



2020 ANNUAL REPORT

91st Annual Meeting



56,877
Members



\$122MM
Deposit Growth



\$537MM
Member Loans



Neighborhood
CREDIT UNION

NEIGHBORHOOD CREDIT UNION

91ST ANNUAL MEMBER MEETING AGENDA

- I. Welcoming Remarks
- II. Meeting Call to Order
- III. Appointment of Parliamentarian and Recording Secretary
- IV. Introduction of Head Table
- V. Ascertain presence of a Quorum
- VI. Reading of 90th Annual Meeting Minutes
- VII. Chairman's Report
- VIII. President's Report
- IX. New Business
- X. Nominating Committee Report / Election
- XI. Results of Election XII.
- XII. Adjournment

Executive Committee Report

The Board of Directors is responsible for ensuring the credit union's established policies and procedures are adhered to and that the credit union's operations are performed in compliance with state and federal guidelines. Neighborhood Credit Union is a state-chartered credit union insured by the National Credit Union Share Insurance Fund (NCUSIF). Because of this unique structure, our financial operations are examined annually by the Texas Credit Union Department and the National Credit Union Administration (NCUA). Neighborhood Credit Union has a professional internal audit group on staff. Their job is to review, evaluate and make recommendations to strengthen internal controls and to provide oversight of our operations.

The credit union received an "unqualified" opinion with regards to the financial statements and results of operations and cash flows certified by the independent public accounting firm DorenMayhew. DorenMayhew's financial statement audit was as of June 30, 2020, and was conducted in accordance with auditing standards generally accepted in the United States of America.

Message from the Chairman

All great organizations have supporting pillars that are critical to their success. At Neighborhood Credit Union, those pillars are our members, our employees, and the systems that deliver the services our members demand. This past year, 2020 was a challenging year for everyone. Throughout the many economic changes during the pandemic, your credit union was here for you no matter the situation. Members received loans to help during uncertain times and knew they had a safe place to save their money. We seized opportunities and grew as an institution throughout 2020.

Your credit union had the following results this past year:

- Membership of approximately 57,000.
- Loans originated by the membership were over \$537 million, indicating your confidence in us as the prime source of your lending needs.
- Deposit growth in excess of \$122 million, demonstrating the security your credit union offers in times of uncertainty.

In 2020 we opened two new branches in Anna and Prosper. We launched new digital services that allowed more contactless transactions for our membership, including Zelle and mobile wallets like Apple and Samsung Pay. And we found creative ways and new technology to exceed member service needs during a time when traditional face-to-face service was not the safest option for our membership and employees.

There will undoubtedly be challenges in 2021, but by working together through the strength of a larger organization, we are well poised to address them. Your participation places us in a strong financial position to continue to meet your lending needs, offer innovative savings products, such as High Yield Savings and Kasasa, ensure top notch online and mobile services, and contribute to the communities in the neighborhoods we serve.

In conclusion, I want to thank my fellow board members for their passion, commitment, and dedicated service. I am confident that under Chet's leadership, the guidance of the board of directors, the commitment of a dedicated staff, and the support and loyalty of our members, that Neighborhood Credit Union will continue to seize every opportunity to build the financial success of our membership in 2021.

Message from the President

In 2020, the success of our credit union continued despite the pandemic. We are a solid institution and have weathered many storms, and that is a tribute to the participation of you, our loyal members.

Your credit union is here to serve you in times of need. Throughout the pandemic we were able to assist our members by loaning over \$280 million. As a result of competitive rates and new products, our deposits grew over \$122 million. Our revenue continues to be robust ensuring a healthy bottom line that allows us to give more back to you, our members. We awarded over \$100,000 in cash in 2020, including \$1,000 every week with our Prize Savings Account. We also paid over \$7.8 million to our members in dividends.

These results were not achieved by chance, but by the design of talented employees and an extremely dedicated board of directors, all focused on taking care of our members. And my commitment to you is that we will continue to serve you to the best of our abilities.

Last year we completed projects that have allowed us to better serve you by upgrading our product offerings and digital services. We also established the Neighborhood CU Foundation in 2020. Our Foundation is a non-profit with the mission to help Texans attain financial wellness and prosperity. Every day we strive to be better as an organization and continue to empower your financial success.

