



Striving Towards a Brighter Tomorrow

ANNUAL REPORT



Lubrizol Employees'
Credit Union

Chairman's Report

Welcome! To the 68th Annual Meeting of Your Lubrizol Employees' Credit Union.

It has now been two years since the COVID-19 virus raised its ugly head. The economy came back, but now we have the worst inflation in some 40 years as well as supply chain problems. That being said, with the vaccines, safety measures and procedures, we can see we're getting closer to normal. We have certainly learned the Greek alphabet.

The Fed is expected to raise interest rates two or three times this year. LZECU will continue to adapt and make the necessary changes to ensure prosperous continuity for our members and YOUR credit union.

Primary Financial Institution

We continue to strive to be your PRIMARY financial institution. We offer a vast array of online services to make doing business with us convenient no matter where you find yourself. Some of our remote services include our mobile banking app, remote deposit, electronic signatures thru DocuSign, two ATM networks providing over 85,000 fee-free ATMs and digital wallet debit cards. Our goal is to continue to add online services as we strive to be the BEST credit union in the state of Texas.

Membership

We have a very strong, active membership and an experienced staff to serve our members. The number of members increased from 3,244 to 3,298. We expect membership to increase as Lubrizol continues to have a vast number of new hires along with their family. We continue to attend all new-hire orientations to promote membership and our valuable services.

Remember that we are YOUR credit union, exclusively open to only Lubrizol Employees and family members. Family includes spouses, kids, parents, brothers, sisters, grandkids, grandparents, in-laws, aunts, uncles, nieces, nephews and cousins. Please recommend YOUR credit union to your family!

2021 Highlights

- New building review and design build firm selected
 - Decision made to tear down and rebuild in existing location
 - New build schedule approved to complete in early 2023
 - Staff will be in a temporary building for approximately 8-9 months
- Completed debit card processor conversion from COOP to PSCU
 - Contactless card feature is now available on new debit cards
- Added the MoneyPass ATM Network providing more fee-free ATMs
- Now offering Online Discount Market Place
- Loan growth due to low-rate loan promotions and Home Equity offering
- Member testimonials highlighted on our website

2022 Major Goals

- Complete new building
 - Move to temporary building, tear down existing building, new build construction and transition to new building
 - Completion expected in early 2023
- Research additional ransomware protection
- Online submission form available for member testimonials
- Member growth via communications and incentives
- Loan growth via promotions

LZECU History

I want to communicate some of the history of your credit union and how we got to where we are today.

- December 8, 1953 - became State chartered credit union #347 with 145 members and \$40,000 assets after first year
- Credit union originally operated from the personnel office at Lubrizol DP Plant
- 1968 - credit union moved to mobile trailer on plant property

- 1970 - 565 members and \$559,000 assets
- 1971 - hired first manager - Kathy Smith
- 1972 - hired Peggy Linn as a part-time clerk
- 1974 - 745 members and \$954,000 assets
- 1974 - credit union moved offsite - built new office on Center Street
 - New hours and Peggy Linn became fulltime employee
 - New building brought in new members as family had access
- 1980 - 1265 members and \$2.5 million assets
- 1987 - LZECU purchased the OXY credit union building across the street at 205 Center Street (current location)
- 1988 - Elaine Hayman hired as manager
- 1990 - 1824 members and \$12.3 million assets
- 1995 - Peggy Linn promoted to CEO
- 1998 - Remodeled credit union building - added extra offices and drive-thru
- 2000 - 2500 members and \$19.8 million assets
- 2010 - 2736 members and \$30.6 million assets
- 2010 - Rose Flores promoted to CEO
- 2021 - 3302 members and \$53.5 million in assets

Over 68 years, our credit union went from a two-service (savings and loans) credit union to a full-service credit union providing most every service that a member needs. In that time, we went from the personnel office, to a trailer, then offsite to a small building and then to a larger building. Over that period of time, we've gone from 145 to 3300 members and from \$45,000 to \$54,000,000 in assets. It's been a very good ride that we should all be proud of.

