

2019

annual report

A top-down view of several hands of various skin tones holding a large, bright yellow circle with a white border. The hands are positioned around the perimeter of the circle, suggesting a collective effort or support. The background is a plain, light color.

**NOT FOR
PROFIT,**
But for Service



Lubrizol Employees'
Credit Union

Chairman's Report

Welcome!

Tonight's meeting is the 66th Annual Meeting of your Lubrizol Employees' Credit Union.

We want to celebrate another successful year! Your credit union continues to improve and make positive changes. We are financially strong and competitive in an environment of much larger credit unions and banks. We continue to grow and want to thank you, the members, for your strong support. We are successful because of our members, a fantastic staff and a dedicated group of volunteers and Board of Directors.

Overall, the number of credit unions is decreasing, but the total number of members and credit union assets are increasing. This means that the number of small credit unions is declining and the number of larger credit unions is increasing. It is more and more challenging to be competitive in this environment. Through these challenging times, your credit union is not only surviving, but we are thriving quite well.

Membership

We have a very strong, active membership and an experienced staff that strives to serve our members.

We continue to grow our membership.

In 2019, membership increased by 98 and totaled 3,182 at year-end. Home banking members increased by 196 and totaled 2,357 at year-end. Bill pay members increased by 28 and totaled 260 at year-end. Home banking and bill pay is FREE to members.

Our field of membership has the potential to increase with the primary member, Lubrizol employees, and ALL relatives. Recruit a relative! We have some of the lowest interest rates on loans and plenty of money to loan. Check with Emma and Anita for a new or used auto, truck, boat, RV, signature, real estate loan or home equity loan.

2019 Highlights

We are proud of the accomplishments that we have made in the past year. Some of the major ones include:

- Now offering home equity loans
- Completed credit card upgrade to offer credit card rewards and higher security with EMV
- Initiated an LZECU quarterly plant e-letter to reach non-member employees
- Mobile wallets with Apple Pay®, Samsung® Pay and Google Pay™

- Improved reliability at Gate 14 ATM
- Began the process of a building remodel/rebuild to better serve members
- Increased loans, number of members and number of share draft accounts

Your Credit Union Forward

Major goals for 2020 include:

- Select and begin work with Design/Build firm for building remodel/rebuild
- Install new ATM at credit union with EMV capability
- Increase membership through employees and their relatives
- Improve member and marketing communication

Strengths

Your Lubrizol Employees' Credit Union remains very strong. Total assets had little change during 2019 and ended the year at \$45,893,954. Total loans increased 6.2% (\$1,397,730) and totaled a record \$23,828,032 at the end of the year. A total of \$424,766 was added to our capital during the year. Capital-to-asset ratio at the end of the year was very strong at 13.8%.

Summary

Lubrizol Employees' Credit Union remains very strong. This is confirmed by the positive annual examination by the State of Texas Credit Union Department (TCUD). It is also confirmed by the positive annual audit received from our outside auditor, who examines the financials each year. We have always strived to be the BEST credit union in the State of Texas. Each year, your credit union continues to improve and grow.

Our goal is for LZECU to be your PRIMARY financial institution. We have a large offering of products and services to meet your financial needs. With our strong and supportive membership, an exceptional staff led by Rose and a group of dedicated volunteers, we are positioned for continued growth and improvement.

In closing I want to recognize our exceptional staff: Rose, Susie, Emma, Hedda, Agatha, Charlie, Monica, Michele and Anita.

On behalf of your Board of Directors.

Rich Miller
Chairman of the Board

Supervisory Committee's Report

Appointed by the Board, the role of the Supervisory Committee is to perform audit oversight on behalf of the Board of Directors.

