

50  
YEAR  
ANNIVERSARY

TEG<sup>®</sup>

Federal Credit Union



ANNUAL REPORT  
2018



*We would like to begin by saying thank you to each of our more than 33,000 members.*

The trust you place in us is the reason we are celebrating our 50th Anniversary. We know there are a lot of financial institutions you can choose from, but at TEG Federal Credit Union, it's about so much more than money. It's about finding solutions to get you to your most important life moments. It's about watching your family grow.

It's about neighbors helping neighbors. It's about being a part of the Hudson Valley Community.

Since 1969, our focus has remained on providing members with sound affordable financial services to make their lives better. The TEG difference has helped countless individuals achieve their financial goals. Looking forward, we will build upon a legacy of exceptional service and continue to offer forward-thinking financial products with the goal of bettering the lives of our members.

## PRESIDENTS MESSAGE

TEG Federal Credit Union has been serving the financial needs of our community since 1969. This year marks our 50th year of operations and we are glad to have everyone celebrate with us. We've grown from humble beginnings to a full-service financial institution serving over 33,000 members throughout Dutchess, Orange and Ulster Counties. We've grown by keeping our original promise to put people over profits, the way it should be.

In 2018, we recorded another solid year of growth and are now fast approaching \$300 million in assets. Our lending and deposits were both up, indicating that our members are more confident about our economy. We're glad our members are doing well because we want you to be successful and want you to do business with someone you know and can trust to look out for your best interest. That's what the people here at TEG do and I'm proud of each and every employee working for us.

To us, being a full service financial institution means doing more than simply providing financial products and services. That's why we give back to our community in a variety of ways. From supporting local charitable organizations to getting involved in making a difference for the communities that we serve, TEG employees take pride in community service. Through the spirited support of our TEG staff and members, the credit union raised a substantial amount of money for various local organizations throughout the year. Our employees took part in many other activities throughout our community to spread awareness of TEG and the great benefits that our credit union has to offer its members.

We are committed to our lending program that looks at our members as individuals, each with a different story to tell, and understand that bad things sometimes happen to good

people. We evaluate potential loans on a case-by-case basis and look at the whole picture, not just your credit score. If you think you won't be approved for a loan, please have a conversation with us first. If we're not able to help you right away, we'll tell you, but we'll also give you a plan that you can follow so we'll be able to help you in the near future, save you money over the long term and help you get your finances in the best possible position.

In 2018, we opened on our newest branch on Crystal Run Road in Wallkill, NY, in Orange County. Our new branch is in a high traffic area and right in the heart of the medical corridor in Wallkill. We should do very well in that location and are having our grand opening celebration on April 25th, the date that TEG began back in 1969.

We are working hard to make it even easier for our members to do business with us. Whether it's in the branch, online or over the phone, our goal is to make it as pleasant and enjoyable as possible. We offer all the products and services that the big banks offer with the peace of mind knowing that you are dealing with someone local, someone you know and trust to do the right thing.

Finally, I would like to say thank you to all those who have referred new members to us over the years. That helps us continue to grow and we truly appreciate when you tell your friends, family and colleagues about us. The credit union is successful because of you, our member-owners. Because of your continued trust and commitment in us we continue to grow our TEG family in Dutchess, Orange and Ulster Counties. I truly thank you for that and appreciate your business!

Sincerely,

*Ronald A. Flaherty*  
President & CEO

### TEG EXECUTIVE MANAGEMENT

*Ronald A. Flaherty*  
President/CEO



*Tom Gay*  
Chief Financial Officer



### TEG SENIOR MANAGEMENT TEAM

Alicia Lilly	VP Risk Mitigation & Compliance
Cory Shapiro	VP Branch Operations, Sales & Service
Elaine Lacy	Director of Marketing
Fiona Miceli-Smarrito	Director of Human Resources
Jackie Fellin	VP Commercial & Residential Lending
Jean Riordan	VP Retirement & Advisory Services
Keith Kurman	VP Lending
Lisa Ricci	Director of Digital Channels
Peter Olson	VP Information Technology

