# **2019 Annual Report**



To Our Members:

Thank you for your business and membership at State Police Credit Union. As always, I am grateful that you continue to trust us with all your financial needs. 2019 resulted in another year of growth and many opportunities for us to provide you with new and improved products and services.

As an indication of our financial strength, our loans and deposits at year end totaled \$22.9 million with a net income of \$252,928. We ended 2019 with a capital ratio of 16.30%. Capital ratio is the primary measure of a credit union's financial strength. The definition of well capitalized is anything over 7%; we're more than double that figure and almost 33% higher than the average of our peer credit unions. Our strong capital position will allow us to function normally even in today's turbulent times.

We always strive to provide products and services that help our members better manage their finances and borrow money in smarter ways. In 2019, we offered a no closing costs mortgage special that allowed members to purchase or refinance a home without paying points. We also offered a 12-month, low rate loan to assist members who needed additional funds for the holidays.

Additionally, the new Skip-a-Payment Loan option was introduced in October 2019. With no adverse effects on your credit, we now offer members the ability to skip a regular monthly payment on qualifying loans.

We also offered members summer VISA rewards of 5% cash back on gas purchases made in July through September.

Many thanks go out to our dedicated Board of Directors and staff members for their hard work and devotion to the Credit Union.

We at the State Police Credit Union recognize that our members have many financial options in the marketplace so we work hard every day to surpass our competitors. Our ability to provide members with exceptional and personalized service plus value in our products and services are the cornerstones of the State Police Credit Union. Thanks to all our members for your continued loyalty.

Sincerely,

Cypethia F. Glahow

Cynthia Graham CEO

# The Carl J. Niedzial Memorial Scholarship Fund

The Scholarship Fund was established in 1990 and is supported by your Credit Union and a number of donors wishing to honor the memory of Carl Niedzial. The Fund now surpasses \$193,000.

Connecticut Community Foundation administers the fund and each year a committee of Credit Union members decides on scholarship recipients. Scholarships are open to members of the CT State Police Credit Union and their immediate families (including grandchildren) who plan to attend an accredited college or university.

# Kevin Parisi

# **Scholarship Committee:**

Patricia Johannes, Chairperson

# **Congratulations to the 2019 Scholarship Recipients**

Greg Jazwinski Ayanna McDaniel Paige O'Connell Kayleigh Rafferty

# State Police Credit Union Minutes of the 2018 Annual Meeting

Il Monticello's Restaurant • Meriden, CT April 24, 2019

Call to Order: The annual meeting was called to order by Chairman of the Board Robert Grega @ 5:50 pm

**Quorum:** Chairman Grega requested that a determination be made that a quorum existed. Director Patricia Johannes affirmed that a quorum was present.

**Invocation:** Director John Kolosky asked for a moment of silence to remember those members of the State Police Credit Union who have departed and gave for a blessing for the Credit Union, its members and staff as well as the proceedings and meal to follow.

Introductions: Chairman Grega introduced the Board of Directors, the CEO, Cynthia Graham, and the CFO, John Gasiorowski.

**Reading of the Minutes:** Chairman Grega asked if there was a motion to waive the reading of minutes of the annual meeting held April 25th, 2018. Member Henry Perucki made the motion and it was seconded by Member Gloria Lopez. The motion passed.

**Approval of the Statements:** Chairman Grega asked if there was a motion to waive the reading of Statements of the Chairman and the CEO. Member Henry Perucki made the motion and it was seconded by Member Jeff Correia. The motion passed.

Report of the Supervisory Committee: Presented by Joan Perzanowski

**Approval of the Reports:** Chairman Grega asked if there was a motion to accept all the reports as presented. Member Henry Perucki made the motion and it was seconded by Member Jeff Correia. The motion passed.

### Unfinished Business and New Business: None

**Elections:** Joan Perzanowski presented the nominations for the Board of Directors as determined by the Nominating Committee. They are Donald Geschimsky, Paul Vance, Geoff Ice and Charles Kelly. There were no nominations from the floor. Chairman Grega asked if there was a motion for the Secretary to cast one vote for the slate presented. Member Henry Perucki made the motion and it was seconded by Member Jeff Correia. The motion passed. One vote was cast for the slate.

### General Discussion and Questions: None

Motion for Adjournment: Made by Member Lisa Perucki and seconded by member Jeff Correia. Motion passed.

