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# 2019 ANNUAL MEETING

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The future of Scienc  
is in our hands.

**Thursday, May 30, 2019 • Groton Inn & Suites**

Registration and Hors d'oeuvres 4:00 – 5:00pm

Meeting at 5:00pm • RSVP by May 24, 2019 at 877 860 6928

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Improving people's lives  
with creative solutions

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**SCIENC**  
Federal Credit Union®

# Services

## SAVINGS & CHECKING PROGRAMS

- Share Savings Accounts
- Free Checking with eStatements
- Interest Checking Account
- Money Market Accounts
- Certificates
- Club Accounts
- Individual Retirement Accounts (IRAs)
- Coverdell Education Savings Accounts

## CONSUMER LOANS

- Auto Loans
- Signature Personal Loans
- Consumer Visa® Card\*
- Business Visa® Card\*
- Deposit Secured Loans
- Coming Soon: Personal Line of Credit
- Education Loans

## MORTGAGE & EQUITY LOANS

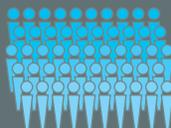
- Fixed-Rate Mortgages
- Adjustable-Rate Mortgages
- SMARTChoice Mortgages
- Jumbo Mortgages
- No Closing Cost Mortgages
- Fixed-Rate Home Equity Loans
- Home Equity Lines of Credit

## ACCESS YOUR ACCOUNTS ANYWHERE, ANYTIME

- Mobile App with Mobile Deposit
- Online Banking
- Free Unlimited Online Bill Payment
- Free Email Alerts on Transactions
- Free SMS Text Alerts
- Free ATM Transactions at over 30,000 CO-OP® Network ATMs Nationwide
- Free Account Transactions at over 5,000 CO-OP® Shared Branches Nationwide
- Payment Access via Apple Pay®, Samsung Pay™, Android Pay™

\*Through Elan Financial Services

**2018**  
by the numbers



**21,091**  
Total Members



**82,967,966**  
Auto Loans Made



**16,906,358**  
Mortgage Loans Made



**5,047,316**  
Consumer Loans Made

## Letter from the Chairman & President/CEO

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We are pleased to report that 2018—our 50<sup>th</sup> anniversary year!—was a very good year for Scient, with strong loan and deposit growth, and record earnings of almost \$1.4 million. With sustained and improving profitability for three years now, Scient is moving fast to invest in technology that will put more of it in our hands in the years to come. Technology like digital income and asset verification to speed loan applications, person-to-person payment features, facial recognition, and more robust digital wallet card controls, even wearable devices and voice banking are planned additions to our new website and mobile applications. The banking playing field and member service expectations have risen to a whole new digital level, and Scient will up its game accordingly to flourish. That is not to say we will lose sight of what has made us who we are for our members; who we plan to invest in more than ever before. Your Scient team must be prepared to offer creative solutions to meet life's financial challenges that fully integrate the expanding digital banking world that will be our future.

Like 2016 and 2017, the Scient success story evolved further in 2018. We noted expense control and loan growth as successes in the past two years, and although they are still both a major part of our story, in 2018 we further highlight improving loan credit quality that enabled Scient to lower its provision for loan losses by one third from 2017. We would also underline our deposit growth of over 7% as a part of that story, as our new share certificate specials and premium money market offers were particularly appreciated by our members, enabling us to fully fund record new automobile loans to our members—over \$80 million—without borrowing. As a result, your Scient has joined a whole new league of credit unions with over \$250 million in assets, with a record \$258 million and over 21,000 members at year-end. Our capital position is now over \$22 million, also a record, making Scient stronger than ever to invest in its future while facing whatever economic cycle that may lie before us.

As for new initiatives, 2018 was a real behind-the-scenes success story, with teamwork throughout the organization to upgrade systems and improve infrastructure across the board a main event. These upgrades and improvements markedly build-up the foundation for what is to come in our new technology services, while enhancing our cybersecurity profile to better protect our members' data against the kinds of attacks that have become all too common. At the same time, 2018 was a year in which we successfully partnered with a company to provide new credit card services to our members with market leading rewards programs and card features—Elan Financial Services, a leading issuer of credit cards in the US. Continued growth now more than ever depends on focusing on our strengths and partnering where together we can do it better. In the future, partnering could even include Fintech firms where the combination provides the most creative solution to meet our member's needs.