### TEG BRANCH MANAGERS

Ashley Chan	Commerce Street – Main Office
Jeffrey Shields	Crystal Run
Kyle Richardson	Newburgh
Michael Bethel	Route 9, Wappingers Falls
Michael Robinson	Beekman
Michelle Rodriguez	Solutions Center
Shelby Watson	College Center
Stephannie Shad	Route 376, Wappingers Falls
Teresa Tessier	Hyde Park

## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is a group of volunteer members appointed by the Board of Directors. We are responsible for safeguarding member assets through fair and accurate representation of the membership and ensuring that your credit union's operations conform to the Federal Credit Union Act and the rules and regulations of the National Credit Union Administration (NCUA). The Committee's responsibilities include retaining services for an annual report on the financial condition of the credit union, coordinating the verification of member accounts and monitoring the review of internal controls, compliance with laws and regulations, and code of conduct activities.

As part of fulfilling its duties, the committee engaged the independent accounting firm Wojeski & Co. to conduct an audit of the credit union's financial statements. This audit was completed for the year ending December 31, 2018. We are pleased to report that no anomalies were found and the credit union adhered to all rules and

regulations during 2018 and conducted its affairs in a most satisfactory manner. Records were maintained in accordance with prescribed standards and accounting practices and were found to be current, accurate, complete, and in balance at all times during the year.

The Supervisory Committee feels that the internal control policies and procedures in place will help keep your credit union safe and sound. We, the Supervisory Committee, are pleased to report that TEG Federal Credit Union is financially sound and is in compliance with all applicable rules and regulations.

We look forward to continued cooperative efforts in the future and thank our members for choosing to conduct their financial business with TEG.

