

Members First Credit Union Annual Report 2021

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DIRECTORS

Sabra Morlan, Chairman (2022)
Yolanda Lozano, Vice-Chairman (2023)
Roman Almaguer, Secretary/Treasurer (2024)
Mark Kulwicki (2024)
Manuel Esquivel III (2023)
Samuel Shores (2022)
Luther Hight (2022)

MANAGEMENT

Greg Fair, Chief Executive Officer
Wanda Muessel, Executive Vice President
Paul Besse, Chief Financial Officer
Blake Kemmis, Chief Information Officer
Adriana Crisp, Chief Operations Officer
Belinda Reeves, Member Service Manager
Eric Flores, Consumer Loan Manager
Debra Garza, Mortgage Loan Manager
Brenda Collins, Harlingen Branch Manager
Vanessa Vera, Collections Manager
Rachael Storr, Marketing Director

AGENDA

Welcome – Sabra Morlan, Chairman

Invocation

Determination of a Quorum

Introduction of Directors

Minutes of the Previous Meeting

Election of Directors: Rules and Nominations

Reports:

Treasurer – Roman Almaguer

Chairman – Sabra Morlan

CEO - Greg Fair

Unfinished Business

New Business

Election of Directors: Results

Adjournment

MINUTES
82nd ANNUAL MEMBERSHIP MEETING
February 23, 2021

The 82nd Annual Membership Meeting of Members First Credit Union was held on Tuesday, February 23, 2021 at the main office located at 5444 S. Staples, Corpus Christi, Texas.

Chairman of the Board Sabra Morlan welcomed members and brought the meeting to order at 5:45 p.m.

39 verified members registered for the meeting. The Chairman certified that a quorum was present and declared it a legal meeting.

The Chairman introduced the Board of Directors: Sabra Morlan (Chairman), Yolanda Lozano (Vice Chairman), Roman Almaguer (Secretary/Treasurer), Mark Kulwicki, Hector Garcia, Samuel Shores, and Manuel Esquivel III.

The Chairman stated the board met for 12 regular monthly meetings in 2020 and 2 special meetings.

Secretary/Treasurer Roman Almaguer noted a copy of the minutes of the 81st Annual Meeting was provided in the 2020 Annual Report and asked for a motion to dispense with the reading and accept them as written.

MOTION by Blake Kemmis, second by Debra Garza to accept the minutes as written. MOTION CARRIED.

NOMINATING COMMITTEE

The Chairman appointed Yolanda Lozano and Manuel Esquivel III to the nominating committee in September of 2020. The committee was charged with nominating three or more candidates for three 3 year terms expiring in 2021 (according to Credit Union guidelines, each member must be willing to serve, have an appropriate credit history, donate time and effort for the Credit Union's future, and be a member in good standing).

The Nominating committee reported they received four applicants for the three open positions on the Board. The nominees were:

Roman Almaguer
Hector Garcia
Mark Kulwicki
Nick Zany

Ballots were distributed when members signed in and turned in at that time in a ballot box. The nominating committee selected tellers who then began counting the votes.

REPORT OF TREASURER

Roman Almaguer stated that 2020 was an unusual year for the credit union. Deposits grew 18.2% to \$120,201,287, the largest deposit growth we have ever experienced. This propelled the credit union to end the year with \$151,740,735 in total assets. \$24,950,992 in loans were funded, the highest amount in the last 10 years, but high payoffs caused the loan portfolio to only grow 2.8%. Net income was \$1,864,674 and the capital contribution was 1.17%, both more than double the levels of comparably sized credit unions. Net income benefitted from low loan losses and net operating expenses that were about half the level of our peers. Members First was able to maintain the largest capital position of credit unions our size.

Even though lobbies were closed for a portion of the year, membership increased to 12,074 members. Positive growth was also seen in most accounts including share drafts, money market, check cards, and credit cards. The Treasurer reported these results show another successful year in profitability, capital, and growth. He thanked the members for their loyalty and for helping the credit union be where it is today.

MOTION by Andrea Cadena, second by Blake Kemmis, approving the Treasurer's Report as written. MOTION CARRIED.

