

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2018 and 2017

Assets	2018	2017
Loans to Members	\$ 81,148,965	\$ 73,691,946
Allowance for Loan Losses	(600,140)	(598,120)
Net Loans	\$ 80,548,825	\$ 73,093,826
Loans Held for Sale	\$ -	\$ -
Cash and Equivalents	1,531,336	5,056,590
Investments	28,782,158	30,166,080
Land and Buildings	2,975,612	3,075,568
NCUA Share Insurance Deposit	1,026,700	975,241
Other Assets	2,144,958	2,177,096
Total Assets	\$ 117,009,588	\$ 114,544,401
Liabilities		
Notes Payable	\$ -	\$ -
Dividends Payable	202	174
Accounts Payable & Other Liabilities	1,098,118	1,006,190
Shares and Deposits	103,715,964	102,071,782
Total Liabilities	\$ 104,814,284	\$ 103,078,145
Members' Equity		
Undividend Earnings	\$ 9,019,275	\$ 8,504,983
Regular Reserves	2,338,125	2,338,125
Equity Acquired in Merger	123,188	123,188
Other Reserves	(135,621)	(14,332)
Net Income	850,336	514,291
Total Members' Equity	\$ 12,195,303	\$ 11,466,256
Total Liabilities and Members' Equity	\$ 117,009,588	\$ 114,544,401

Financial Highlights

Assets

The credit union ended the year with \$117 million in assets.

Members

Heartland employees opened 989 new accounts in 2018.

Loans

Heartland's lending staff approved 1,830 new loans totaling \$36.7 million.

Checking

Heartland's staff opened 824 new checking accounts in 2018.

Income

Heartland Credit Union made \$850,336 in 2018.

Net Worth Gain

Total Member's Equity increased \$729K and the net worth ratio ended 2018 at 10.54%.

Products and Services

Savings Accounts

Membership Savings Account
Business Savings Account
Bean Sprout Savings Account (Youth)
iSave Savings Account (Youth)
Automatic Savings Account
Money Maker Account
Certificate of Deposit
Individual Retirement Accounts

Checking Accounts

Free Checking
eChecking
Rewards Checking
Free 55 Checking
Business Checking
iSave Checking (Youth)

Investments

Loans

New and Used Auto Loans
Student Auto Loan
Auto Savings Loan
Recreational Vehicle Loans
Personal Loans
Student Loans
Ready Cash Plus Loan
Home Loans
Home Free Refinance Loan
Home Equity Loans
Home Improvement Loans
Business Loans

Visa® Credit Cards

including rewards and chip technology

Online and Mobile Services

Online Banking
Mobile Banking featuring Mobile Deposit
e-Statements
Online Bill Pay
View Cleared Checks Online
Online Visa® Statements and Account Access
Online Mortgage Account Access
Scheduled Transfers
Account Alerts
Secure Messaging
Check Reorders

Convenient Services

Fee-Free ATM Network
Shared Service Centers
Saturday Hours
24/7 Phone Account Access
Mastercard Debit Chip Card
Direct Deposit
Night Deposit
Notary Service
Money Orders
Wire Transfers
Overdraft Protection
Visa® Gift Cards
Safe Deposit Box

your financial solution
HEARTLAND
CREDIT UNION

www.heartlandcu.com

Creating the future

TOGETHER

2018 ANNUAL REPORT



Joint Message *from the Chairman of the Board and President*

We're pleased to report that 2018 was another successful year with increased assets and strong loan growth, all at the heels of Heartland celebrating 80 years of serving members and communities.

Since our beginning, we have provided affordable financial products and services to our members and we continued that commitment in 2018. Our team introduced new products, enhanced current offerings and remained focused on the development of a strategic growth plan to serve our eight-county field of membership.

Strategic Growth

With the addition of Ramsey, Washington, Hennepin and Carver counties to our field of membership in 2017, we hired the La Macchia Group, a strategic consultant, in late 2018 to perform a market analysis of our entire field of membership to determine potential branch expansion locations.

New Offerings and Enhancements

We successfully implemented the Transfer Now feature into online banking. This feature allows members to transfer money from their Heartland accounts to their outside financial accounts. It also allows members to move their money from outside accounts into their Heartland accounts - giving members an easy way to manage their money day or night.

In addition to Transfer Now, the Heartland website was enhanced for easier navigation, visual appeal and continued mobile browsing ease. In 2018, visits to Heartland's website continued to rise and the number of visits via a mobile device surpassed visits performed using a computer.

Heartland was one of the first Minnesota credit unions to launch a responsive design website, which has allowed

Rex Carlson
Rex Carlson
Chairman

Kathy Harrington
Kathy Harrington
President

members to conveniently conduct their financial business from the devices they prefer for a number of years.

