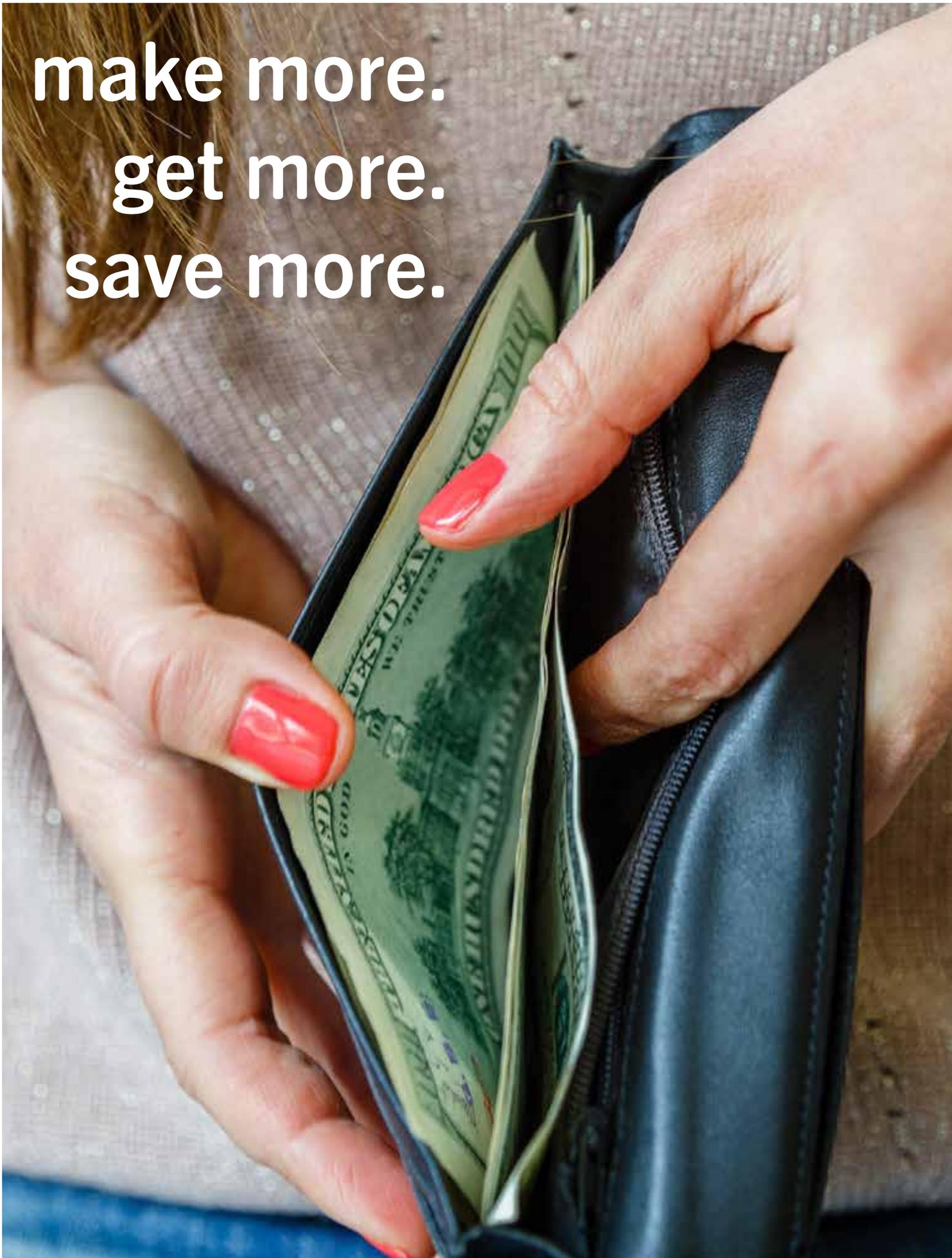




make more.
get more.
save more.



Report of the Board of Directors

ROBERT ELLIS, CHAIRMAN

We are celebrating our 70th anniversary this year, no small accomplishment. Telcoe's longevity is a testament to our strength. In 1950, 15 men came together and contributed the initial seed deposits to get the credit union up and running. These men laid the foundation we have built upon and our success has been the product of hard work, practical solutions, and an unyielding commitment to the members and communities we serve.