Adjournment: 5:57 pm.

Respectfully submitted, Patricia Johannes, Pro Tempore Secretary

# **Report of the Supervisory Committee**

The Supervisory Committee met with Mr. Tom Lyden, from the accounting firm of Seward and Monde, to review the 2019 audit. We are pleased to report the Connecticut State Police Credit Union is a financially sound organization dedicated to serving its members. The firm's audit personnel commended the Credit Union's team for its exceptional cooperation and continued thoroughness in maintaining the books and records of the Credit Union.

The Supervisory Committee wishes the staff and volunteers a successful year.

Best Regards,

Kevin Parisi Supervisory Chair

### Members of the Supervisory Committee:

Kevin Parisi, Chairman Samantha McCord Thomas O'Brien Anthony Villanueva Leonald Wiedner



# **Board of Directors Chairman Statement**

I am humbled by the trust that you bestow upon me and my fellow board members and I'd like to thank my fellow board members for their dedicated service, commitment and passion.

As of this writing, we are in the midst of a global pandemic which was cause for the cancellation of our Annual Meeting and has affected each and every one of us in one way or another. The staff, on a daily basis, has to take precautionary health and safety measures into consideration while still delivering the quality services that you expect of them. We truly hope that you understand and are accepting of the implemented procedures.

As you will see in the Annual Report, Connecticut State Police Credit Union performed well this past year. Your ongoing acceptance and use of the products and services offered means that we will remain in a strong financial position that allows us to continue to meet your financial needs. As I've mentioned in the past, please encourage members of your family that have not joined us to please do so, as we offer competitive products and savings opportunities.

In closing, I'd like to express my sincere confidence in the leadership of the Connecticut State Police Credit Union, the guidance of our board of directors, the commitment of our dedicated staff and the support and loyalty of our members. We are extremely optimistic about the future because the Connecticut State Police Credit Union is well positioned to face any challenge and seize any opportunity that presents itself in the future.

Best regards,

Robert Grega Chairman, Board of Directors

### Members of the Board of Directors

Robert Grega, Chairman J. Paul Vance, Vice-Chairman

John Kolosky, Treasurer Charles Kelly, Secretary

> Donald Greschimsky Geoffrey Ice Patricia Johannes



State Police Credit Union, Inc. Financial Statements December 31, 2019 and 2018

### SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS 296 STATE STREET NORTH HAVEN, CONNECTICUT 06473-2165 (203) 248-9341 FAX (203) 248-5813

### INDEPENDENT AUDITORS' REPORT

Supervisory Committee

State Police Credit Union, Inc.

Meriden, Connecticut

### Report on the Financial Statements

We have audited the accompanying financial statements of State Police Credit Union, Inc. (a Connecticut state chartered credit union) which comprise the statements of financial condition as of December 31, 2019 and 2018 and the related statements of income and comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

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circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of State Police Credit Union, Inc. as of December 31, 2019 and 2018, and the results of its operations and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of a Matter

As discussed in Note 2 to the financial statements, in 2019, the State Police Credit Union adopted new accounting guidance ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

Seward and Monde

North Haven, Connecticut February 3, 2020

### STATE POLICE CREDIT UNION, INC. STATEMENTS OF FINANCIAL CONDITION DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS	10 <del></del> 70	
Cash	\$ 283,734	\$ 221,754
Interest-bearing deposits	2,223,231	1,742,735
Investments:		
Debt securities - available-for-sale - at fair value	5,858,977	6,008,528
Debt securities - held-to-maturity	3,000,000	3,750,000
Other	29,660,000	28,826,000
Federal Home Loan Bank stock	83,100	83,100
Loans to members, net of the allowance for loan losses	20,756,263	20,502,440
Accrued interest receivable	110,343	106,638
National Credit Union Share Insurance Fund deposit	503,928	503,483
Corporate Credit Union capital shares	100,000	100,000
Property and equipment, net of accumulated depreciation	15,583	19,198
Other assets	49,007	96,783
	\$ 62,644,166	\$ 61,960,659
LIABILITIES AND MEMBERS'	EQUIT	
Members' shares	\$ 51,891,987	\$ 51,704,904
Accrued expenses and other liabilities	540,413	395,461
Total liabilities	52,432,400	52,100,365
Commitments and contingent liabilities (Notes 4 and 8)		
Members' Equity:		
Accumulated other comprehensive loss - unrealized		
losses on debt securities - available-for-sale	( 270)	( 98,814)
Retained earnings, partially appropriated	10,212,036	9,959,108
Total members' equity	10,211,766	9,860,294
	\$ 62,644,166	\$ 61,960,659

