



2023 ANNUAL REPORT

94th Annual Meeting



Neighborhood
CREDIT UNION

NEIGHBORHOOD CREDIT UNION

94th ANNUAL MEMBER MEETING AGENDA

- I. Welcoming Remarks
- II. Meeting Call to Order
- III. Appointment of Recording Secretary
- IV. Introductions
- V. Ascertain Presence of a Quorum
- VI. Reading of the 93rd Annual Meeting Minutes
- VII. Chairman's Report
- VIII. New Business
- IX. Nominating Committee Report/Election
- X. Results of Election
- XI. 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, the Texas Credit Union Department and the National Credit Union Administration (NCUA) examine our financial operations annually. 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 regarding the financial statements, results of operations, and cash flows certified by the independent public accounting firm DorenMayhew. DorenMayhew's financial statement audit was as of March 31, 2023, and was conducted in accordance with auditing standards generally accepted in the United States of America.

Message from the Chairman

2023 proved to be a challenging year for our credit union as the Federal Reserve's rapid interest rate increases were imposed to combat inflation. These circumstances caused many members to draw on savings or increase borrowings to address daily needs. Throughout these challenges your credit union was providing the needed products and services to you, our valued members. Our members continued to take advantage of higher deposit rates utilizing both our High Yield and Prize Savings accounts as a safe place to save money. At Neighborhood Credit Union, we pride ourselves on being nimble as we adapt to market-driven conditions, always looking forward with the view of the health of your credit union and financial prosperity of our members.

Your credit union achieved the following this past year:

- Membership of approximately 62,000
- Loans outstanding to the membership were over \$667 million, continuing your confidence in us as the ideal source of your lending needs.
- More than \$17 million was paid in dividends back to our valued members. This was a record high!

Last year we broke ground on our new Sherman location and are excited to expand our reach with our North Texas neighbors. We also launched a new premium debit card program, where members can upgrade their free Visa® debit card to the MyRewards Platinum and Gold cards loaded with extra benefits, such as bonus rewards points, emergency roadside assistance, prescription savings, and cell phone protection.

As we enter 2024, we recognize the challenges of higher interest rates continue; however, your credit union is prepared to be responsive and adaptable to the changes in our economy. Our strong financial position is due to the loyalty of our members, and our purpose remains to exceed your expectations through great rates, savings products, free checking with debit rewards, and state of the art digital services.

Lastly, I extend my gratitude to my esteemed fellow board members for their unwavering dedication and service. With Chet's continued leadership, the board of directors' guidance, our dedicated staff, and the unwavering support of our loyal members, Neighborhood Credit Union

is poised to seize every opportunity in 2024, fostering the financial prosperity of our membership. I appreciate your membership and loyalty during this past year.

Message from the President

The economic environment of 2023 was tough for many members and financial institutions; however, we weathered these conditions due to the tireless efforts of our dedicated staff and the unwavering support of our valued members.

As your credit union, we continue to put your financial wellbeing first by offering great savings products, low loan rates, and valuable financial education resources. Even with interest rates rising in 2023, we continued to loan money to assist our members. And thanks to competitive rates and innovative products, we were able to continue giving back generously to our members. In 2023 alone, we disbursed over \$100,000 in cash rewards from our weekly prize of \$1,000 and our annual grand prize of \$49,999.99 through our Prize Savings Account. Additionally, we were able to distribute member dividends totaling over \$17 million, a record amount!

Last year, the Board of Directors joined our staff as we broke ground on our new branch located in Sherman. This expansion plays an important part in our overall mission to build relationships in neighborhoods across Texas to foster wealth building, security, and financial health. Additionally, we expanded our competitive product offerings by introducing the digital only high-interest Max Savings Account and MyRewards Premium Debit Cards. Our team of talented and dedicated employees continue to work tirelessly to make sure we elevate your banking experience year after year. Every day we strive for organizational excellence by our WE CARE service standards to empower your financial success.

