



2023 ANNUAL REPORT

MESSAGE FROM THE CHAIRMAN AND PRESIDENT

Welcome to Telcoe Federal Credit Union's 74th Annual Meeting.

Although global economic conditions from a year ago continued throughout 2023, posing a challenge to financial institutions; Telcoe Federal remains financially strong with total assets of \$454 million. Our net worth to total asset ratio at fiscal year-end is 13.70%, exceeding federal regulator's requirement to be considered well capitalized. We returned 73% of total income to our members in dividends and interest payments.

Telcoe Federal was the recipient of the highest Five-Star Superior rating from BauerFinancial, the nation's most well-known independent rating service for banks and credit unions. Telcoe has maintained a 5-Stars rating since December 1990.

A new branch location was added at 1400 S. Bowman Road in Little Rock to better serve our member in the area. The new branch was spared when the March 31, 2023 tornadoes caused massive destruction in the area. The branch is full service including safe deposit boxes.

In the last quarter, MasterCard credit cards were brought in-house as we moved them to the JHA Core system allowing better management of member calls and resolutions. A change for debit and credit cards was added to allow members to turn cards on and off along with instant alerts that assist members in mitigating fraud. We are in process of converting all plastic cards to an 8-digit bin number for completion in the first quarter of 2024. The Telcoe Federal MasterCard credit card continues to have low rates and great services without gimmicks.

We were honored to give back to our communities, including Arkansas Children's Hospital, Habitat for Humanity, Junior Achievement, Pulaski County Humane Society, Youth Sports, MetRock FWD Campaign, Arkansas Learning and \$6,500 in scholarships for student. Plus members and Telcoe raised \$21,500 for Children's Miracle Network in our Stress Buster Campaign designed to relieve winners' stress with cash prizes provided by our vendor sponsors. The marketing team has returned to the road visiting our member groups around the state.

Supporting the financial well-being of our members continues to be a critical part of our mission. Telcoe Federal provides financial wellness videos-webinars on Demand plus Greenpath Financial Counseling services for the membership.

We would like to thank our staff and management, as well as our Board, and the Supervisory, Nominating Committees. Their focus and guidance enabled our achievements. And thank you the members. We grow when we deliver financial products and services that benefit you and you share the story of Telcoe Federal with others.

Robert "Bob" Ellis, Chairman & Sarah S. Mosley, President/CEO



SUPERVISORY COMMITTEE REPORT

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 Supervisory 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 there were not fully resolved to Member satisfaction through regular credit union channels.

The Committee performs vital activities on behalf of the members:

- Oversees Internal Audit (IA) – The Committee oversees and meets 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's recommendations. 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 ensures rotation of audit staff with the audit firm. This year Nearman, Maynard & Vallez CPA's report was excellent and found no discrepancies.
- Federal Examiners completed our examination on December 31, 2022. Telcoe received a composite CAMEL Rating ONE, no major issues were found. Credit Unions with Code One ratings are examined.
- In 2023, Trace Security performed Internal, and External Penetration tests to breach firewalls and other password securities installed.

The Committee would like to thank you, the members, for supporting Telcoe Federal Credit Union. Likewise, we commend the Credit Union's volunteer Board for their diligence and guidance in the Credit Union's oversight and their support of the Committee and its activities.

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.



STATEMENT OF FINANCIAL CONDITION

ASSETS	2023	2022	% Change
Loans (Net of Allowance for Loan Losses)	\$140,418,642.00	\$128,532,659.00	9.25%
Cash	\$1,451,047.00	\$1,417,187.00	2.39%
Investments	\$302,866,021.00	\$301,790,061.00	0.36%
Land and Buildings	\$5,444,948.00	\$4,289,197.00	26.95%
Other Assets	\$3,924,991.00	\$4,347,074.00	-9.71%
TOTAL ASSETS	\$454,105,649.00	\$440,376,178.00	3.12%
LIABILITIES			
Accounts Payable	\$3,409,458.00	\$2,464,917.00	38.32%
Members' Shares and Savings Accounts	\$389,293,569.00	\$380,011,015.00	2.44%
Regular Reserve and Undivided Earnings	\$2,777,535.00	\$2,777,535.00	0.00%
Unrealized Gain (Loss) on Investments	-\$35,143,643.00	(\$38,626,486.00)	-9.02%
Undivided Earnings	\$93,768,730.00	\$93,749,197.00	0.02%
TOTAL LIABILITIES, DEPOSITS, EQUITY	\$454,105,649.00	\$440,376,178.00	3.12%

