



ANNUAL REPORT 2022

*Serving Our Members
For 89 Years*



**United Energy Credit Union
88th Annual Meeting
March 21, 2023**

AGENDA

INTRODUCTION

CALL MEETING TO ORDER

ASCERTAINMENT OF QUORUM

Determine if quorum of 25 eligible members are present.

APPROVE MINUTES FROM PRIOR MEETING

REPORTS

Report of the Board of Directors

Lynette Sealy, Chairperson

Report of Audit Committee

Joy Kristl, Chairperson

Report of the Delinquent Loan Committee

Tracey Pham, Chairperson

Report of the President/Treasurer

Report of 2022 Operations

Debbie Hendrix

UNFINISHED BUSINESS

Report of Nominating Committee

Judy Smith, Chairperson

OTHER BUSINESS

Prizes

ADJOURN



Report of the Chairman of the Board

United Energy Credit Union achieved another profitable year in 2022. The key drivers for our continued success in maintaining a sound bottom line include a proactive debt management approach, a well-managed loan program and a strong member focus. The board is committed to the highest standards of governance and our management team is committed to United Energy's well-being, sustainability and prosperity.

As you know, the credit union industry is unique in its structure. Our members are also our owners, and we are accountable to them - to you! As a member-owner, you make the decisions and participate with your vote. Being informed on our current state of affairs so that you can make intelligent choices benefits us all.

Online banking is here to stay, and this move away from onsite services presents a challenge of creating an experience that still feels personal, but is also convenient and easy to navigate. More and more members prefer to bank online which means easy to navigate websites and apps must be a priority. We aim to make this process as easy as possible so that even our less tech-savvy members can easily utilize these online services.

Along with the convenience that technology brings, it also conveys new challenges and risks that must be controlled. Network security is one of our priorities. The credit union has outsourced our network security monitoring to an outside 3rd party company that helps us protect your information 24/7. Not only is it necessary to protect our network from outside threats but internal threats can also be considered a weakness. Part of an exhaustive network security plan is ensuring that employees are using the best practices and are educated on their role in keeping the network safe. With ransomware, hacks, attacks, vulnerabilities and data theft affecting companies all around the world, it is important that we do everything we can to ensure that we have the best chance against current and future threats.

Meeting the challenges presented by our current economy, political landscape, infrastructure, and environment head on, and working to continue to embrace digital technologies and transform into a modern and flexible business that serves our members and our community is most important to us. We are your credit union, here to serve you, and we couldn't do it without your input and involvement. As our member-owners, you are integral to our credit union family, and we are sincerely grateful that you've chosen United Energy Credit Union as your financial partner. We wish you a healthy and prosperous 2023.

Lynette Sealy

Chairman of the Board



Report of the President /Treasurer

In the past year we have all read the economic headlines showing that we are experiencing the highest inflationary times in over 40 years. Article after article reports of a very likely recession in 2023. As difficult as 2022 has been for some and with a bad forecast predicted for the coming year, it is not without precedent. We have been here before and we always recovered and eventually enjoyed new periods of prosperity. United Energy Credit Union is in a good position to weather any storm. We are focused on excellent risk management, solid fundamentals and keeping our members' interest first.

For 88 years, United Energy has been building a solid financial foundation and providing quality professional service to our members. The projected bad economic forecast and the challenges that we may have to face could be difficult. However, through the excellent leadership and tireless work of the credit union board and staff we will continue to provide excellent service to our members and we will grow stronger as we have always done. Here are a few highlights for 2022:

