



2019  
**ANNUAL REPORT**

KNOXVILLE TVA EMPLOYEES CREDIT UNION

EST. 1934



KNOXVILLE



EMPLOYEES  
CREDIT UNION™

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## *Report to the Membership*

### **Knoxville TVA Employees Credit Union**

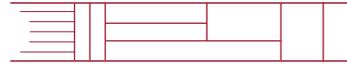
Benjamin Franklin once said, “Without continual growth and progress, such words as improvement, achievement and success have no meaning.” We are grateful for the growth and progress Knoxville TVA Employees Credit Union was able to experience in 2019 and for the difference we were able to make in the financial lives of our Members.

In 2019 we celebrated our 85<sup>th</sup> Anniversary. It was a commemorative year where we were able to look back on our collective history and what brought us here, as well as all the ways we have been able to play a financial role in the lives of our Members. Eighty-five years ago, a small group of visionaries recognized the need for affordable financial services and created Knoxville TVA Employees Credit Union to fill a much-needed gap in the financial marketplace.

We were formed to be a safe place to save and borrow. And even though many years have passed since our start in 1934, we still remain true to those founding principles and believe more strongly than ever in the power of “People Helping People.”

As a result of this belief, we have been blessed with extraordinary growth and development. As we have grown, we have also evolved. We have introduced new services, more delivery channels, and more products to stay current and relevant to our Member base.

So no matter how you take care of your everyday financial needs—whether it’s through visiting a branch, using our mobile app, or contacting our Call Center - you can count on us to help.



We are excited for what we were able to accomplish in 2019 but are even more excited for the future of this Credit Union. Some of the highlights from this last year include:

- **Membership Growth:** Membership is now 211,883.
- **Branch Construction:** We currently have 23 Branch Locations and have plans to open two new branches in 2020 in the Powell and Bristol communities of Tennessee. Plus, our Downtown Branch will be relocating to Market Square.
- **Member Service Team Expansion:** Call Center answered 742,960 calls and 1.28 million inquiries were completed through our automated phone service.
- **Branch Usage:** Branch Offices performed 11.13 million transactions.
- **ATM Network:** Over 55,000+ local and national surcharge-free ATMs for Member use.
- **Online Access:** More than 102,000 active users logged onto online banking over 30.45 million times during the past year.
- **Mobile App:** 290,859 deposits for \$104,828,682 was made using our app. We also launched Credit Score through Savvy Money which allows primary account holders to view their credit score for free.
- **UChoose Rewards:** Debit and credit card users redeemed \$1,370,588 through our point rewards program.

As we have evolved and adapted to a changing world over the past eighty-five years, we have worked hard to become more convenient



and to regularly review our products and services to make sure they meet the needs of all Members.

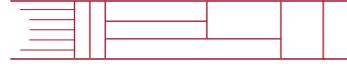
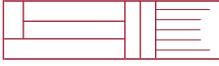
The success of any credit union is measured by the success of its Members. When Members grow financially, the Credit Union grows financially. When everyone works together, it means we grow together. We are better together.

In the past fiscal year, membership reached 211,883. Deposits increased to almost \$2.06 billion, which was an increase of \$296,539,067 from last year. Our assets also increased \$304,739,187 from last year, reaching \$2.43 billion.

Our Real Estate and Indirect Lending Teams also experienced extraordinary growth. During 2019, the mortgage loan portfolio grew to \$537.44 million and vehicle loan balances increased to over \$1.19 billion. More than \$1.14 billion was distributed in loans for 2019.

These numbers represent the trust you place in your Credit Union and we are truly grateful for the opportunity to be your financial services provider. We are thankful for the nearly 500 employees who deliver the excellent service you have come to know and trust. We also acknowledge the volunteers who serve on our Board of Directors and Supervisory Committee and want to thank them for their time and dedication. Together, we are all working for the benefit of each Member and for the East Tennessee community.

While we may have started in Knoxville, our Credit Union now supports eight counties in addition to the Johnson City area. Credit Union employees have volunteered thousands of hours throughout the year at various events and programs to support and serve our communities. We have partnered with Mission of Hope, which



provides for Appalachian families in need. We have also coordinated with Meals on Wheels to make sure area residents receive regular meals. This is all in addition to the many events and projects we perform throughout the year.

Through our Simply Smart Foundation for Education, we awarded financial grants to every public high school in our service areas to help fund projects to better educate youth. We do this because we believe in giving back to the communities we serve in and in bettering conditions for all.

Our purpose is to help people. We do that by helping our Members grow financially. This was our purpose in the beginning, back in 1934, and it is still our purpose today. We have never wavered from our purpose or mission.

