



2020 ANNUAL REPORT

HERE FOR OUR

# members

*today and always*



# Chairman's Report

**Welcome!** Tonight's meeting is the 67th Annual Meeting of *your* Lubrizol Employees' Credit Union.

The year 2020 is behind us, and it was an eventful year, to say the least, with the COVID virus and the economy. We are all moving forward. Our hearts and prayers go out to those affected by the COVID virus. Hopefully, with the vaccines and all of the safety measures and procedures, we will get back to as near a normal as possible in 2021. That being said, your credit union remains financially strong and the best place for your business. We continue to grow and improve. We believe we are doing the right things. That is because of you, our member, a fantastic staff and a dedicated group of volunteers and Board of Directors.

## Economy

We were extremely lucky that the economy was very strong and unemployment was low going into the COVID pandemic. The drop in the economy as measured by GDP was a drop of -31.4%, but the recovery was the fastest recovery in history with GDP increasing by 33.4%. This was due to the unprecedented stimulus infusion by the government of 11% of GDP. This compares to stimulus infusions in the Great Depression and the 2008-2009 financial crisis of ~7% and ~8.5% of GDP, respectively. The length of time from stock market top to the bottom and back to the top was a record 126 trading days, and the next three occurrences spanned 310-488 trading days. For the full year, GDP was down -3.5%. GDP is predicted to rise +4-5% in 2021 [+5% the highest since 1967]. In addition, the Fed is expected to keep interest rates low the next couple years.

## Your Primary Financial Institution

We strive to be your primary financial institution. We had set goals for 2020 but then came COVID, which changed our focus. Your credit union put in place measures and procedures for members to do business safely in person if desired. More importantly, your credit union was very well prepared with our mobile and online services, allowing members

to easily do business remotely and/or online and in person. We emphasized and highlighted our mobile and online services so that both the member and our staff could and can continue to work safely, remotely and efficiently. This is evidenced by the increase in the number of new members, Bill Pay users, and the use of credit and debit cards. Our mobile, online, and electronic services are FREE and include:

- Home banking, direct deposit, Remote Deposit Capture, desktop check deposit scanning of multiple checks, Visa® debit cards and Mastercard® credit cards
- Apple Pay®, Samsung® Pay, Google Pay™ for contactless transactions
- Bill Pay – pay bills, send a check to someone or person-to-person transactions
- Account transfers within your accounts online or by phone
- Free ATM withdrawals, including four LZECU ATMs PLUS thousands of free ATMs LOCALLY, nationwide and worldwide
- Online loan applications with DocuSign®
  - Including auto, truck, boat, RV, signature, share secured, unimproved property and home equity loans
- And do not forget that we have the best staff to help with your needs in using and troubleshooting these services – they're just a phone call or email away!

With all of these services in one place, your Lubrizol Credit Union can be your primary financial institution without the hassle of multiple apps and multiple online accounts.

## Membership

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

We continue to grow our membership, which totaled a strong 3,244 at the

end of the year. Home banking and Bill Pay members also had a positive increase in 2020.

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

## 2020 Highlights

We are proud of the accomplishments that we made in 2020, especially in dealing with COVID:

- Put procedures and measures in place to manage COVID so that members and employees can have a safe and efficient experience both online and in person
- Determined budget for potential new building project
- Began plant newsletter email from the credit union with free financial workshops – which also goes to non-member employees
- Mastercard promo: ScoreCard Rewards
- Mobicint desktop deposit, whereby you can scan multiple checks for deposit

## Your Credit Union Looking Forward

Major goals for 2021 include:

- Update procedures and measures as needed for COVID
- Continue building project: revisit building firms, update budget, build on existing site or remodel or relocate
- Upgrade to contactless debit cards
- Promote LZECU Discount Marketplace
- Update and digitize our account services brochures and new hire pamphlet
- Communicate positive member feedback/stories

## Strengths

Your Lubrizol Employees' Credit Union remains very strong. We are now a \$50+ million credit union. Total assets increased by \$5,383,206 [11.7%] during 2020 and ended the year at \$51,277,160. Total loans decreased 1.9% [\$461,638] and totaled \$23,366,394 at the end of the year. A total of \$608,018 was added to our capital during the year. Capital-to-asset ratio at the end of the year was very strong at 13.5%. More members were saving and paid off loans this past year.

