



# 2018 Annual Report

*Tennessee Members 1<sup>st</sup> Federal Credit Union  
For year ending December 31, 2018.*





# 72<sup>nd</sup> Annual Meeting Agenda

## **Call to Order**

- ▶ Welcome
- ▶ Quorum Determination
- ▶ Adopt Agenda

## **Minutes of the Last Meeting**

## **Reports**

- ▶ Chairman of the Board
- ▶ Supervisory Committee
- ▶ President/CEO

## **Guest Speaker**

## **Election of Officers**

## **Old Business**

## **New Business**

## **Adjournment**



# Mission, Vision, and Values

Tennessee Members 1<sup>st</sup> Federal Credit Union was Oak Ridge's first credit union chartered by the Federal Government to service the employees of the Department of Energy. Since our start in 1946, we have been proudly providing members with the products and services needed to reach their financial goals. In 2005, we received our community charter for Anderson, Knox, and Roane county, providing membership eligibility to anyone who lives, works, worships or attends school in these areas.

## ▶ Our Mission

Provide quality member-based and valued financial services.

## ▶ Our Vision

Tennessee Members 1<sup>st</sup> Federal Credit Union exists to provide quality financial services for its members. We seek to enhance each member's financial well-being and earn their trust and confidence by operating in an ethical and financially sound manner.

## ▶ Our Values

Quality, Integrity, Accountability, and Service.



## Products & Services

A membership with Tennessee Members 1<sup>st</sup> FCU offers many benefits that are unique to credit unions and cannot be found at banks. We're proud to provide a variety of products and services to help you meet your financial goals.

Savings Accounts	Remote Deposit Anywhere
Checking Accounts	Commercial Real Estate
Signature Loans	Skip-A-Pay
GreenPath Financial Wellness	Christmas Club Accounts
Revolving Lines of Credit	Identity Theft Protection
Money Market Accounts	Fresh Start Checking
Auto Loans	CardLock Fraud Protection
Refinancing	Safe Deposit Boxes
Motorcycle Loans	ATMs
E-Statements	Home Loans
Home Equity Line of Credit	Credit Card Alerts
Business Accounts	Audio Response Teller (ART)
RV Loans	Online Bill Pay Service
Overdraft Protection	Direct Deposit
Shared Services	Instant Issue Visa Check Card
Share Certificates	Online Check Reorder
Gift Cards	ATM Network
Personalized Credit Card	Home Banking
Military Appreciation Program	Balance Transfer Assistance
Individual Retirement Accounts	No Annual Fee Visa Credit Card
Pre-Approved Loan Program	Auto Research Services
First Mortgage	Agriculture Loans
Boat Loans	Love My CU Rewards
Free Mobile Banking App	



# Minutes of the 71<sup>st</sup> Annual Meeting

**Introduction.** Chairman of the Board, Don Quinley, called the meeting to order at 7:00 PM and welcomed members to the 71<sup>st</sup> Annual Meeting of the Tennessee Members First Federal Credit Union. The Board Secretary, Gary Beckner, determined a quorum was present.

**Chairman's Comments.** Mr. Quinley highlights the fact the 2017 Annual Report has a strong resemblance to the prior year's report. For the CU, consistency is a good thing. The CU is a well-capitalized organization and is looking at new programs to aid our members. An ombudsman will give members someone to call or visit in our offices for advice on CU offerings or how to navigate our electronic services. A marketing intern will be added. Mr. Quinley tells the member if they look around they will notice an aging community. We recognize the importance of our success is to add younger members and provide loans to them. As we age, we are not buying new homes or having kids. Our borrowing needs are less than younger people. Services like remote check capture are what members are interested in. The CU looks for new ideas from our members and likes to have members participate in helping us manage the CU.

The point of having a credit union is not to make a pile of money, but to offer services members want at the best prices and to return something to members. This differentiates the CU from banks and other lenders. The CU exists to pay members dividends by employing responsible lending guidelines.

Because the CU relies on volunteers, Mr. Quinley asks members to look at the Board. Our Board is composed of all unpaid volunteers. These members serve to gain experience and education. We encourage all Members to consider being a volunteer either for our Board or to serve on a committee. The CU has 6 committees composed of volunteers.

