



Financial Security Credit Union

ANNUAL MEETING REPORTS

OCTOBER, 2022

CHAIRMAN'S REPORT

Credit Unions are very unique in the financial world. Our focus is on you, our member/owner, and how we can serve you best. In general, we are trying to do two things to improve service:

#1 - We are trying to make it easier for you to do business with Financial Security Credit Union. For example: we continue to strive to provide more digital services. We recognize, "convenience is the new loyalty" and we want to make sure our members have the financial services they need to prosper.

#2 - We are trying to reduce the costs of running the Credit Union. We are constantly looking for ways to improve efficiencies. Through the evaluation of income and expenses, we determine areas of need and/or improvement and move to establish a strong environment for success.

Since our last meeting in October, 2021, there have been many transformative changes. We promised you that we would continue to make enhancements to our products and services, improve our infrastructure, and expand our technology. I'm pleased to announce some of the following improvements that have been implemented.

FSCU is now over 5,000 members

Completed enhancements to our mobile app

Completed enhancements to virtual branch

Completed building and lot improvements

Although we have accomplished much, we remain driven to continue to improve our infrastructure to enhance your member experience.

In 2023, FSCU is looking to expand through physical presence, digital offerings, as well as improve and expand services for both our consumer and business member.

We know we can't predict the future, but if we stay true to who we are and the values of Financial Security, we will continue to be a successful organization. We are so proud of our team and what everyone has accomplished. Our future is bright and our story continues to be told one member at a time.

The Board of Directors and staff remain dedicated to improving service and trying to earn your trust each and every day. Thank you for being a member of Financial Security Credit Union and recognizing the unique value that our Credit Union offers.

Jason Crockett
Board Chair



SUPERVISORY REPORT

As volunteer members of this Committee, we are dedicated to ensuring the safety and soundness of our policies, procedures and practices as well as the financial position of Financial Security Credit Union. We work to ensure the accuracy of records, make sure member deposits are adequately protected and that operations are in compliance with all federal and state regulations, as well as our own bylaws, policies and procedures. We do this with the assistance of the Internal Auditor, Waypoint Advisory Services, Inc., and state and federal agencies.

The Supervisory Committee retained the services of Waypoint Advisory Services, Inc to complete the following audits:

Automated Clearing House	as of December 31, 2021
Bank Secrecy Act	as of December 31, 2021
Agreed Upon Procedures	as of December 31, 2021

Further audits were completed by Cornerstone Resources:

IT, Cyber, and Physical Security Audit	as of August 19, 2022
Member Statement	as of June 30, 2022

And finally, an examination of record will be performed by the Financial Institutions Division for the State of New Mexico, qualifying the safety and soundness of the credit union as of September 30, 2022.

After reviewing the results of past audits and examinations, our Supervisory Committee can confidently report that Financial Security Credit Union continues to be financially strong and well managed with sound policies and programs.

Nicole Walker
Supervisory Chair



Can you feel the love?

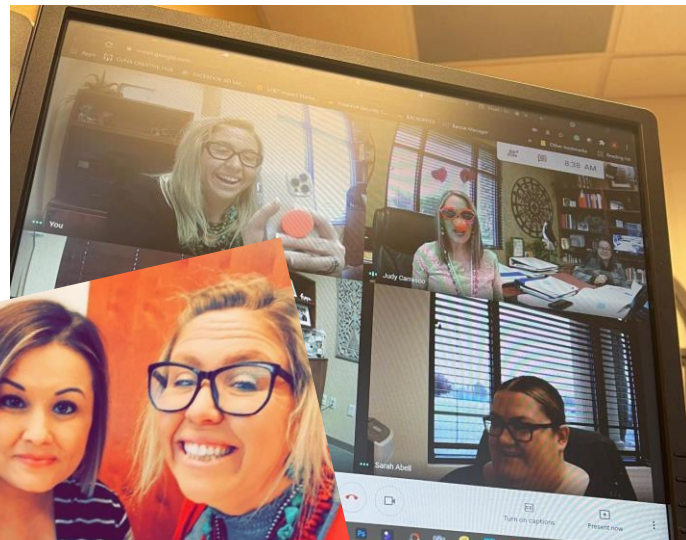
TREASURER'S REPORT

As custodians of your Credit Union, the Board of Directors must ensure that member deposits are safe and secure, and that management conducts operations to produce healthy financial growth. Diligent adherence to sound financial principles lead Financial Security to another successful year. This financial performance is the byproduct of a disciplined approach to managing expenses and proven ability to attract deep relationships from members.