Everything we do must meet the test of our vision statement—is it **improving people's lives with creative solutions**—the essential 'why' of what we do. Scient remains totally committed to that vision as we continue to grow into a future of increasingly varied membership and technology. The stories you share with us about how we meet that vision every day validate that 'why'. As always, we thank you for your membership, and look forward to helping you even more creatively (and mobile) meet life's financial challenges along the way—as you already know, that's what we do best!

Glenn Wilcox  
*Board Chairman*

David Purcell  
*President & CEO*

## Treasurer's Report

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Scient had a very successful year in 2018, its 50<sup>th</sup> anniversary. The credit union continued to operate profitably and added substantially to its capital reserves during the year. Scient earned a record \$1.4 million in 2018, with a Return on Assets of 56 basis points. Net Worth as measured by our regulators, aggregated \$22.9 million at year-end 2018 and Scient continues to be classified under current regulations as 'Well Capitalized'. Assets at year-end were \$257.9 million, an \$18.6 million or 7.8% increase over prior year, and another record total.

### **Scient's success shows in its results:**

- \$104.9 million in loans to members were granted in 2018 and \$227 million in loans were outstanding as of year-end. Scient's Interest Income on loans for the year was \$9.6 million, a \$450 thousand or 4.9% over the prior year.
- \$231.5 million were on deposit at the credit union as of year-end, a 7.2% increase over the prior year. Almost \$1.4 million in interest was paid on deposits held at Scient in 2018.
- \$656 thousand in gains were realized from Scient's sale of its credit card portfolio to Elan Financial Services in 2018, one of the top card issuers in the U.S. Scient cardholders will now have direct access to some of the best rewards programs and card features available today.

Strong team-focused management of the credit union led to record earnings growth in 2018. Operating expenses were controlled and held to a year-over-year increase of \$238 thousand or 2.7% before investment re-structuring expense. The provision provided for loan losses decreased by \$543 thousand or 34.3% in 2018. In addition, Scient services over \$48 million of member real estate loans and \$35 million of auto loans that it participated to other credit unions.

Scient continues to work closely with its members experiencing financial difficulties. Scient's loan restructuring program at year-end extended to 43 members, with 6 approved for the program in 2018. The collections department, working with members, recovered \$207 thousand in previously charged off loans in 2018.

Scient's liquidity, or cash position, remains well managed. Scient had very limited borrowings during the year with none outstanding at year-end. Scient had \$26.7 million in unused lines of credit for liquidity at year-end.

As Treasurer and a Scient Board member for many years, I would like to personally thank each and every member for making Scient Federal Credit Union what it is today. We truly value you, our member/owners, and appreciate your continued relationship as your credit union.

Sincerely,

Adam Smogowicz

*Treasurer*

## Statements of Financial Condition

<b>ASSETS</b>		
	2018*	2017*
Cash & Cash Equivalents	18,933,142	8,881,580
Interest Bearing Deposits	–	2,147,000
<b>INVESTMENTS</b>		
Available for Sale	2,548,312	3,406,052
Held to Maturity	444,218	537,489
Loans to Members	225,336,682	216,845,855
Net Allowance for Loan Losses		
Accrued interest receivable	765,022	716,212
Prepaid & Other Assets	4,749,721	1,589,761
Property & Equipment	2,947,445	3,019,771
NCUSIF Deposit	2,150,780	2,118,748
<b>TOTAL ASSETS</b>	<b>\$257,875,322</b>	<b>\$239,262,468</b>

<b>LIABILITIES &amp; MEMBER EQUITY</b>		
	2018*	2017*
<b>LIABILITIES</b>		
Members' Share & Savings Accounts	231,506,227	215,958,891
Borrowed Funds	–	–
Accounts Payable & Accrued Liabilities	4,129,047	3,181,510
<b>Total Liabilities</b>	<b>235,635,274</b>	<b>219,140,401</b>
<b>MEMBER EQUITY</b>		
Regular Reserve	1,582,525	1,582,525
Undivided Earnings	21,272,641	19,888,186
(Accumulated Other Comprehensive Loss)	(615,118)	(1,348,644)
<b>Total Member Equity</b>	<b>22,240,048</b>	<b>20,122,067</b>
<b>TOTAL LIABILITIES &amp; MEMBER EQUITY</b>	<b>\$257,875,322</b>	<b>\$239,262,468</b>

