

October 3, 2020



Financial Security Credit Union

Annual Reports 2019 (2020)

Chairman's Report

In 2020, we're celebrating sixty-six years as a credit union and one of our most successful years to date in 2019. We feel truly fortunate to have so much to celebrate this year. Even as we look back on the past sixty-six years, and how we got here, we are also looking forward to the growth and success that is yet to come.

In 2019, Financial Security Credit Union (FSCU) continued on a path of excellence. Since we last met, the credit union has seen record growth, now serving approximately 5,000 members between two locations. FSCU has gone through a rethinking of our strategies, moving more and more toward electronic services to enhance our member's experience. Keeping up with the rapid transition to a digital financial experience means our members can apply for accounts and loans, communicate with credit union personnel, and complete transactions all through the use of your electronic device. Even more, you can always access your FSCU account around the clock with online, mobile and text banking. And if that isn't enough, we have initiated a number of new services, including:

- FastTrack Commercial Lending,
- Spanish language conversion toggle on our webpage – finseccu.com,
- PayPrompt, a mobile payment notification system,
- and our most recent project – “How To” videos on our webpage; providing our members the help they need when initiating new FSCU services from the comfort of their home.

Financial Security has also done our part to help our members in this unprecedented time. With the announcement of the world-wide pandemic, FSCU immediately enrolled in the Small Business Administration's Paycheck Protection Program, giving our commercial members access to federal funds to be able to continue to operate their businesses. Internally, we designed a Pandemic Relief Loan and Loan Extension product, to help our members who suffered an employment layoff, reduction of salary, or increase in responsibilities within the home, such as an increase in the number of residents.

Our success is attributed to the hard work of our highly trained, dedicated, and experienced staff, who are focused on delivering the highest levels of member service at every step. When members choose Financial Security Credit Union, they receive access to top of the line technology and a personal approach to managing their financial lives.

As we reflect on our years as a credit union, it is clear that our philosophy and our commitment to our members has remained unchanged even as the world around us changes. We will continue to grow and adapt to the needs of our members. Thank you for choosing FSCU.

Jason Crockett, Chairman of the Board

Treasurer's Report

As Treasurer of Financial Security Credit Union, I am pleased to share that your credit union remains financially sound, strong, and stable. The Board and management will continue to operate your credit union using guarded and sensible decisions that are rooted in the needs of the membership. To be considered well capitalized by the National Credit Union Administration (NCUA), a credit union must meet a capital ratio of at least 7%. We are proud to report that FSCU's capital ratio at year-end 2019 was 13.17%; at June 30, 2020 quarter-end, that ratio was 11.93%, which remains extremely strong. Assets have grown 3.56% in 2019, ending the year with assets of \$48,266,898.65; and we have continued to grow another 18.01% through June 30, 2020, ending the quarter with assets of \$55,002,514.59. On the following page, we present a breakdown of the assets and liabilities of Financial Security Credit Union.

Financial Security Credit Union is equipped for continued growth for many years to come. I am proud to look ahead and witness the credit union move to expand on products, services and accessibility to support our members.

Kay Tigert, Treasurer



STATEMENT OF CONDITION

	2018	2019	June 30, 2020
Assets:			
Loans	\$29,208,025.78	\$31,560,058.83	\$31,092,329.98
Cash	7,585,958.41	7,107,809.90	14,833,497.95
Investment Accounts	5,030,896.00	4,530,896.00	4,032,896.00
Accrued Income	166,903.80	192,288.26	217,213.04
Prepd/Deferred Exp	35,869.77	39,665.37	105,763.05
Fixed/Other Assets	4,373,938.61	4,613,154.78	4,534,613.04
Reserve of Loan Loss	-145,275.68	-139,619.37	-200,647.57
NCUSIF	349,315.61	362,644.88	386,849.10
Total Assets:	\$46,605,632.30	\$48,266,898.65	\$55,002,514.59
Liabilities & Capital:			
Accounts Payable	\$147,668.55	153,152.71	135,373.62
Accrued Expense	30,471.24	264,528.23	232,526.45
Member Share Accounts	40,567,303.23	41,494,714.88	48,160,040.86
Regular Reserve	406,968.34	406,968.34	406,968.34
Undivided Earnings	5,453,220.94	5,947,534.49	6,067,605.32
Total Liabilities/Capital:	46,605,632.30	\$48,266,898.65	\$55,002,514.59

