



Growing with you. Every step of the way.

What matters to you, matters to us. We believe in doing the right things for our members as you travel the path to financial success. Our mission to build better lives not only has fostered growth, but has also provided something greater – the satisfaction of making a difference.

ANNUAL REPORT 2017



We're Not A Bank. We're Better!

At TEG Federal Credit Union, our members' best interests have always been our focus. We've stayed true to our original commitment of offering our members a better alternative to banks, and we're proud to serve our growing field of membership with practical advice, realistic solutions, and a smile.

Today, we're proud to be able to continue to be a great partner to the communities we serve! We believe in having members for life, which means we'll be there for you through both the good times and the challenging times. We know that you're more than just a number, so when you need a loan we'll take the time to understand your story and look for ways to help you instead of just focusing on your credit score. And if we're not able to help you right away, we will work with you to develop a plan so that we can help you in the very near future. ***Talk to us.***

Member Services

TEG Federal Credit Union is a local, member-owned, not-for-profit, full-service community financial institution open to all those who live, work, worship, or attend school in Dutchess, Orange, and Ulster county. Since 1969, TEG has been a steady source of financial services for over 31,000 members including a wide range of Consumer and Business Loans, as well as Free Checking and many other Consumer and Business deposit account options.

Consumer Deposits

- Free Checking
- Regular Share (Savings Account)
- Share Certificates & Individual Retirement Accounts (IRAs)
- Money Market Accounts
- Holiday Club Accounts

Consumer Loans

Apply In-Person, Online, Or Over The Phone!

- New/Used Vehicle Loans
- Boat/Motorcycle/RV/Camper Loans
- First Mortgage Loans & Mobile Home Financing
- Home Equity Loans
- Home Equity Lines Of Credit
- Personal & Debt Consolidation Loans
- Share/Certificate Secured Loans
- MasterCard® Platinum Credit Cards

Retirement & Advisory Services

- We Can Help Members:
 - Build A Base Of Insurance Protection
 - Accumulate Retirement Assets
 - Manage Investments
 - Retirement Income & Estate Planning

Convenience Services

- Reach A Live Person 24 Hours A Day, 7 Days A Week Through Our Solution Center
- Free Online Banking At www.tegfcu.com That Includes:
 - Apps for iPhone,® iPad,® and Android™ with Mobile Check Deposit, Bill Pay, eStatements, Mobile Web Banking, Member to Member Transfer, Person to Person Transfer, External Funds Transfer, and MoneyDesktop Personal Finance Manager
- Call24 Audio Response Telephone Banking System
- Mastercard® Debit Card
- Payroll Deduction/Direct Deposit/ACH
- Overdraft Privilege
- 24-Hour ATM Machines Available At All TEG Locations

Business Services

- Business Lending
 - Term Loans
 - Revolving & Non-Revolving Lines Of Credit
 - Commercial Real Estate Loans
 - Mastercard® Business Credit Cards
- Business Deposits
 - Free Business Checking
 - Business Savings
 - Business Money Market
- Convenience Services
 - Online Banking
 - Mastercard® Business Debit Card
 - Merchant Services

President's Message

TEG Federal Credit Union has been serving the financial needs of our community since 1969. Next year marks our 50th year of operation and we plan on having a big party to celebrate. We hope you'll be able to join us at our next annual meeting and enjoy the celebration with us. We've grown from humble beginnings to a full-service financial institution serving over 31,000 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 2017, we successfully undertook another major project by converting our online banking system over to a new system which will make us much safer, more efficient, and better able to serve our members without interruption. Thanks to your continued support, we recorded another solid year of growth and now approach \$275 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. TEG employees take pride in making a difference for the communities that we serve. 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. Supporting local charitable organizations and participating in many other community activities has helped 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.

In 2017, we broke ground on our newest branch on Crystal Run Road in Wallkill, NY, which is 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 expecting to open around August 2018.

Going forward into 2018, we still have a lot to do in making 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 the experience 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 this past year. The credit union is successful because of you, our member-owners and we truly appreciate when you tell your friends, family, and colleagues about us. We continue to grow our TEG family in Dutchess, Orange, and Ulster Counties because of your continued trust and commitment to us. I truly thank you for that and appreciate your business!