Since we purchased our existing building 34 years ago, the number of members has doubled, and assets has nearly quintupled. In addition, over the

past 34 years we have gone from 2.5 to nine employees. This is some of the data reviewed by the Board in making the decision to build a new building.

Strengths

YOUR credit union is very strong. Last year we exceeded \$50+ million in assets. Total assets increased by \$2,227,562 (4.3%) during 2021, ending the year at \$53,504,722. Total loans increased by \$1,211,984 (5.2%) and ended the year at \$24,578,378. A total of \$599,252 was added to Capital during the year. Our Capital to Asset ratio is a strong 14.1%.

Summary

Lubrizol Employees' Credit Union remains very strong. This is confirmed by the positive examinations by the State of Texas Credit Union Department. It's also confirmed by the outside independent audits performed yearly to examine the financials. We strive to be, not the biggest, but the BEST credit union in the State of Texas. Each year we continue to improve and grow YOUR credit union.

I urge you to make YOUR credit union your PRIMARY financial institution. Our products and online services are second to none. We have everything you need at YOUR Lubrizol Employees' Credit Union. In addition, we have a fantastic staff that you can call and talk to personally for help and troubleshooting. With a strong and active membership, an exceptional staff led by Rose and a group of dedicated volunteers, we are very well positioned for continued growth and improvement.

In closing, I want to thank and 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

Even in continuing troubled times, LZECU continues to demonstrate exemplary levels of performance. 2021 was faced with low investment interest rates and an uncertain economy, yet dedicated and diligent management drove overall performance to remain stable and strong. LZECU grew overall investments by \$2,600,186 to \$25,842,331 and Net Income was up 57% over budgeted plan at \$567,467 for the year. Total Assets continued to grow over 4% on the year to \$53,504,722. Loan Balances grew over 5% to \$24,578,378, and \$122,786 was distributed to members in the form of dividends. Operating Expenses were 5% under 2020 actual and 15% under budgeted plan at only \$1,247,513.

LZECU's "peer" group is defined as other credit unions with Total Assets of \$50-100 million. LZECU continues to outperform our peer group as measured by most financial ratio measurements. LZECU's Net Operating Expense Ratio of only 1.57% vs. peer of 1.96% [LZECU is more efficient], Net Worth Ratio of 14.07% vs. peer of 10.93% [LZECU is more stable], and Operating Return-On-Assets Ratio of 1.07% vs. peer of only 0.63% [LZECU is more profitable] are all significantly better than peer or considered "best-in-class".

LZECU continues to expand and improve service levels and maintain strong levels of financial security while continuing to provide tremendous membership value. LZECU's investment portfolio is closely managed to balance returns with stability and key financial indicators continue to be monitored to maintain or improve performance as necessary. Even in the face of the uncertainty of the last two years, LZECU remains well positioned to provide the highest-quality, most cost-competitive levels of service to all our members for years to come.

Joseph J. Morris
LZECU Treasurer

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 three key activities in 2021:

- The Committee contracted A. John Weaver and Associates to conduct a comprehensive annual audit for the period ending December 31, 2020. 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. The next State Examination is scheduled for March 2022.
- The Committee completed a full verification of cash on hand at the credit union for the 2021 calendar year. No discrepancies were found.

In addition to the above activities, the Supervisory Committee would like to thank Mike Deen for his years of service on the LZECU Supervisory Committee. We wish him the best in his retirement and will miss him volunteering with us. We are excited to announce that Waynisha Edwards has joined the Supervisory Committee and will be participating in Verification Audits going forward.

