



**HERE FOR YOU
HERE FOR GOOD**

**2018
ANNUAL
REPORT**



Cornerstone
Community Federal Credit Union



CEO's Report



At Cornerstone, we are an employee- and owner-centric organization that reminds itself every day of that spark that ignited a small group of employees from Harrison Radiator in the basement of the local UAW Hall to create us in 1957. That same energy can still be seen in the hearts and actions of all our employees; I see it through daily interactions with our members, leading of

community-based charity drives, and the organizing of fun family activities.

As a credit union, we are the only depositor-owned, democratically controlled option in financial services. Our mission is to promote and provide access to credit and financial services for our owners, particularly those of modest means. We operate for the sole purpose of improving the financial well-being of our owners and the community in which they live.

As owners and operators of a credit union we are part of something special, and we are entrusted with a great responsibility – to prove that a financial institution can remain viable and strong, while putting people and community first.

We are continuously challenging ourselves to adapt and improve upon the competitive set of products and services that we can offer to our members. Whether it's our team of highly trained professionals who are here to serve the needs of our owners, or the technology that powers our mobile and internet services, or the commitment to providing access to our services across the county – we are here to serve you, our members, each one of you an owner of this dedicated financial institution.

I have had the privilege to serve as our credit union's Chief Executive Officer for just over a year now, and I am

honored to be here every day. A long-tenured Board of Directors, along with all of our volunteers, complement the rich internal leadership experience that has made my transition successful.

While 2018 brought with it many challenges, it also welcomed some amazing accomplishments. We grew our loans by \$30 million, an increase of 13%. We made updates to our personal loan product that led to a truly successful summer loan promotion. We worked through sweeping changes to our indirect lending program to improve controls, strengthen oversight, reduce costs, and increase overall loan yield. We focused on our communications and made significant strides in our use of social media platforms. Additionally, we recognized the need to refresh our website and began planning a comprehensive overhaul. We also made great strides with our internal team and culture – promoting six members of internal staff to new management positions, and adding several new people to our already outstanding roster. Finally, not least of all, we made great progress on improving our capital reserve standing. We achieved a 33 basis point improvement to our net worth ratio, which ended the year at 7.28%.

In the end, our business is simple: Take in our member's deposits, and lend those deposits to other members in a fair and responsible manner. We do our best to keep our lending rates down, and sometimes we are even able to offer our owners the best rates in the market. Although we are starting to see some news coverage regarding federal interest rates, we continue to be in a sustained period of historically low rates.

Allow me to provide a real example of what I am saying, with the most recent information available at the time of me writing this message. Even with the recent raises in the fed funds rate, the average savings account across financial institutions in Western New York will yield a depositor just under \$3.50 annually for a \$1,000 share account.

In this climate, all financial institutions are operating on very narrow margins. Therefore, similar to our lending

strategy, we manage our dividends in a way that allows us to reinvest in our business while also offering a competitive distribution to our owners. Given the overall climate we are experiencing in interest rates, I believe we have been doing well in accomplishing this dual mandate. We will closely watch the actions of the Federal Reserve through 2019 to see how this may change our decisions.

Regardless of market conditions, we will remain committed to our ownership in delivering the best value possible in financial services. We have a responsibility to keep our business economically viable, and to reaffirm the trust of our ownership. This balance is a key priority we are constantly trying to get right.

Though this business is simple, accomplishing our mission is anything but. Minor changes to any number of factors can have effects far greater than the initial appearance of the change itself; market conditions, fluctuations in stock prices and interest rates, management changes and world events all have significant impacts to our operations. These risks are not new, and with the tireless dedication of our world-class team, we will continue to manage through them, as we have throughout our 61-year history. Our people are truly our No. 1 asset, and they are the sole reason we continue to exist, expand, and experience continued success. I join our 47,000+ owners, to express my gratitude to this team of approximately 140 local employees and volunteers. My hat's off to this team!

I am deeply thankful to everyone here, for bringing their best to work every day and capturing the minds and hearts of our members. It is with this team that we embark on another great year in 2019.

Thank you.

Eric M. Hepkins
CEO

Board of Directors

Chairman of the Board | **David M. Nemi**
First Vice Chairman | **A. Angelo DiMillo**
Second Vice Chairman | **Edwin Rosier**
Treasurer | **Edward P. Sandell**
Secretary | **Sally J. Moore**

Director | **James Budde**
Director | **Barry Goodin**
Director | **Lawrence C. Pease**
Director | **Robert S. Santarsiero**



Management Team

Eric Hepkins – Chief Executive Officer
Mary Scheib – President & Chief Operating Officer
Jillian Majka – Chief Human Resources Officer
Drew Dunlap – Strategic Planning & ALM Manager
Bill Coder – Chief Information Security Officer
Connie Kelkenberg – Vice President of Auditing
Denise Salmons – Vice President of Retail Operations
Mark Szafranski – Vice President of Finance
Ellen Zastrow – Vice President of Lending
William Wyles – Director of Information Technology & Systems
Molly Mayers – Director of Real Estate Lending
Nancy Freischlag – Regional Branch Manager
Carolyn Koons – Regional Branch Manager
Julia Booker – Employee Relations Manager
Mary K. Nassoij – Collections Manager
Lisa Whittaker – Consumer Lending Manager
Tracy Ziemendorf – Card Services Manager