### STATE POLICE CREDIT UNION, INC. STATEMENTS OF INCOME AND COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
INTEREST INCOME		
Interest on loans to members Interest on investment debt securities and cash equivalents	\$ 845,605 832,255	\$ 838,905 712,345
INTEREST EXPENSE	1,677,860	1,551,250
Dividends on members' shares	166,874	121,004
NET INTEREST INCOME	1,510,986	1,430,246
PROVISION FOR LOAN LOSSES	12,000	7,100
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,498,986	1,423,146
NONINTEREST INCOME Fees and charges Other	144,962 12,363	150,029 45,582
	157,325	195,611
GENERAL AND ADMINISTRATIVE EXPENSES Salaries and benefits Operations Professional and outside services	719,751 642,681 40,951 1,403,383	651,599 601,298 35,530 1,288,427
NET INCOME	252,928	330,330
	232,928	
OTHER COMPREHENSIVE INCOME (LOSS) Unrealized holding gains (losses) on debt securities - available-for-sale	98,544	<u>(</u> 5,360)
OTHER COMPREHENSIVE INCOME (LOSS)	98,544	( 5,360)
COMPREHENSIVE INCOME	\$ 351,472	\$ 324,970

### STATE POLICE CREDIT UNION, INC. STATEMENTS OF CHANGES IN MEMBERS' EQUITY YEARS ENDED DECEMBER 31, 2019 AND 2018

	Retained Earnings			Accumulated				
		ppropriated Regulatory	Un	appropriated	Com	Other prehensive ome (Loss)		Total
Balance,								
December 31, 2017	\$	1,154,397	\$	8,474,381	(\$	93,454)	\$	9,535,324
Net income		=		330,330		7		330,330
Other comprehensive loss		-	-	<u> </u>	(	5,360)	(	5,360)
Balance,								
December 31, 2018		1,154,397		8,804,711	(	98,814)		9,860,294
Net income		2		252,928		2		252,928
Other comprehensive income	<u>.</u>	<u> </u>			_	98,544	2	98,544
Balance,								
December 31, 2019	\$	1,154,397	\$	9,057,639	(\$	270)	\$	10,211,766

### STATE POLICE CREDIT UNION, INC. STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

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		2019		2018
OPERATING ACTIVITIES	5- <u>1</u>	6140-40400401A	50 	20
Net income	\$	252,928	\$	330,330
Adjustments to reconcile net income to net cash provided				
by operating activities:				
Provision for loan losses		12,000		7,100
Depreciation		13,517		6,885
Net changes in operating assets and liabilities:				
(Increase) in accrued interest receivable	(	3,705)	(	5,264)
(Increase) decrease in other assets		47,776	(	43,108)
Increase in accrued expenses and other liabilities	-	144,952	-	65,746
Net cash provided by operating activities		467,468	2	361,689
INVESTING ACTIVITIES				
Purchases of debt securities - available-for-sale	(	1,295,130)	(	5,360)
Purchases of debt securities - held-to-maturity	i	497,560)	i	250,000)
Purchases of investments - other	i	6,603,584)	i	6,028,828)
Proceeds from maturities of debt securities - available-for-sale	100	1,500,000		248,000
Proceeds from maturities of debt securities - held-to-maturity		1,000,000		
Proceeds from maturities of investments - other		6,060,369		5,989,492
Net increase in loans to members	(	265,823)	(	864,571)
(Increase) decrease in National Credit Union Share Insurance	(	200,020)		00 (,07 2)
Fund deposit	1	445)		18,832
Purchases of property and equipment	ì	9,902)	1	3,880)
Fulcilases of property and equipment	7	9,902)	1	3,000)
Net cash used by investing activities	(	112,075)	(	896,315)
FINANCING ACTIVITIES				
Net increase in members' shares	-	187,083	<u></u>	375,546
Net cash provided by financing activities	-	187,083	_	375,546
Increase (decrease) in cash and cash equivalents		542,476	(	159,080)
Cash and cash equivalents, beginning		1,964,489		2,123,569
Cash and cash equivalents, ending	\$	2,506,965	\$	1,964,489
Supplemental Disclosures: Cash paid during the year for:				
Interest	\$	166,874	\$	121,004

### STATE POLICE CREDIT UNION, INC. NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 and 2018

### **1 - SIGNIFICANT ACCOUNTING POLICIES**

### Organization

State Police Credit Union, Inc. (the "Credit Union") is a cooperative association holding a corporate charter under the provisions of the Connecticut Credit Union Act.

### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, overnight certificates, certificates purchased with a maturity of three months or less, federal funds and non-term share deposits in a corporate credit union.

### Investments

The Credit Union's investment in debt securities that the Credit Union has both the positive intent and ability to hold to maturity are classified as held-to-maturity, and are carried at amortized cost. The Credit Union classified certain debt securities as available-for-sale, which are reported at fair value, with unrealized holding gains and losses reported in other comprehensive income. Share certificates in a corporate credit union and certificates of deposit in commercial banks and savings institutions are not considered securities as defined in generally accepted accounting principles. Accordingly, these investments are classified separately and are stated at cost.

The amortization of premiums and accretion of discounts is recorded over the life of the security using a method which approximates the interest method. Realized gains and losses on the sales of all securities are reported in income and computed using the specific identification cost basis.

### Federal Home Loan Bank (FHLB) Stock

The Credit Union, as a member of the FHLB of Boston, is required to maintain a minimum stock investment with the FHLB based on a formula developed by the FHLB that considers certain of the Credit Union's assets. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment. Because this stock is viewed as a long term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

### Loans to Members

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding.

### Allowance for Loan Losses

The allowance for loan losses reflects management's judgment of probable loan losses in the portfolio at the balance sheet date. The Credit Union uses a disciplined process and methodology to establish the allowance for loan losses. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to: (i) the real estate portfolio; (ii) the consumer portfolio and (iii) the credit card portfolio.

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the method that fits the credit risk characteristics of each portfolio segment.

The establishment of the allowance for loan losses relies on a consistent process that requires management review and judgment and responds to changes in economic conditions, member behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses.

Management monitors differences between estimated and actual incurred loan losses. The monitoring process includes periodic assessments by management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

A loan is impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

### Loan Charge-offs

The Credit Union's charge-off policies by segment of the loan portfolio are as follows:

- Real Estate The Credit Union generally writes down to the net realizable value when the loan is 180 days past due.
- Auto Loans The Credit Union generally fully or partially charges down to the net realizable value when the loan is 120 days past due.
- Unsecured Loans The Credit Union generally charges off when the loan is 90 days past due.
- Credit Cards The Credit Union generally charges off when the loan is 90 days past due.

### Accrued Interest on Loans

Accrual of interest on loans is discontinued at the time the loan is 90 days delinquent. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

### Property and Equipment

Leasehold improvements, furniture and equipment are carried at cost, less accumulated depreciation and amortization. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the related lease.

### National Credit Union Share Insurance Fund Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each federally insured credit union in an amount equal to 1% of its insured members' shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, if it converts its insurance coverage to another source, or if management of the fund is transferred from the NCUA Board. The NCUSIF deposit is required to be reviewed for impairment, including consideration of the refundability of the deposit.

### Members' Shares

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are set by the Credit Union's Board of Directors.

### **Revenue from Contracts with Customers**

Revenue from contracts with customers generally comprises noninterest income earned by the Credit Union in exchange for services provided to customers and is recognized when services are complete or as they are rendered. These revenue streams include fees earned from its share draft deposit customers, transaction-based fees and interchange fees from credit card transactions.

### **Retained Earnings**

The Credit Union is required to appropriate a portion of retained earnings. This appropriation represents a regulatory restriction of retained earnings. Other appropriated retained earnings represent a restriction of retained earnings as established by the Board of Directors.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Advertising Costs

Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2019 and 2018 amounted to \$30,097 and \$43,361, respectively.

### Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes.

The Credit Union evaluates all significant tax positions as required by accounting principles generally accepted in the United States of America. As of December 31, 2019, the Credit Union does not believe that it has taken any positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year. It is the Credit Union's policy to recognize any interest and penalties in the provision for taxes.

