



2019 ANNUAL REPORT

90th Annual Meeting



56,271
Members



\$86MM
Deposit Growth



\$512MM
Member Loans



Neighborhood
CREDIT UNION

NEIGHBORHOOD CREDIT UNION 90TH 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 89th 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, 2019, 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 2019, we had a tremendously successful year because of the participation of our members, the dedication of our employees, and the focus of our organization to be a leading digital credit union.

Your credit union had the following results this past year:

- Membership of approximately 56,000.
- Loans originated by the membership were over \$512 million, indicating your confidence in us as the prime source of your lending needs.
- Deposit growth in excess of \$86 million, demonstrating the need for the High Yield Savings account we introduced as well as our competitive savings rates.

In 2019 we introduced several new innovative and rewarding products to our membership, including High Yield Savings, Kasasa Cash Back and our Cash Back Rewards Credit Card. The technology team implemented the ability for members to transfer funds from outside institutions, as well as the ability to view pre-approved loan offers conveniently from their Online & Mobile Banking.

There will undoubtedly be challenges in 2020, 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 2020.

Message from the President

In 2019, the success of our credit union continued. We are stronger today than we've ever been, and that is a tribute to the participation of you, our loyal members.

As a result of competitive rates and new products, our deposits grew over \$86 million. Our revenue continues to be robust ensuring a healthy bottom line that allows us to give more back to you, our members. Over \$416,000 was returned back to you in ATM fee reimbursements. We awarded over \$100,000 in cash prizes in 2019, including \$1,000 every week with our Prize Savings Account. We paid over \$8.2 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, digital services and our Courtesy Pay program. 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 2020.

Director Information

Terms or Appointment Expiring – March 2020

Arthur Young
Ron Taylor
Dwayne Boozer

Terms or Appointment Expiring – March 2021

Gerald Townsend
Clarissa Salas
John Logan
Jan Frum

Terms or Appointment Expiring – March 2022

Jimmy Slayton
Dwain Woodard
Randy Till

Bylaw Amendments

The bylaw amended in 2019 as follows:

Field of membership (FOM) expanded to include all of Collin County to reflect the two new branches to be built in 2020.

Executive Changes

The following changes were made in 2019, Kelly Gidney was promoted to Chief Risk Officer. Francis Santana was promoted to SVP, Retail Operations & Business Development.

New Products and Services

Introduced High Yield Savings, a new savings account with an interest rate well above the market average that will help our members meet their savings goals.

Added Kasasa Cash Back to our suite of free checking accounts so that members have the option to earn more cash back each month than a traditional account.

Unveiled Cash Back Rewards Credit Card that offers cash back on all purchases, every day.

Upgraded our Online Banking & MyNCU Mobile app to include External Funds Transfer, which allows for members to quickly move money between institutions themselves.

Statement of Operations	2018	2019
Income		
Interest on Loans	\$25,672,690	\$29,552,244
Investments	2,747,892	3,677,074
Other Operating income	<u>17,642,321</u>	<u>18,408,512</u>
Total Income	46,062,903	51,637,830
Expenses		
Operating Expenses	28,338,585	30,778,811
Interest Expenses	5,507,271	8,283,529
Provision for Loan Loss	5,274,638	5,279,567
Other Non-Operating (Income) Expenses	<u>63,518</u>	<u>26,908</u>
Total Expenses	39,184,012	44,368,815
Net Income	<u>\$6,878,891</u>	<u>\$7,269,015</u>
Distribution of Income		
Dividends Returned to Members	5,507,271	8,280,953
Transferred to Reserves	<u>6,878,891</u>	<u>7,269,015</u>
Total Distribution	\$12,386,162	\$15,549,968
Balance Sheet		
Assets	\$715,246,878	\$810,062,772
Deposits	\$625,634,382	\$712,456,229
Loans	\$551,924,983	\$582,921,818
Members	56,634	56,271
Assets		
Loans	\$551,924,983	\$582,921,818
Less Allowance for Loan Loss	<u>(5,809,359)</u>	<u>(5,773,291)</u>
Net Loans	546,115,624	577,148,527
Cash	43,052,729	80,009,579
Investments	91,845,430	108,723,150
Fixed Assets	17,393,859	25,402,603
Other Assets	<u>16,839,236</u>	<u>18,778,912</u>
Total Assets	<u>\$715,246,878</u>	<u>\$810,062,772</u>

Liabilities	2018	2019
Accounts Payable and Accrued Expenses	\$12,830,901	\$12,385,313
Dividends and Interest Payable	<u>62,061</u>	<u>72,158</u>
Total Liabilities	\$12,892,962	\$12,457,471
Membership Equity		
Shares	\$205,202,596	\$168,303,989
High Yield Shares	N/A	126,172,095
Share Drafts	154,753,974	148,280,365
Certificates of Deposit	163,542,423	185,472,638
IRA Deposits	51,068,141	52,693,611
Money Market Deposits	<u>51,067,249</u>	<u>31,533,531</u>
Total Membership Equity	\$625,634,383	\$712,456,229
Reserves		
Regulatory	\$9,277,031	\$9,277,031
Contingency	(1,036,255)	491,561
Equity Acquired Through Merger	20,990,974	20,990,974
Undivided Earnings and Net Income	<u>47,487,783</u>	<u>54,389,506</u>
Total Reserves	\$76,719,533	\$85,149,073
Total Liabilities, Membership Equity and Reserves	<u>\$715,246,878</u>	<u>\$810,062,772</u>