Sincerely,

Ronald A. Flaherty, President & CEO

Executive Management



Ronald A. Flaherty
President/CEO



Tom Gay
Chief Financial Officer

Senior Management Team

Cory Shapiro, *VP Branch Operations, Sales & Services*

Darryl Mauck, *VP Risk Mitigation & Compliance*

Jackie Fellin, *VP Commercial & Residential Lending*

Jean Riordan, *VP Retirement & Advisory Services*

Keith Kurman, *VP Lending*

Elaine Lacy, *Director of Marketing*

Fiona Miceli-Smarrito, *Director of Human Resources*

Lisa Ricci, *Director of Digital Channels*

Peter Olson, *Director of Information Technology*

TEG Branch Managers

Ashley Chan..... Commerce Street – Main Office

Teresa Tessier..... Beekman

Shelby Watson..... College Center

Stephannie Shad Hyde Park

Kyle Richardson..... Newburgh

Michael Bethel..... Route 9, Wappingers Falls

James Lentz..... Route 376, Fishkill Plains

Michelle Rodriguez Solutions Center

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, 2017. We are pleased to report that no anomalies were found and the credit union adhered to all rules and regulations

during 2017 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.

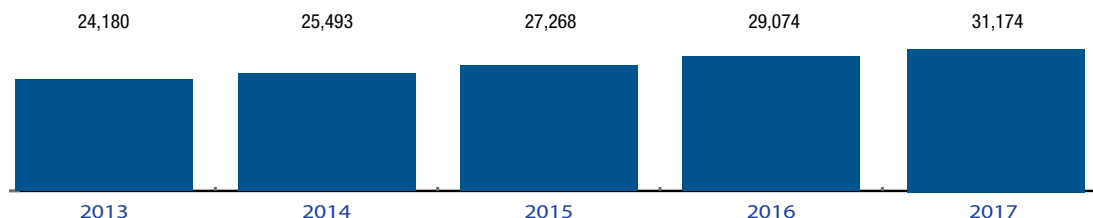
We look forward to continued cooperative efforts in the future and thank our members for choosing to conduct their financial business with TEG.

Sincerely,

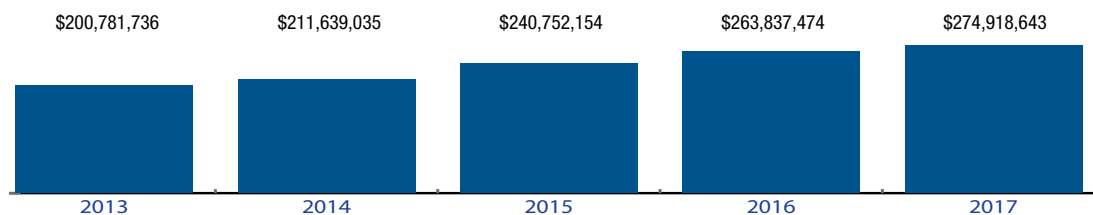
Edward Hotaling, Supervisory Committee Chairman

Financial Report Charts

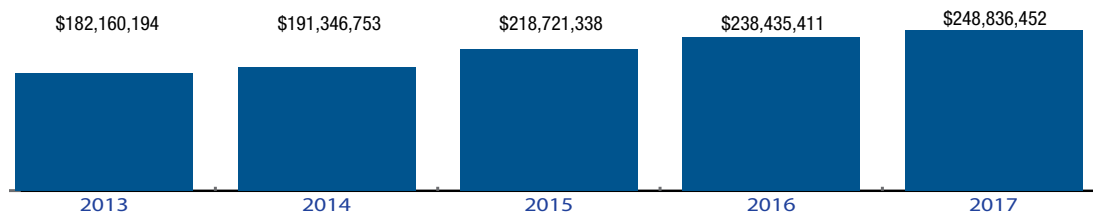
Members



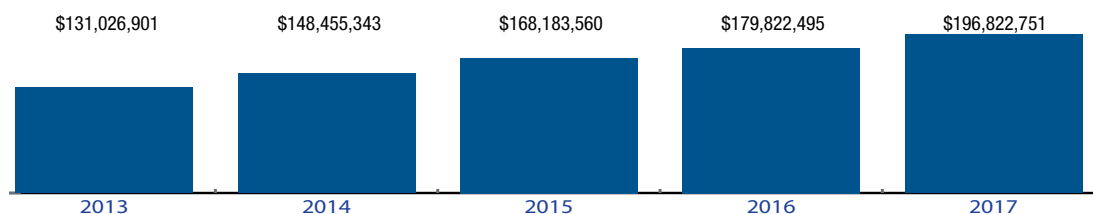
Total Assets



Shares & Certificates



Loans



Financial Statements | Statements Of Financial Condition – December 31, 2017 And 2016

