

Financial Security Credit Union



2021 Annual Meeting

October 16, 2021

Chairman's Report

Sixty-seven years ago, the credit union opened with one purpose—to help our members achieve their financial goals.

For most of us, 2020 was a year that we won't soon forget and will be remembered as one of our country's most challenging times. The pandemic has affected all of our lives in ways that no one could have imagined and has brought new challenges for each of us. At Financial Security Credit Union, we are continuing to explore new ways to provide you options to safely access your accounts and conduct transactions whenever and wherever you need. Since we last visited, we have been able to achieve the following:

- Upgraded our Diamond Shield Checking account to the new and improved Diamond Shield Club account. This account offers the identity protection and cell phone coverage you have come to trust, but now also has a financial wellness platform, roadside assistance, shopping rewards, and travel, leisure AND health discounts;
- Complete a successful conversion to our new virtual branch web page – VB Next, which includes a real-time upload to Excel and a variety of additional online forms, such as travel notifications, statement reprint request, and stop payment orders, just to name a few;
- Refine our paperless processes within our lending department;
- Customize the look and feel of our mobile app, initiating ease of use and allowing for additional features;
- Expand our commercial loan portfolio;
- Add debt protection to our suite of lending services to provide for our members when they are at their most vulnerable. The protection includes a life and disability benefit and involuntary unemployment benefit. We can now cover events such as terminal illness, family medical leave, hospitalization and much more;
- And finally, we were able to complete a project to upgrade internet service to our south branch location for faster, more reliable service to our members.

This year, Financial Security Credit Union celebrates 67 years of service to the Eddy County community. In this time of disruptions, we are grateful for your trust and patience as we work to serve you during these challenging times. As your financial partner, we continue to be dedicated to serving you and helping you reach your financial goals, just as we did in the beginning.

On behalf of the Board of Directors of Financial Security Credit Union – THANK YOU.

Jason Crockett
Chairman of the Board

Treasurer's Report

Financial Security Credit Union experienced strong financial growth in 2020 and ended the year with a capital ratio of 12.39%. At quarter-end, September 30, 2021, capital is 12.40%, which remains strong as determined by standards set by our regulators. At year-end, 2020, the credit union was \$53M in assets. Since this time, we have grown an additional 2.17% and currently sit at \$54.8M in assets. The Board of Director's continues to monitor Asset Liability Management through our ongoing association with Catalyst Corporation Federal Credit Union.

As we continue to recover from the events of 2020 that created economic challenges for everyone, we are committed to strategies that strengthen our financial position and protect assets so we can continue to provide the products and services members value most.

Kay Tigert
Board Treasurer



Financial Statement Report

STATEMENT OF CONDITION

	2019	2020	Sept 30, 2021
Assets:			
Loans	\$31,560,058.83	\$31,555,033.87	\$31,652,948.52
Cash	7,107,809.90	13,404,105.97	14,718,087.23
Investment Accounts	4,530,896.00	3,032,896.00	3,282,896.00
Accrued Income	192,288.26	205,488.69	189,951.76
Prepd/Deferred Exp	39,665.37	63,975.47	76,044.30
Fixed/Other Assets	4,613,154.78	4,642,327.54	4,719,462.57
Reserve of Loan Loss	-139,619.37	-136,152.82	-206,829.84
NCUSIF	362,644.88	438,026.77	465,988.98
Total Assets:	\$48,266,898.65	\$53,205,701.49	\$54,898,549.52
Liabilities & Capital:			
Accounts Payable	153,152.71	125,987.16	120,542.57
Accrued Expense	264,528.23	338,754.18	496,263.68
Member Share Accounts	41,494,714.88	46,149,606.68	47,473,358.12
Regular Reserve	406,968.34	406,968.34	406,968.34
Undivided Earnings	5,947,534.49	6,184,385.13	6,401,416.81
Total Liabilities/Capital:	48,266,898.65	\$53,205,701.49	\$54,898,549.52

STATEMENT OF INCOME

	2019	2020	Sept 30, 2021
Income:			
Int Earned on Loans	\$1,922,105.07	\$1,715,663.82	\$1,225,827.40
Inc from Investments	292,301.13	138,282.76	39,630.13
Misc Income	671,663.61	941,056.58	818,471.24
Total Income:	\$2,886,069.81	\$2,795,003.16	\$2,083,928.77
Total Expense:			
Total Expense:	\$2,499,316.47	\$2,465,560.41	\$1,916,675.18
Gain/Loss on Assets/Investments	-240,977.61	-76,828.53	-146,003.86
Total Dividends	133,417.40	169,420.64	96,225.77
Total Expense:	2,391,756.26	\$2,558,152.52	\$1,866,897.09
Net Income:	\$494,313.55	\$236,850.64	\$217,031.68

Supervisory's Report

The purpose of the Supervisory Committee is to protect the member's assets, ensure accurate records and maintain quality systems of checks and balances. The committee utilizes the support of an internal Supervisory auditor, strictly following an audit plan, to review selected credit union processes on an ongoing basis.