Our 70th anniversary is a wonderful milestone worth acknowledging, but we are also mindful of the fact that our celebration takes place in the shadow of a global economic slowdown. We saw investment rates jumpstart in 2018 and things were looking good until the rate cuts returned. Telcoe has been mindful of our member's needs, as we have maintained higher rates of return on savings, competitive loan rates for borrowers while shaving expenses. This has been our practice since inception.

Telcoe has not been entirely unaffected by the weak economy. When our members face layoff or experience a reduction in hours, this can result in slow payments or even bankruptcy. We have members who have and are still experiencing wage loss. Telcoe has and always will work with members during these stressful times. We offer involuntary unemployment credit insurance to bridge the gap until the member gains new employment. Telcoe has provided debt and budget counseling for members in need or college prep counseling for students.

During the past year, Telcoe Federal continued to provide strong returns to members. Telcoe's lower operating cost in addition to our reserves give us a tremendous advantage particularly in challenging times. The environment we operate in today is extremely competitive and members have many choices. Thus, every day we must improve service, every day we must compete with the deal down the street and every day is a challenge. When we analyze a better deal that we cannot match, we let the member know. We work for our members.

In addition to providing excellent member service, Telcoe is constantly looking for ways to improve the member experience. This coming year we will be focusing more on electronic access for members with newly designed products and services to help make managing their finances smoother and much easier to secure loans.

We are excited for 2020 and are continually grateful you have put your trust in us. We are excited to share all the new and improved products and services we have on the horizon and will work tirelessly to provide you with the tools needed to enable your dreams.

It is a privilege and an honor to serve you. On behalf of the Board, thank you for your continued membership. You are what makes Telcoe one of the top 200 credit unions nationwide and the best in Arkansas. Help us pave the way for the next 70 years by introducing your family members to Telcoe.

Supervisory Committee Report

ALEXANDRA L. RICH, CHAIRMAN SUPERVISORY COMMITTEE

Telcoe Federal's Supervisory Committee is a Board-appointed volunteer organization that works on behalf of the membership as the "eyes, ears and voice" of the Member. The Committee works to:

- Monitor the financial health of the credit union.
- Monitor the controls, policies, and systems put in place by the credit union to mitigate financial, operational, and compliance risks.
- Investigate perceived violations of credit union rules and policies, unethical behavior, or complaints that were not fully resolved to Member satisfaction through regular credit union channels.

The Committee performs key activities on behalf of the Members:

- Oversees Internal Audit (IA) - The committee oversees and meets regularly with the IA to review the internal audit planning process, the results of ongoing and completed audits, process on activities, management's responses and addressing IA recommendations, and the adequacy of resources, executive support, and items the IA function needs to execute its mission.
- Engages External Audits and Monitors Examinations - To provide a fresh look at our financial statements and related internal controls, the Committee ensure rotation of audit staff with the audit firm. This year Nearman, Maynard, Vallez, CPAs report was excellent and found no discrepancies.

- A Federal Examination was performed by Federal Examiners on March 31, 2018. This resulted in a CAMELS rating of ONE in all areas. The areas rates are composite, capital adequacy, asset quality, management, earnings and liquidity/asset liability management. A rating of one is the best rating available. The next Federal Examination will begin February 24, 2020.

The Committee would like to thank you, the Members, for supporting Telcoe Federal Credit Union. Likewise, we commend the Board for their diligence and guidance in the oversight of the credit union as well as their support of the Committee and its activities. I would also like to use this opportunity to thank my colleagues, who proudly volunteer their time with me on the Committee, for their dedication and hard work: Rick Stobaugh, Mike Lands, Scott Kidd, Lynn Martin and Odessa Darrough, as well as Kathy Qualls, Internal Auditor.

Your Supervisory Committee is working in the best interest of you, the Telcoe Federal members. If you have a question relating to the financial soundness or management of this organization, please do not hesitate to contact us:

P.O. Box 15063
Little Rock, AR 72221



Minutes of the 69th Annual Membership Meeting

SARAH MOSLEY, RECORDING SECRETARY



On January 21, 2019 at 9 a.m. 106 members and guests of Telcoe Federal Credit Union convened in the ballroom of the Wyndham Hotel, in North Little Rock, Ark. Each participant registered at the door and received copies of the annual report.