Our most important goal is to build personal relationships with each and every Member so that we can know and understand their financial needs. As a Credit Union, we have the unique opportunity to reinvest our earnings back to our Members and the communities where they live and work. When a Member chooses to save or borrow with our Credit Union, they are not only making a difference for themselves, but for one another, and for the communities in which they live.

The Credit Union today remains a secure source for financial services. We have adapted to changing technologies and demographics and are well-positioned to serve your financial needs now and in the future.

Knoxville TVA Employees Credit Union is not just another financial institution and you're not just someone who banks with us. Every Member plays a key role in the success and growth of our Credit

Union. As a Member, you can be proud of what you're building for yourself, your fellow Members, and your community.

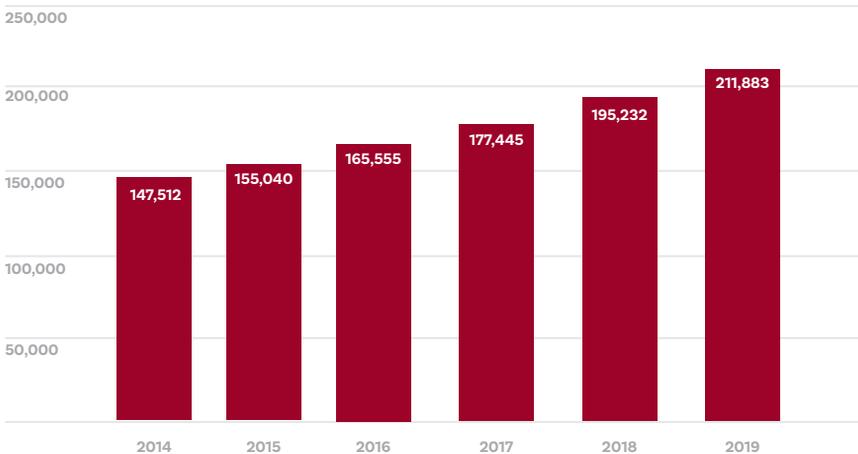
As we enter a new decade, our emphasis is to deliver great financial services, but also to help all of our Members live better lives. The Credit Union wants to be your first choice for all financial needs, and we believe working together is the best way to accomplish this.

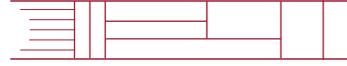
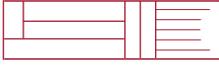
On behalf of the Staff, Board of Directors and Supervisory Committee, thank you for your continued support and we look forward to a new decade working together for the benefit of all.

**Bill Bonham**  
Chairman of the Board

**Glenn W. Siler**  
President & CEO

## MEMBERSHIP





## *Supervisory Committee Report*

It is the responsibility of the Supervisory Committee to monitor the financial safety and soundness of the Credit Union and to oversee compliance with various financial and regulatory requirements.

The Supervisory Committee meets regularly to examine reports ensuring Members' assets are secure and safe. The Supervisory Committee duties include:

- Ensuring that the Board and management meet required financial reporting objectives and adhere to established policies, procedures and internal controls.
- Determining whether internal controls are established properly, that records are promptly and accurately prepared, that plans established by the Board are properly administered and policies are sufficient to safeguard assets.

Independent auditors, examiners from the State of Tennessee Department of Financial Institutions and the National Credit Union Administration (NCUA), analyzed the Credit Union statements and records for 2019. All audits resulted in the Credit Union receiving satisfactory reports from all examinations.

In addition to its external audits and regulatory examinations, the Credit Union also employs a full-time internal Audit Department which reports directly to the Supervisory Committee. The internal auditors meet with the Supervisory Committee bi-monthly to review internal and external audit reports, risk assessments and internal control practices.

The Supervisory Committee is pleased to report the financial condition of the Credit Union concerning accounting records, reports, internal controls, compliance with established policies, procedures, laws and regulations are correct and precisely represented and Members' assets remain safe and secure at Knoxville TVA Employees Credit Union.

**Cleston Jones**  
Chairman

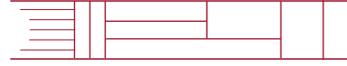
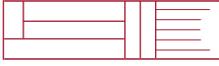
## *Treasurer's Report*

As we look back over the last 85 years, the Credit Union has faced many economic challenges over the decades since chartering in 1934. Each challenge has prepared us for the next and helped us position the Credit Union to continue serving Members financial needs regardless of the economic conditions facing the nation. The Credit Union has not wavered from its original purpose: to be Members' trusted financial services provider, to enhance the value of their lives and financial well-being and to help Members grow financially. The Credit Union has the responsibility to do this, while maintaining fiscal strength.