STATEMENT OF INCOME

	2018	2019	June 30, 2020
Income:			
Int Earned on Loans	\$1,785,742.58	\$1,922,105.07	\$953,875.30
Inc from Investments	179,467.97	292,301.13	86,668.28
Misc Income	599,733.05	671,663.61	337,522.46
Total Income:	\$2,564,943.60	\$2,886,069.81	\$1,378,066.04
Total Expense:			
Total Expense:	\$2,089,735.38	\$2,499,316.47	\$1,118,274.54
Gain/Loss on Assets/Investments	2,254.34	-240,977.61	52,059.83
Total Dividends	117,982.04	133,417.40	87,660.84
Total Expense:	2,209,971.76	\$2,391,756.26	\$1,257,995.21
Net Income:	\$354,971.84	\$494,313.55	\$120,070.83



WHO WE ARE

OUR VISION

“Our passion is our service to our members – Our commitment is to your future”

OUR MISSION

Financial Security Credit Union provides the best possible dividends on shares, loans at reasonable rates, a product mix to meet the needs of our members, and to provide efficient and friendly service to those who share our common bond.

The credit union seeks to maintain its long-term financial stability, while protecting the assets of the members.

OUR VALUES

Helpful
Excellent
Ambitious
Reliable
Trustworthy



Supervisory Report

Your Supervisory Committee is an independent authority created and empowered to oversee the activities of Financial Security Credit Union. Our role is simple; it is to protect the interests of the members. The committee achieves this by ensuring a quality system of checks and balances is maintained.

The Supervisory Committee oversees that operations are conducted in accordance with credit union governing rules and regulations. The committee retains the services of an independent audit firm to perform the annual audits. In 2019, the audit firm of Parks and Company completed the following audits:

- Bank Secrecy Act
- Automated Clearing House

And in February, 2019, Credit Union Resources, Inc. completed a Cyber Security Assessment.

After a review of five audit firms, in 2020, the Supervisory Committee hired Waypoint Advisory Services, Inc. as our new external auditor. We are confident that their expertise will bring a new level of oversight to the credit union. To date, in 2020, the firm has completed a 15-month Agreed Upon Procedures audit, as of March 31, 2020.

In April, 2020, Financial Security successfully completed our first-ever, 100% remote examination. The exam was conducted jointly by the National Credit Union Administration and the State of New Mexico, Financial Institutions Division as of December 31, 2019.

The Supervisory Committee would like to thank you, the member, for your continued confidence and trust in Financial Security Credit Union and for partnering with us on your journey to financial success.

Nicole Walker, Supervisory Chair



President's Report

As I look back over 2019-2020, I am please to report that Financial Security Credit Union continues to grow, while maintaining a safe and sound financial condition.

Our membership continues to grow and is now comprised of those who have been with us through many generations, and those who have only been with us for a short time. For those who have been with the credit union for many years – we want to thank you for your continued trust in us. As Financial Security recognizes 66 years of history with you and your family, please know that we remain committed to your financial well-being. And for those of you that are new to Financial Security, we are excited to support you on your financial journey and to help you achieve your financial goals.

Our loans continue to grow as we maintian a course to streamline and enhance the member experience. This process to restructure lending includes a remote, paperless underwriting and closing process that is convenient and safe for our members.

And, our suite of products and services continue to grow to keep up with demand in this everychanging environment. Here's a look at a few of the new things we are working on for 2020:

Diamond Shield Club Account – This product offers ID protection to protect you, your joint account owner, and eligible family members, for any identity fraud event, financial or otherwise, anywhere in the world EVEN if the event has nothing to do with your FSCU account. This also includes credit file monitoring, free credit report, ID theft expense reimbursement coverage and resolution services. Now if that's not enough, effective November 1, 2020, the credit union will be adding the following features to our new "club" account (and all for the same costs):

- +Financial Wellness 360 – Create budges, improve retirement planning or work on improving you credit – all with this enhancement. Contact one of our certified financial counselors should you need assistance.
- +Cellular Telephone Protection – Covers up to four phones listed on your cellular bill. Covers damage and theft up to two claims per year, \$400 per claim.
- +Health Discount Savings – Covers prescriptions, dental and vision.
- +Shopping Rewards – Access to exclusive offers and discounts at thousands of leading online retailers using our customized shopping portal and receive *cash back*!
- +Travel and Leisure Discounts – Local and national discounts such as hotels, restaurants, rental cars, museums, florists, sporting events, and more.
- +VIP Concierge Service – Access to 24-hour travel emergency assistance service.
- +Roadside Assistance Expense Reimbursement – Up to \$80 reimbursement for roadside assistance expense up to 2 claims per year.