Sincerely,

*Edward Hotaling*

Supervisory Committee Chairman



*Ed  
Hotaling*



*Ann  
Boehm*



*Joe  
Lombardi*

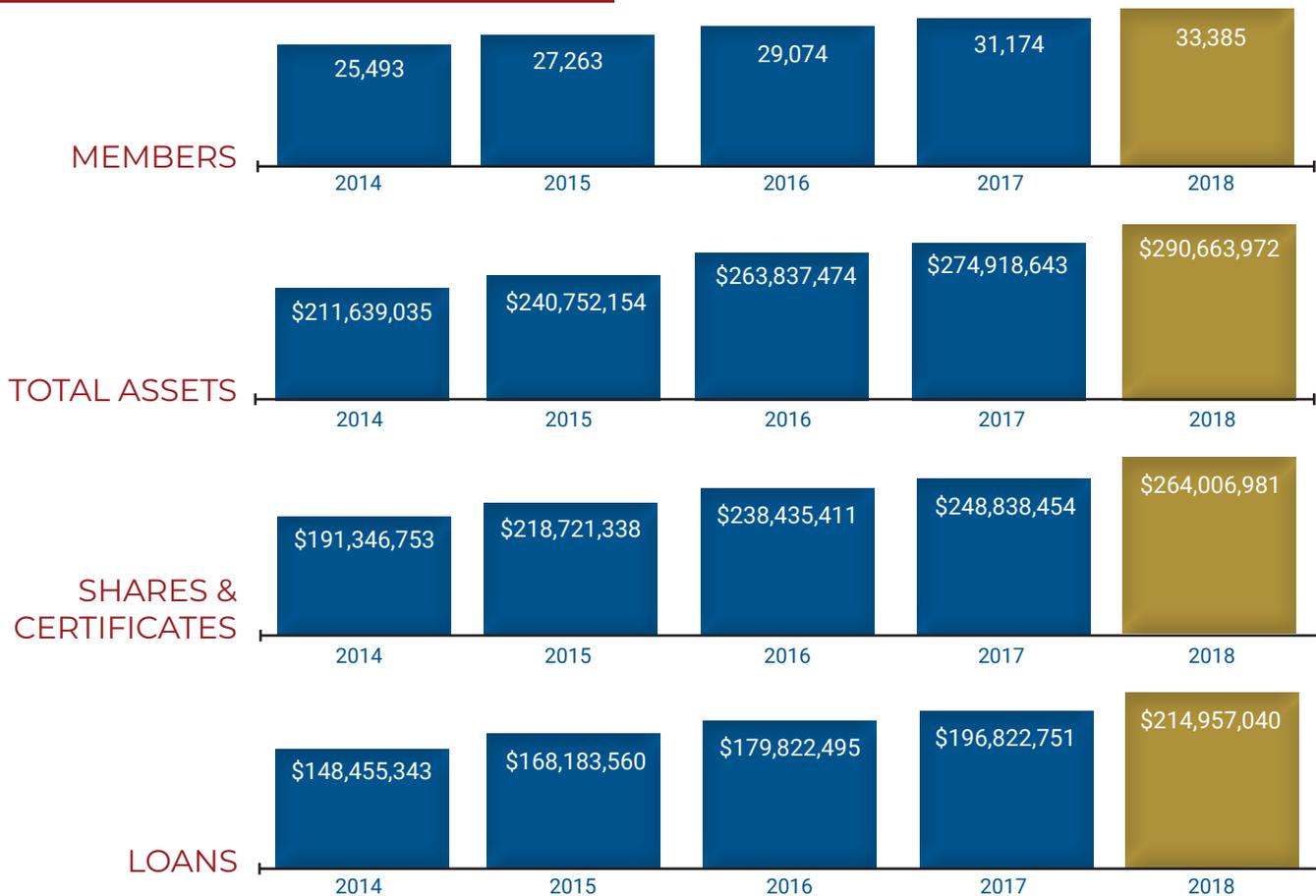


*Bill  
McCabe*



*Victoria  
Namette*

## FINANCIAL REPORT CHARTS



**TEG FEDERAL CREDIT UNION** *Statements of Financial Condition*

	Year Ended <u>Dec. 31 2018</u>	Year Ended <u>Dec. 31 2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 17,130,679	\$ 19,660,784
Certificates of deposit	11,732,364	10,388,540
Investment securities available-for-sale	25,893,249	23,341,336
Federal Home Loan Bank (FHLB) stock	1,258,50	958,900
Loans receivable, net	213,104,644	195,286,835
Loans held for sale	2,437,057	3,904,966
Accrued interest receivable	921,420	800,268
Cash surrender value of life insurance	2,323,835	3,366,758
Premises and equipment, net	9,059,490	8,390,062
NCUSIF deposit	2,611,626	2,429,085
Prepaid expenses and other assets	4,191,108	6,391,109
<b>TOTAL ASSETS</b>	<b><u>\$ 290,663,972</u></b>	<b><u>\$ 274,918,643</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Members' shares and savings accounts	264,006,981	248,836,454
Accrued expenses and other liabilities	<u>6,885,465</u>	<u>5,630,844</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 270,892,446</u></b>	<b><u>\$ 254,467,298</u></b>
Members' equity, substantially restricted	<u>19,771,526</u>	<u>20,451,345</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b><u>\$ 290,663,972</u></b>	<b><u>\$ 274,918,643</u></b>

**TEG FEDERAL CREDIT UNION** *Statements of Income*

	Year Ended <u>Dec. 31 2018</u>	Year Ended <u>Dec. 31 2017</u>
<b>INTEREST INCOME</b>		
Interest on loans	\$ 12,615,726	\$ 11,035,544
Interest on investments	<u>790,743</u>	<u>890,416</u>
	<b><u>13,406,469</u></b>	<b><u>11,925,960</u></b>
<b>INTEREST EXPENSE</b>		
Dividends on share accounts	<u>1,543,827</u>	<u>1,212,991</u>
<b>NET INTEREST INCOME</b>	<b>11,862,642</b>	<b>10,712,969</b>
<b>PROVISION FOR LOAN LOSSES</b>		
	<u>1,758,002</u>	<u>2,157,792</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>10,104,640</b>	<b>8,555,177</b>
<b>NON-INTEREST INCOME</b>		
Fee income	<u>5,898,248</u>	<u>5,584,585</u>
<b>NON-INTEREST EXPENSE</b>		
Compensation and benefits	8,174,511	7,579,528
Office and occupancy expense	1,426,144	1,367,077
Depreciation and amortization	810,472	777,112
Educational and promotion expense	690,338	588,674
Loan servicing expense	683,738	698,949
Professional and outside services	255,489	293,583
Other	<u>2,577,741</u>	<u>2,276,920</u>
	<u>14,618,433</u>	<u>13,581,843</u>
<b>NET INCOME</b>	<b><u>\$ 1,384,455</u></b>	<b><u>\$ 557,919</u></b>