- One of the primary indicators of how well our members are receiving the products and services we offer is our growth in assets. We ended the year with asset of \$30,199,618 which was a 2.69% increase or \$792,070 more than 2021.
- United Energy Credit Union continues to be a well-capitalized financial institution, with a strong net worth ratio of 16.17%. To put that in perspective, a net worth position above 7 percent is considered well capitalized by our regulators.
- You, the member-owners of this institution, have borrowed more than \$10,584,460, which represented 524 new loans in 2022. Thank you for trusting us for your lending needs!
- Loan demand increased by \$2,199,064 in 2022 which represents a 14.32% increase compared to 2021. This reflects the competitive rates we are able to offer, despite the upward trend in interest rates we've seen nationally.
- Although supply chain issues continued to contribute to parts and inventory shortages for new vehicles early in the year, we still wrote 273 auto loans worth more than \$8,596,502.
- Due to the profitability of the past year, the board of directors declared a 10% refund of all interest paid to the credit union on loans during 2022. We refunded \$103,565 in interest paid by members back to their share account in January. This is just one way your credit union is different from a bank. How many banks do you know that return a portion of their profit back to their customers?
- After posting the interest refund the credit union still booked \$128,619.36 in net income for the year bringing our reserve/undivided earnings to almost 5 million dollars.
- Also included in our Annual Report is the 2023 budget estimate which has been approved by the Board of Directors. We are budgeting for net income of \$215,850 in 2023.

Meeting the challenges presented by our current economy, political landscape, infrastructure, and environment head on, and working to continue to embrace digital technologies and transform into a modern and flexible business that serves our members and our community is a top priority for United Energy Credit Union. We are your credit union, here to serve you, and we couldn't do it without your input and involvement! As our member-owners, you are integral to our credit union family, and we are sincerely grateful that you've chosen our credit union as your financial partner. Thank you for the opportunity to serve you in 2023.

Debbie Hendrix

President/Treasurer



Report of the Delinquent Loan Committee Chairperson

United Energy Credit Union ended 2022 with a combined total of loans and credit card balances of \$18,014,610.59. The delinquent amount at the end of the year was \$177,860.34 which represents a year-end delinquency ratio of 0.99% compared to 0.07% at the end of 2021. The Charge-off amount at the end of the year was \$37,945.77 which represents a net charge-off ratio of 0.32% compared to \$43,178.60 which represented a net charge-off ratio 0.30% at the end of 2021.

We continued to use Blake Credit Union Services to collect some of our delinquent accounts and will retain their services for 2023 as deemed necessary. As in the past, all delinquent accounts are reported to the Credit Bureaus on a monthly basis.

We will continue to utilize the services of a credit union attorney to minimize any losses that may occur from bankruptcy or other debt problems. As the law allows, we will continue to report member losses to the Internal Revenue Service that will be reported as income to that member.

With the ever-changing rules and laws affecting our attempt to collect delinquent accounts, we will continue to maintain up-to-date collection policies and procedures.

The goal of the Delinquent Loan Committee is to oversee any debt collection efforts. We will continue to do our best to reduce delinquency and to keep loan losses to a minimum and acceptable level. I would like to express my appreciation to each member of the committee for their outstanding work this past year.

Tracey Pham

Delinquent Loan Committee Chairperson



Report of the Internal Auditor / Audit Committee Chairperson

The Audit Committee oversees the management and financial records of the Credit Union to ensure its financial condition is fairly represented. The Audit Committee's primary role is to oversee the safety and soundness of this credit union so that our members can feel confident that their investments are safe. Here are just a few of the duties performed by the Audit Committee in 2022:

- Served as the principal communication link between the external auditors and the credit union management team and reviewed the terms of scope of this audit.
- Obtained a reasonable understanding of the elements of internal controls that are important to safeguarding the assets of the credit union.
- Reviewed weekly reports to ensure that management and staff are complying with the policies and procedures which have been put in place to protect the credit union.

In meeting their responsibility, the Audit Committee contracted for an independent audit of the financial statements by Credit Union Resources. This audit was conducted in March 2022 and covered everything from the last audit through December, 2021. The annual audit is performed in accordance with the requirements set forth in Section 5.07 of the Texas Credit Union Laws and Regulations and included any additional procedures deemed necessary.

In addition, the Credit Union Department of the State of Texas performs an examination of United Energy Credit Union. The mission of this department is to supervise, regulate and examine credit unions in order to safeguard the public interest, protect the financial interest of credit union members and promote public confidence in credit unions. The examiners perform a comprehensive review of the accounting records, loans, general procedures and internal controls. The exam is required every 18 months. Between exams we submit quarterly reports that are monitored to assure that the credit union remains safe and sound between exams. We did not have an exam in 2022 because it is their opinion that the credit union's financial statements still fairly represent the financial condition of United Energy Credit Union.

