
2019 ANNUAL REPORT



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



SCIENT
Federal Credit Union®

Services

SAVINGS & CHECKING PROGRAMS

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

CONSUMER LOANS

- Auto Loans
- Signature Personal Loans
- Credit Cards offered through Elan Financial Services
- Deposit Secured Loans
- Executive Reserve Lines of Credit
- Education Loans
- Personal Line of Credit

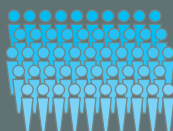
MORTGAGE & EQUITY LOANS

- 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™ and Visa Checkout®

2019
by the numbers



21,913
Total Members



\$80,652,813
Auto Loans Made



\$18,218,832
Mortgage Loans Made



\$5,916,182
Consumer Loans Made

Letter from the Chairman & President/CEO

Let us start by thanking the Scient staff and their families for their dedication and cooperation throughout the challenges of this worldwide pandemic. There have been some excellent success stories both inside and outside of business. We also wish our membership good health and economic stability in the coming months, and our thoughts are with those who have compromised family members due to the viral outbreak, especially those who have lost loved ones. The Scient team also thanks the medical first responders, hospital nurses, doctors, and staff, and mental health professionals that are heroically helping people in need. Many of these people are members of our credit union! We are also proud to be associated with Pfizer, one of the leading vaccine research innovators in the battle against COVID-19. Scient appreciates your dedication in all areas of healthcare!

Now, on to the business at hand.

We are pleased to report that 2019, was a good year for Scient, with loan and deposit growth, and earnings of more than \$739,000, which was within 1% of plan. With an increasing number of financial options available to the public, Scient's growth continued with over 800 new members bringing us to nearly 22,000 at year's end. Our total assets remained over \$250 million.

All financial metrics met or exceeded the plans for 2019 with the exception of deposits, which reflect the mid-year 180° interest rate direction change and its impact on our planned deposit promotions. Our indirect loan portfolio achieved targets with more than 2,900 loans totaling \$78.1M. Provision expense was over \$400,000 favorable to plan given further improvement in credit quality, coupled with successful activity within our collections department. The favorable provision expense for the most part mitigated the unfavorable margin compression we experienced in 2019.

With sustained profitability over the last four years, Scient is investing in innovative technology that improve our services and put the right platforms in the hands of our members to conduct business in-person and, in a challenged environment, online and mobile.

Our 2019 initiatives met or exceeded our plan expectations, with the exception of sales program enhancements and indirect profitability improvement, where we fell a little short. Notable success stories in 2019 include our successful credit card conversion, our pension plan transition, as well as further ATM streamlining and cybersecurity risk reduction.

In 2020, we anticipate the creation of a more engaging website along with a refined mobile app. Other initiatives include an improved payroll and benefits system for our staff.

As you can imagine, 2020 is shaping up to be a challenging year, and keeping our focus will be critical for our excellent staff.

Throughout the COVID-19 pandemic, Scient has taken the personal safety of its employees and staff very seriously. On March 19, 2020 the Colver Avenue branch lobby was closed and transactions were restricted to the drive-up lane only. Scient mobilized its team to work remotely, rotating staff on site and from home. We increased our in-office hygiene through simple steps such as; encouraging active and frequent hand washing, distributing disinfecting wipes (to disinfect work area) and making sure disinfecting hand soap and hand sanitizer are more prominent throughout the office. Our cleaning staff was instructed to disinfect all handrails, door handles and kitchen surfaces nightly. Scient continues to observe social distancing protocols and regularly monitors this evolving situation. We will continue to follow guidance from the Governor of Connecticut and the CDC. While a branch re-opening date is difficult to predict at this time, we want you, the members, to know that precautions will be in place to protect your safety and the safety of Scient employees.

At Scient, we thank you for your membership, and look forward to **improving people's lives with creative solutions**. Wherever you are, we are with you to help meet your financial needs.

Glenn Wilcox
Board Chairman

Chris Maynard
Interim CEO

Treasurer's Report

Scient had a very successful year in 2019. The credit union continued to operate profitably and added substantially to its capital reserves during the year. Scient earned \$739 thousand in 2019, with a Return on Assets of 29 basis points. Net Worth as measured by our regulators, aggregated \$23.6 million at year-end 2019 and Scient continues to be classified under current regulations as 'Well Capitalized'. Assets at year-end were \$253.2 million, a \$4.7 million, or 1.8% decrease, over the prior year.

Scient's success shows in its results:

- \$104.8 million in loans to members were granted in 2019 and \$226 million in loans were outstanding as of year-end. Scient's Interest Income on loans for the year was \$8.9 million, a \$700 thousand, or 7.3% decrease, from the prior year.
- \$226.3 million was on deposit at the credit union as of year-end, a 2.3% decrease from the prior year. Almost \$1.9 million in interest was paid on deposits held at Scient in 2019.

Operating expenses were reduced year-over-year by \$543 thousand driven by the 2018 sale of the Visa® portfolio and internal re-structuring expense saves. The provision provided for loan losses remained in line with 2018. In addition, Scient services over \$43 million of member real estate loans and \$42 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 38 members, with 10 approved for the program in 2019. The collections department, working with members, recovered \$269 thousand in previously charged-off loans in 2019.