In 2022, Financial Security Credit Union's balance sheet expanded over the first half of the year due to loan growth. Return on Assets also grew as provision expenses fell and non-interest income increased. Loan quality also improved with a decrease in both delinquencies and net charge-offs. Although falling, liquidity remains in a strong position, with the cash and short-term investments to assets ratio at 25.4%. Interest rate risk is low in both the intermediate and long-term as measured by NII and NEV in both the standard and NCUA Supervisory Test scenarios.

Financial Security remains well capitalized with net worth ratio of 12%. This puts the credit union in a position to continue our mission of being our member's trusted financial partner. We look forward to 2023 and the opportunity to help our members achieve their financial goals.

Kay Tigert
Board Treasurer



And through it all, we try to have some fun! Yup - usually involves food.

STATEMENT OF CONDITION

BALANCE SHEET

	2020	2021	31-Aug-22
Assets:			
Loans	\$31,555,033.87	\$32,452,125.24	\$35,657,889.53
Cash	13,404,105.97	15,766,367.51	12,609,181.97
Investment Accounts	3,032,896.00	2,532,896.00	5,532,896.00
Accrued Income	205,488.69	203,233.96	211,659.15
Prepd/Deferred Exp	63,975.47	67,483.85	80,744.52
Fixed/Other Assets	4,642,327.54	4,708,439.23	4,596,502.23
Reserve of Loan Loss	-136,152.82	-218,052.77	-272,787.13
NCUSIF	438,026.77	465,988.98	464,907.67
Total Assets:	\$53,205,701.49	\$55,978,482.00	\$58,880,993.94
Liabilities & Capital:			
Accounts Payable	\$125,987.16	\$127,344.17	153,734.26
Accrued Expense	338,754.18	493,644.55	421,090.26
Member Share Accounts	46,149,606.68	48,539,281.90	51,180,194.20
Regular Reserve	406,968.34	406,968.34	406,968.34
Undivided Earnings	6,184,385.13	6,411,243.04	6,719,006.88
Total Liabilities/Capital:	\$53,205,701.49	\$55,978,482.00	\$58,880,993.94

INCOME STATEMENT

	2020	2021	31-Aug-22
Income:			
Int Earned on Loans	\$1,715,663.82	\$1,634,964.99	\$1,100,961.35
Inc from Investments	138,282.76	47,241.67	108,535.59
Misc Income	941,056.58	1,063,014.84	783,729.44
Total Income:	\$2,795,003.16	\$2,745,221.50	\$1,993,226.38
Total Expense:			
Total Expense:	\$2,465,560.41	\$2,556,073.53	\$1,525,297.55
Gain/Loss on Assets/Investments	-76,828.53	-156,571.58	103,388.21
Total Dividends	169,420.64	118,861.64	56,776.78
Total Expense:	\$2,558,152.52	\$2,518,363.59	\$1,685,462.54
Net Income:	\$236,850.64	\$226,857.91	\$307,763.84

PRESIDENT'S REPORT

It matters where you bank.

It's been a year of solid deposit and loan growth for Financial Security Credit Union and we truly appreciate your continued loyalty and support. Throughout 2022, we turned challenges into opportunities and maintained our focus on prioritizing the many strategic initiatives that drive our vision toward future success - here are some highlights:

- In December, 2021, Financial Security hit a milestone: 5,000 members. The Credit Union was chartered on October 7, 1954 with 9 charter members and \$300 in assets. These founding members wanted to give individuals and families a better financial service alternative, delivered with the philosophy of "People Helping People". Today, the Credit Union celebrates 5,128 members and \$58 million in assets.
- We have updated our Mobiliti app offering next-generation digital capabilities. Our members now have one mobile app to manage your credit/debit cards, check account balance, transfer funds, receive real-time alerts and so much more. If you don't already have our mobile app - now's the time.
- It's back. Enhanced Authentication has been added back into the virtual branch platform. Now, when you log-in you will be required to answer your personally-chosen security questions. Your financial well-being is high on our priority list. This service will continue to protect your private information.
- Did you know that Financial Security offers Merchant Services for our business members? That's right - through Clover, we have what you need to run your business smarter, faster and easier. Clover handles payments, invoicing, sales tracking and reporting, employee management, and so much more. Give us a call and we can put you in touch with our merchant services representative today.
- Financial Security has been able to contribute over \$24,600 into our community. And through the Credit Union's annual "Be Known for Something" campaign an additional \$5,000 was donated, as well. A few of those recipients include Connected Academy, Life House, Carlsbad Community Anti-Drug & Gang Coalition, The Carlsbad Assistance League, Cavemen/Cavegirls/Falcon Athletics, Eddy County 4H, Heights Lions, Class Act, Falcon Fest, VFW Auxiliary and much more.
- For the better part of 2022, we have been under construction here at Pierce Street. We have spruced up walls with new, beautiful paint and completely re-carpeted the entire building. AND NOW, we are awaiting a refresh on the exterior of the building. It's been a long haul but will be so worth it to give our building new life.

