



2021 Annual Report

Mission Statement

Southwest Heritage Credit Union exists for the financial benefit of our membership. We are committed to providing excellence in service and promoting member prosperity.

Vision Statement

To be the kind of place where our employees love to come to work and our members love to come and visit.

Our Core Values

Commitment, Passion, Growth and Integrity

| SOUTHWEST HERITAGE CREDIT UNION | | | SOUTHWEST HERITAGE CREDIT UNION | | |
|--|-----------------------|-----------------------|------------------------------------|----------------------|----------------------|
| STATEMENT OF FINANCIAL CONDITION | | | STATEMENT OF INCOME AND EXPENSE | | |
| | 2020 | 2021 | | 2020 | 2021 |
| ASSETS: | | | INCOME: | | |
| LOANS | \$ 118,794,628 | \$ 121,986,423 | INCOME FROM LOANS | \$ 7,229,208 | \$ 6,843,452 |
| ALLOWANCE FOR LOAN LOSSES | \$ (1,211,997) | \$ (1,278,863) | INCOME FROM INVESTMENTS | \$ 281,621 | \$ 244,152 |
| CASH | \$ 3,284,741 | \$ 3,596,844 | FEES AND CHARGES | \$ 1,823,123 | \$ 2,074,067 |
| INVESTMENTS | \$ 53,881,184 | \$ 56,983,407 | MISCELLANEOUS INCOME | \$ 1,663,965 | \$ 1,190,062 |
| ACCRUED INCOME | \$ 460,284 | \$ 441,556 | TOTAL INCOME: | \$ 10,997,917 | \$ 10,351,733 |
| FIXED ASSETS | \$ 6,064,983 | \$ 5,783,554 | EXPENSE: | | |
| OTHER ASSETS | \$ 4,879,362 | \$ 5,360,948 | COMPENSATION AND BENEFITS | \$ 4,209,624 | \$ 4,447,326 |
| TOTAL ASSETS: | \$ 186,153,185 | \$ 192,873,869 | OFFICE OCCUPANCY | \$ 431,244 | \$ 478,200 |
| LIABILITIES: | | | OFFICE OPERATIONS | \$ 2,744,407 | \$ 1,636,789 |
| TOTAL LIABILITIES: | \$ 1,172,873 | \$ 1,341,695 | ADVERTISING/PROMOTION | \$ 51,738 | \$ 60,331 |
| EQUITY: | | | PROFESSIONAL SERVICES | \$ 214,275 | \$ 216,036 |
| SHARES/DEPOSITS | \$ 165,226,817 | \$ 169,246,600 | PROVISION FOR LOAN LOSSES | \$ 649,800 | \$ 154,900 |
| REGULAR RESERVES | \$ 575,073 | \$ 575,073 | OPERATING FEES | \$ 24,885 | \$ 21,269 |
| UNDIVIDED EARNINGS | \$ 19,178,422 | \$ 21,710,501 | MISCELLANEOUS EXPENSE | \$ 36,829 | \$ 19,501 |
| ACCUM UNREAL GAIN/LOSS AFS | \$ 0 | \$ 0 | TOTAL EXPENSE: | \$ 8,362,802 | \$ 7,034,352 |
| TOTAL EQUITY: | \$ 184,980,312 | \$ 191,532,174 | GAIN/LOSS DISPOSAL OF ASSETS | \$ - | \$ 19,659 |
| TOTAL LIABILITIES & EQUITY: | \$ 186,153,185 | \$ 192,873,869 | GAIN/LOSS INVESTMENTS | \$ - | \$ - |
| | | | OTHER NON-OPERATING INCOME/EXPENSE | \$ 40,661 | \$ 38,538 |
| | | | DIVIDEND/INTEREST EXPENSE | \$ 1,163,267 | \$ 843,499 |
| | | | NET INCOME/LOSS: | \$ 1,512,509 | \$ 2,532,079 |

REPORT OF THE BOARD OF DIRECTORS AND PRESIDENT/CEO

I'm thankful that 2022 has finally arrived. It's not that 2021 was a bad year, but with so many uncertainties it was challenging for us all. We worked hard to keep our employees and members safe from multiple strains of the COVID-19 virus while keeping all branches open throughout the year. We encouraged our employees to practice social responsibility at work and at home and we made every effort to keep our branches clean and sanitary so our members could safely conduct their business.

As we move into 2022, we continue to work hard to maintain the strength of our Credit Union. We have funded over \$10 million in PPP (Paycheck Protection Program) loans to assist businesses who lost income associated with diminished revenues during another year of the pandemic. We helped many members with much-needed loans, not only business related, but through home equity loans, personal loans, payment extensions, and with cash out refinancing. As members started recovering from the economic woes, delinquency dropped from the 2.30% in 2020 to 0.58% by the end of 2021. The Credit Union's net worth remained stable at 11.55% and although loan growth was low at 3%, the loan income was able to help the credit union end the year with 1.34% Return on Assets. That was below the pre-pandemic 1.51% Return on Asset in 2019, but overall a great year that was well above what we had expected.

