



2018 ANNUAL REPORT

89th Annual Meeting



56,634
Members



\$65MM
Deposit Growth



\$551MM
Member Loans



Neighborhood
CREDIT UNION

NEIGHBORHOOD CREDIT UNION 89TH 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 88th Annual Meeting Minutes
- VII. Chairman's Report
- VIII. President's Report
- IX. New Business
- X. Nominating Committee Report / Election
- XI. Results of Election
- XII. Door Prizes
- 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, 2018, 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. In 2018, we had a tremendously successful year because of the participation of our members, the focus and dedication of our employees, and the systems integration of the former Dallas Federal Credit Union member accounts into the Neighborhood Credit Union family.

Your credit union had the following results this past year:

- Membership of approximately 55,000.
- Loans originated by the membership were over \$273 million, indicating your confidence in us as the prime source of your lending needs.
- Combined deposits from the merger resulted in an increase to almost \$715 million.

Following the legal merger on September 1, 2018, we converted the systems of Dallas Federal Credit Union into Neighborhood Credit Union on February 4, 2019. This provided full capability of all 14 branches, including two from the merger, to serve the membership.

In September 2018, we updated our brand and unveiled a new logo. Over the years we have made big strides as an organization, and we wanted our new brand and look to reflect how far we've come. We completed a debit card upgrade that implemented fraud monitoring, transaction alerts, and increased control to help keep your accounts secure.

There will undoubtedly be challenges in 2019, 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 Prize 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 2019.

Message from the President

In 2018, the success of our credit union has continued. We are stronger today than we've ever been, and that is a tribute to the participation in this institution of you, our loyal members.

Neighborhood Credit Union has a strong brand presence in the Dallas Fort-Worth market. We refreshed our logo with a new modern look to build on this positive advantage. During 2018, our membership continued to grow as we spread the good news about Neighborhood Credit Union and as we culminated the merger of Dallas Federal Credit Union.

As a result of the merger, our deposits grew over \$49 million. And, we saw an equal increase in loans of over \$42 million. Our revenue continues to be robust ensuring a healthy bottom line that allows us to give more back to you, our members. Almost \$370,000 was returned back to members in ATM fee reimbursements. We awarded over \$150,000 in cash and prizes in 2018, including our introduction to awarding \$1,000 every week. We paid over \$5.5 million to you in dividends. Even though interest rates are slightly rising in the market, your credit union's cost of funds - the amount we pay back to you - is approximately twice the rate of other financial institutions.

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 core system and upgrading our phone system. 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 2019.

Director Information

Terms or Appointment Expiring – March 2019

Jimmy Slayton
Dwain Woodard
Randy Till

Terms Expiring – March 2020

Arthur Young
Dwayne Boozer
Ron Taylor

Terms Expiring – March 2021

Gerald Townsend
Clarissa Salas
John Logan
Jan Frum

Bylaw Amendments

The bylaws were amended in 2018 as follows:

Field of membership (FOM) expanded to reflect merger of Dallas Federal Credit Union with Neighborhood Credit Union as the surviving credit union.

Executive Changes

The following changes were made in 2018, Francis Santana was promoted from Assistant Vice-President to Vice-President of Business Development. Jessie Swendig was promoted from Assistant Vice-President to Vice-President of Marketing and Corporate Communications. Dana Jones was promoted from Assistant Vice-President to Vice-President of Retail Branches. Carrie Pescatello was promoted from Assistant Vice-President to Vice-President of Retail Branches. Kelsey Gallerani was promoted from Manager to Assistant Vice-President of Internal Audit and Compliance.

New Products and Services

Unveiled the Debit Card Lock feature so that members can easily lock and unlock their debit cards within our MyNCU Mobile App or Online Banking.

Introduced Money Management, a customizable budgeting tool available within our MyNCU Mobile app or Online Banking that will empower members to achieve their financial goals.

Statement of Operations**2017****2018****Income**

Interest on Loans	\$23,076,424	\$25,672,690
Investments	2,093,535	2,747,892
Other Operating income	<u>16,303,385</u>	<u>17,642,321</u>
Total Income	41,473,344	46,062,903

Expenses

Operating Expenses	25,312,112	28,338,585
Interest Expenses	4,587,059	5,507,271
Provision for Loan Loss	5,460,222	5,274,638
Other Non-Operating (Income) Expenses	<u>(193,322)</u>	<u>63,518</u>
Total Expenses	<u>25,312,112</u>	<u>28,338,585</u>
Net Income	<u>\$6,307,273</u>	<u>\$6,878,891</u>

Distribution of Income

Dividends Returned to Members	4,587,059	5,507,271
Transferred to Reserves	<u>6,307,273</u>	<u>6,878,891</u>
Total Distribution	\$10,894,332	\$12,386,162

Balance Sheet

Assets	\$638,960,512	\$714,631,009
Deposits	\$559,672,384	\$625,634,382
Loans	\$460,106,009	\$551,924,983
Members	49,468	56,634

Assets

Loans	\$464,447,657	\$551,309,114
Less Allowance for Loan Loss	<u>(4,341,648)</u>	<u>(5,193,490)</u>
Net Loans	460,106,009	546,115,624
Cash	48,337,390	43,052,729
Investments	100,046,150	91,845,430
Fixed Assets	17,694,845	17,393,859
Other Assets	<u>13,195,236</u>	<u>16,839,236</u>
Total Assets	<u>\$639,379,631</u>	<u>\$715,246,878</u>

Liabilities	2017	2018
Accounts Payable and Accrued Expenses	\$9,621,815	\$12,830,901
Dividends and Interest Payable	<u>62,884</u>	<u>62,061</u>
Total Liabilities	\$9,684,699	\$12,892,962
Membership Equity		
Shares	\$183,901,204	\$205,202,596
Share Drafts	134,722,075	154,753,974
Certificates of Deposit	157,142,227	163,542,423
IRA Deposits	48,214,647	51,068,141
Money Market Deposits	<u>35,692,231</u>	<u>51,067,249</u>
Total Membership Equity	\$559,672,384	\$625,634,382
Reserves		
Regulatory	\$9,277,031	\$9,277,031
Contingency	(146,114)	(1,036,253)
Equity Acquired Through Merger	20,282,738	20,990,974
Undivided Earnings and Net Income	<u>40,608,893</u>	<u>47,487,783</u>
Total Reserves	\$70,022,547	\$76,719,534
Total Liabilities, Membership Equity and Reserves	<u>\$639,379,631</u>	<u>\$715,246,878</u>