With all that - what's next:

- In 2023, FSCU will complete a core systems conversion. With this upgrade, the Credit Union will be able to initiate services, such as:
 - **Account Analysis** for our business accounts, provides a flexible service charge method where an Earnings Credit Allowance may be used to offset fees.
 - Members will be able to **apply and open accounts via the internet**. This web-based service will provide instant access to the Credit Union.
 - **Relationship Pricing** will allow the Credit Union an opportunity to reward members based on the number and type of accounts/services held by each member. Rewards

could include discounted or no fees, discounts on loans, and/or bonus rates on shares and share certificates, just to name a few.

- **Zelle** is a fast, safe and easy way to send and receive money with friends, family and others you trust, regardless of where they bank.
- **Electronic receipts and notices** will allow the member the option to continue to receive paper receipts and notices verses electronic delivery.

This is just a few of the enhancements and doesn't even include the capabilities and efficiencies that will immediately become available to the staff.

- Financial Security is scheduled to begin a Real Estate Lending program by year-end 2022. Our goal is to help our members with their real estate needs. Contact us for more information.
- And once again, FSCU is looking to expand in underserved areas.

The Credit Union's 2022 Annual Report will be made available on our website.

As we move closer to another new year, I am reminded of how grateful I am for you – your membership, your support, and your continued trust in us as your financial partner. I also want to extend my gratitude to our Board of Directors, giving generously of their time and resources. Our Board has played an integral role in our growth and transformation as a credit union. They have served you, our membership, with an emphasis on integrity and strength. It matters where you bank!

Judy Carrasco
President/CEO



Mission Statement

Financial Security Credit Union seeks to maintain its long-term financial stability, while protecting the assets of the members.

Vision Statement

“Our passion is our service to our member-
Our commitment is to your future”

Values Statement

Helpful
Excellent
Ambitious
Reliable
Trustworthy

MINUTES OF THE ANNUAL MEETING

OCTOBER 16, 2021

On October 16, 2021, Financial Security Credit Union held a drive-through, Covid-19 compliant, Annual Meeting from 9:00am to 12:00pm 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 283 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

Misti Fernandez 20 years

Nicole Walker 15 years

Jessica Castillo 6 years

Chelsea Garza 6 years

Lynde Navarrette 6 years

Danielle Mendoza 6 years

Michelle Roybal 6 years

Kimberly Porras 3 years

Jasmine Sosa 3 years

There was no unfinished business.

The "Refer A Friend" promotional drawing was held at 12:00pm. Member, Alicia M Castillo, 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, 2022 to claim the prize.

Jason Crockett, Misti Fernandez, and Nicole Walker were the Nominating Committee. The slate of volunteers was 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

The meeting was adjourned at 3:00pm.



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

Jason Crockett*

Misti Fernandez*

Supervisory Committee

Nicole Walker*

*Denotes Incumbent

Respectfully submitted,

Financial Security Credit Union Nominating Committee



SERVICE AWARDS



Kay Tigert, Board Treasurer
15-Year Service Award



Jason Crockett, Board Chair
10-Year Service Award



Carol Castillo, Supervisory Member
3-Year Service Award



Lynn Strickland, Supervisory Member
3-Year Service Award



Ashley Switzer, Marketing Representative
6-Year Service Award

Ashley Switzer began working at Financial Security in 2015. She is our Marketing and Business Development Representative. You'll see Ashley out-and-about as she is active on many community boards. She remains instrumental in moving the credit union, and our members, forward with valuable products/services.

Thank you Ashley, for all you do for FSCU and our community.

PRODUCTS AND SERVICES

SAVINGS ACCOUNTS

- Membership Accounts
- Business Membership Accounts

CHECKING ACCOUNTS

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

CLUB ACCOUNTS

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

INVESTMENTS

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

LOANS

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

ELECTRONIC SERVICES

- VISA Debit Card
- Mobile App (Mobiliti)
- Home Banking
- On-line Bill Pay
- eStatements
- 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, including
 - Life Coverage
 - Disability Coverage
 - Involuntary Unemployment
- TruStage Insurance
- Night Drop
- Notary Services

FSCU ATM LOCATIONS

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



Donuts, anyone?