Cornerstone Volunteers

We would like to thank the following volunteers for their dedication and support in the past year:

Nathaniel Bolt	Todd McNall
Irene Bull	Wm. Keith McNall
Deborah Coder	Dan Napoleone
Sam D’Agostino	Robert Nemi
Patricia Degan	Frank Oakes
Kathleen DiMillo	John Santarsiero
Al Ferrante	Gary Smith
Barbara Garey	John Tolli
Tim Lederhaus	Jeremy Verratti



David M. Nemi
Chairman of the Board

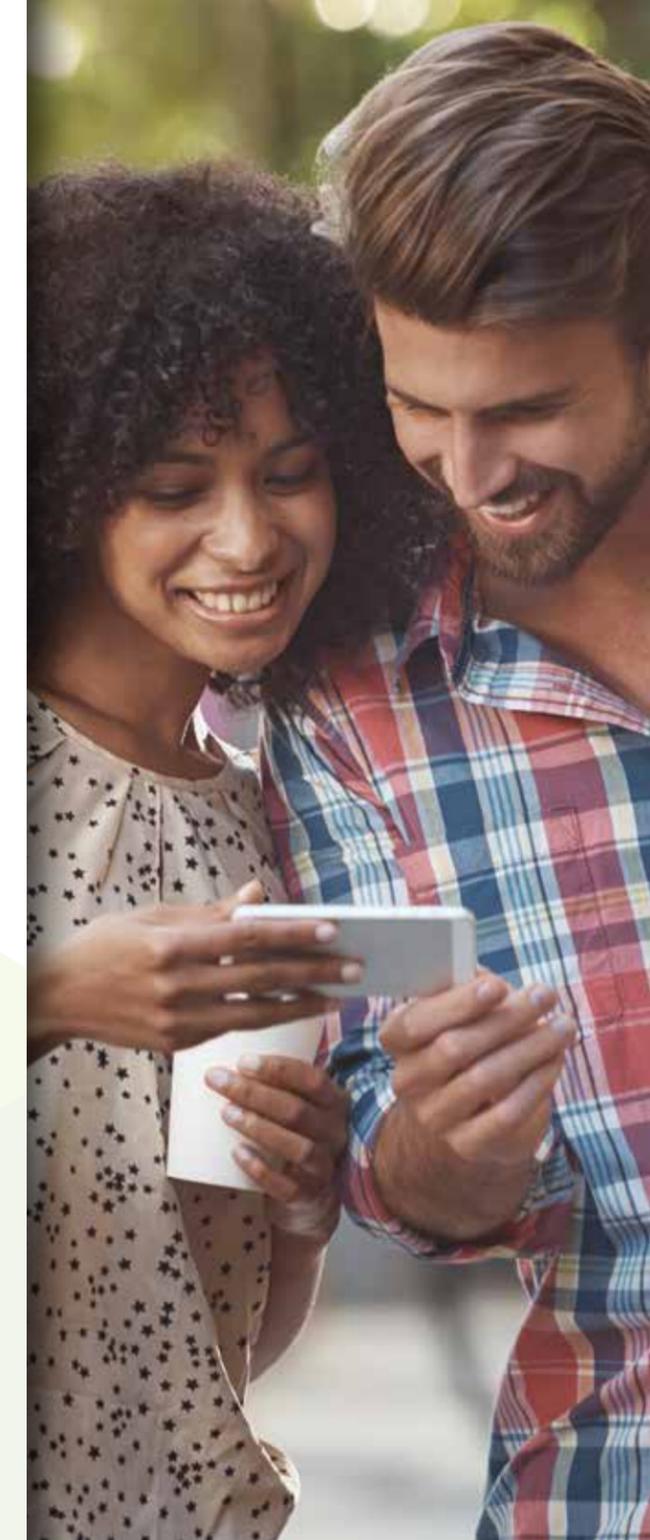
Chairman’s Report

2018 was a year of change at **Cornerstone Community FCU**. Ann Hood, our longtime CEO, retired in February and Eric Hepkins was hired as her replacement as the new CEO.

Cornerstone continues to be committed to the Niagara County community sponsoring many different events including the Niagara Hospice Half Marathon and Spring Bouquet Sale, Lockport Cruise Night, and the Lewiston and Olcott Jazz Festivals. Cornerstone also has made donations to the fundraising campaigns of the Lockport YMCA and Lockport’s Historic Palace Theatre.

Cornerstone will continue to put our member-owners first, always trying to add more products and services that they request along with enhancing our online presence and making it easier for our member-owners to do most of their banking online.