## Summary

COVID was a major challenge this past year, but Lubrizol Employees' Credit Union met the challenges head on and remains 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 examination by the outside auditor we use each year to examine the financials. We have always strived to be the BEST credit union in the State of Texas. Each year, we improve and grow your credit union.

Make your credit union your PRIMARY financial institution. Our offerings of mobile and online services are in one place and eliminate the hassle of multiple mobile apps and online services. PLUS, we have a fantastic staff that you can call personally for help and troubleshooting. 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, Michele and Anita.

On behalf of your Board of Directors,

Rich Miller  
Chairman of the Board

## 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.

## TREASURER'S REPORT

Following an unprecedented year, LZECU performed exceedingly well. Despite lower investment interest rates and a challenging economy, Net Income was up 43% year over year and up 47% compared to plan at \$608,018 for the year. Eclipsing the \$50 million mark for the first time in LZECU's history, Total Assets rose by nearly 12% to \$51,277,160. Loan Balances decreased 2% to \$23,366,394, and \$147,889 was distributed to members in the form of dividends. Operating Expenses were 8.5% under budget at only \$1,313,255.

Though LZECU's "peer" group is now defined as other credit unions with Total Assets of \$50 million - \$100 million, LZECU continues to outperform peers as measured by most financial ratio measurements: LZECU's Net Operating Expense Ratio of only 1.74% vs. peer of 2.45% [LZECU is more efficient], Net Worth Ratio of 13.51% vs. peer of 11.37% [LZECU is more stable], and Operating Return on Assets Ratio of 1.4% vs. peer of only 0.63% [LZECU is more profitable].

LZECU continues to provide outstanding service and membership value while remaining a strong and financially stable institution. Audit ratings from third-party examiners routinely rate LZECU well in all measured categories. LZECU's investment portfolio is closely managed to balance return with stability, and key financial indicators are monitored to allow for course adjustment as necessary. LZECU continues to remain well positioned to provide superior and affordable service to all its members for years to come.

Joseph J. Morris  
Treasurer, LZECU

## 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 four key activities in 2020:

- The Committee contracted A. John Weaver and Associates to conduct a comprehensive annual audit for the period ending December 31, 2019. 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 last State Examination conducted was through the period ending June 30, 2020.
- A. John Weaver and Associates also conducted the biennial Verification of Member Accounts for the period ending December 31, 2020, with no findings.
- The Committee completed a full verification of cash on hand at the credit union for the 2020 calendar year. No significant 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, 2019. 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

## statement of financial condition

	2020	2019
<b>Assets</b>		
Loans	\$23,366,394	\$23,828,032
Cash	\$3,504,781	\$2,896,381
Investments	\$23,242,145	\$18,003,642
Building & Land	\$45,016	\$45,016
Other Fixed Assets	\$28,980	\$26,922
Other Assets	\$1,089,844	\$1,093,961
<b>Total Assets</b>	<b>\$51,277,160</b>	<b>\$45,893,954</b>

## Liabilities & Equity

Member Shares	\$43,996,483	\$39,092,068
Liabilities	\$342,371	\$471,598
Reserves	\$749,468	\$749,468
Undivided Earnings	\$6,188,838	\$5,580,820
<b>Total Liabilities &amp; Equity</b>	<b>\$51,277,160</b>	<b>\$45,893,954</b>

## income and expense statement

Interest on Loans	\$1,259,262	\$1,234,862
Income from Investments	\$411,022	\$482,213
Other Income	\$398,878	\$335,846
<b>Total Income</b>	<b>\$2,069,162</b>	<b>\$2,052,921</b>
Operating Expenses	\$1,313,255	\$1,377,660
Dividends	\$147,889	\$250,495
<b>Total Expenses</b>	<b>\$1,461,144</b>	<b>\$1,628,155</b>
<b>Net Income</b>	<b>\$608,018</b>	<b>\$424,766</b>

## member statistics

Total Members	3,244	3,182
Total Share Draft Accounts	1,774	1,708
Total IRAs	135	138

## AGENDA

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



# 66th Annual Meeting Minutes

FEBRUARY 19, 2020

The 66th Annual Meeting of Lubrizol Employees' Credit Union was held on Wednesday, February 19, 2020 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 2019 Annual Report, a door gift and a ticket for the door prize drawings.