I extend my sincere appreciation to our staff and volunteers, whose collective focus remains on doing what is right for our members.

Thank you, our valued members, for your unwavering trust in Neighborhood Credit Union. It is both a privilege and a pleasure to continue serving you in 2024.

Director Information

Terms or Appointment Expiring – March 2024

Jan Frum
John Logan
Lisa Salas

Terms or Appointment Expiring – March 2025

Dwayne Boozer
Randy Till

Terms or Appointment Expiring – March 2026

Arthur Young
Ron Taylor

Executive Changes

None

New Products and Services

Neighborhood Credit Union introduced two exciting products to attract new members in 2023. We launched the MyRewards Platinum and Gold Visa® debit cards, where members can upgrade their debit card to earn points for everyday purchases that are redeemable for gift cards and other rewards. These card holders also receive unique benefits, such as emergency roadside assistance, hotel and rental car discounts, and prescription savings. The Max Savings Account was introduced exclusively for new members and features an interest rate currently 10x the average national savings account rate. The account holder can open an account for as little as \$0, will earn interest with a minimum of only \$100, and the dollar amount that earns full interest is not capped.

Statement of Operations**2022****2023****Income**

Interest on Loans	\$30,234,328	\$39,149,117
Investments	3,747,445	6,375,080
Other Operating Income	<u>23,257,350</u>	<u>22,549,379</u>
Total Income	57,239,123	68,073,576

Expenses

Operating Expenses	36,912,206	39,108,999
Interest Expenses	7,107,964	17,493,011
Interest Expense on Borrowing	0	409,424
Provision for Loan Loss	2,265,469	7,207,040
Other Non-Operating (Income) Expenses	<u>808,745</u>	<u>438,372</u>
Total Expenses	<u>47,094,384</u>	<u>64,656,846</u>
Net Income	<u>\$10,144,739</u>	<u>\$3,416,730</u>

Distribution of Income

Dividends Returned to Members	7,107,964	17,493,011
Transferred to Reserves	<u>10,144,739</u>	<u>3,416,730</u>
Total Distribution	\$17,252,703	\$20,909,741

Balance Sheet

Assets	\$1,091,093,692	\$1,080,041,520
Deposits	\$983,709,655	\$954,300,132
Loans	\$740,551,478	\$777,670,028
Members	61,001	62,006

Assets

Loans	\$740,551,478	\$777,670,028
Less Allowance for Loan Loss	<u>(5,014,959)</u>	<u>(11,860,776)</u>
<i>Net Loans</i>	735,536,519	765,809,252
Cash	54,538,473	51,052,980
Investments	221,781,037	181,558,395
Fixed Assets	38,082,327	40,572,889
Other Assets	<u>41,155,336</u>	<u>41,048,004</u>
Total Assets	<u>\$1,091,093,692</u>	<u>\$1,080,041,520</u>

Liabilities		
Accrued Expenses & Other Liability	\$14,987,632	\$13,467,722
Note Payable	<u>0</u>	<u>20,045,551</u>
Total Liabilities	\$14,987,632	\$33,513,273
Membership Equity		
Shares	\$449,887,784	\$409,288,712
Share Drafts	218,695,457	204,629,524
Certificates of Deposit	239,868,531	275,117,732
IRA Deposits	51,028,232	48,576,934
Money Market Deposits	<u>24,229,650</u>	<u>16,687,230</u>
Total Membership Equity	\$983,709,654	\$954,300,132
Reserves		
Regulatory Reserves	\$9,277,031	\$9,277,031
Investment Fair Value Adjustment	(19,303,758)	(14,581,645)
One-time Accounting Adjustment	0	(8,307,133)
Undivided Earnings and Net Income	<u>102,423,133</u>	<u>105,839,862</u>
Total Reserves	\$92,396,406	\$92,228,115
Total Liabilities, Membership Equity and Reserves	<u>\$1,091,093,692</u>	<u>\$1,080,041,520</u>