Make a Difference - it's a simple concept and the focus of Credit Union operations. Over 211,000 Members, working together, are making a difference. These efforts have paid off and are proven by the numbers highlighted in this report.

### **2019 Highlights**

- Assets reached over \$2.43 billion, a 14.33% increase.
- Deposits grew to almost \$2.06 billion, an increase of \$296.54 million.
- Checking and regular savings account balances exceeded \$900.25 million.
- Certificate balances grew 33.91% to \$632.85 million. This deposit growth demonstrates the confidence Members have in the Credit Union.
- Loans outstanding reached \$2.16 billion, an increase of \$294.11 million. Over \$1.14 billion was disbursed in loans for a variety of purposes such as: cars, trucks, boats, new homes, remodeling, credit cards and many other reasons. With this growth, the delinquency rate of 0.19% is well below the national average.
- Membership increased 8.52%, bringing our Member total to 211,883.
- Member usage of our delivery channels (branch offices, phone center, website, mobile app and more) were all at an all-time high.
- With all this growth, the Credit Union remains well capitalized at 9.16%.

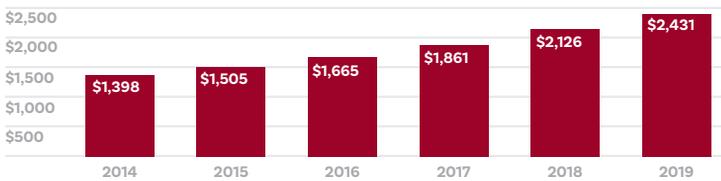


I am pleased to report that our Credit Union continues to grow as the result of our Mission of “Helping Members Grow Financially.” As you move through life, your financial needs change, and the Credit Union will be here to meet those needs.

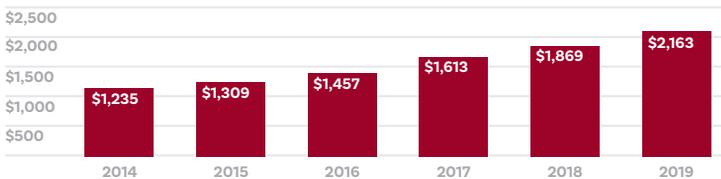
2019 was another great year, a year of excellent financial performance, even more convenient services, continued innovation, along with great Member service – all building for a better future. As we enter a new decade, our focus will be on looking for additional ways to enhance Members’ financial lives and continuing our story of financial success for all.

**Sherry Vermillion**  
Treasurer

### Assets in Millions



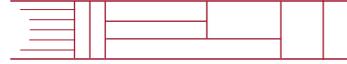
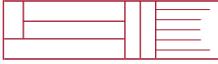
### Loans in Millions



### Savings in Millions



Statement of Operations	2018	2019
<b>INCOME</b>		
Income From Loans	\$67,819,718.15	\$84,300,424.07
Other Operating Income	\$21,142,973.20	\$22,988,286.89
Investment Income	\$1,320,688.99	\$1,816,516.69
Fee Income	\$13,515,961.76	\$14,688,146.43
<b>Gross Income</b>	<b>\$103,799,342.10</b>	<b>\$123,793,374.08</b>
<b>OPERATING EXPENSES</b>		
Compensation	\$21,485,692.31	\$23,911,655.99
Employee Benefits	\$10,904,720.36	\$12,801,155.13
Travel & Conference	\$264,251.67	\$311,483.48
Association Dues	\$138,393.31	\$146,565.32
Office Occupancy Expenses	\$2,922,996.83	\$3,387,679.66
Office Operation Expenses	\$14,504,503.36	\$17,386,490.38
Educational & Promotional	\$2,086,324.81	\$2,492,327.45
Loan Service Expenses	\$2,180,278.61	\$2,291,402.02
Loan Loss Expense	\$6,161,011.63	\$8,159,126.55
Professional & Outside Service	\$2,140,248.52	\$3,349,264.61
Data Processing	\$620,246.80	\$754,805.29
ATM Expenses	\$148,277.91	\$194,747.66
State Supervision Fees	\$310,161.69	\$375,759.01
Cash Over & Short	\$5,708.91	(\$3,364.98)
Operating Losses	\$1,032,697.34	\$999,198.72
Interest On Borrowed Money	\$3,352,818.62	\$3,050,993.41
Annual Meeting Expenses	\$37,968.02	\$53,153.48
Miscellaneous Operating Expenses	\$229,472.25	\$304,936.01
<b>Total Operating Expense</b>	<b>\$68,525,772.95</b>	<b>\$79,967,379.19</b>
<b>NON-OPERATING EXPENSES</b>		
Other Non-Operating Inc/Exp	(\$126,607.62)	(\$4,012,877.17)
Gain/Loss on Investments	\$0.00	\$0.00
Gain/Loss on Disposal of Fixed Assets	\$66,198.45	\$35,549.78
Dividend Expense-Certificates	\$6,788,855.94	\$13,287,200.61
Dividend Expense-Other Share Accounts	\$4,308,836.45	\$5,663,105.93
Dividend Expense-Regular Shares	\$531,996.05	\$618,664.30
<b>Total Non-Operating Expense</b>	<b>\$11,569,279.27</b>	<b>\$15,591,643.45</b>
<b>Total Expense</b>	<b>\$80,095,052.22</b>	<b>\$95,559,022.64</b>
<b>Net Income</b>	<b>\$23,704,289.88</b>	<b>\$28,234,351.44</b>