	2017 Actual	2016 Actual
ASSETS		
Total Loans	\$196,822,751	\$179,822,495
Less: Allowance for Loan Losses	(1,535,916)	(1,020,003)
Cash and Cash Equivalents	3,042,683	3,136,270
Total Investments	51,352,886	58,455,884
Land and Buildings	6,060,826	5,170,472
Other Fixed Assets	2,329,236	2,358,392
NCUA Share Insurance Fund	2,429,085	2,291,961
Other Assets	14,417,092	13,622,002
Total Assets	<u>\$274,918,643</u>	<u>\$263,837,473</u>
LIABILITIES		
Accounts Payable and Other Liabilities	\$5,630,844	\$5,280,890
SHARE AND EQUITY		
Total Shares and Deposits	248,836,454	238,435,411
Regular Reserves	2,075,649	2,075,649
Unrealized Gain (Loss) on Investments	(293,525)	(198,822)
Undivided Earnings	18,669,221	18,244,345
Total Liabilities and Equity	<u>\$274,918,643</u>	<u>\$263,837,474</u>

Statements Of Operations For The Years Ending – December 31, 2017 And 2016

EARNINGS		
Interest on Loans to Members	\$11,035,544	\$10,078,124
Income from Investments	890,416	680,672
Fee Income	3,579,689	3,313,918
Other Income	2,004,896	1,698,678
Total Earnings	<u>17,510,545</u>	<u>15,771,392</u>
EXPENSES & OTHER		
Operating Expenses	15,706,556	13,392,337
Gain/Loss on Sale of Assets	0	980
Gain/Loss on Investments	0	0
Other Non-Operating Income/Expense	33,079	0
Total Expense & Other	<u>15,739,635</u>	<u>13,393,317</u>
Income Before Cost of Funds	1,770,910	2,378,075
Dividends Paid to Members	<u>1,212,991</u>	<u>1,171,763</u>
NET INCOME		
Distribution of Net Earnings	<u>\$557,919</u>	<u>\$1,206,312</u>
NOTE:		
Total Lines of Credit Available	\$32,387,478	\$31,412,305
Total Gain (Loss) on Investments Available for Sale	(\$293,525)	(\$198,822)

Minutes Of The 48th Annual Meeting

The 48th Annual Meeting was held on Thursday, March 23, 2017 at the Main office at 1 Commerce St. Poughkeepsie, NY 12603.

I. Call to Order

Mr. Walter V. Behrman, Jr., Board Chairman, called the 48th Annual Meeting to order at 5:37 p.m. and asked everyone to rise and join him in the pledge to the flag. The Secretary, Ms. Barbara Hogan confirmed that we had a quorum.

II. Minutes

A copy of the minutes of the 47th Annual Meeting are in the 2016 Annual Report and David Bagley moved, seconded by Colleen Burns, 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:

"2016 was an incredibly exciting and busy year. We finally had the Grand Opening of our new office on Route 9 on Saturday, September 17th. Being able to get into that building was a long and arduous project. We signed the contract for the building at the end of 2013 for scheduled completion in March of 2014. The builder encountered problems with the Department of Transportation and a great deal of unanticipated rock on the grounds, so the credit union agreed to delay completion of the building to October. October passed and on December 23, 2014 some of the paving was done and we were promised a closing by the end of the year. That deadline passed and the contractor encountered more delays with the Town, Department of Transportation, and his inability to convey a clear title. I should mention that most of the problems were created by the contractor himself and were not a result of outside forces beyond his control. If he had done what needed to be done the project would have been completed nearly on time. We understood some of the problems that he had no control over, and we worked with him, but he still refused to do what was necessary. The building sat empty during 2015 and then into 2016. The contractor tried to cancel the contract by returning our original deposit but we refused. We even resorted to going to court. All the while the penalties that were in the contract continued to mount. After intense negotiations between his lawyer and ours, we were able to come to an agreement and were able to close on the building that had been sitting idle for such a long time. The project came out beautifully. During that time our members were constantly asking when we were going to move, but we were unable to tell them anything definite. During that time, Mr. Flaherty posted signs in each office to keep our members up to date on the situation. To finally get our building was truly a Herculean task but it was well worth the effort.