During 2022, the Audit Committee performed surprise cash counts on teller cash drawers and the credit union's vault cash. Random audits were completed on new accounts, closed accounts and loans. The committee also completed the BSA, Plastic Card and ACH audits.

Based on the results of the above-referenced activities and reports generated from them, it is the opinion of the Audit Committee that the records and affairs of United Energy Credit Union are in order. The Audit Committee welcomes questions or comments from the members at any time. We remain dedicated in our efforts to provide reviews and audits of all aspects of United Energy Credit Union operations to protect each and every member. Members may write to the Audit Committee at 8790 FM 1960 Bypass West, Suite 500A, Humble, TX 77338.

Joy Kristl

Internal Auditor/Audit Committee Chairperson

2018-2022 Balance of Accounts

| ASSETS | 2022 | 2021 | 2020 | 2019 | 2018 |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash | 588,088 | 833,750 | 1,603,527 | 1,384,176 | 1,275,686 |
| Other Investments | 10,814,000 | 12,289,000 | 12,865,000 | 9,737,000 | 10,464,000 |
| Petty Cash/Change Funds | 197,354 | 172,455 | 135,831 | 127,243 | 209,207 |
| Personal Loans | 17,546,430 | 15,347,366 | 14,180,973 | 14,447,554 | 13,527,871 |
| Credit Card Loans | 468,181 | 452,279 | 464,126 | 575,343 | 626,155 |
| Investments Accrued Income | 15,155 | 3,367 | 8,472 | 20,065 | 15,987 |
| Loans Accrued Income | 54,579 | 50,494 | 42,333 | 41,531 | 33,851 |
| Fixed Assets | 3,452 | 4,305 | 4,473 | 73 | 1,120 |
| NCUA/NCUSIF | 236,847 | 236,134 | 200,189 | 202,880 | 208,217 |
| Allowance for Loan/CP Losses | (125,219) | (115,605) | (117,211) | (137,288) | (142,264) |
| Other Receivables | 277,796 | 15,469 | 38,257 | 48,274 | 22,940 |
| Share Draft Returns Clearing | - | - | 915 | - | - |
| Prepaid Expenses | 27,794 | 23,663 | 28,018 | 20,717 | 23,793 |
| Other Assets | 95,161 | 94,871 | 94,005 | 9,715 | 9,715 |
| TOTAL ASSETS | 30,199,618 | 29,407,548 | 29,548,908 | 26,477,283 | 26,276,278 |
| LIABILITIES | 2022 | 2021 | 2020 | 2019 | 2018 |
| Shares | 13,678,987 | 13,668,475 | 12,980,544 | 10,795,286 | 10,307,405 |
| Checking Accounts | 4,550,102 | 4,331,557 | 4,297,137 | 3,519,306 | 3,317,279 |
| Deposit Accounts | 4,589,662 | 4,380,221 | 4,652,102 | 4,574,659 | 4,754,458 |
| IRA Accounts | 1,592,197 | 1,819,132 | 2,265,345 | 2,323,042 | 2,514,458 |
| Accounts Payable | 452,451 | 127,948 | 333,252 | 136,668 | 291,007 |
| Accrued Interest Payable | 15,484 | 10,298 | 29,640 | 57,735 | 43,030 |
| Other Accrued Expense | 279,664 | 218,500 | 187,975 | 217,015 | 180,268 |
| Unapplied ATM | 157,125 | 96,090 | 72,296 | 81,697 | 110,621 |
| Reserve Fund | 1,022,386 | 1,022,386 | 1,022,385 | 1,022,386 | 1,022,385 |
| Undivided Earnings | 3,861,560 | 3,732,941 | 3,708,232 | 3,749,489 | 3,735,367 |
| TOTAL LIABILITIES | 30,199,618 | 29,407,548 | 29,548,908 | 26,477,283 | 26,276,278 |