## BOARD OF DIRECTORS



*Walter V. Behrman, Jr.*

CHAIRMAN



*Andrew Krayewsky*

VICE CHAIRMAN



*Jesse Doughty*

TREASURER



*Barbara Hogan*

SECRETARY



*Joe Corrigan*



*Rebekah Garcia-Stevens*



*Ed Hotaling*



*Joshua Stratton*



*Frank LaRose*

## MINUTES FROM THE 49<sup>TH</sup> ANNUAL MEETING TEG FEDERAL CREDIT UNION

*The 49th Annual Meeting was held on Thursday, March 29, 2018 at the Main office at 1 Commerce St. Poughkeepsie, NY 12603.*

### I. Call to Order

Mr. Walter V. Behrman, Jr., Board Chairman, called the 49th Annual Meeting to order at 5:58 p.m. and asked everyone to rise and join him in the pledge to the flag. The Secretary, Ms. Barbara J. Hogan confirmed that we had a quorum.

### II. Minutes

A copy of the minutes of the 48th Annual Meeting are in the 2017 Annual Report and Marie Dow moved, seconded by Andrew Krayewsky, to approve the minutes. They were unanimously approved by those assembled.

### III. Chairman's Remarks

Mr. Behrman then continued:

"My name is Walter Behrman and I am Chairman of the Board of Directors. Other Board Officers are Paul Goldstein, Vice Chairman; Jesse Doughty, Treasurer; and Barbara J. Hogan, Secretary. Board members are Rebekah Garcia-Stevens, Andrew Krayewsky, Frank LaRose, Joshua Stratton and Joe Corrigan. Supervisory Committee members are Chairperson Ed Hotaling, Vicki Nameth, Ann Boehm, Joe Lombardi and Bill McCabe."

He continued:

2017 was an exciting year here at TEG. If you have looked around, you have undoubtedly noticed the changes we have made to the main office. We moved the teller line from over by the entrance door and opened it up to our employees working the drive-up. This is a more efficient arrangement and allows our employees to help each other if either the drive-up or the teller line gets backed up. As you can see when you walked in we have created a very nice conference room where the old teller line was and have added an office and then a department space where the old sitting area was located. This has added valuable and needed work space and makes better use of the existing space in the building.

One of the major thrusts of 2017 was to find a location in Orange County to expand. By the diligent work of our CEO, Mr. Flaherty that space was found in the town of Wallkill. It is at 140 Crystal Run Road at the intersection of Ballard Road and Crystal Run Road. We were able to close on the property and begin clearing the land before the end of the year, and as a preview of 2018, the building shell has actually been completed and inside work has begun. If you are familiar with our current Route 9 location, the building is being duplicated in Orange County. Getting the property and getting all the necessary approvals to begin the building was a major accomplishment for 2017, and Mr. Flaherty should be commended for the hard work and diligence that was required to accomplish such a goal.

Another major accomplishment for us was the conversion of our

"online and mobile banking" platforms from Connect FSS to Q2 which went live on October 17th. This was a major accomplishment and our staff should be commended for the outstanding work they did to facilitate this goal. Online banking has a new look, and with it comes more security and more ease in navigating the site. To be honest it does take a little getting used to in comparison to our old system, but by consolidating all of your accounts you can more readily see everything in one screen. The accounts you use often can be grouped together and accounts you might only use occasionally can also be grouped so they don't interfere with the accounts you use more often. If by chance you are on accounts that you generally don't want to be involved with, for example an adult child, then those accounts can be hidden from every day view yet are accessible to you when necessary. Once you get used to it, the site is very user friendly and allows you to manage your accounts more easily. Mobile banking also helps our members manage their accounts more easily and raises the level of service we provide to our members.

I want to compliment the Marketing Department, and of course all the others who funneled information to Marketing so the information could be relayed, for the excellent materials they developed to apprise our members of the upcoming conversion and then providing follow up after the site went live.