<b>Statement of Financial Condition</b>	<b>2018</b>	<b>2019</b>
<b>ASSETS</b>		
Loans		
Loans To Members	\$1,817,798,322.51	\$2,095,480,461.09
Credit Cards	\$51,298,053.81	\$67,726,430.81
<b>Total Loans</b>	<b>\$1,869,096,376.32</b>	<b>\$2,163,206,891.90</b>
Allowance For Loan Losses	(\$5,421,345.93)	(\$6,988,468.95)
<b>Net Loans Outstanding</b>	<b>\$1,863,675,030.39</b>	<b>\$2,156,218,422.95</b>
Cash	\$95,595,296.15	\$42,449,964.66
<b>Total Cash</b>	<b>\$95,595,296.15</b>	<b>\$42,449,964.66</b>
Investments		
Corp Deposit	\$58,752,121.57	\$37,747,707.27
Other Investments	\$11,188,553.38	\$83,780,678.19
Insurance Fund Deposit	\$16,032,880.84	\$18,153,817.01
<b>Total Investments</b>	<b>\$85,973,555.79</b>	<b>\$139,682,202.47</b>
Other Assets		
Land & Buildings	\$66,843,429.61	\$76,590,646.61
Furniture, Fixtures & Equipment (Net)	\$2,424,257.64	\$3,186,679.18
Other Assets	\$11,580,478.59	\$12,703,319.15
<b>Total Other Assets</b>	<b>\$80,848,165.84</b>	<b>\$92,480,644.94</b>
<b>Total Assets</b>	<b>\$2,126,092,048.17</b>	<b>\$2,430,831,235.02</b>

**Statement of Financial Condition Cont'd**
**2018**
**2019**
**LIABILITIES AND EQUITY**

## Liabilities / Net Worth

Notes Payable	\$159,658,731.53	\$141,296,900.23
Accounts Payable	\$17,449,361.09	\$17,042,495.51
Unapplied Data Processing Exceptions	\$569,600.16	\$703,545.67
Other Liabilities	\$337,536.21	\$451,251.37
<b>Total Liabilities</b>	<b>\$178,015,228.99</b>	<b>\$159,494,192.78</b>

## Deposits

Regular Shares	\$364,772,918.43	\$409,702,658.59
Share Drafts	\$430,514,662.62	\$490,547,229.44
IRA's	\$56,391,871.15	\$55,772,677.64
Investment Certificates	\$472,580,797.79	\$632,850,117.20
Other Shares	\$438,907,010.37	\$470,833,644.11
<b>Total Savings</b>	<b>\$1,763,167,260.36</b>	<b>\$2,059,706,326.98</b>

## Reserves

Regular Reserves	\$93,454,819.08	\$108,160,345.08
Other Comprehensive Income	(\$9,670,268.00)	(\$11,183,463.00)
Other Reserves	\$0.00	\$0.00
Undivided Earnings	\$77,420,717.86	\$86,419,481.74

<b>Total Reserves</b>	<b>\$161,205,268.94</b>	<b>\$183,396,363.82</b>
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<b>Total Equity</b>	<b>\$1,924,372,529.30</b>	<b>\$2,243,102,690.80</b>
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Net Income	\$23,704,289.88	\$28,234,351.44
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Required Reserves	\$0.00	\$0.00
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<b>Net Income YTD</b>	<b>\$23,704,289.88</b>	<b>\$28,234,351.44</b>
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<b>Total Liabilities and Equity</b>	<b>\$2,126,092,048.17</b>	<b>\$2,430,831,235.02</b>
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*Thank you!*



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