Chairman Rich Miller welcomed everyone to the 66th Annual Meeting. Mr. Miller turned the meeting over to President and CEO Rose Flores.

**Call to Order:** Ms. Flores called the meeting to order. It was ascertained that a quorum was present.

**Approval of the Minutes:** Ms. Flores called for a reading of the 2019 Annual Meeting Minutes. A motion was made from the floor to dispense with the reading of the minutes and accept the minutes as presented in the Annual Report. Motion was seconded and it carried.

**Reports:** Ms. Flores gave the President's Report. She stated that Lubrizol Employees' Credit Union is financially strong and has outlived a lot of big and small financial institutions. She thanked the membership and attributed LZECU's success to their loyalty and support throughout the years. Ms. Flores spoke about the differences between banks and a financial cooperative, such as LZECU. Being a Member-Owner, elected Board of Directors, and profits being returned to the membership were highlighted as the main differences.

Ms. Flores informed about the new products and services implemented in 2019: Home Equity Loans, Mobile Wallets

and Mastercard® Rewards. Ms. Flores spoke about LZECU's growth since the inception of LZECU 66 years ago. Membership has grown from 145 to 3,100. Loans increased from \$33K to \$23.8M. Assets have grown from \$36K to over \$45.8M. Ms. Flores informed the goal is not to be the biggest CU, but rather to be the BEST CU for Lubrizol Employees and their family members. Ms. Flores thanked the Staff and Board for their hard work and dedication to LZECU.

Ms. Flores handed out service awards to Chairman Rich Miller for serving 35 years on the Board and Secretary Delinda Dutton for serving 15 years on the Board. Ms. Flores thanked them for their volunteer service and dedication to LZECU.

In closing, Ms. Flores thanked the Member-Owners for being an integral part of LZECU, and looks forward to serving the Membership in 2020. CEO Rose Flores handed the meeting over to Chairman Rich Miller.

Mr. Miller gave the Chairman's Report, which is included in the 2019 Annual Report. Mr. Miller informed that LZECU is very strong. Total Assets remained stable at \$45,893,954. Loans increased 6.2% totaling a record \$23,828,032. A total of \$424,766 was added to Capital in 2019. The Capital-to-Asset Ratio at year end was a very strong 13.8% compared to the minimum requirement of 7%. Mr. Miller went over the 2020 Goals, including exploring options to remodel the credit union office or build a new office. An updated office will support the expanding growth and meet LZECU's future needs.

Chairman Miller informed the Treasurer's Report and the Supervisory Committee Report can be found in the 2019 Annual Report. Next, employee Susie Morley was honored with a 25-year service award.

In closing, Mr. Miller thanked the Membership, Staff and Board for their support and making LZECU successful.

**Election:** Chairman Miller reported that the Nominating Committee unanimously nominated Board Incumbents Gabe Aguilar and Greg Drummond to fill the two open Board positions, each for three-year terms. Mr. Miller called for nominations from the floor, and no nominations were offered. A motion was made from the floor and seconded by several that the nominees submitted by the Nominating Committee be elected by acclamation. Motion carried unanimously.

**Old Business:** None

**Door Prize Drawings:** There were 25 prizes for members 13 years of age and up; and 15 prizes for members 12 years of age and under. Anne Stygar won the \$300 Adult Grand Prize. Shayne Linn won the \$100 Kid's Grand Prize.

**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 7:50 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	2023
Greg Drummond, Director	2023

**supervisory committee**  
James Garza, Chairman  
Mike Deen, Member

**nominating committee**  
Delinda Dutton  
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