Residential lending is very important to the success of the Credit Union but it is also important for our members. We originated 290 loans totaling \$63.4M which was a 23% increase over 2016. We launched a new "Construction to Permanent: loan program. We work closely with local Realtors which helps us capture more loans and subsequently helps our members as well as others to become familiar with TEG. We also have a very vital and active Commercial loan program which produced \$9.8M in total Member Business Loans. This is a large source of our profitability and makes the Credit Union much stronger and able to help our members. Our Consumer Loan Skip-A-Pay for Summer and Winter is a success and helps our members as well as creating income for the Credit Union.

The Credit Union as well as our individual employees are active in our community. We sponsor many events and also give donations and fundraising efforts for local causes. Some examples are "The Alzheimer Association – Subzero Heroes", "Dutchess BOCES Education Foundation", "Southern Dutchess Exchange Club" for child abuse prevention. We also support the "American Cancer Association – Relay for Life". Our employees get involved personally with some of these causes and when you add up advertising sponsorships, donations, special events and staff fundraising efforts, **we raised and/or donated approximately \$45,000 for local charities and community causes.** The Credit Union is also heavily involved in working to improve "Financial Literacy," and conducts classes and hosts seminars and workshops to help in this matter.

The IT Department provides all TEG employees with their annual "Information Security Training," and they performed multiple configuration

changes and upgrades to the existing firewalls to improve network security and meet higher encryption levels. In this day and age this is a vital element in securing and protecting our members personal information.

I think it is important that our members know how we treat our employees. Our CEO, Mr. Flaherty, as well as the Board, believe that since employees are the heart of any organization we should do our best to make TEG a great place to work. Every January we have a Staff Appreciation Party which is well attended by the staff. Our employees have a choice of four medical plans, two vision plans and two dental plans. We offer TEG paid life insurance and a telemedicine plan. We have a new 401K Employer "match" plan. We have moved our retirement plans to "Focus Wealth Management" a local firm in Highland. They have proven to be excellent in helping our employees manage their own funds and this is an excellent plan we offer our employees. Our employees like to come to work here because the culture respects them and it shows.

Risk Mitigation and Compliance are very important aspects of the Credit Union world. We follow the regulations fully and do everything we can to guard against identity theft. Having a Compliance Specialist who has attained CUCE Compliance Certification is a vital aspect of ensuring we are fulfilling our obligations and making sure we are a well-run and safe organization. We perform at least monthly, and often more frequently, loan audits to assure Fair Lending standards and underwriting quality is maintained.

Besides the renovations I mentioned previously we utilized the space in our former Route 9 facility to open a new Solution center with extended hours and more staff. This helps us serve our members better as well as freeing up some space in this building for our staff.

What I have told you about is only a part of who we are. Our goal is to help our members be successful and fiscally sound. Everyone here at TEG works to make that goal a reality.

Mr. Behrman then introduced Mr. Flaherty, President & CEO.

#### **IV. President/CEO Report**

Mr. Ron Flaherty then began his report:

Good evening and welcome to our 49th annual meeting! I'm Ron Flaherty, President/CEO and I appreciate you taking time out of your busy schedules to be here tonight. TEG Federal Credit Union is a member owned financial institution, a coop where our members are our owners. Our Board of Directors & Supervisory Committee members are volunteers and provide outstanding support and guidance in all that we do. We are a community charter credit union, which allows us to provide financial services to anyone who lives, works, worships or attends school in Dutchess, Orange and Ulster Counties here in New York. We started from very humble beginnings in the Wappingers Central School District and have expanded to serve a membership of over 31,000 members, with still plenty of room to grow and expand in the future.

Our members trust us and have shown that by the loyalty they have in us. Our entire staff understands that we need to continually strive to go above and beyond, to meet and exceed expectations with each and every interaction that we have in order to continue to be successful.

I'd like to thank our frontline staff, the face of TEG. Without them providing that first initial friendly experience our relationship with our members would be just business and we strive for much more than that. I'd like to thank my senior management team for all of the hard work and support that they provide. I don't do this on my own and have a great team helping make sure that we do what we say and stay on top of the constant changes taking place in our industry and deal with the ever growing rules and regulation that we have to adhere to. It's a tough environment and a very competitive one but we continue to grow and implement new technologies and programs to keep us on par with even what the largest bank offer at a lower cost and more personal service to our membership as Mr. Behrman explained earlier.