The Committee oversees that credit union operations are conducted in accordance with credit union governing rules and regulations. The Supervisory Committee retained the services of Waypoint Financial Services, LLC to complete the following audits:

Automated Clearing House	as of December 31, 2020
Bank Secrecy Act	as of December 31, 2020
Agreed Upon Procedures	as of December 31, 2020

Further audits were completed by Cornerstone Resources:

IT, Cyber, and Physical Security	
Audit, including	
Vulnerability Test	as of September 21, 2020
Member Statement	as of June 30, 2020

And finally, an examination of record was performed by the Financial Institutions Division for the State of New Mexico, qualifying the safety and soundness of the credit union as of March 31, 2021.

Based on information gathered from these external audits and examinations, as well as our own internal audits of credit union, it is the opinion of the Supervisory Committee that Financial Security Credit Union is conducting its affairs in a fiscally responsible and sound manner to protect the interest of its member-owners.

Nicole Walker
Supervisory Chair



President's Report

On behalf of the entire staff of Financial Security Credit Union, let me begin by saying, "Thank you". Thank you for believing in us during such trying times. Thank you for trusting us to provide you the products and services you needed to care for your family and finances. Thank you for staying strong; as together we are better than divided apart.

2020-21 was an exciting year, where we made several advances in credit union services:

First and foremost, FSCU's first priority was to provide help to our members, where needed. We established two permanent "at home" offices, so we would never have to cease service to our members. A third office was designed to "float". Through the pandemic, with these **three at-home offices**, we were able to provide uninterrupted service and lending to our members.

Furthermore, FSCU participated in the Small Business Administration's **Paycheck Protection Program**, helping our small business owners with emergency funds. For our consumer borrowers, FSCU completed 31 **pandemic loans** to help our members who were adversely affected by Covid-19, and we were able to **extend payments on \$6.2M dollars in loans**.

Within our lending department, the **Commercial Loan** portfolio continues to grow. FSCU also completed an upgrade to our web page (finseccu.com), which included the addition of a **full lending application with upload capabilities**.

Among other achievements within the lending department would be the initiation of our new **Debt Protection** product. This product contains enhancements such as:

- Life Plus Coverage, with no age maximum and no health questions.

 - Includes Accidental Dismemberment; Terminal Illness; Family Medical Leave, Hospitalization; and Loss of Life of Non-Protected Dependent

- Disability Coverage

- Involuntary Unemployment Coverage

Other services new to FSCU this year include:

- ***Merchant Services** for our small to medium size business owners. With this service, FSCU can now provide our business members with state-of-the-art "**Clover**" **Point of Sale and Business Management Solutions**, making merchant payment acceptance much easier. "Clover" offers more than 450 apps to help businesses streamline their payroll, taxes, inventory management and more all through their "Clover" device.

- *An upgrade to our mobile application, now featuring our **Mobile Branded App**.

- *The conversion to our new virtual banking platform, now called **VB Next**. The new platform now includes the following **online forms** for your convenience:

 - Check Reorder

 - Stop Payment Order

 - Stop Payment Order

 - Statement Reprint

 - Travel Notification

 - and More

Internally, we have had system upgrades that will help us to better serve you. Like,

- *Upgrades to our **branch internet service**, both on the primary and secondary service.
- *Upgrade to an **Enhanced EPOC** to provide a more pleasant debit card experience.
- *And additions to our in-house **security monitoring** systems.

In our community, FSCU has been out and about.

In August, 2021, FSCU held our **2nd Annual Charity Golf Tournament** benefiting the New Mexico Credit Union's Connected Academy. The Connected Academy provides education to the patients at UNM Children's Hospital, and their siblings, with an accredited full-time educator. This is a state-accredited, year-round elementary and high school, which operates in a hospital setting, using material from the child's specific school.

FSCU also continues to provide **Banzai Financial Literacy** to all Eddy County schools/teachers. Banzai is an award-winning, interactive content platform that teaches real-world finance.

In August, 2021, FSCU awarded \$4,680 to two Eddy County non-profits through our on-going "**Be Known for Something**" campaign. Over the last seven years, FSCU has awarded over \$22,000 into our community through this program.

On the legislative/regulatory front, FSCU will continue to fight for protections for our members.

***Taxation of your credit union dollars.** A tax on credit unions is just another tax on over 100 million Americans who use those credit union services and we will continue to fight to protect your dollars.

*Under the Biden administration's **American Families Plan**, there is a proposal which would require financial institutions to report to the IRS on all deposits and withdrawals, through business or personal accounts, worth more than \$600, regardless of tax liability. FSCU will continue to monitor this proposed piece of legislation and we will be prepared to take action, if and, when necessary.