**Introduction of the Board.** Mr. Quinley introduced the Board. Tracy Larabee is completing the term of Barry Allen who relocated to Nashville in December 2017. Gary Beckner, Secretary/Treasurer. Wayne Missaggia, Vice Chairman, has a long tenure on our Board. Jamell Fulcher, while his term is expiring, we would like him to serve in other capacities in the future. Rick Collier, our longest serving member of the Board, has played an integral role in monitoring our financial documentation.

**Approval of the Minutes from 2017.** The Chair requested a motion to approve the minutes by unanimous consent and forgo reading the Minutes. The motion was made and seconded. At the request of the Chair, a show of hands approved the motion.

**President's Comments.** Mr. Quinley introduced Mr. Rick Mikels, President and Chief Executive Officer.

**Staff recognition.** Mr. Mikels noted the CU staff were present (he noted they were all dressed in CU shirts). He recognized those staff with service anniversaries during 2017. Terri Cruze, Compliance Officer and Accounting Manager with 5 years of service. Leah Gilbert, Collections Officer, with 15 years of service. Tanda Woods, Senior Vice President, completed 20 years. Phyllis Wilkinson (not in attendance) retired last year after 30 years of service.

## **2017 results.**

▶ Indirect lending allows members to apply for a car loan through preferred car dealers. This service succeeded in adding 120 members and \$4 million in loans. When looking for

a car, many dealers can send the loan request to us.

- ▶ Thousands of surcharge-free ATMs were added for members.
- ▶ The CU website was updated with a fresh, modern look.
- ▶ By partnering with other CUs, business loans will now be offered by the CU. The CU expects to have its first business loan in 2018.
- ▶ Protection of financial information is improved and enhanced by internal controls, online security, member education, are staff education. The CU is looking at more protections for members.
- ▶ Compliance with auditors and examiners continues to be very important for the CU.

#### **2018 Plans.**

- ▶ A new mobile app with remote deposit capture.
- ▶ Alternatives to payday loans are being considered to reduce outrageous lending rates for borrowers.
- ▶ More flexible mortgage products are being researched.
- ▶ The CU continues to seek new ways to improve our checking accounts. Mr. Mikels asks members to tell the CU what they wanted to see.
- ▶ Our function is to serve you and more members in our community. Thank you for letting us be your trusted adviser for financial services.

#### **Questions.**

- ▶ A Member asks - How come association dues doubled in 2017. Mr. Mikels notes that the CU rejoined the Credit Union league in 2016 at half off the membership rate. The 2017 rate was not discounted. We rely on the league to provide support in several areas, including employee training.

**Introduction of the Supervisory Committee Chair.** Mr. Quinley introduced Jackie Penland, Chair of the Supervisory Committee. Ms. Penland stated she would welcome any questions.

- ▶ A Member stated that they were new to the meetings and asked what the Supervisory Committee did. Mr. Quinley responded that the Supervisory Committee was a group of volunteers that the CU cannot operate without. Ms. Penland and the Committee monitor the Board to ensure policies and regulations are followed. The committee serves as the watchdog for the CU. Ms. Penland is very effective in her role.

**Elections.** Mr. Quinley notes the function of the Nominating Committee is to receive nominations for members to fill identified vacancies. Two nominees for 3-year terms are shown in the annual meeting package. The two nominees are Mr. Tracy Larabee, a long-time resident of Oak Ridge, and Ms. Sonya Jackson. The CU Bylaws indicate when a sufficient number of nominations exist for identified vacancies, nominations are not open from the floor. There are two Board vacancies and two nominations. The Chair requested the nominees be elected by acclamation. A member moved to approve the new members. It was seconded and approved by voice vote.

**Old Business.** The Chair confirms there is no old business.

**New Business.** The Chair asks Members if there was any new business. There is none.

**Adjourned.** After the drawing for door prizes is held, Mr. Quinley thanked members for attending. The meeting was adjourned by mutual agreement.



# Chairman of the Board Report

During 2018, Tennessee Members 1<sup>st</sup> Federal Credit Union's Board, President/CEO, and officers, have continued to initiate policies and programs to strengthen our abilities to encourage membership growth, develop opportunities to lend responsibly, manage our investments wisely, and spend your money carefully to achieve an operationally sound institution.