In closing, I would like to thank you for trusting Cornerstone for all your financial needs.





Edward P. Sandell
Treasurer

Treasurer's Report

Cornerstone Community FCU continues to work hard to serve the financial needs of our members. Cornerstone continued its solid financial performance in 2018. The net income for 2018 was \$1,859,317.16 which reflects the \$1,500 per person incentive payment to the employees by reaching the \$2 million net income level.

Cornerstone's total member shares grew 1.05% during the year to \$395,397,849 while our total investments decreased by 34.7% to \$95,591,987. Total equity increased by 5.6% to \$30,715,908. The total value of Cornerstone's loans increased by 13.1% to \$285,611,695 while our membership decreased by 1,257 for a year-end total of 47,357. The decrease in investments occurred because of our improvement in loan activity and the steady increases in Federal Reserve interest rates.

Cornerstone is a well-capitalized credit union, which is demonstrated by our sound prompt corrective action (PCA) net worth ratio of 7.28%. This is a significant increase from 2017 and reflects an overall improvement in the state of the business.

Our commitment to protecting our members' finances means that the Board of Directors will continue to ensure that prudent financial decisions are made to maintain your trust. Our members can be certain that Cornerstone's vigilant approach will result in a solid foundation for you to build a plan that achieves your goals. That focus will continue as we look forward to the future.

Assets	
Loans to Members	\$285,611,695
(Less) Allowance for Loan Losses	\$ (2,969,011)
Net Loans	\$282,642,684
Cash and Net Investments	\$121,842,158
Other Assets	\$ 24,544,749
Total Assets	\$429,029,591

Liabilities and Equity	
Total Liabilities	\$ 2,915,834
Total Member Shares	\$395,397,849
Regular Reserve	\$ 6,395,343
Contingency Reserve	\$ 7,119,882
Undivided Earnings	\$ 17,730,867
Acc Gain/Loss on AFS Securities	\$ (530,185)
Total Liabilities and Equity	\$429,029,591

Operating Income	
Net Loan Interest	\$ 11,790,087
Income from Investments	\$ 2,157,370
Other Operating Income	\$ 5,993,712
Total Income	\$ 19,941,170

Operating Expenses	
Staff Salary and Benefits	\$ 8,085,126
Office Occupancy and Operation	\$ 2,742,659
Provision for Loan Losses	\$ 2,183,743
Marketing and Promotional	\$ 604,688
Loan Servicing	\$ 1,032,255
Professional and Outside Services	\$ 2,684,016
NCUA Federal Operating Fees	\$ 106,749
NCUA Stabilization Fund	\$ 0
All Other Expenses	\$ 247,617
Total Expenses	\$17,686,853

Net Operating Income	\$ 2,254,317
Dividends Paid On Shares	\$ 579,061
Gain or Loss Disp. Assets/ Investments	\$ 184,061
Net Income	\$1,859,317

Financial Highlights	2018	2017	%
Assets	\$429,029,591	\$422,729,069	1.49%
Shares	\$395,397,849	\$391,304,273	1.05%
Loans	\$285,611,695	\$252,524,741	13.10%
Members	47,357	48,614	(2.59)%



John Tolle
Supervisory Committee
Chairperson

Supervisory Report

The Supervisory Committee has many responsibilities in serving the membership. The most important is safeguarding our members' assets. We do this by reviewing policies and procedures and thoroughly evaluating the credit union's operations. We are also responsible for ensuring that procedures for financial reporting are properly followed by management and we continue to monitor the overall soundness of your credit union.

Each year an independent opinion audit is completed by an external auditing firm. Firley, Moran, Freer and Eassa, CPA, P.C. of Syracuse, New York was contracted for this service. We have used this firm since 2014 and are pleased with their professionalism and attention to detail. The results of our 2018 audit indicates the credit union remains in compliance with all National Credit Union Administration requirements and guidelines. We are also pleased to report that Cornerstone is in excellent financial condition.

The committee, which includes Dan Napoleone, Frank Oakes, W.M. Keith McNall, Robert Nemi and myself, would like to thank Connie Kelkenberg, V.P. of Auditing, and Lori Doxey, Internal Auditor, for their outstanding attention to details and constant vigilance in the day-to-day operations and timely reporting in keeping your credit union and your assets safe and secure.

We realize you have many choices for all of your financial needs and we appreciate that you place your confidence in Cornerstone Community FCU. We take great pride in that we are the cornerstone that you choose to build your financial future. Because at Cornerstone, you are not only a member, but also an owner.



Main Office

6485 S. Transit Road
Lockport, NY 14094
716.434.2290
800.488.6481

Branch Offices

Lockport

55 Stevens Street
Lockport, NY 14094

Middleport

5 State Street
Middleport, NY 14105

Niagara Falls

4255 Witmer Road
Niagara Falls, NY 14305

North Tonawanda

107 Main Street
North Tonawanda, NY 14120

CCFCU.org



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Cornerstone
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