So, what does the future hold for FSCU? - - Only good things:

- *A **conversion** to an improved core system enabling us to provide even more services.
- *Further upgrades and enhancements to our **web page**.
- *A fully automated, paperless, **new account platform**.
- ***Electronic delivery** of notices, flyers and brochures.
- *Initiation of a **digital wallet**.

I speak for the entire staff and volunteers when I say it is an honor to represent you.

Judy Carrasco
President/CEO

Nominating Committee

It shall be the duty of the nominating committee to nominate one or more nominees for each vacancy, including any unexpired term vacancies, for which elections are being held.

All elections shall be determined by plurality vote, except when there is only one nominee for the office.

The slate of volunteers is presented to the membership and appointed by acclamation for another two-year term:

Board of Directors

Riley Neatherlin*
Kay Tigert*
Victor Martinez

Supervisory Committee

Lynn Strickland*
Carol Castillo*

*Denotes Incumbents

Respectfully submitted,

Financial Security Credit Union Nominating Committee



MINUTES OF THE ANNUAL MEETING

FINANCIAL SECURITY CREDIT UNION OCTOBER 3, 2020

On October 3, 2020, Financial Security Credit Union held a drive-through, Covid-19 compliant, Annual Meeting from 9:00am to 3:00pm at 2603 South Canal, Carlsbad. All members who participated were required to register and were given an Annual Meeting packet. A quorum was ascertained. There were 400 members registered.

The Annual Meeting packet included:

- Minutes of the previous annual meeting
- Chair's Report
- Treasurer's Report
 - Statement of Condition
- Supervisory Committee Report
- President/CEO Report.
- Nominating Committee Report
- Service Awards
 - Riley Neatherlin 3 years
 - Sonya Carrillo 6 years
 - Sarah Abell 10 years

There was no unfinished business.

The "Refer A Friend" promotional drawing was held at 3:00pm. Member, Joleen Duran, won her choice of a two-night stay at the Inn of the Mountain Gods in Ruidoso, NM or the value of that trip (\$350) in cash. The member has until September 30, 2021 to claim the prize.

Riley Neatherlin, Kay Tigert, Roberto Chacon, Carol Castillo, and Lynn Strickland were the Nominating Committee. The slate of officers was presented to the membership and appointed by acclamation for another two-year term. All re-elected officials are incumbents.

Board of Directors:
Jason Crockett
Misti Fernandez

Supervisory Committee:
Nicole Walker

The meeting was adjourned at 3:00pm.



PRODUCTS

SAVINGS ACCOUNTS

Membership Account
Business Membership Account

CHECKING ACCOUNTS

Diamond Shield Checking Account
Just For You Checking Account
Young Adult Checking
Senior Checking Account
Business Checking Account

CLUB ACCOUNTS

Christmas Club
Baby Kirby Roo Club
Kirby Kangaroo Club
CU Succeed Teen Club

INVESTMENTS

Individual Retirement Accounts
 Traditional
 Roth
Individual Retirement Certificates
 Traditional
 Roth
Certificate of Deposits

LOANS

Consumer Loans
 New & Used Autos
 Unsecured
 Motor Sport
 Recreational Vehicles
 LOTS MORE.....
PayDay Loans (PAL)
Commercial Loans
 Vehicle – New & Used
 Equipment – New & Used
 Line of Credit
Sallie Mae Student Loans
VISA Credit Card
Overdraft Protection Loan

SERVICES

ELECTRONIC SERVICES

Debit Card
Card Valet
Homebanking
CheckFree Bill Payment
eStatements
Mobile Banking
PopMoney
Remote Deposit Capture
Text Banking
Electronic Cash Management (ECM)
ACH Transactions
Direct Deposit
Wire Transfer

OTHER SERVICES

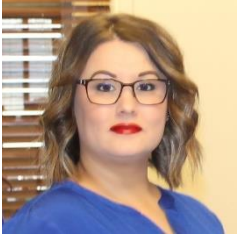
Guaranteed Asset Protection (GAP)
Mechanical Repair Coverage (MRC)
Debt Protection
TruStage Insurance
Night Drop
Notary Services

FSCU ATM LOCATIONS

1105 West Pierce St Carlsbad, NM
2603 South Canal St Carlsbad, NM
502 Center Avenue (BES) Carlsbad, NM



Service Awards



Jessica Castillo, Supervisory Auditor
6 Year Service Award

Jessica Castillo began working at Financial Security CU in 2014. She began with the credit union as a part-time teller and has worked her way up through the ranks to Supervisory Auditor. In 2022, Jessica will begin a new adventure, attending CUNA Audit School, a three-year program to receive her audit certification. Good Luck, Jess. I know you'll do great. Thanks for all you do.