With the increased visits to Heartland via a mobile device, a project to implement a new mobile lending platform was started in 2018. This new platform allows members to easily apply for a loan via a tablet or smart phone.

While many of the 2018 enhancements were technology focused, we also introduced the new 15-year Home Free Loan. With this new product, members have the choice between paying off their home within 10 years with the existing Home Free Loan or paying it off in 15 years.

Organizational Additions

Part of Heartland's strategic growth plan includes building a strong organizational structure to support growth. In 2018, three new positions were created; a Headquarter's Branch Manager, a Select Employee Group (SEG) Branch Manager and a Mortgage Lender. These new positions will assist the credit union in serving it's members and supports future growth.

Security

Security remained at the forefront in 2018 as we continued to see data breaches, fraudulent activity on accounts and numerous financial scams that put our members at risk to lose everything. We take pride in our commitment to watching out for our members and we're pleased to report that we were able to prevent our members from becoming victims of many financial scams — saving them thousands. As we have been doing, we continue to monitor for potential breaches and adjust and tighten restrictions on card usage when we see a pattern beginning to form in either a region or a specific store. We proactively shut down cards and reissue new ones when a breach occurs.

As we continue to move forward, we are positioning your credit union for the future. Your Board of Directors appreciates the opportunity to serve you as your elected leaders and your Heartland staff looks forward to helping you build a strong financial future.

Board of Directors

Rex Carlson
Chairman

Jeremy Hjelm
Vice Chairman

Gene Traxler
Secretary

Dale Lieb
Board Member

Kent Zimmer
Board Member

David Seehusen
Board Member

Nanci Lilja
Board Member

Supervisory Committee Report

The Supervisory Committee is responsible for ensuring that proper controls are in place and operating as intended to ensure that your credit union is managed professionally, efficiently, and confidentially. The Supervisory Committee has established an annual audit plan and performs audit functions throughout the year in accordance with that plan. In addition, in 2018 we hired the CPA firm of CliftonLarsonAllen, LLP to assist us with a financial statement opinion audit. The audit was completed for the twelve months ending on September 30, 2018, with a clean opinion issued on January 9, 2019. Your credit union is also required to follow all Minnesota Department of Commerce and National Credit Union Administration (NCUA) regulations. To ensure full compliance with these regulations, we file semi-annual reports with the Department of Commerce and the credit union participates in regulatory agency audits.

To protect your interests in the credit union, the Supervisory Committee functions independently of the board of directors and staff. We acknowledge and appreciate the fine job that everyone has done this past year.

Please contact us at supervisory@heartlandcu.com if you have an issue with the credit union that you feel needs our attention. We recommend for efficiency, you utilize normal channels in contacting staff to resolve any credit union problem. However, if that proves unsuccessful, please contact us.

Thank you for the opportunity to be of service and for your continued support of your credit union.

— Supervisory Committee —

Greg Sippl
Chairman

Connye LaCombe
Committee Member

Shaun VanDeurzen
Committee Member

STATEMENT OF INCOME AND EXPENSE DECEMBER 31, 2018 and 2017

	2018	2017
Income		
Interest from Loans	\$ 3,194,816	\$ 2,931,591
Interest from Investments	725,042	579,325
Total Interest Income	\$ 3,919,858	\$ 3,510,917
Interest and Dividend Expense		
Dividends on Shares	\$ 25,194	\$ 22,582
Interest on Deposits	222,049	222,058
Interest on Borrowed Money	39,999	4,198
Total Interest Expense	\$ 287,242	\$ 248,838
Net Interest Income	\$ 3,632,616	\$ 3,262,079
Provision for Loan Losses	219,654	196,627
Net Interest Income After Provision	\$ 3,412,962	\$ 3,065,453
Non-Interest Income		
Fee Income	\$ 422,830	\$ 373,040
Other Operating Income	1,215,080	996,237
Gain (Loss) on Investments	-	-
Gain (Loss) on Fixed Assets	395	(613)
Other Non-Operating Income (Exp.)	-	-
Total Non-Interest Income	\$ 1,638,305	\$ 1,368,664
Non-Interest Expense		
Compensation and Benefits	\$ 1,854,961	\$ 1,683,398
Travel and Conferences	41,293	30,244
Office Occupancy	330,986	331,347
Office Operations	794,878	808,224
Education and Promotion	281,051	186,341
Loan Servicing	304,666	317,655
Professional and Outside Services	466,359	436,442
Member Insurance	2,321	2,072
Operating Fees	19,277	4,387
Fraud Losses	42,400	63,653
Miscellaneous Operating	62,740	56,062
Total Non-Interest Expense	\$ 4,200,930	\$ 3,919,825
Net Income	\$ 850,336	\$ 514,291

Asset Growth

2018	\$117,009,588
2013	\$95,961,406
2008	\$78,792,746
2003	\$67,544,790