Scient's liquidity, or cash position, remains well managed. Scient did not have any borrowings during the year with none outstanding at year-end. Scient had \$27.6 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.

Adam Smogowicz

Treasurer

Statements of Financial Condition

ASSETS		
	2019*	2018*
Cash & Cash Equivalents	\$9,430,765	\$18,933,142
Interest Bearing Deposits	2,241,000	–
INVESTMENTS		
Available for Sale	6,665,860	2,548,312
Held to Maturity	397,920	444,218
Loans to Members		
Net Allowance for Loan Losses	224,279,635	225,336,682
Accrued interest receivable	758,278	765,022
Prepaid & Other Assets	4,299,062	4,749,721
Property & Equipment	2,877,701	2,947,445
NCUSIF Deposit	2,199,943	2,150,780
TOTAL ASSETS	\$253,150,164	\$257,875,322

LIABILITIES & MEMBER EQUITY		
	2019*	2018*
LIABILITIES		
Members' Share & Savings Accounts	\$226,278,569	231,506,227
Borrowed Funds	–	–
Accounts Payable & Accrued Liabilities	3,180,844	4,129,047
Total Liabilities	229,459,413	235,635,274
MEMBER EQUITY		
Regular Reserve	\$1,582,525	\$1,582,525
Undivided Earnings	22,011,886	21,272,641
(Accumulated Other Comprehensive Loss)	96,340	(615,118)
Total Member Equity	23,690,751	22,240,048
TOTAL LIABILITIES & MEMBER EQUITY	\$253,150,164	\$257,875,322

*Unaudited–Audited financial statements as of 6/30/19 & 6/30/18 are available upon request.

Statements of Income

	2019*	2018*
INTEREST INCOME		
Loans to Members	\$8,893,084	\$9,596,699
Investments	619,533	344,756
Total Interest Income	9,512,617	9,941,455
INTEREST EXPENSE		
Members' Shares & Savings	1,866,423	1,366,351
Borrowed Funds	–	23,221
Total Interest Expense	1,866,423	1,389,572
Net Interest Income	\$7,646,194	\$8,551,883
Provision for Loan Losses	1,038,626	1,041,036
NET INTEREST INCOME After Provision for Loan Losses	\$6,607,568	\$7,510,847

	2019*	2018*
NON-INTEREST INCOME		
Miscellaneous Operating Income	\$1,067,674	\$1,322,179
Fees & Service Charges	914,905	966,258
Gain on Sale of Loans, Net	727,856	794,777
Total Non-Interest Income	2,710,435	3,083,214
	9,318,003	10,594,061
NON-INTEREST EXPENSE		
Compensation & Employee Benefits	\$4,465,576	\$4,760,929
Office Operating & Occupancy	1,964,775	2,022,797
Loan Service Expense	1,098,108	1,301,488
Other Operating	729,591	770,417
Other	320,708	353,975
Total Non-Interest Expense	8,578,758	9,209,606
NET INCOME (LOSS)	\$739,245	\$1,384,455

Board of Directors



Glenn Wilcox
Chairman



Karen Walters
Vice Chair



Adam Smogowicz
Treasurer



Steve Pias
Secretary



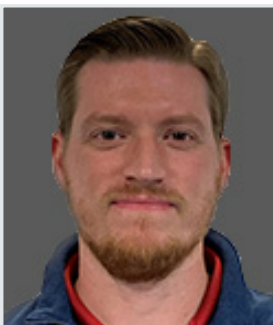
Joseph Mongillo
Director



Brian Oat
Director



Grace Vandal
Director



David Hood
Associate Director



Jeff Mastracchio
Associate Director



Travis Williams
Associate Director

Supervisory Committee

John Podurgiel
Steve Pias
Barb Segelstein
Donna Zyry

Officers & Directors

Chris Maynard, *Interim CEO and VP/Corporate Controller*
Tina Waterman, *Director of Consumer Lending & Facilities*
Irv Hagewood, *Director of Collections*
John Belanger, *Director of IT and Operations*
Matthew Sosnowski, *Director of Call Center and Member Services*

Supervisory Committee Report

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 this past year. The frequency of these audits is based upon a Risk Assessment that is reviewed at least annually and updated as needed throughout the year to maintain a high level of compliance. These audits help us to identify any potential concerns or issues and have them addressed before they become a bigger problem.

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 almost 22,000. 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 as we move forward.

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. I would also like to acknowledge Steve's retirement at the end of 2019. We wish him all the best in the next chapter of his life and thank him for 9 years of dedicated service to Scient FCU.

On behalf of the entire Committee, we appreciate the opportunity to serve you, the members, and look forward to a secure and successful 2020. 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 Committee at:

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

Thank you and have a great year,

John A. Podurgiel
Chair of the Supervisory Committee

Improving people's lives with creative solutions

Corporate Office
60 Colver Avenue
Groton, CT

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

New Haven, CT
(at Post Office)
50 Brewery Street
New Haven, CT





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