Your credit union is very strong and well capitalized as evidenced by reserves at 12.25% of assets (an increase from last year). A well-capitalized credit union, as measured by the National Credit Union Administration (NCUA), has at least 7% in reserves.

Our return on average assets was 0.10% with nearly all gross income returned to our members in the form of low loan rates, attractive certificate specials, and a low fee structure. Income is forecasted to continue in a positive direction during 2019. As we continue to rebuild our income streams from consumer loans and investments, new programs and partnerships with other like-minded credit unions have increased our lending ability to responsibly participate in new directions.

The credit union continues to manage expenses carefully with a 3.07% operating expense ratio (expenses vs. assets), which is 17% below our peers. In 2018, we have maintained low fees and have managed our loan losses and charge-offs to 0.21% (57% less than our peers). We continue to focus on reducing loan delinquencies by employing responsible lending policies and working with members to assist and employ new insurance programs to reduce losses. By continuing to have low operating expenses and to grow our loan portfolio, we can return competitive rates to our members.

We continue to examine our policies and procedures not only to comply with the NCUA requirements but also to develop a business agility and a member service culture to provide the best use of our resources to improve our service to you. In its 2018 examination, the NCUA found only a few minor issues with the Credit Union's operation and policies. These have already been addressed. Our independent Accountant's Report is a good bill of health with no exceptions.

While we have a well-lead staff of dedicated employees, the credit union continues to need your involvement, with input and as volunteers for the various necessary unpaid/non-staff committees required by regulation to operate effectively and serve the membership. I encourage you to ask what you can do to make the credit union your best business.

Thank you for your continued support of your credit union. As fellow member owners of Tennessee Members 1<sup>st</sup> Federal Credit Union, we all benefit when our credit union succeeds. "It's All About You!" is our motto. When you receive service at Tennessee Members 1<sup>st</sup>, we want to live up to our motto every day. Please let us know when you are satisfied with our service and when you are not. After all, you don't just bank with us, you own us.



# Supervisory Committee Report

The Supervisory Committee is required at every credit union in accordance with part 715 of the Federal Credit Union Act. Part 715.3 giving the general responsibilities of the Supervisory Committee as follows:

“Basic. The Supervisory Committee is responsible for ensuring that the board of directors and the management of the credit union-

- 1) Meet required financial reporting objectives and
- 2) Establish practices and procedures sufficient to safeguard members’ assets.”

In order to perform these functions, the Supervisory Committee meets on a regular basis to examine reports that ensure members’ assets are safe. The Committee performed various audit functions and procedures to test internal controls and to ensure accurate record keeping. We continuously monitored Tennessee Members 1<sup>st</sup> Federal Credit Union’s compliance with the directives of our regulator and insurer, the National Credit Union Administration (NCUA).

With the leadership of our management team, we have continued to improve all aspects of the Credit Union. We are in the process of reviewing all policies and procedures and adjusting them as needed. This will continue to be an ongoing function.

NCUA examiners check our records yearly and the audit firm of G. David Edwards, CPA, PA, performed our 2018 comprehensive audit during March 2019. The Committee continues to review all audit and examination results provided by the auditors and examiners. Based on these results, along with our own observations, it is the opinion of the Supervisory Committee that Tennessee Members 1<sup>st</sup> Federal Credit Union is in good financial condition and is in compliance with all state and federal regulatory directives.

The Committee is pleased to report that members’ assets remain safe and secure.