"Once the building was ours, the staff, under the direction of Mr. Keith Kurman VP of Branch Operations, Sales and Services, Mr. Peter Olson, Director of Information Technology, and Ms. Elaine Lacy, Director of Marketing, started their work. The building needed to be outfitted, files and equipment needed to be moved, all of the communications needed to be set up and then put on-line, and the public needed to be informed of the opening of the building. It was my pleasure, along with Mr. Flaherty, other Board members and staff, and local Chamber of Commerce members to have our Ribbon Cutting Ceremony on September 15th. I am happy to report that the reviews from our members are very positive. The Grand Opening took place on a bright sunny day. There were games for the children, food for everyone and exciting incentives for anyone opening a new account. Although we have only been in the new building a short time it has proven to be very successful.

"What were we to do with the old office? Originally, we planned to sell the building, but Mr. Flaherty realized the potential for us by keeping it. With Board approval, the last few months of 2016 were spent renovating the original office. In January of this year we were able to move our Solutions Center, i.e., The Call Center, down to the new building. Diane Elias, one of our Commercial lenders moved her office there, and we will be able to have real estate closing there and Diane will be able to meet with some of her clients. The Solutions Center now has more room, there is still room to grow, and it has freed up some space in this office for us to grow here. The bottom line is that the new building is a success and we now have room to grow.

"Another major accomplishment was the Core Processing Conversion. Mr. Flaherty in conjunction with Mr. Olson, Director of Information Technology, determined in 2014 that we needed a new Core System. The first order of business was to hire a Facilitator or Consultant to assist us with choosing a system and then tailoring it to our specific needs. By 2015 this was in full swing. First the system that would fill our needs was chosen. Over the course of the next year and a half, many hours were spent with each department to make the necessary adjustments to fit our philosophy and the constraints of the system itself. Countless hours were spent refining the programs to meet our needs. Mr. Flaherty, Mr. Olson, each department head, and the individuals within the departments met, discussed, and chose programs and applications specific to their individual areas. Once this was completed, education and testing had to be done. Over the course of the first few months of 2016, classes and workshops were held to train the staff to use the new system. While this sounds easy enough, you must realize that while our employees were learning the intricacies of the new system they still had to work with the then current system. Our member service reps were incredible in that they were learning, sometimes completely different ways of doing things, yet needed to help our members using the system that was currently in use. During the weekend of May 1st everything was converted. When we opened for business after the conversion we were on the new systems and all the procedures and methods that we had previously used were gone. I am proud to say that everything was almost seamless. Our members for the most part were unaware that things had changed but our employees certainly knew it. I can't stress enough how

well everyone performed and how willing and upbeat they were. They helped each other and things went relatively smoothly. I can't say that everything went 100%, but the few glitches that we encountered were dealt with very quickly. They were mostly minor and did not have a devastating effect on the credit union. In fact, the workers that were here to work on the actual conversion left after a few days because everything went so smoothly. Under the direction of Mr. Flaherty, with our outstanding Senior Staff, with the willingness of all of our staff to learn, and with the unfailingly positive, cooperative, and friendly attitude of everyone involved, our conversion was a huge success.

"Loan Growth is an important area for the credit union. Mr. Flaherty, with Ms. Jackie Fellin, VP of Lending, and I might add Mr. Darryl Mauck, VP of Collections and Loss Mitigation (we can't have loan growth if people don't pay) attained growth of 6.95%. This was a difficult goal, especially in this highly competitive market and because the beginning of the year was consumed with the core conversion. Residential loans exceeded \$40M, and 76% was purchase money exceeding the industry average of 49%. TEG has a continual involvement with the Real Estate community which has been one of the main reasons for this impressive growth.

"Commercial Lending was also successful. We made over \$10.2M in commercial loans and our new Commercial Lender, Diane Elias, as well as all our lenders, have cultivated many new relationships which have been a key part of our successful endeavor. Our Indirect Lending program has been very successful and we continue to monitor it to make sure it is being efficiently run and profitable for TEG.

"While much of our efforts are internal to keep TEG a healthy and growing credit union, I must not forget our Community Relations. The credit union is part of many communities and as such we try to support those communities. We have created and run advertising in numerous fundraising event journals. This helps us get more visibility, but it also supports the local groups running the events. To name just a few of the events we supported: Arlington Symphony Orchestra, Dutchess County SPCA, Dutchess Outreach Gala, Legal Services of Hudson Valley, and United Way of Dutchess and Orange just to name a few. There are many others too numerous to mention. We are a Corporate Chamber Supporter and have exhibited at the Business-to-Business Expo. We make many Sponsorships by Donation such as Abilities First Golf Tournament, and the Arlington Education Foundation.