Ugraded on-line applications, with upload capabilities – Complete a full digital membership or loan application via our webpage (finseccu.com). Additional features will include document upload capabilities, and e-signature.

VB Next – Our new homebanking site is due to be up and running in 2021.

Branded mobile app – The new branded mobile app will enhance your mobile experience.

“How To” videos – Questions on how to complete a task when beginning a new service at FSCU? Now, you can watch one of our “how to” videos and get help from the experts.

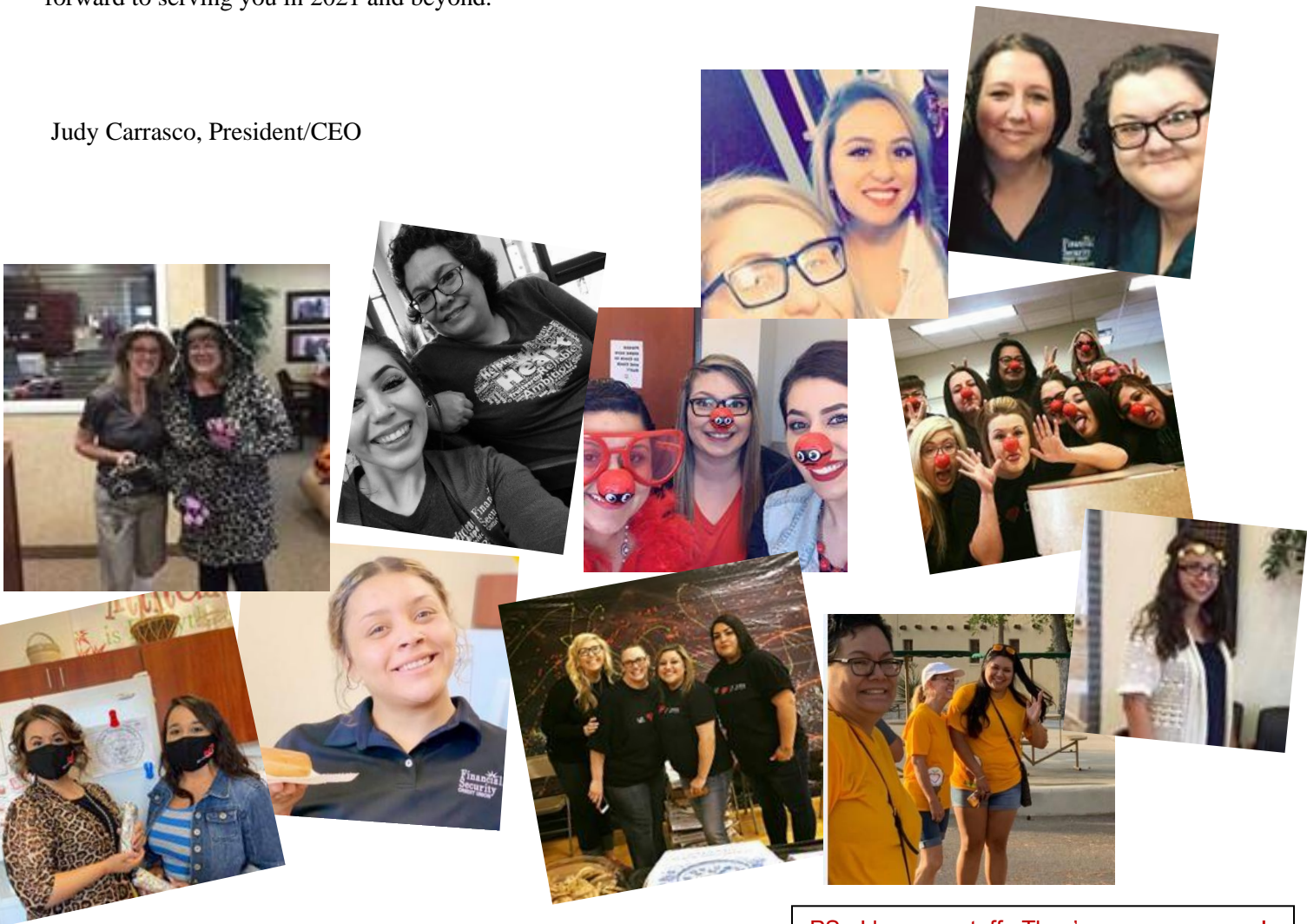
And finally, **a new ATM at the Pierce Street location** – Coming in December, 2020.