The income tax returns of the Credit Union for 2016, 2017, 2018 and 2019 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

### Subsequent Events

The Credit Union evaluated events occurring between the end of our most recent fiscal year and February 3, 2020, the date the financial statements were available to be issued.

### Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 presentation.

### 2 - ADOPTION OF NEW ACCOUNTING STANDARD

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (*Topic 606*), requiring an entity to recognize the amount of revenue earned for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The Credit Union's revenue is primarily comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASC 606. The Credit Union has evaluated the impact of the ASU on non-interest revenue streams that the provisions of the update apply to and has determined that the adoption of the new provisions to ASC 606 did not have a significant impact to the financial statements or operations. The Credit Union's fiscal year, using the full retrospective method.

As part of the adoption of the ASU, the Credit Union elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Credit Union used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Credit Union expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) the Credit Union has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price.

The majority of the Credit Union's in-scope revenue is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Credit Union's contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

There was no change to the accounting for any in-scope revenue streams as a result of the adoption of ASC 606; as such, no changes were required to previously reported prior periods and no cumulative effect was recorded to beginning retained earnings of the Credit Union as of January 1, 2018.

### 3 - INVESTMENTS

		Decemb	per 31, 2019	
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	\$ 5,859,247	\$ 7,344	<u>(\$ 7,614)</u>	\$ 5,858,977
	77	Decemb	per 31, 2018	
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	\$ 6,107,342	<u>\$ -</u>	(\$ 98,814)	\$ 6,008,528

The amortized cost and fair value of debt securities available-for-sale are as follows:

The amortized cost and fair value of debt securities held-to-maturity are as follows:

	December 31, 2019							
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value				
Federal agency securities	\$ 3,000,000	\$ 1,633	<u>(\$ 9,063)</u>	\$ 2,992,570				
			er 31, 2018					
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value				
Federal agency securities	\$ 3,750,000	\$ 168	(\$ 66,009)	\$ 3,684,159				

Other investments (carried at amortized cost) are as follows:

	Decen	nber 31
	2019	2018
Certificates of deposit	\$ 29,660,000	\$ 28,826,000

The amortized cost and fair value of investment debt securities by contractual maturity as of December 31 are summarized as follows:

	20	19	2018			
	Amortized Cost	Fair Value	Amortized Cost	Fair Value		
Less than 1 year 1 - 5 years maturity	\$ 3,000,000 5,859,247	\$ 2,992,570 5,858,977	\$ 1,750,000 8,107,342	\$1,732,159 7,960,528		
Total	\$ 8,859,247	\$ 8,851,547	\$ 9,857,342	\$9,692,687		

The weighted average yield on investment debt securities at December 31, 2019 and 2018 is approximately 1.85% and 1.70%, respectively.

### 4 - LOANS TO MEMBERS

Loans to members consist of the following:

	December 31				
	2019	2018			
Mortgage loans:					
First	\$ 14,663,467	\$ 14,306,311			
Second	1,117,315	1,327,912			
Home equity	1,289,874	1,323,243			
	17,070,656	16,957,466			
Consumer loans:					
Vehicle loans	1,321,047	973,016			
Other consumer loans, primarily unsecured	1,665,334	1,845,375			
Credit card loans	824,654	851,412			
	3,811,035	3,669,803			
	20,881,691	20,627,269			
Allowance for loan losses	( 125,428)	( 124,829)			
	\$ 20,756,263	\$ 20,502, <mark>44</mark> 0			

The weighted average yield on loans to members at December 31, 2019 and 2018 is 4.0% and 3.9%, respectively.

In the ordinary course of business, the Credit Union makes loans to its directors and officers at substantially the same terms as those prevailing at the time of origination for comparable transactions with other members. Loans to directors and officers at December 31, 2019 and 2018 totaled approximately \$496,000 and \$519,000, respectively.

