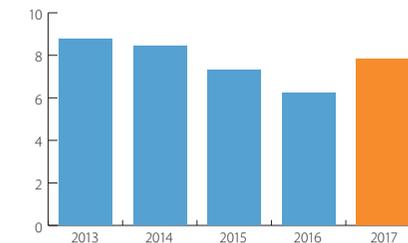
Total Interest Income

(in millions)



Net Income

(in millions)



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 Leadership 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

Paul Cognetta
VP Human Resources

Eileen Covey
VP Loan Servicing & Asset Recovery

Jeff Dobbin
VP Business Lending

Mark Hillegas
VP Consumer Lending

Eliza Mulhern
VP Compliance & Associate
General Counsel

Rebecca Roberts
VP Learning & Development

Jim Struble
VP Sales & Service

Sarah Tomei
VP Finance & Controller

Christine Werner
VP Mortgage Operations

CUSO SUMMARY

CFCU Insurance Services

Millions of Americans pay too much for insurance, with many of our community members and neighbors included in that statistic.

CFCU Insurance Services was created to help families and individuals realize savings and put themselves in a better financial position while maintaining the coverage that makes sense for their needs. Our approach of understanding what needs exist, then shopping many national providers for the best price, has been saving local families significant amounts of money.

CFCU Insurance Services is ready to help those at every age and stage of life. Our wide range of products helps protect what's most important – with an easier process and affordable rates! We Shop. We Compare. YOU Save!

Rick Page, CEO of CFCU Insurance Services

Located with operations near the heart of our nation's capital as well as in central New York State, CoPilot is an Enterprise-Wide Risk Management and Compliance Credit Union Service Organization (CUSO).



As a leading provider of internal audit, compliance and business risk services to credit unions and community banks, CoPilot strives to help others navigate risks that inevitably occur in business. The CoPilot proprietary Enterprise Risk Assessment methodology provides guidance and tools at both the operational and the strategic level to develop risk profiles, assesses current risk management processes against industry best practices, and designs an Enterprise Risk Assessment program tailored to organizational needs.

Risk management is a critical element in strategy and operations for any financial institution. CoPilot has an exciting future ahead in service to our industry!

Gil Bohene, CEO and Managing Principal of CoPilot, LLC

**WE WORKED TOGETHER TO STRENGTHEN
OUR LOCAL COMMUNITIES.**

135 

COMMUNITY ORGANIZATIONS/
CHARITIES SUPPORTED

\$284,000

donated to local charities, community projects, community organizations

**2 NEW CREDIT UNION SERVICE
ORGANIZATIONS (CUSOs)
LAUNCHED IN 2017**

4,300 HOURS
VOLUNTEERED
by staff in the community

TRANSFORMING TOMORROW TOGETHER



“CFCU embraces the challenges and changes that transformation brings. We’re a very committed team and always willing to improve!” – **Michelle Mazza**



“I’m proud to be part of an organization that is continually transforming to become more proactive towards members’ financial health instead of reactive.”
– **Eric Schillinger**



“Transforming to meet our members’ growing needs over time has impacted so many lives. Adding valuable services over the years, such as CFCU’s Wealth Management, reflects our deep commitment to our communities.” – **Frank Torelli**



“The best thing about working for CFCU is the opportunity to find solutions for our members that transform their financial lives for the better.” – **Chris Tyler**

A BRIGHTER TOMORROW **STARTS WITH OUR PEOPLE**





 CFCU
Community
Credit Union
1030 CRAFT ROAD
ITHACA, NY 14850

► **VISIT** any CFCU branch ► **CALL** 800-428-8340 ► **CLICK** mycfcu.com

“I truly appreciate your commitment to CFCU. Join us for an exciting year of continued transformation in 2018!”

– **Lisa Whitaker, President & CEO**