In accordance with Texas Finance Code, the Texas Credit Union Department conducted their annual examination of books and records for the period ending June 30, 2020. 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

Agenda

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

statement of financial condition

	2021	2020
Assets		
Loans	\$24,578,378	\$23,366,394
Cash	\$1,863,754	\$3,504,781
Investments	\$25,842,331	\$23,242,145
Building & Land	\$45,016	\$45,016
Other Fixed Assets	\$30,117	\$28,980
Other Assets	\$1,145,127	\$1,089,844
Total Assets	\$53,504,722	\$51,277,160
Liabilities & Equity		
Member Shares	\$45,721,071	\$43,996,483
Liabilities	\$246,093	\$342,371
Reserves	\$749,468	\$749,468
Undivided Earnings	\$6,788,090	\$6,188,838
Total Liabilities & Equity	\$53,504,722	\$51,277,160

income and expense statement

Interest on Loans	\$1,186,094	\$1,259,262
Income from Investments	\$316,580	\$411,022
Other Income	\$466,877	\$398,878
Total Income	\$1,969,551	\$2,069,162
Operating Expenses		
Operating Expenses	\$1,247,513	\$1,313,255
Dividends	\$122,786	\$147,889
Total Expenses	\$1,370,299	\$1,461,144
Net Income	\$599,252	\$608,018

member statistics

Total Members	3,298	3,244
Total Share Draft Accounts	1,843	1,774
Total IRAs	136	135



67th Annual Meeting Minutes March 23, 2021

The 67th Annual Meeting of Lubrizol Employees' Credit Union was held virtually via Teams on Tuesday, March 23, 2021, at 7:00 pm. The meeting link and a copy of the 2020 Annual Report was emailed to all members with an email on file. For members without an email on file, a registration link was provided on LZECU's website and Facebook page. A copy of the 2020 Annual Report was also posted. Once membership was verified for all registrants, the meeting link was provided.

Call to Order:

Mr. Miller called the meeting to order. He welcomed everyone to the 67th Annual Meeting being held virtually for the first time due to safety concerns over the ongoing COVID-19 pandemic. Mr. Miller ascertained that a quorum was present.

Approval of the Minutes:

Mr. Miller called for a reading of the 2020 Annual Meeting Minutes. A motion was made by Anita Young to dispense with the reading of the minutes and accept the minutes as presented in the Annual Report. Joe Morris seconded the motion, and it carried.

Reports:

Mr. Miller gave the Chairman's Report, which is also located in the 2020 Annual Report. Mr. Miller discussed the slow economy and recovery efforts. 2020 was a challenging year due to the COVID-19 pandemic. Despite the challenging year, Mr. Miller informed that LZECU remains financially strong. We are now a \$50+ million credit union. Total Assets increased \$5,383,206 [11%] during 2020 and ended the year at \$51,277,160. A total of \$608,018 was added to Capital during the year. The Capital to Asset Ratio is a strong 13.5% compared to the required minimum of 7%. Mr. Miller went over 2020 accomplishments and informed of the new goals for 2021. One of the major goals in 2021 was a building remodel or rebuild. An updated office would support the expanding growth and meet LZECU's future needs. Mr. Miller stressed the importance of making LZECU your Primary Financial Institution. Expanding membership through family was also emphasized.

Chairman Miller informed that the Treasurer's Report and the Supervisory Committee Report could be found in the 2020 Annual Report.

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 Danny Koons, Rich Miller and Joe Morris to fill the three (3) open Board positions, each bearing a 3-year term. Mr. Miller called for nominations from the floor/attending audience. No nominations were offered. A motion was made by John Anderson that the nominees submitted by the Nominating Committee be elected by acclamation. Dalila Flores seconded the motion. Motion carried.

Old Business:

None

Virtual Drawing for Cash Prizes:

There were 26 cash prizes totaling \$2,000. Members had to be in virtual attendance to be included in the drawing. The \$300 Grand Prize Winner was Sean Michael Philip Garcia.

Adjournment:

Chairman Rich Miller adjourned the business meeting at 7:35 pm. There were 113 members in virtual attendance.



Leadership

board of directors	Term Expires
Rich Miller, Chairman of the Board	2024
Danny Koons, Vice Chairman of the Board	2024
Joe Morris, Treasurer	2024
Delinda Dutton, Secretary	2022
Gary Aldrich, Director	2022
Gabe Aguilar, Director	2023
Greg Drummond, Director	2023

supervisory committee

James Garza, Chairman
Waynisha Edwards, Member

nominating committee

Delinda Dutton
Joseph Morris
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