STATEMENT OF OPERATIONS

INCOME	2023	2022	% Change
Interest on Loans	\$6,059,826.00	\$4,840,217.00	25.20%
Income from Investments	\$8,847,927.00	\$5,846,357.00	51.34%
Other Income	\$2,062,578.56	\$2,318,844.00	-11.05%
TOTAL GROSS INCOME	\$16,970,331.56	\$13,005,418.00	30.49%
EXPENSES			
Employee Compensation and Benefits	\$2,256,776.00	\$2,237,907.00	0.84%
Office Occupancy	\$387,221.00	\$388,535.00	-0.34%
Office Operations	\$503,613.00	\$630,555.00	-20.13%
Advertising and Promotions	\$172,180.00	\$304,253.00	-43.41%
Loan Servicing	\$165,455.00	\$143,037.00	15.67%
Professional and Outside Services	\$1,080,356.00	\$1,265,456.00	-14.63%
Federal Operating Fee	\$75,574.00	\$60,285.00	25.36%
Miscellaneous	\$19,238.00	\$14,360.00	33.97%
TOTAL OPERATING EXPENSES	\$4,660,413.00	\$5,044,388.00	-7.61%
Dividends to Members	\$12,290,384.00	\$5,101,899.00	140.90%
Reserves & Undivided Earnings	\$39,906.00	\$2,859,131.00	-98.60%
Provision for Loan Losses	-\$20,372.00	\$0.00	
TOTAL DISTRIBUTION	\$16,970,331.00	\$13,005,418.00	30.49%

NOTES TO FINANCIAL STATEMENTS

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LOANS TO MEMBERS

Telcoe maintains line of credit loans and Mastercards for the use of its members. Unused lines of credit issued to members wer. \$2,786,551 December 31, 2023.

Open-end revolving lines of credit	\$7,787,300
Lines of credit used	\$5,000,749
Remaining unused lines of credit ¹	\$2,786,551

¹ Unused credit card lines of credit equal \$1,543,355.65 and unused non-credit card lines of credit were \$1,243,195.38.

02



CARD NETWORK SETTLEMENT DEPOSITS

Debit Cards

Telcoe has made a required cash deposit to JHA Payment Processing Solutions in order to facilitate timely settlement of funds with card processing networks. At December 31, 2023 that deposit was for \$208,858.

The amount of the deposit is based on peak signature settlements over a defined time and may be adjusted by JHA Payment Processing Solutions after written notice to Telcoe. GL 799850

Credit Cards

Telcoe has made a required cash deposit to PSCU (Payment Solutions for Credit Unions) in order to facilitate timely settlement of funds with card processing networks. At December 31, 2023 that deposit was for \$14,000.

The amount of the deposit is based on peak signature settlements over a defined time and may be adjusted by PSCU on a quarterly basis. GL 799900

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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 \$1,028,530 as of December 31, 2023. GL 743301

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 \$70,000 as of December 31, 2023.

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 \$2,891,181 as of December 31, 2023. 743100

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 \$1,358,028 as of December 31, 2023. 795000

BOARD OF DIRECTORS

Bob Ellis, Chairman
Bill White, Vice Chairman
Cliff Smith, Secretary/Treasurer
Odessa Darrough
Jimmy Dunahoo
Rick Stobaugh

SUPERVISORY COMMITTEE

Odessa Darrough, Chairman
Shelly Cheatham
Lynn Martin
Kathy Qualls, Internal Auditor

STAFF

Sarah S. Mosley, President & CEO
Michele Beasley, Vice President Consumer Lending & Marketing
Larry Johnson, Vice President Technology
Jon Thompson, LPL Certified Financial Planner
Tonya Williams, Vice President Accounting & Finance
Karla Walls, Vice President Mortgage Lending
Tony Birk, Consumer Lending
Stacy Briggs, Card Services



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