Financial Security Credit Union believes that we must have the right balance of personal service, while utilizing technology to achieve efficiencies. We understand that the financial services world is rapidly changing and being able to offer our services in ways that appeal to all of our members is important to us. Whether you want personal service in a branch, or you would prefer to conduct your financial transactions on your smart phone, we believe that we have the tools to meet your needs.

There are many ways to measure the performance of the credit union; quantitative signs, metrics, ratios. At Financial Security we believe that the most important measurement is you.

It is an honor and privilege to serve as your President/CEO and to be a member of a team focused on helping you meet your financial goals. Thank you for your membership and confidence in our credit union. We look forward to serving you in 2021 and beyond.

Judy Carrasco, President/CEO



PS: I love my staff. They're as crazy as me!

Nominating Committee

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

At this time, Financial Security Credit Union does not have any open seats for the Board of Directors or Supervisory Committee.

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 Incumbents



Minutes of Last Meeting

MINUTES OF THE ANNUAL MEETING

FINANCIAL SECURITY CREDIT UNION
FEBRUARY 21, 2019

Riley Neatherlin, Board Secretary, called the meeting to order at 5:40pm. A quorum was ascertained. There were 130 members present.

Minutes of the previous annual meeting were approved as read. Misti Fernandez presented the Chair's Report in Jason Crockett's absence. Kay Tigert read the Treasurer's Report and further explained the Statement of Condition, which was presented to the members with the agenda of the meeting. The Supervisory Auditor gave the Supervisory Report in Nicole Walker's absence.

Judy Carrasco gave the President's Report. Carrasco also presented the staff service awards.

There was no unfinished business.

A "New Account" promotional drawing was held at this time.

The Nominating Committee presented the slate of officers to the membership. The slate was voted into office by acclamation for two-year term.

Drawings were held for door prizes.

The meeting was adjourned at 6:45pm.



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)
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



Riley Neatherlin
Board Secretary
3 Year Service Award



Sonya Carrillo, Assistant Vice President/Branch Manager
6 Year Service Award

Sonya Carrillo began working at Financial Security CU in 2008 . After a brief absence, Sonya returned to the credit union in 2014 as our new Branch Manager. Our members lovingly started referring to the south branch location as, “Sonya’s branch”.

Sonya is a member of our Marketing Committee and oversees all training for the credit union, which included training format, development and material. She has attended CUNA Branch & Business Development School and in 2018 Sonya began Western CUNA Management School, an intensive 3-year management program.

The members love Sonya. Members have brought her food, flowers and have even tried to tip her \$200 for what they called “amazing service”. Thank you Sonya, for all you do.



Sarah Abell, Assistant Vice President/Operations
10 Year Service Award

Sarah Abell began working at Financial Security CU in 2004 as our BPA student. In 2009, she became a full-time employee working as a paying/receiving teller.

Sarah is a member of our Marketing Committee and has been responsible for many successful campaigns, including the initiation of our Remote Deposit Capture and Card Valet programs. In 2015, Sarah was awarded a full-ride scholarship to Western CUNA Management School. Sarah successfully completed this intense 3-year finance and management program in 2017 . Also in 2017, she was recognized by the Carlsbad Chamber of Commerce 40 Under 40 Council as an outstanding leader for both her occupational and community leadership. And in 2019, she successfully completed the IRA University.

Some member comments include, “Sarah always has a smile in her voice”; “I don’t know what I would do without her taking care of me”; and yes, one of you tried to tip her..... Thank you Sarah, for all you do.