REPORT OF CHAIRMAN OF THE BOARD

Sabra Morlan reported the credit union had a very good year. She stated it was odd that the credit union grew more in deposits in 2020 than in the first 50 years combined. Even during pandemic, the credit union provided all our services whether electronically, by telephone, through the drive thru lanes, or in person if an appointment was

requested. Even with fewer in person contacts, the credit union opened 1,352 new member accounts, increased member participation in our services, and loan volume never dropped. The Chairman thanked the employees for helping prove the value of the credit union and our commitment to our membership. She concluded thanking the board for volunteering this past year and for the leadership they provided to the credit union.

REPORT OF THE CEO

Greg Fair stated that life showed the harsh reality that many things we take for granted can be taken away. For the credit union, luckily, there were no large concerns. Changes were made so that even in a pandemic, members actually have easier access and more convenience than ever before. The credit union always tries to grow deposits but 2020 was unusual in that deposit growth actually lowered income and hurt our financial position. Even today, the credit union pays a higher rate of return to members than we receive when reinvesting funds.

Looking forward, the CEO reported the Fed has pledged to keep interest rates near zero even if inflation kicks in. Our system is flooded with cash with \$6 trillion of cash sitting in CDs, savings, and money market accounts earning next to nothing. Even those invested in treasuries are seeing losses or low returns. There is still a great deal of stimulus money that will flow into the economy including bills likely to be passed later in 2021. COVID is still a concern but cases and deaths have dramatically had a downturn. All these facts point to a growing economy for the coming years, interest rates staying low, and businesses and consumers prospering. Mr. Fair thanked the staff for a job well done and the board for donating their time and efforts this past year.

UNFINISHED BUSINESS

None

NEW BUSINESS

None

ELECTION RESULTS

A Certificate of Election was provided by the tellers to the nominating committee chairman Yolanda Lozano. Tabulated results were

Roman Almaguer	38
Hector Garcia	37
Mark Kulwicki	36
Nick Zany	1

Per the results, Roman Almaguer, Hector Garcia, and Mark Kulwicki were elected to the Board of Directors.

CONCLUSION AND ADJOURNMENT

Chairman Sabra Morlan concluded the business of the meeting.

MOTION by Belinda Reeves, second by Severa Stapurewicz to adjourn the meeting. MOTION CARRIED.

The meeting was adjourned at 6:03 p.m.

TREASURER'S REPORT

Members First Credit Union had a very successful year in 2021. Loans advanced during the year totaled \$30,066,398, easily the highest amount we have ever funded. As a result, loans grew 5.9% for the year ending at \$71,476,848, an amount that would be much higher if not for many members continuing to pay down their debts and refinancing their loans. Member deposits had another large growth year with total deposits increasing 14%. Member deposits now total \$136,982,911. Deposit growth caused total assets to increase to end the year at \$171,256,140, the second year in a row they have grown \$20M from the previous year.

Net income for the year was \$2,213,949, one of the best years we have ever had. Income benefited from NCUA returning funds in the amount of \$394k that had previously been charged off, low loan losses, and a low net operating expense ratio of 1.21% which is well below our peer ratio of 1.92%.

The credit union has a very strong capital position which makes us one of the safest places to save and handle your finances. With another year of high income, our position continues to be positive with a capital to asset ratio of 19.07%, one of the highest ratios among credit unions. This past year, a Supervisory Committee Audit was held by Harold Antao and Company LLC to ensure our accounting practices and records are in order. Their report showed no concerns or exceptions.

2021 saw a return to more normal operations. During the year, members continued to take advantage of the many remote service options we offer that make handling their finances more convenient than ever. These services include check cards (9,848), credit cards (2,351), CU Online (6,534), mobile app users (4,464), and electronic signature signing for nearly all our services.

Members First wants to be the preferred financial institution of our members. We want to offer a safe place to save and handle all their financial needs. 2021 was a huge success towards meeting this goal. We continue to grow financially stronger, member activity is growing, and the quality of our products and services continues to improve.

I want to thank my fellow directors for volunteering their service this past year. I also want to acknowledge the staff for a job well done. Together we offer our 12,313 members a better financial alternative.