The following is an analysis of the allowance for loan losses by portfolio segment:

				e year ende ber 31, 201		
	C	onsumer	Re	al Estate	1 <del>1</del>	Total
Balance, beginning of year	\$	119,526	\$	5,303	\$	124,829
Provision for loan losses	26	100.010	2	12,000	- 11	12,000
Recoveries		5,577		-		5,577
Loans charged off	(	16,978)	_		(	16,978)
Balance, end of year	\$	108,125	\$	17,303	\$	125,428
Ending balance:						
Individually evaluated for impairment	\$	5,277	\$	-	\$	5,277
Collectively evaluated for impairment	\$	102,848	\$	17,303	\$	120,151

	For the year ended December 31, 2018					
	C	Consumer	Re	al Estate	-	Total
Balance, beginning of year	\$	126,287	\$	18,105	\$	144,392
Provision for loan losses				7,100		7,100
Recoveries		8,824		20 SEC		8,824
Loans charged off	(	15,585)	(	19,902)	(	35,487)
Balance, end of year	\$	119,526	\$	5,303	\$	124,829
Ending balance:						
Individually evaluated for impairment	\$	8,521	\$	<u> </u>	\$	8,521
Collectively evaluated for impairment	\$	111,005	\$	5,303	\$	116,308

A modification of a loan constitutes a troubled debt restructuring (TDR) when a borrower is experiencing financial difficulty and the modification constitutes a concession. The Credit Union offers various types of concessions when modifying a loan; however, forgiveness of principal is rarely granted. Loans modified in a TDR often involve temporary interest-only payments and term extensions.

At December 31, 2019 there were no outstanding loan commitments, and at December 31, 2018 there were \$55,000 of outstanding loan commitments.

As of December 31, 2019 and 2018, available credit on unsecured credit card lines of credit was approximately \$1,768,000 and \$1,784,000, respectively. Commitments for unsecured lines of credit may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future cash requirements of the Credit Union. These commitments are not reflected in the financial statements.

### 5 - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	December 31					
		2019	8	2018		
Furniture and Equipment	\$	127,307	\$	149,236		
Leasehold Improvements	12	56,467	82	56,467		
		183,774		205,703		
Accumulated Depreciation and Amortization	(	168,191)	(	186,505)		
Net Propety and Equipment	\$	15,583	\$	19,198		

Depreciation expense amounted to \$13,517 and \$6,885 for the years ended December 31, 2019 and 2018, respectively.

### 6 - MEMBERS' SHARES

Members' shares are summarized as follows:

	December 31		
	2019	2018	
Regular shares	\$ 33,221,462	\$ 34,897,560	
Share draft accounts	6,788,145	6,616,939	
Money market accounts	5,061,442	3,877,549	
IRA shares	646,671	765,577	
IRA certificates	105,727	315,607	
Share certificates	6,068,540	5,231,672	
	\$ 51,891,987	\$ 51,704,904	

Shares by maturity are summarized as follows:

	December 31		
	2019	2018	
No contractual maturity	\$ 45,717,720	\$ 46,157,625	
0 - 1 year maturity	2,940,938	2,525,333	
1 - 3 years maturity	2,281,347	1,536,316	
eater than 3 years maturity	951,982	1,485,630	
	\$ 51,891,987	\$ 51,704,904	

Regular shares, share draft accounts, and money market accounts, have no contractual maturity. Certificate accounts have maturities of three years or less and greater than three years. Individual retirement share accounts have maturities of three years or less, greater than three years, and no contractual maturity.

The Credit Union held shares for its directors and officers of approximately \$381,000 and \$377,000 at December 31, 2019 and 2018, respectively.

The Credit Union provides up to \$250,000 insurance through the National Credit Union Share Insurance Fund. The uninsured amounts of members' share and deposit accounts over \$250,000 at December 31, 2019 and 2018 were approximately \$2,343,000 and \$2,064,000, respectively.

### **10 - OPERATING LEASES**

During 2011 the Credit Union executed a lease, its office space for the main office, for a term of 10 years.

The required minimum rental payments under the terms of the lease at December 31, 2019 are as follows:

December 31,	Amount		
2020	\$	84,650	
2021		84,650	
2022		28,216	
	\$	197,516	

Rental expense for the years ended December 31, 2019 and 2018 amounted to \$99,642 and \$90,089, respectively.

### **11 - EMPLOYEE BENEFITS**

The Credit Union has a defined contribution pension plan for the benefit of its employees. Participation is limited to all regular employees who meet specific length of service and age requirements. The pension plan expense for the years ended December 31, 2019 and 2018 was \$50,970 and \$48,540, respectively. The Credit Union's policy is to fund pension costs accrued. The actual payments made to the plan for the years ended December 31, 2019 and 2018 were \$51,047 and \$48,854, respectively.

