

2018
Annual Report





David Markuson, *Chairman of the Board*, and Brian Ducharme, *President/CEO*

Joint Report from the Chairman & President

GROWTH AND COMMUNITY

As in previous years, 2018 was a year filled with success and growth for MIT Federal Credit Union (MIT FCU). We continued to add value, and provide a more personalized level of service. Our members let us know the important role we play in their lives, both financially and personally. In surveys, we heard time and again of instances where the credit union is helping them realize dreams, overcome hardship, and find a path to success. We have also expanded our role on campus and in the community, changing our presence as the needs of students and staff change.

Our increased presence within the Kendall Square Community meant more connection to students and staff at MIT as well as in our SEG businesses both existing and those we hope to bring into our field of membership. With the much anticipated acquisition

of our newest property, 70 Westview in Lexington, and the beginning of renovation at our Lincoln Lab branch, including VTM

technology, and teller-line free service, we are further increasing efficiencies and the level of personalized engagement here in Cambridge, in Lexington, online and wherever our members look to connect with us.



70 Westview Street
Lexington, Massachusetts

While growth is part of our ongoing plan year over year, we had some unique opportunities to connect in 2018:

AN AMBASSADOR IN THE COMMUNITY



In mid-2018 we hired our Community Relations & Business Development Representative, Tonya Smith-Winston. This resulted in our being able to expand our presence on campus during Member Drive and beyond to include credit and budgeting seminars right in student dorms, and for specific departments at the Institute including MIT Medical, MIT Math Department, MIT Edgerton House, and MIT Housing (GRT Staff). Tonya also represents MIT FCU as an Ambassador for Kendall Square Association (KSA) and took an active role in their Future of Transportation

Showcase Event when area vendors offered a sneak preview of alternative transportation and mobility equipment to the community. In addition, she coordinated one-on-one lunch sessions and topical seminars for area SEGs, including a seminar in Banking in the U.S. and one-on-one home buying sessions for employees at Broad Institute and Philips. Having an individual dedicated to community relationships gives us an edge with area businesses and allows us to meet specific needs of the varied community we serve.

GROWING IN ALL WAYS

2018 was a banner year for loan growth with auto loans and home equity loans in particular showing significant growth (23% and 10% respectively). A large percentage of auto loan growth was related to our new Graduate Auto Loan promotion that offered up to two months' payments "on the credit union" to recent graduates.

In addition, we grew our financial education offerings to include Banking in the U.S., Credit Reports and Managing Credit, and Budgeting Basics while increasing our Home Buying seminars, and investment and retirement focused Lunch and Learns through our partnership with NPA/LPL. These sessions are made available to the community at large and support our reputation as an accessible financial expert in the immediate community.



GROWING FROM THE INSIDE OUT

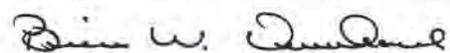
Staffing has also been a focus in 2018, and work in that direction included a revised New Hire Orientation, 3 Integrity Services Cohorts, and a Coaching Program offered to our Mid-Management Team. As we head into 2019, with a new Operations Center under construction, our Lincoln Lab Branch getting ready to reopen, and plans for renovation of our 700 Tech Square branch to showcase our high tech, self-service and personal touch member experience, we are proud of the accomplishments and the direction the credit union is taking. Through increased support of our community, steady growth in membership, assets, and services offered, and an experienced, member-focused staff, we are continuing our tradition of being an active, collaborative and respected member of the MIT and Kendall Square communities.



Thank you for your continued support, trust, confidence and inspiration.



David E. Markuson, Chairman of the Board



Brian Ducharme, President/CEO

Treasurer's Report

Our credit union continued to grow in 2018 in Total Assets, Net Loans, and Members. In spite of this growth, we did encounter some challenges along the way. We saw a substantial increase in the number of defaults in our International Private Student Loan portfolio and the bankruptcy of the insurance company that helps to protect us against those losses. As a result of this we had to substantially increase our Provision for Loan Losses. We plan to return to profitability in 2019 and continue to be regarded as a "well capitalized" credit union by our Regulatory Agency.

It is the teamwork and collaboration of all involved that results in MIT Federal Credit Union achieving the level of growth we achieved in 2018. Heartfelt thanks are due to members, employees and volunteers for an achievement-filled year that positions us for continued growth and success in the coming year.

The key financial points that are evidence of this change are shown at right.

Robert M. Dankese, *Treasurer*

Key Financials

Statement of Financial Condition	2018	2017	2016
ASSETS			
Cash & Cash Equivalents	\$ 13,626,738	\$ 17,874,319	\$ 21,132,548
Loans, Net	507,345,001	496,919,844	448,859,591
Investment Securities	21,065,855	24,629,377	38,307,509
All Other Assets	22,680,617	14,208,129	12,668,370
Total Assets	\$564,718,211	\$ 553,631,669	\$ 520,968,024
LIABILITIES			
Member Shares & Deposits	\$ 512,545,812	\$ 505,760,550	\$ 479,027,559
Accounts Payable & Other Liabilities	10,879,795	4,724,559	3,619,300
Total Liabilities	\$ 523,425,607	\$ 510,485,109	\$ 482,646,859
RETAINED EARNINGS			
Regular & Undivided Earnings	41,919,940	\$ 43,811,855	\$ 39,164,686
Unrealized Gain (Loss) on Investments	(627,336)	(665,295)	(843,521)
Total Retained Earnings	\$ 41,292,604	\$ 43,146,560	\$ 38,321,165
TOTAL LIABILITIES & RETAINED EARNINGS	\$564,718,211	\$ 553,631,669	\$ 520,968,024