Mrs. Odessa Darrough, Supervisory Committee member opened the meeting with prayer.

Sarah Mosley welcomed everyone to the 69th annual membership meeting of Telcoe Federal thanking everyone for getting out on such a cold morning. She stated Telcoe Federal had another good year as reflected in the annual report. We can always use more loans and asked the member to remember Telcoe when financing new homes, cars or just taking that much needed trip.

She went over some of the major projects scheduled for the months ahead. We moved to the main office in 2001 and it is time to put on a fresh face upgrading furniture and fixtures. Investing in technology enabling members to conduct business more efficiently.

She introduced staff members Karla Walls, Michele Beasley, Amanda McCarty, Stacy Briggs, Elaine Hunthrop and Ken Sullivan. Larry Johnson was called to the office to respond to an IT related issue.

Chairman Ellis, called the meeting to order and asked the Secretary if a quorum was established. Secretary Smith responded that a quorum was present.

Chairman Ellis then introduced the board members: Bill White, Betty Adams, Rick Stobaugh, Jimmy Dunahoo, Cliff Smith and noted Steve Rakes was unable to attend.

Next he introduced the supervisory committee members: Odessa Darrough, Mike Lands and Lynn Martin. He noted that Alex Rich and Scott Kidd were unable to attend.

Mr. Ellis announced the longest distance awards to Ashley Hobbs who is working and living in Phoenix, Ariz. and who flew in this week to spend time with family. The second place winner was Mr. Gurvis Owens of Jonesboro.

First item of business: approval of the minutes of the 68th annual membership meeting. Mr. Ellis asked if everyone had read the minutes in the program. A motion was made by Mr. Boyce Pearson to approve the minutes and dispense with the reading with a second from Mr. James Smith, Jr; motion carried.

Chairman's report - Mr. Ellis stated he would not read the report since it was printed in the brochure given to each member. He called attention to the reports presented in the annual report and asked for questions. None were forthcoming. He acknowledged the work by the board members, supervisory committee, Sarah and her staff as they work on behalf of the membership to maintain a safe and sound credit union. The report was accepted by general consent.

Mr. Ellis called attention to the Treasurer's report and opened the floor for questions with none forthcoming. Motion to approve the report was made by Mr. Cleon Koone second by Mr. James Smith, Jr; motion carried.

Mr. Ellis stated there was neither unfinished business nor any new business at this time unless the members had something to add. He then announced results of the 2018 board elections: Steve Rakes, Cliff Smith and Bob Ellis. All elected to 3-year terms of office.

Mr. Ellis announced the winner of the longest membership to be Cleon Koone, who retired from SBC and lives in Greenbrier, Ark.

Mr. Ellis turned the meeting over for the awarding of cash prizes. Sarah called for color codes in the meeting brochure and awarded cash of \$1,900.

Sarah stated that it has been a pleasure serving the members of Telcoe Federal. She announced a Habitat Home that Telcoe is sponsoring and invited those who would like to participate in the build to let her know. She recognized the "Over the Hill Gang," a group of wonderful 80-something guys who are building trusses and also teaching kids in area schools the art of building. The primary charity that Telcoe supports is Arkansas Children's Hospital where we average \$30,000 each year to Children's Miracle Network. She then recognized Amanda McCarty, Marketing Representative, for her work with the CMN staff securing a permanent plaque recognizing Telcoe support.

The meeting adjourned by common consent.

01



LOANS TO MEMBERS

Telcoe maintains line of credit loans and Mastercards for the use of its members. Unused lines of credit issued to members were \$2,990,714 at December 31, 2019.

Open-end revolving lines of credit	\$7,468,808
Lines of credit used	4,478,094
Remaining unused lines of credit ¹	\$2,990,714

¹ Unused credit card lines of credit equal \$1,794,407 and unused non-credit card lines of credit were \$1,196,307.

02



CARD NETWORK SETTLEMENT DEPOSITS

Debit Cards

Telcoe has made a required cash deposit to JHA Payment Processing Solutions to facilitate timely settlement of funds with card processing networks. At December 31, 2019 that deposit was in the amount of \$158,155.80.