Profit and Loss Statement

| INCOME | 2022 | 2021 | INCREASE/ DECREASE | 2023 BUDGET ESTIMATE |
|---|---------------------|---------------------|-----------------------|-------------------------|
| Interest on Loans | 1,074,556.78 | 975,605.97 | 98,950.81 | 1,163,000 |
| Interest Refund | (103,565.19) | - | (103,565.19) | - |
| Credit Card Income | 47,372.37 | 46,917.98 | 454.39 | 50,000 |
| Investment Income | 113,125.88 | 60,356.80 | 52,769.08 | 362,000 |
| Fee Income | 581,377.18 | 535,480.34 | 45,896.84 | 600,000 |
| Other Income | 131,608.66 | 184,062.26 | (52,453.60) | 72,000 |
| Total Income | 1,844,475.68 | 1,802,423.35 | 42,052.33 | 2,247,000 |
| Expenses | | | | |
| Salaries & Benefits | 628,491.50 | 692,719.72 | (64,228.22) | 700,000 |
| Travel & Conference | - | - | - | 6,000 |
| Association Dues | 10,026.41 | 9,501.30 | 525.11 | 10,150 |
| Office Occupancy/Operations | 505,099.70 | 532,165.46 | (27,065.76) | 554,000 |
| Educational & Promotion | - | - | - | 5,000 |
| Loan Servicing | 85,916.46 | 78,851.71 | 7,064.75 | 95,000 |
| Professional & Outside Services | 376,396.95 | 361,493.77 | 14,903.18 | 440,000 |
| Operating Fee | 6,019.64 | 5,757.00 | 262.64 | 6,000 |
| Audit Fee | 8,496.91 | 9,000.00 | (503.09) | 14,000 |
| Annual Meeting & Dinner | 999.85 | 855.27 | 144.58 | 5,000 |
| Miscellaneous Expenses | 7,211.89 | 6,052.44 | 1,159.45 | 7,500 |
| Cost of Funds | | | | |
| Interest on Deposit Accounts | 15,743.98 | 20,031.48 | (4,287.50) | 78,000 |
| Interest on IRA Accounts | 9,997.23 | 9,757.94 | 239.29 | 24,000 |
| Interest on Share Accounts | 7,495.77 | 7,204.58 | 291.19 | 25,000 |
| Provision for Losses (Loan/CP Losses) | 53,960.03 | 44,323.62 | 9,636.41 | 61,500 |
| Total Expenses | 1,715,856.32 | 1,777,714.29 | (61,857.97) | 2,031,150 |
| Net Change To Undivided Earnings | 128,619.36 | 24,709.06 | 103,910.30 | 215,850 |

Board of Directors

Term Expires 2023

Bo Murphy (Board member since 2020)
Eliza Castillo (Board member since 2020)
Kim Joseph – Vice Chairman (Board member since 2020)
Dominick Huang (Board member since 2022)

Term Expires 2024

Debbie Hendrix, President/Treasurer (Board member since 2005)
Shonda Royston-Johnson (Board member since 2021)

Term Expires 2025

Cedric Wilson (Board member since 2016)
Lynette Sealy – Chairman (Board member since 2018)
Randy Haddick – Secretary (Board member since 2018)
Tracey Pham (since 2018)

Credit Union Staff

Member Services Staff

Karen Crowder – Member Service Supervisor
Crystal Aguilar – Member Service Representative
Raylynn DeSouza – Member Service Representative
Renavia Ben – Member Service Representative/Loan Processor

Back Office Staff

Debbie Hendrix - President
Ann Bumpers – Accounting Specialist
Tonia Dikeman – Contract IT
Joy Kristl – Contract Auditing

Credit and Collections Staff

Jenifer Kayda – Credit/Collections Supervisor
Cindy Dickey – Loan Officer
Kim Dennis– Loan Processor
Jen Hoppas-Hyde – Lending Clerk



Main Office:
8790 FM 1960 Bypass Rd. W. #A500
Humble, Texas 77338

Branch Office: CNP Building
1111 Louisiana St. B102
Houston, Texas 77002