"We make Donations and many of our employees assist in Fundraising Efforts for local causes such as Alzheimer's Association Subzero Heroes, March of Dimes, Orange Regional Medical Center Foundation. We helped Mid-Hudson Children's Museum, the Dutchess Outreach Coat Drive, and collected Toys for Tots. We as an organization and especially our employees are very involved in the community.

"We are committed to education and hold seminars in areas such as helping First Time Homebuyers and getting the most out of Social Security. We awarded three, \$1,000 TEG-Joyce A. Betros Scholarships to area high school students. There is a \$1,000 scholarship to a local student at Marist as a Hudson Valley Scholars Program sponsor. We conduct a Student of the Month program, award the TEG Cathy

Board Of Directors



Walter V. Behrman, Jr.
Chairman



Paul Goldstein
Vice Chairman



Jesse Doughty
Treasurer



Barbara Hogan
Secretary



Joseph Corrigan



Frank LaRose



Joshua Stratton



Andrew Krayewsky



Rebekah
Garcia-Stevens

Supervisory Committee Members



Edward
Hotaling



Joseph
Lombardi



Ann
Boehm



Victoria
Nameth



Bill
McCabe

Romano Writing Scholarship, present a Student of the Year award, have a School Savers program, and conduct classes through Arlington and Wappingers Continuing Education. We hosted two "Taking the Mystery Out of Your Credit Score" seminars which were very helpful to the people who attended.

"Before I end I want to tell you some plans we have for this year. We have purchased land in Walkkill, Orange County, off Route 17. It is an extremely busy area and we hope to have all the approvals and have a branch completed by the end of the year. We believe this is a fertile area for expansion and will be a great help for our members in Orange County.

"What I am trying to say is that we are here and we are an active participant in our community.

"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 introduced himself as President and CEO of TEG Federal Credit Union and welcomed and thanked everyone for taking the time to attend. He then began his report:

"Good evening and thanks for being with us tonight. For those of you who don't know me, I'm Ron Flaherty, President and CEO.

"Once again, we have a lot to be proud of, 2016 was another great year for TEG! And we thank you for your continued support. We want you to know that we are here for you and all of your financial needs after all we are all about people helping people here at TEG. We also need your help so that we can continue to grow and prosper, so please spread the good word about TEG so that more people get to benefit from all we have to offer.

"For 2016 we under took a major project with the implementation of our new core system. This was well overdue and will give us the foundation we need to continue to grow and succeed in the future. I'd like to thank Peter Olson our IT Director and project manager, our senior

management team and our entire staff for the remarkable job they did on this project. It went extremely well because of all of their hard work, planning and dedication to this project.

"Also, in 2016 we finally moved into our location on Route 9 in Wappingers. It came out great and I hope that you've all had a chance to stop by and check it out.

"Overall I'm very proud of our Board of Directors, Supervisory Committee and our entire staff for what we've accomplished not only in 2016, but ever since I took over leading TEG.

"Thank you again for the opportunity to lead this great organization and your continued support of TEG. Enjoy the evening."

V. Treasurer's Report

Jesse Doughty, treasurer, spoke about the increases in membership, loans, and income. He also stated that TEG's financial statements were included in the Annual Report that was distributed to all 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, 2016. We are pleased to report that no anomalies were found and that the credit union adhered to all rules and regulations during 2016 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: Joe Corrigan, Andrew Krayewsky, and Frank LaRose were each nominated for a three-year term on the Board of Directors. Since there were no other nominees, Mr. Behrman requested that the secretary 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, for organizing the Annual Meeting and since there was no further business to come before the assembly he adjourned the 48th Annual meeting at 5:55 P.M.

Respectfully submitted,

Barbara J. Hogan

Secretary

48th Annual Meeting Minutes



Conveniently Located To Serve You

Poughkeepsie – Main Office

1 Commerce Street, Poughkeepsie, NY 12603

Beekman

Town Plaza, 2540 Route 55, Poughquag, NY 12570

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

Route 376 – Fishkill Plains

Nesheiwat Square, 900 Route 376, Wappingers Falls, NY 12590

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