Jackie Penland  
Chairperson



## Balance Sheet

### Assets:

	<b>2018</b>	<b>2017</b>
Loans to Members	\$34,717,586	\$30,229,974
Allowance for Loan Losses	(\$151,980)	(\$101,855)
Other Receivables	\$81,579	\$61,376
Cash & Special Deposits	\$3,244,199	\$4,208,826
Investments	\$37,128,859	\$43,061,915
Accrued Income	\$274,710	\$261,398
Prepaid Expenses	\$208,002	\$172,426
Fixed Assets	\$1,876,808	\$1,944,253
Other Assets	\$2,504,625	\$2,520,971
<b>TOTAL ASSETS</b>	<b>\$79,884,388</b>	<b>\$82,359,284</b>

### Liabilities:

Taxes Payable	\$16,874	\$49,625
Accrued Expenses	\$132,722	\$130,114
Borrowings	\$0	\$0
Other Liabilities	\$230,226	\$499,238
<b>TOTAL LIABILITIES</b>	<b>\$379,822</b>	<b>\$678,977</b>

### Equity:

Shares	\$70,368,258	\$72,309,533
Reserves	\$9,136,308	\$9,370,773
<b>TOTAL EQUITY</b>	<b>\$79,504,566</b>	<b>\$81,680,307</b>

<b>TOTAL EQUITY &amp; LIABILITY</b>	<b>\$79,884,388</b>	<b>\$82,359,284</b>
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# Income Statement

## Operating Income

	<b>2018</b>	<b>2017</b>
Interest from Loans	\$1,516,318	\$1,345,775
Investment Income	\$910,762	\$752,305
Fees and Charges	\$177,589	\$175,410
Other Income	\$384,500	\$352,855
<b>TOTAL OPERATING INCOME</b>	<b>\$2,989,169</b>	<b>\$2,626,345</b>

## Operating Expense:

Employee Compensation	\$843,511	\$805,552
Employee Benefits	\$191,332	\$193,870
Travel and Conferences	\$19,292	\$9,101
Association Dues	\$16,055	\$16,968
Office Occupancy Expense	\$164,508	\$218,814
Office Operations Expense	\$311,923	\$318,248
Promotion and Marketing	\$38,729	\$65,828
Loan Service Expense	\$374,024	\$301,214
Professional & Outside Services	\$473,296	\$402,302
Member Insurance	\$0	\$0
Supervisory & Examiners	\$21,013	\$17,171
Provision for Loan Losses	\$154,629	\$6,988
Interest on Borrowed Funds	\$2,781	\$0
Miscellaneous Expense	\$37,798	\$31,948
<b>TOTAL OPERATING EXPENSE</b>	<b>\$2,648,891</b>	<b>\$2,388,004</b>

<b>NCUSIF Stabilization Expense</b>	<b>\$0</b>	<b>\$0</b>
<b>Other Non-Operating (Inc) Exp</b>	<b>(\$4,317)</b>	<b>(\$3,987)</b>
<b>(GAIN) LOSS on Investments</b>	<b>\$10,915</b>	<b>\$0</b>
<b>(GAIN) LOSS Disp. Of Asset</b>	<b>\$35,583</b>	<b>\$43,931</b>
<b>Dividends to Members</b>	<b>\$215,665</b>	<b>\$159,878</b>
<b>Net Income</b>	<b>\$82,433</b>	<b>\$38,519</b>



## Biographies



### Mr. Gary Beckner

Gary Beckner has been a member of the credit union since coming to work for DOE Oak Ridge in 1989 and offers 36 years of accounting experience and 5 years of managerial experience. Gary joined the Board of Directors in 2012. Gary is currently a Senior Staff Accountant with the Oak Ridge Financial Service Center (formerly Finance Division). Over the years, Gary has worked in accounting operations with travel, reporting, and financial systems with the Oak Ridge Chief Financial Officer Organization. Duties have also included serving as liaison on accounting issues between the Oak Ridge National Laboratory and DOE. While with the Financial Evaluation and Accountability Division (FEAD), he conducted reviews of contractor and Federal activities. Prior to joining DOE, Gary was an auditor with the Tennessee Valley Authority and TVA Inspector General, Knox Federal Saving and Loan (Vice President and Controller), and McDonald's Restaurants (assistant Manager in both Knoxville and Oak Ridge).

Gary has a Bachelor's of Science in Business Administration (Accounting) and Masters of Accountancy from the University of Tennessee. He is a Certified Public Accountant (currently inactive). Gary attends Lonsdale United Methodist Church where he is the former Chair of the Finance Committee and former Church Council Secretary. Gary resides in West Knoxville and is a member of the Tennessee Society of CPAs.