### **12 - CAPITAL REQUIREMENTS**

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under U.S. generally accepted accounting principles. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table below) of net worth (as defined in the regulations) to assets (as defined). Credit Unions are also required to calculate a Risk-Based Net Worth Requirement (RBNW) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. At December 31, 2019 and 2018, the Credit Union's RBNW ratio was 6.09% and 6.26%, respectively and was not considered a

### 7 - CONCENTRATIONS OF CREDIT RISK

Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's bylaws. A large percentage of the Credit Union's members are employed by Connecticut Department of Public Safety. Further, a significant concentration of members reside in Connecticut. Although the Credit Union has a diversified loan portfolio, borrowers' ability to repay loans may be affected by the economic climate of the region.

### 8 - COMMITMENTS AND CONTINGENT LIABILITIES

The Credit Union utilizes a demand loan agreement with a corporate credit union. The terms of this agreement call for the pledging of all assets as security for any and all obligations taken by the Credit Union under this agreement.

The agreement provided for a credit limit of \$5,000,000 in 2019 and 2018. Interest is charged at a rate determined by the lender on a periodic basis. There were no outstanding borrowings at December 31, 2019 and 2018. The agreement is reviewed for continuation by the lender and the Credit Union annually.

The Credit Union has no outstanding commitments to sell loans or investments at December 31, 2019 and 2018.

### 9 - REVENUE FROM CONTRACTS WITH CUSTOMERS

All of the Credit Union's revenue from contracts with customers that are within the scope of ASC 606 is recognized within noninterest income. The following table presents the Credit Union's sources of noninterest income by revenue stream for the years ended December 31:

	December 31			
	2019		2018	
Service charges on share deposits	\$	93,692	\$	98,976
Credit card fees & interchange income		39,209		9,179
Loan fees		7,767		37,143
Other	-	4,294	7.7	4,731
	\$	144,962	\$	150,029

"complex" credit union. Management believes, as of December 31, 2019 and 2018, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2019, the most recent call reporting period, NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Credit Union must maintain a minimum net worth ratio of 7% of assets and meet any applicable RBNW requirement. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual capital amounts and ratios at December 31, 2019 and 2018 are also presented in the table:

	Actual		To Be Adec Capitalized Prompt Cor Action Prov	Under rective	To Be Well Ca Under Pro Corrective Provisio	ompt Action
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019: Net worth	\$ 10,212,036	16.30%	\$ 3,758,650	6.00%	\$ 4,385,092	7.00%
December 31, 2018: Net worth	\$  9,959,108	16.07%	\$ 3,717,640	6.00%	\$ <mark>4,337,24</mark> 6	7.00%

### **13 - FAIR VALUE MEASUREMENTS**

The Credit Union utilizes the market approach as the valuation technique to measure fair value of its financial instruments. U.S. generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities where the Company has the ability to access at the measurement date;

Level 2 - Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the Company's own data that reflects assumptions that market participants would use in pricing the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets measured at fair value on a recurring basis at December 31, 2019 and 2018 are determined using Level 1 quoted prices.

For available-for-sale debt securities, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

# **State Police Credit Union Staff**

Cynthia F. Graham President/CEO

John Gasiorowski CFO

> Debbie Fiore Loan Officer

Lisa Doucette Loan Processor

Cynthia Ariale Branch Manager

Julia Stiehl Senior Member Service Representative

Kathy Miller, Barbara Sola Member Service Representatives

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- Student Checking
- Regular Share Savings
- Loan Payment Savings
- Special Purpose
- Club (Holiday, Vacation, Special Savings)
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- Certificate of Deposit
- · Traditional and Roth IRA's

### Loans

- First Mortgages
- Refinance
- Home Equity
- Home Equity Line of Credit (Fixed and Variable Rate Options)
- · Automobile New and Used
- Motorcycle
- Watercraft
- Personal
- Share Secured
- VISA® Cards
- Skip-A Payment Loan Option

### Other

- Debit Cards
- Direct Deposit
- Payroll Deduction/Net Check
- Overdraft Protection from Shares
- Credit Disability Insurance on Loans
- Free Notary Public Services
- Foreign Currency Exchange Services
- · On Target Newsletter

### **Meriden Office**

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