The amount of the deposit is based on peak signature settlements over a defined time period and may be adjusted by JHA Payment Processing Solutions after written notice to Telcoe.

Credit Cards

Telcoe has made a required cash deposit to PSCU (Payment Solutions for Credit Unions) to facilitate timely settlement of funds with card processing networks. At December 31, 2019 that deposit was in the amount of \$15,800.

The amount of the deposit is based on peak signature settlements over a defined time period and may be adjusted by PSCU on a quarterly basis.

03



NON-QUALIFIED PENSION PLANS

Non-Qualified Pension Plan

The Credit Union maintains a non-qualified pension plan for a select group of Management. Participants are eligible based on approval by the Credit Union's Board of Directors. Under this plan, the Credit Union makes periodic contributions. The participant's benefit is the ending value of the contributions, as well as any earnings on those investments. The liability related to this plan approximated \$864,336 as of December 31, 2019.

457(f) Deferred Compensation Plan

The Credit Union maintains a non-qualified pension plan for a select group of Management. Participants are eligible based on approval by the Credit Union's Board of Directors. The plan's assets are available to creditors in the event of the Credit Union's liquidation. The liability related to this plan approximated \$427,000 as of December 31, 2019.

457(f) Plan

The Credit Union maintains a non-qualified pension plan for a select group of Management. Participants are eligible based on approval by the Credit Union's Board of Directors. The plan's assets are comprised of life insurance contracts on the plan's participants and are available to creditors in the event of the Credit Union's liquidation. The asset related to this plan approximated \$2,560,236 as of December 31, 2019.

Split Dollar Life Insurance

The Credit Union has split-dollar life insurance plans for a select group of Management. The Credit Union has secured interest in these plans to the extent of premiums advances on behalf of these key employees. The vested interest in this split-dollar plan totaled approximately \$1,135,932 as of December 31, 2019.

ASSETS

Loans to Members.....	121,938,863.00
Allowance for Loan Losses	(153,073.00)
Cash.....	2,252,369.00
Investments.....	249,652,400.00
Land and Building	4,277,217.00
Other Assets	4,505,062.00
TOTAL ASSETS	382,472,838.00

LIABILITIES & CAPITAL

Accounts Payable	2,998,122.00
Share Accounts	290,668,531.00
Regular Reserve.....	2,777,535.00
Unrealized Gain / Loss Investments.....	5,501,480.00
Undivided Earnings	80,527,170.00
TOTAL LIABILITIES & CAPITAL	382,472,838.00

STATEMENT OF INCOME & EXPENSES

INCOME

Interest on Loans.....	5,235,869.00
Income from Investments.....	5,397,208.00
Other Income.....	2,966,491.00
TOTAL GROSS INCOME	13,599,568.00

EXPENSES

Employee Compensation & Benefits.....	2,281,163.00
Office Occupancy.....	425,469.00
Office Operations.....	671,175.00
Advertising & Promotions.....	262,298.00
Loan Servicing.....	156,362.00
Professional & Outside Services	884,092.00
Provision for Loan Losses.....	10,000.00
Federal Operating Fee.....	97,261.00
Miscellaneous	130,384.00
TOTAL OPERATING EXPENSES	4,918,204.00
Dividends to Members.....	4,870,127.00
Reserves & Undivided Earnings.....	3,811,237.00
TOTAL DISTRIBUTION	13,599,568.00



Congrats 2019 Scholarship Recipients!

Sarah Huetter,
Maggie Grappe,
Hannah Seats,
Janae Hartman,
Sari Jacob,
Harrison King and
Nichele Wescott



BOARD OF DIRECTORS

Bob Ellis, Chairman
Bill White, Vice Chairman
Cliff Smith, Secretary/Treasurer
Betty Adams
Jimmy Dunahoo
Steve Rakes
Richard Stobaugh

SUPERVISORY COMMITTEE

Alex Rich, Chairman
Odessa Darrough
Lynn Martin
Mike Lands
Scott Kidd

MANAGEMENT

Sarah S. Mosley, President & CEO
Larry Johnson, Data Processing
Jamie Brunett, Accounting
Karla Walls, Mortgage Lending
Michele Beasley, Consumer Lending & Marketing
Josh Forster, Information Technology
Stacy Briggs, Card Services & Training
John Burton, Certified Financial Planner



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