Statement of Income & Expense	2018	2017	2016
INCOME			
Interest on Loans & Investments	\$ 21,096,018	\$ 19,274,905	\$ 16,931,684
Fees & Other Income	3,784,593	3,217,804	3,055,458
Total Income	\$ 24,880,611	\$ 22,492,709	\$ 19,987,142
EXPENSES			
Operating Expenses	\$ 16,584,984	\$ 15,789,767	\$ 14,954,619
Provisions for Loan Losses	\$ 8,128,000	\$ 580,000	\$ 211,699
Dividend Expense	1,721,983	1,308,113	1,338,295
Interest on Borrowings	337,560	167,660	31,844
Total Expenses	\$ 26,772,527	17,845,540	\$ 16,536,457
NET INCOME	\$ (1,891,916)	\$ 4,647,169	\$ 3,450,685

Please note these schedules reflect audited financial statements as of December 31, 2018.

Supervisory Report

The Supervisory Committee continues to perform its charter to ensure that the financial reporting requirements are properly completed and the credit union has effective procedures to safeguard members' assets. The Committee meets regularly to review the financial and internal control audits as well as other operational topics of interest. We are assisted in our efforts by outside firms that provide audit support of the credit union's finances, policies, and procedures.

Internal audits continued to receive significant attention during 2018. Wolf & Company, P.C. performed ten planned internal audits during the year to test credit union procedures and controls in various areas including Student Lending, Electronic Banking, and Deposit Operations. They also assessed compliance with the Secure and Fair Enforcement Act (SAFE) and the Truth in Savings Act (TISA). Focus on information technology continued this year due to increasing occurrences of company security breaches. The Committee reviewed the findings and management's responses, and actively worked with Wolf & Company, P.C. and MIT FCU management on the suggested areas for improving procedures, security, and controls.

The Committee continued to partner with audit firm, Nearman, Maynard and Vallez. The audit firm was engaged to perform our financial statements audit, which also included a review of internal controls. The Committee met with the audit manager to review the scope, methods, and findings of their audit work.

The financial statements, in all material respects, fairly present the financial position of MIT FCU as of December 31, 2018.

The Supervisory Committee is charged to investigate and respond to unresolved member complaints against credit union management, as well as whistleblower allegations. All complaints and inquiries have been adequately investigated and resolved. MIT FCU is committed to the highest standards of ethical, moral, and legal business conduct.

To support this commitment, each employee, manager, officer, and volunteer must submit a Conflict of Interest and Code of Ethics affirmation each year. The Supervisory Committee successfully completed this review and found no conflicts to report.

The Committee membership did not change this year.

We proudly volunteer for this Committee and look forward to serving the MIT FCU community in 2019.



Stephen W. Boyer, Chairman, *Supervisory Committee*

Credit Union Leadership

BOARD OF DIRECTORS

Chairman

David E. Markuson

Vice Chairman

Richard B. Flanagan

Treasurer

Robert M. Dankese

Secretary

Francesca DeMeo

Directors

John M. McDonald

Clinton Blackburn

Rebecca Rahmlow

Steven Winig

John E. "Jack" Wolfe

SUPERVISORY COMMITTEE

Chairman

Stephen W. Boyer

Committee Member

Karon S. McCollin

Secretary

Jordan B. Lewis

Associate Committee Member

Theresa Howell

Board of Directors Representative

Richard B. Flanagan

Student Associate Committee Member

Ina Kundu Benjamin

SENIOR MANAGEMENT

Brian W. Ducharme

President/Chief Executive Officer

Nancy J. Fales

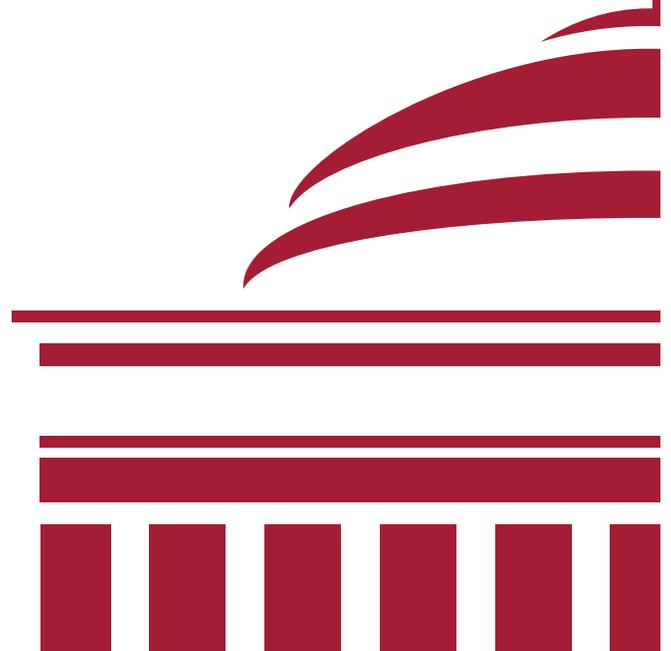
Senior Vice President, Lending

Cynthia M. Hudson

Senior Vice President, Chief Financial Officer

Lisa Mandel

Senior Vice President,
Information Technology & Operations





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