This Supervisory Committee is responsible for ensuring that the credit union meets required financial reporting objectives and follows all necessary procedures to protect members' assets. The Committee employs certified public accountants to perform auditing, account verification and other work under its supervision. To carry out these responsibilities, the Supervisory

Committee completed two key activities in 2019:

- The Committee contracted A. John Weaver and Associates to conduct a comprehensive annual audit for the period ending December 31, 2018. Results of this audit indicate that proper practices and procedures are being followed and that accounting records accurately reflect operation of the credit union.
- The Committee completed a full verification of cash on hand at the

credit union for the 2019 calendar year. No discrepancies were found.

In accordance with Texas Finance Code, the Texas Credit Union Department conducted their annual examination of books and records for the period ending December 31, 2018. The Committee is pleased to report that Lubrizol Employees' Credit Union continues to operate in a financially sound manner and remains dedicated to serving its members.

James Garza
Supervisory Committee Chairman

TREASURER'S REPORT

2019 was another successful year. LZECU remains fiscally sound and continues to perform as well or better than peer credit unions. Net Income for 2019 was 43% over plan and up 24.5% from 2018 to \$424,766. Total Assets remained stable year to year at \$45,893,954. Loan Balance increased 6.2% to \$23,828,032. \$250,495 was distributed to members in the form of dividends. Operating Expenses were within 0.09% of 2019's budget at \$1,377,660 (up 5.3% from 2018). The year-end Net Operating Expense Ratio of 2.11% remains well below peer of 2.48%. LZECU's Net Worth Ratio of 13.78% significantly outperforms peer of 11.97%.

LZECU remains committed to providing membership with tremendous value and service while planning financially for a strong and stable future. Market conditions, LZECU's investment profile, as well as key financial ratios are frequently evaluated to ensure stability and maximize member value and service. LZECU is well positioned to continue to provide membership with high-quality and affordable financial services well into the future.

Joseph J. Morris
Treasurer, LZECU

MISSION

Our mission is to build lifelong relationships through family friendly service and provide beneficial, progressive financial services.

VISION

Our vision is to be the financial services provider of choice, enriching the lives of our members and employees.

CORE VALUES

- » Excellent Member Service
- » Honesty
- » Integrity
- » Trust & Respect internally & externally
- » Open/Candid with those we serve internally & externally
- » Safety/Soundness/Financial Strength
- » "People Helping People" philosophy
- » Community responsibility

Adhering to our core values guides us to treat others with the courtesy and respect that we wish for ourselves. LZECU believes that through these actions we can achieve our primary goal of delivering an excellent member experience at all times.

statement of financial condition

	2019	2018
Assets		
Loans	\$23,828,032	\$22,430,302
Cash	\$2,896,381	\$2,691,852
Investments	\$18,003,642	\$19,595,139
Building & Land	\$45,016	\$45,016
Other Fixed Assets	\$26,922	\$19,715
Other Assets	\$1,093,961	\$1,114,326
Total Assets	\$45,893,954	\$45,896,350
Liabilities & Equity		
Member Shares	\$39,092,068	\$39,724,634
Liabilities	\$471,598	\$266,194
Reserves	\$749,468	\$749,468
Undivided Earnings	\$5,580,820	\$5,156,054
Total Liabilities & Equity	\$45,893,954	\$45,896,350

income and expense statement

Interest on Loans	\$1,234,862	\$1,159,492
Income from Investments	\$482,213	\$417,396
Other Income	\$335,846	\$316,200
Total Income	\$2,052,921	\$1,893,088
Operating Expenses	\$1,377,660	\$1,308,337
Dividends	\$250,495	\$243,625
Total Expenses	\$1,628,155	\$1,551,962
Net Income	\$424,766	\$341,126

member statistics

Total Members	3,182	3,084
Total Share Draft Accounts	1,708	1,599
Total IRAs	138	142

agenda

- » Ascertain Quorum
- » Minutes of Last Annual Meeting
- » Reports to the Membership
- » Elections
- » Unfinished Business
- » New Business
- » Door Prizes
- » Adjournment

65th Annual Meeting Minutes

FEBRUARY 26, 2019

The 65th Annual Meeting of Lubrizol Employees' Credit Union was held on Tuesday, February 26, 2019, at 7:00 p.m. at the Deer Park Theatre and Courts Building. Refreshments were served as members and guests registered for the meeting. Members eligible to vote were given ballots. Everyone received the 2018 Annual Report, a door gift and a ticket for the door prize drawings.