Chelsea Garza, Member Service Representative/Youth Representative
6 Year Service Award

Chelsea Garza came to Financial Security CU, as our New Account Representative, in 2014. During this time, she has worked with the youth designing programs, events and projects to keep them engaged in financial literacy. Chelsea is also our "one to call" when members have questions about one of our many electronic services. She was instrumental in the development and design of our Diamond Shield Club Checking Account.

Chelsea is a member of the Marketing Committee and continues to oversee all youth activity for the credit union. Thank you, Chelsea for always being there for FSCU and our members.



Lynde Navarrette, Administrative Assistant
6 Year Service Award

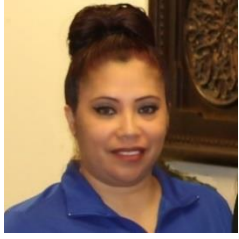
Lynde Navarrette began working at Financial Security CU in 2014 as a part-time switchboard operator. During her tenure with the credit union, she has trained in new accounts, ACH processing and a multitude of other financial services. Through these responsibilities, Lynde moved into a full-time position working closely with the executive team within the organization. In 2020, she became their Administrative Assistant. Thank you, Lynde. We all appreciate everything you do for us.



Danielle Mendoza, Loan Processor
6 Year Service Award

Danielle Mendoza began as an MSR in 2014 for Financial Security CU. She worked at our South Canal branch and was also backup for the Branch Manager. In 2018, Danielle moved into a lending position as a Loan/Insurance Clerk. She accepted a project to design and initiate a PayDay Alternative Lending product, a portfolio which she continues to successfully run. Currently, Danielle is a Loan Processor handling a variety of loan tasks such as member interviews, loan closing and title and insurance processing.

Danielle is a member of the Loan Committee and is a Certified Financial Counselor. Thank you, Danielle. We truly appreciate all you do.



Michelle Roybal, Consumer Loan Officer II
6 Year Service Award

Michelle Roybal came to Financial Security CU in 2014 as a Consumer Loan Officer. She continues to build her portfolio, while maintaining loans in excess of \$19M. Michelle has been instrumental in moving the credit union into a paperless lending environment, including participating in the redesign of our online lending application.

Michelle is a member of the Loan Committee and is a Certified Financial Counselor. Thank you, Michelle for helping move FSCU forward. We couldn't do it without you.



Kimberly Porrás, Member Service Representative
3 Year Service Award

Kimberly Porrás began working at Financial Security CU in 2017. She began with the credit union as a paying/receiving teller and is currently a Member Service Representative. Kimberly helps our members with a variety of financial needs, such as new accounts, debit card related issues and a variety of electronic service needs.

Thank you, Kimberly for all you do.



Jasmine Sosa, Member Service Representative
3 Year Service Award

Jasmine Sosa began working at Financial Security CU in 2018. She began as a paying/receiving teller and is currently a Member Service Representative. Jasmine is trained in vault and ATM balancing, all electronic and debit card services and is backup for our bookkeeping department.

Thank you, Jasmine. Thank you for always being there to help.



Misti Fernandez, Board of Directors Vice-Chair
20 Year Service Award



Nicole Walker, Supervisory Chair
15 Year Service Award

Staff Spot Light



**Kathy Navarrette, Vice President/Operations
40 Year Service Award**

On August 16, 1974 an application was submitted to the Carlsbad Teachers Credit Union to “employ a student-learner at subminimum wages”. That application was granted and on August 19, 1974 Kathy Downen Navarrette began her service to the credit union. She worked part-time answering phones, typing, filing, and as an assistant bookkeeper all for \$1.50/hr.

In 1975, Kathy left for a brief period to go work for Carlsbad Municipal Schools, as a full-time “math aid”.

Upon her return to the credit union in 1981, she again worked with Manager, Jane Frost, as a full-time Assistant Manager/Bookkeeper.

Kathy has seen many changes at the credit union through her career. In the beginning, the credit union only offered savings and loan products to the members. Over the years, Kathy has participated in structuring and implementing a suite of products and services to help our members with

their financial needs. She has witnessed a successful name change in 2006 from Carlsbad School Employees Credit Union to Financial Security Credit Union. She has assisted in the design and completion of two credit union facilities – both the Pierce Street and South Canal locations – evolving from four full-time employees to 17 FTE.

Today, Kathy is responsible for all credit union operations, including managing a staff of 12, Human Resources, including payroll, IRA implementation and transactions, and compliance and regulation oversight, and on and on and on.....

Outside of these walls, Kathy and her husband Eloy, enjoy being with their family and friends. She loves to sew and quilt, and is devoted to her church, where she volunteers.

Since 1981 (and before), Kathy has received numerous awards and accolades from members and peers. Her devotion to the credit union, and its members, is immeasurable. There are not enough words to express how thankful we all are to have her in our lives each day.

WE LOVE YOU!