In closing, I want to express my appreciation to our staff and volunteers. I also want to once again thank you, our members, for your confidence in Neighborhood Credit Union.

True success comes from the service we give to others. It's our privilege and our pleasure to serve you in 2021.

Director Information

Terms or Appointment Expiring – March 2021

Gerald Townsend
Clarissa Salas
John Logan
Jan Frum

Terms or Appointment Expiring – March 2022

Jimmy Slayton
Randy Till

Terms or Appointment Expiring – March 2023

Arthur Young
Dwayne Boozer
Ron Taylor

Bylaw Amendments

The bylaw amended in 2020 as follows:

Field of membership (FOM) was expanded to include all of Grayson County to better serve the surrounding communities of Anna.

Executive Changes

There were no Executive changes made in 2020.

New Products and Services

Debuted *Zelle*, a fast, safe and easy way to send money directly between almost any bank accounts in the U.S., typically within minutes.

Introduced our Digital Wallet service that allows for several different smartphone and smartwatch brands and platforms. So, no matter what device our members choose to use, we most likely have a mobile wallet option for them.

Upgraded our Online Banking and MyNCU Mobile app which included an expansion of Card Controls and Alerts. This new update gives our members complete control on how and where their debit or credit card works.

Launched a new low entry rate of 0.0% APR for the first six months on our Platinum Reward Credit Card.

Statement of Operations**2019****2020****Income**

Interest on Loans	\$29,552,244	\$29,512,269
Investments	3,677,074	2,608,677
Other Operating Income	<u>18,408,512</u>	<u>19,002,116</u>
Total Income	51,637,830	51,123,062

Expenses

Operating Expenses	30,778,811	30,573,637
Interest Expenses	8,283,529	7,886,006
Provision for Loan Loss	5,279,567	6,231,012
Other Non-Operating (Income) Expenses	<u>26,908</u>	<u>12,747</u>
Total Expenses	<u>44,368,815</u>	<u>44,703,402</u>
Net Income	<u>\$7,269,015</u>	<u>\$6,419,660</u>

Distribution of Income

Dividends Returned to Members	8,280,953	7,886,006
Transferred to Reserves	<u>7,269,015</u>	<u>6,419,660</u>
Total Distribution	\$15,549,968	\$14,305,666

Balance Sheet

Assets	\$810,062,772	\$943,015,270
Deposits	\$712,456,229	\$835,134,427
Loans	\$582,921,818	\$608,694,318
Members	56,271	56,877

Assets

Loans	\$582,921,818	\$608,694,318
Less Allowance for Loan Loss	<u>(5,773,291)</u>	<u>(7,412,945)</u>
Net Loans	577,148,527	601,281,373
Cash	80,009,579	97,428,484
Investments	108,723,150	189,851,345
Fixed Assets	25,402,603	32,265,629
Other Assets	<u>18,778,912</u>	<u>22,188,438</u>
Total Assets	<u>\$810,062,771</u>	<u>\$943,015,269</u>

Liabilities

Accounts Payable and Accrued Expenses	\$12,385,313	\$14,758,233
Dividends and Interest Payable	<u>72,158</u>	<u>51,201</u>
Total Liabilities	\$12,457,471	\$14,809,434

Membership Equity

Shares	\$168,303,989	\$207,054,927
High-Yield Savings	126,172,095	183,027,792
Share Drafts	148,280,365	175,140,838
Certificates of Deposit	185,472,638	186,416,723
IRA Deposits	52,693,611	54,101,425
Money Market Deposits	<u>31,533,531</u>	<u>29,392,719</u>
Total Membership Equity	\$712,456,229	\$835,134,424

Reserves

Regulatory Reserves	\$9,277,031	\$9,277,031
Investment Fair Value Adjustment	491,560	1,994,240
Equity Acquired Through Merger	20,990,974	20,990,974
Undivided Earnings and Net Income	<u>54,389,506</u>	<u>60,809,166</u>
Total Reserves	<u>\$85,149,071</u>	<u>\$93,071,411</u>

Total Liabilities, Membership Equity and Reserves	<u>\$810,062,771</u>	<u>\$943,015,269</u>
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