Respectfully submitted,



Roman Almaguer Jr.
Secretary/Treasurer

**MEMBERS FIRST CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2021 AND 2020**

ASSETS

	2021	2020
Cash and cash equivalents	\$ 31,540,701	\$ 43,747,057
Investments	57,396,111	28,180,000
Loans to members, net	71,306,970	67,233,592
Accrued interest receivable	323,602	497,903
Property and equipment	4,528,508	4,735,642
National Credit Union Share Insurance Fund deposit	1,231,296	1,110,518
Other assets	4,928,952	6,236,023
 Total assets	 \$ 171,256,140	 \$ 151,740,735

LIABILITIES AND MEMBERS' EQUITY

Liabilities

Members' shares	\$ 136,982,911	\$ 120,201,287
Accrued expenses and other liabilities	1,646,528	1,726,042
Total liabilities	138,629,439	121,927,329

Members' equity

Retained earnings, substantially restricted	32,658,165	30,444,579
Accumulated other comprehensive income (loss)	(31,464)	(631,173)
Total members' equity	32,626,701	29,813,406
 Total liabilities and members' equity	 \$ 171,256,140	 \$ 151,740,735

**MEMBERS FIRST CREDIT UNION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
INTEREST INCOME		
Interest on loans to members	\$ 3,224,540	\$ 3,392,565
Interest on investments and cash equivalents	892,076	824,937
TOTAL INTEREST INCOME	4,116,616	4,217,502
INTEREST EXPENSE		
Dividends on members' shares	263,660	420,608
NET INTEREST INCOME	3,852,956	3,796,894
PROVISION FOR LOAN LOSSES	60,834	41,815
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,792,122	3,755,079
NON-INTEREST INCOME		
Fees and Charges	1,182,180	1,426,479
Other non-interest income	1,807,968	1,200,894
TOTAL NON-INTEREST INCOME	2,990,148	2,627,373
INCOME BEFORE GENERAL AND ADMINISTRATIVE EXPENSES	6,782,270	6,382,452
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	2,242,594	2,175,020
Operations	1,833,343	1,731,619
Occupancy	494,334	464,017
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	4,570,271	4,370,656
NET NON-OPERATING GAINS (LOSSES)	1,950	(147,122)
NET INCOME	<u>\$ 2,213,949</u>	<u>\$ 1,864,674</u>

**MEMBERS FIRST CREDIT UNION
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Retained Earnings			Accumulated Other Comprehensive Income (Loss)
	Regular Reserve	Unappropriated	Total	
Balance, December 31, 2019	\$ 1,514,142	\$ 27,065,763	\$ 28,579,905	\$ (837,568)
Net income		1,864,674	1,864,674	
Net change in defined benefit Obligations				206,395
Balance, December 31, 2020	\$ 1,514,142	\$ 28,930,437	\$ 30,444,579	\$ (631,173)
Prior period adjustment		(363)	(363)	
Net income		2,213,949	2,213,949	
Net change in Unrealized Gain (Loss) from EBCRP				31,355
Net change in defined benefit obligations				568,354
Balance, December 31, 2021	<u>\$ 1,514,142</u>	<u>\$ 31,144,023</u>	<u>\$ 32,658,165</u>	<u>\$ (31,464)</u>

ELECTION RULES

(printed in the October 2021 newsletter)

Members interested in running for a position on the Board of Directors must submit a completed “Director Application and Agreement to Serve” form. A credit history of the applicant and current standing with the credit union will also be reviewed as part of the approval process. All interested parties that receive approval by the Nominating Committee based on these criteria will be included as candidates for upcoming vacancies on the Board of Directors.

Any applicant that the Nominating Committee does not approve will be referred for review by the Board of Directors. These members may be selected if approved by the Board. Any applicant not selected will receive a written explanation describing the reason for disapproval. This information will also be communicated to the Credit Union Department. Interested parties must submit their application no later than December 15, 2021. No nominations will be accepted after this deadline and no nominations may be placed from the floor at the Annual Meeting.

These rules were established so that all candidates or potential Directors would be in good standing with the Credit Union, would be insurable for bonding purposes, and would receive approval from the Credit Union Department.