Loans did grow over \$3 million, fueled by PPP loans. Deposits also grew by \$3.4 million, helping to keep everything in balance. The Credit Union's net charge-offs remained well controlled at 0.07% and your Credit Union ended the year at \$192.9M in assets, up from \$186.2M at the end of 2020. Net income was \$2.5M, up \$1M from 2020. Although 2021 is considered a great year, the receipt of additional income from two sources were unexpected and are not expected to be reoccurring. NCUA refunded the Member Capital Shares investment that were lost in 2009 and 2010 when corporate credit unions were failed due to investments in the mortgage loan market; our part being approximately \$240,000. Also, we received fees paid by SBA to administer the PPP loans. The Credit Union staff worked hard, long hours, and took every safe avenue to provide the income that made it possible for us to have a strong earnings year.

We are continually developing our core processing system and adding new products such as instant issuance of debit cards (to be released in March 2022) and temporary checks (also expected to be available in March 2022). Also, the Business Development Center continues to add convenient remote services. Online account opening and loan requests, as well as Esign for members to sign electronically continue to see growing member utilization. We are constantly looking for products and services that will make your daily financial management easier and more convenient, with increased information, and global connectivity and an emphasis on enhancing the financial health of our members. We make it our business to prioritize improving our relationship with each of you by building an understanding of what we can do to help eliminate your everyday financial challenges.

Southwest Heritage Credit Union currently pays directors \$400 each per board meeting attended and \$200 each for other committee meetings attended (Directors Loan Committee, Asset Liability Committee, Facilities Management Committee, Nominating Committee). The fees will remain the same for 2022.

We know that without great members, we cannot be a great Credit Union. All the staff and Board would like to thank the member/owners for your loyalty and patronage during a challenging year in 2021 and we are looking forward to another great year in 2022. We have realized more than ever that God has blessed this Credit Union, the employees, and the members.

OUR LOCATIONS

| | | | | |
|---|--|--|---|--|
| 2809 JBS Parkway Odessa TX 79762 432-367-8993 | 930 W University Blvd Odessa TX 79764 432-580-7108 | 4100 Faudree Rd Odessa TX 79765 432-250-6040 | 2489 W University Blvd Odessa TX 79765 432-307-6767 | 309 E Hendricks Wink TX 79789 432-527-3365 |
|---|--|--|---|--|

| 2021 Board of Directors | | Southwest Heritage Credit Union Senior Management Staff |
|------------------------------------|--------------------------|--|
| Director | Term Expiring | |
| Valerie Newsom - Chairman | 2024 | Ronny Haynes - President |
| Edgar Baiza Jr - Vice Chairman | 2022* | Paula Vaughn – EVP |
| Cathy George - Secretary | 2022* | Glenn Tolentino – VP/CFO |
| Charles Coon - Treasurer | 2024 | Maria Cardoza - VP Branch Operations |
| Stewart McKeehan - Director | 2023 | Maria Diaz - VP Business/RE Lending |
| Chris Garrett - Director | 2023 | Debbie Lacey - VP Consumer Lending |
| Neil Dobmeier - Director | 2022* | Craig Harris - VP Compliance/Audit |
| Fred Ray - Advisory Director | | Scott Drinkard - VP/IT Management |
| Mary Hunt - Advisory Director | | Tammy Davis - VP/Wink Branch |
| Barbara Nunez - Advisory Director | | |
| Daina Perkins - Advisory Director | | |
| Robert Brescia - Advisory Director | | |

**Nominees
Board of Directors**

The Nominating Committee of Southwest Heritage Credit Union, appointed by the Chairman of the Board of Directors, has nominated one member for each open board position to be filled, serving a three-year term. The nominees are Neil Dobmeier, Cathy George and Edgar Baiza Jr. A brief statement of qualifications and biographical data for each of the nominees is included below.

Neil Dobmeier (Term 2022-2025) – Mr. Dobmeier has been a member of Southwest Heritage Credit Union for over 30 years and has served on the Board of Directors since 2008. He currently serves as Chair of the Facilities Committee, and as a member of the Asset Liability Committee. Mr. Dobmeier has over 44 years of experience in the oilfield industry with various companies, holding management positions. He has been involved in civic organizations from serving on boards for OYBA and North Ector Little League, a private school board member and a former member of the Institute of Supply Management. Neil and his wife, Suzanne, have been married for 46 years. They have 3 children and 8 grandchildren. Mr. Dobmeier looks forward to being able to serve the members of SWHCU and continue the efforts to improve our credit union.

Cathy George (Term 2022-2025) – Ms. George has been a member of Southwest Heritage Credit Union for over 15 years and has served on the Board of Directors since 2007. She currently serves as the Secretary of the Board of Directors, the Chair of the Nominating Committee and as Vice-Chair of the Directors Loan Committee. Ms. George has owned her own business, CG & Company, an Executive Recruiting company, in Odessa since 1988. Ms. George has served as President of the Texas Association of Personnel Consultants and has served on the National Board representing Texas, Oklahoma, New Mexico and Louisiana. She also currently serves as Vice President on the Board for Odessa Links and as a Board member on the President’s Advisory Council at the University of Texas Permian Basin.

Edgar Baiza, Jr. (Term 2022-2025) – Mr. Baiza has been a member of Southwest Heritage Credit Union since 2008 and board member since 2014. He currently serves as the Vice-Chair of the Board; Chairman of the Directors Loan Committee and a member of the Facilities Committee. Mr. Baiza was raised in West Texas and graduated from UTPB in 2007 with a Bachelor of Business Administration Management degree. Mr. Baiza is the Vice President of E&A Welding & Oilfield Services Inc.