Call to Order: Chairman Rich Miller called the meeting to order. A quorum was declared present.

Approval of the Minutes: Mr. Miller called for a reading of the 2018 Annual Meeting Minutes. A motion was made to dispense with the reading of the minutes and accept the minutes as presented in the Annual Report. Motion was seconded and passed.

Election: Mr. Miller informed two (2) board seats are up for election. Each seat is for a three-year term. The nominees were introduced: Gary Aldrich (incumbent), Delinda Dutton (incumbent), and Rick Smith.

Mr. Miller asked for nominations from the floor. There were no nominations from the floor. A motion was made, seconded and vote carried to cease the nominations. A committee of five members was appointed to collect and count the ballots. Mr. Miller informed the election results would be announced at the end of the meeting.

Reports: Chairman Rich Miller gave his Chairman's Report, which is located in the 2018 Annual Report. Mr. Miller thanked the staff for their hard work and dedication. New staff members were introduced: Loan Officer Anita Young and Accounting Manager Michele Vargas. Mr. Miller informed LZECU continues to grow in membership, services and financial strength. Mr. Miller discussed the field of membership and emphasized ALL family members of Lubrizol employees, even extended, are eligible to join

LZECU. Improvements to existing services and new services implemented in 2018 were discussed, including Apple Pay®, Samsung® Pay and Google Pay™. The 2019 goals were communicated: credit card processor conversion with EMV chip upgrade, improving member communication using digital channels, credit card rewards program, home equity loans and a building remodel. Mr. Miller discussed LZECU's financial strength and excellent exam reviews by the Texas Credit Union Department. Mr. Miller asked for questions or comments from the audience. Several members spoke about their good experiences with LZECU, including quick and personal service given by the staff.

Chairman Miller informed the Treasurer's Report and the Supervisory Committee Report can be found in the 2018 Annual Report. Mr. Miller asked if there were any questions regarding either report. No one had any questions.

In closing, Mr. Miller thanked the membership for their support and making LZECU successful. Mr. Miller also thanked the Staff and Board for doing an outstanding job.

Old Business: None

Door Prize Drawings: There were 27 prizes for members 13 years of age and up; and 18 prizes for members 12 years of age and under. Johnnie Anderson won the \$300 Adult Grand Prize. Aaron White won the \$100 Kid's Grand Prize.

Election Results: Incumbents Gary Aldrich and Delinda Dutton were each re-elected for a three-year term.

Adjournment: Chairman Rich Miller asked for a motion to adjourn the meeting. Motion was made, seconded and vote carried to adjourn the business meeting. The business meeting was adjourned at 8:00 p.m.

Leadership

board of directors	Term Expires
Rich Miller, Chairman of the Board	2021
Danny Koons, Vice Chairman of the Board	2021
Joe Morris, Treasurer	2021
Delinda Dutton, Secretary	2022
Gary Aldrich, Director	2022
Gabe Aguilar, Director	2020
Greg Drummond, Director	2020

supervisory committee
James Garza, Chairman
Mike Deen, Member

nominating committee
Joe Morris
Jan McClain
James Garza

credit union staff
Rose Flores, President/CEO
Michele Vargas, Accounting Manager
Agatha Anariba, Marketing, Project & IT Administrator
Susie Morley, Payment Services Specialist
Emma Anderson, Loan Manager
Anita Young, Loan Officer
Hedda Dangleben, Member Service Supervisor
Charlie Riggs, Member Service Representative
Monica Garza, Member Service Representative