I've been with TEG for almost 18 years now and love my job. I have seen drastic changes in the financial services industry which has recently gotten faster than ever with all of the new Fintech startups popping up every

day. However I feel confident that we will succeed because our people truly care and do the right things to help people succeed, saving them money and also supporting our community and helping make the Hudson Valley a great place to live and work. When I started there was over 12,000 credit unions and today that total is slightly under half of that number due to mergers, conversions and NCUA takeovers. Change happens so we need to stay on top of it and continually adapt to those changes.

Our financial condition is strong, we are profitable, we have good capital at over 8%, we have excellent membership growth and we are doing the right thing for not only our individual members but our entire membership. As I stated earlier there is still a lot of opportunity to continue to grow and expand and that's what we intend to do. Thank you!

#### **V. Treasurer's Report**

Jesse Doughty, Treasurer, spoke about the increases in membership, loans and income. He also stated that the TEG financial statements were included in the Annual Report that was distributed to the attendees.

#### **VI. Supervisory Committee**

Mr. Ed Hotaling, Supervisory Committee Chairperson, thanked the Supervisory Committee members for their time and effort to support TEG and ensure the safety of the credit union. He then thanked the Board of Directors, Mr. Flaherty and his staff for their efforts to provide our members with the professional service that makes TEG great. He then gave his report:

I would like to thank the Board of Directors for their cooperation and support. Thank Ron, the management team and the employees of TEG and lastly the members of the Supervisory Committee.

The Supervisory Committee is a group of volunteers appointed by the Board of Directors. We are responsible for safeguarding member asset through fair and accurate representation of the membership and ensuring that your credit union's operations conform to the Federal Credit Union Act and the rules and regulations of the National Credit Union Administration.

Our duties include retaining services for an annual report on the financial condition of the credit union, monitoring the review of internal controls, compliance with laws and regulations and code of conduct activities.

To complete our responsibilities, the committee engaged the independent accounting firm Wojeski & Co. to conduct an audit of activities for the year ending December 31, 2017. We are pleased to report that no anomalies were found and that the credit union adhered to all rules and regulations during 2017 and conducted its affairs in a most satisfactory manner.

We, the Supervisory Committee, are pleased to report that TEG Federal Credit Union is financially sound and is in compliance with all applicable rules and regulations.

We look forward to continued cooperative efforts in the future and thank our members for choosing to conduct their financial business with TEG.

#### **VII. Old Business** None

#### **VIII. New Business**

Elections: Barbara J. Hogan, Jesse Doughty and Joshua Stratton were each nominated for a three-year term on the Board of Directors. Since there were no other nominees, and Barbara J. Hogan is up for election, Mr. Behrman asked Andrew Krayewsky to cast one vote for each of them. Mr. Behrman then congratulated the newly elected Board Members.

#### **IX. Questions and Answers** None

#### **X. Adjournment**

Mr. Behrman thanked Ms. Elaine Lacy, VP of Marketing, and Ms. Jenny Fox, Marketing assistant for organizing the Annual Meeting and since there was no further business to come before the assembly he adjourned the 49th Annual meeting at 6:18 P.M.

Respectfully submitted,

*Barbara J. Hogan*



Conveniently Located To Serve You

**POUGHKEEPSIE – MAIN OFFICE**

1 Commerce Street, Poughkeepsie, NY 12603

**BEEKMAN**

Town Plaza, 2540 Route 55, Poughquag, NY 12570

**CRYSTAL RUN**

140 Crystal Run Road, Middletown, NY 10941

**HYDE PARK**

4282 Albany Post Road, Hyde Park, NY 12538

**NEWBURGH**

16 North Plank Road, Newburgh, NY 12550

**POUGHKEEPSIE – COLLEGE CENTER**

11 Marist Drive, Poughkeepsie, NY 12601

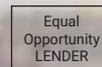
**ROUTE 9 – WAPPINGERS FALLS**

1145 Route 9, Wappingers Falls, NY 12590

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