## Statements of Income

	2018*	2017*
<b>INTEREST INCOME</b>		
Loans to Members	\$9,596,699	\$9,146,552
Investments	344,756	301,002
<b>Total Interest Income</b>	<b>9,941,455</b>	<b>9,447,554</b>
<b>INTEREST EXPENSE</b>		
Members' Shares & Savings	1,366,351	916,549
Borrowed Funds	23,221	5,543
<b>Total Interest Expense</b>	<b>1,389,572</b>	<b>922,092</b>
<b>Net Interest Income</b>	<b>8,551,883</b>	<b>8,525,462</b>
Provision for Loan Losses	1,041,036	1,583,551
<b>NET INTEREST INCOME After Provision for Loan Losses</b>	<b>7,510,847</b>	<b>6,941,911</b>
<b>NON-INTEREST INCOME</b>		
Miscellaneous Operating Income	1,322,179	1,102,749
Fees & Service Charges	966,258	927,258
Gain on Sale of Loans, Net	794,777	280,735
<b>Total Non-Interest Income</b>	<b>3,083,214</b>	<b>2,310,742</b>
<b>Total Income</b>	<b>10,594,061</b>	<b>9,252,653</b>
<b>NON-INTEREST EXPENSE</b>		
Compensation and Employee Benefits	4,760,929	4,511,749
Office Operating and Occupancy	2,022,797	2,037,881
Loan Service Expense	1,301,488	1,292,994
Other Operating	770,417	742,496
Other	353,975	179,515
<b>Total Non-Interest Expense</b>	<b>9,209,606</b>	<b>8,764,635</b>
<b>NET INCOME (LOSS)</b>	<b>\$1,384,455</b>	<b>\$488,018</b>

\*Unaudited–Audited financial statements as of 6/30/18 & 6/30/17 are available upon request.

## Board of Directors

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Glenn Wilcox  
*Chairman*



Adam Smogowicz  
*Treasurer*



Steve Pias  
*Secretary*



Joseph Mongillo  
*Director*



Karen Walters  
*Director*



Brian Oat  
*Director*



Grace Vandal  
*Director*

## Supervisory Committee

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John Podurgiel, *Chairman*

Steve Pias

Barb Segelstein

Elizabeth Algieri

Donna Zyry

## Officers & Directors

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David Purcell, *President & CEO*

Chris Maynard, *VP/Corporate Controller*

John Belanger, *Director of IT and Operations*

Irv Hagewood, *Director of Collections*

Matthew Sosnowski, *Director of Call Center and Member Services*

Tina Waterman, *Director of Consumer Lending & Facilities*

# Supervisory Committee Report

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The primary responsibility of the Supervisory Committee is to serve as a means of checks and balances at the Credit Union. We are comprised of a group of dedicated volunteers that are appointed by the Board of Directors. It is our responsibility to ensure that Scient Federal Credit Union establishes and maintains appropriate policies, procedures, and internal controls that safeguard members' assets and privacy and fulfill the credit union's financial and regulatory responsibilities.

There were numerous internal audits that were performed by the Supervisory Committee's Internal auditor during this past year that are based upon a Risk Assessment. These audits help us to identify any potential concerns or issues and have them addressed before the external audits. The required annual external audit was conducted by the Accounting firm of Doeren Mayhew. In addition to this external audit, we also passed the Nation Credit Union Administration (NCUA) and Bank Secrecy Act audits. The National Credit Union Administration (NCUA) is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions.

Based on our activities and the results of our recent exam, the Supervisory Committee believes that the Credit Union is performing appropriately to sustain a safe and secure future; and that it is well managed with a strong commitment to serving its membership of 21,000+. As your representatives, the Supervisory Committee will continue to perform oversight activities so that we are confident members' financial interests and privacy are well protected.

I wish to thank my fellow committee members and our internal auditor, Steve Settino, for their hard work and outstanding support during this past year. On behalf of the entire Committee, we appreciate the opportunity to serve you, the members, and look forward to a secure and successful 2019. We want to ensure that our members are happy with our products, services, and staff at all times as the Credit Union continues to grow.

We urge you to contact any member of the credit union's staff, management or board with any comments or questions that you might have. You may also report any issues anonymously to the Supervisory Committee through the "Report It" link located on the Credit Union web site. You can also mail the Supervisory at:

Thank you and have a great year,

John A. Podurgiel  
*Chair of the Supervisory Committee*

**Scient Federal Credit Union**  
Attn: Supervisory Committee  
60 Colver Ave  
Groton, CT 06340



# SCIENT

Federal Credit Union®

**Corporate and  
Main Office**  
60 Colver Avenue  
Groton, CT

**Groton, CT—Pfizer**  
445 Eastern Point Road  
Building 220  
Amenities Corridor  
Groton, CT

**New Haven, CT—USPS**  
50 Brewery Street  
New Haven, CT

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**Improving people's lives  
with creative solutions**

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**sciencfcu.org**