### Mr. Eric Goins

Eric Goins currently works as the Internal Control Consultant for Kimberly Clark, a Fortune 500 company, where he is responsible for the adherence of company financials against more than 100 separate Sarbanes-Oxley controls; establishment of key controls for a new Robotics Processing Automation program; and leading review discussions with senior leadership, tracking against key financial and operational control metrics.

*(Mr. Eric Goins, continued)*

With his experience at Kimberly Clark spanning over a decade, previous roles include Inventory Accountant; Cost of Goods Sold Accountant; Working Capital Consultant, driving initiatives resulting in several hundred million dollars in free cash flow savings and providing monthly presentations to leadership; and Plant Accountant, responsible for overseeing a team of 20 outsourced accountants based in India.

Eric received his bachelor's degree in business and human resources along with his MBA from the University of Tennessee at Chattanooga. A member of the credit union since 2017, Eric and his wife Priscilla have two small children and are members of West Towne Christian Church.



## Mr. Don Quinley

Don Quinley has been a member of the credit union since the 1990's upon the merger with the Methodist hospital's credit union. Since July 2013, Don has served as a Board member and desires to continue his service on the Board during this time of new directions and challenging issues.

As a licensed architect since 1976, Don has been a project manager and lead architect for many projects both in the area and overseas. Some of the more recognizable local projects are Jackson Plaza Office Building, Roane State Community College Oak Ridge Branch, Oak Ridge Central Fire Station, YWCA Oak Ridge and the HEUMF at the Y-12 plant. Don is currently retired accepting occasional small commissions.

A U.S. Army veteran, Don and his wife Linda (a retired critical care RN from Methodist Medical Center) are life-long Oak Ridge residents. Their four children, spouses and six grandchildren live in Knoxville. Don and Linda are members of Erin Presbyterian Church. Both Don and Linda enjoy traveling and camping with their grandchildren.



## Credit Union Information

### Locations and Contact Information

#### ▶ Oak Ridge Branch and Main Office

PO Box 6828

112 Administration Road, Oak Ridge, TN 37831

p: (865) 482-4343 f: (865) 482-2617

Lobby Hours:

Mon, Tues and Thurs: 8:30AM-5PM

Wednesday 9AM-5PM

Friday 8:30AM-5:30PM

Drive Thru Hours:

Monday-Thursday 8AM-5PM

Friday 8AM-5:30PM

Saturday 9AM-12:30PM

#### ▶ Knoxville Office

112 Marketplace Blvd., Knoxville, TN 37922

p: (865) 539-4344 f: (865) 539-4143

Lobby and Drive Thru Hours:

Monday, Tuesday and Thursday 8:30AM-5PM

Wednesday 9AM-5PM

Friday 8:30AM-5:30PM

Saturday Closed

#### ▶ Audio Response Teller

PH: 865-813-4351

Toll Free: 866-332-6009

#### ▶ [mymembersfirst.org](http://mymembersfirst.org)

#### ▶ Shared Services (Branches & ATMs)

Visit [mymembersfirst.org](http://mymembersfirst.org) and click Shared Branch Locator under 'Contact Us' to find a Shared Services location near you!



TN Members 1<sup>st</sup> FCU

## Board of Directors

Don Quinley, Chair  
Wayne Missaggia, Vice Chair  
Gary Beckner, Treas/Secretary  
Rick Collier, Director  
Sonya Jackson, Director  
Tracy Larabee, Director  
Michael Prince, Director

## Supervisory Committee

Jackie Penland, Chair  
Pete Johnson  
Al Cabe

## Investment Committee

Jeremy Bivins, Chair  
Rick Collier  
Rick Mikels  
Terri Cruze

## ALM Committee

Rick Collier, Chair  
Jeremy Bivins  
Rick Mikels  
Terri Cruze

## Management

*President/CEO*

Rick Mikels

*SVP Administration*

Tanda Woods

*VP Lending*

Karen Gilbreath

*Operations Manager*

Dana Griffith

*Knoxville Branch Manager*

Suzy Rhodes

*Accounting Manager/  
Compliance Officer*

Terri Cruze



TENNESSEE  
**MEMBERS 1<sup>st</sup>**  
FEDERAL CREDIT UNION