



PRIORITY CREDIT UNION

FOR THOSE WHO DELIVER

2023 ANNUAL REPORT

BRANCH LOCATIONS

MAIN OFFICE: ORLANDO

301 East Michigan Street | Orlando, Florida 32806

WINTER GARDEN

15155 West Colonial Drive | Winter Garden, Florida 34787

LAKE MARY

800 Rinehart Road, Ste. 303 | Lake Mary, Florida 32746

TRADEPORT

10401 Post Office Blvd. | Orlando, Florida 32862

WEST MELBOURNE

2305 Minton Road | West Melbourne, Florida 32904

LAKELAND (ATM ONLY)

2800 Lakeland Hills Blvd. | Lakeland, Florida 33805

93RD ANNUAL MEETING AGENDA

March 23, 2023

5:30 p.m. Registration & Refreshments

6:00 p.m. Start Time

Call to Order.....	Steve Hooks, Chairman
Introduction of Board & Audit & CDFI Committee.....	Steve Hooks
Invocation.....	Steve Hooks
Pledge of Allegiance.....	Janie Clark
Chairman's Report.....	Steve Hooks
Secretary.....	Jerry Morey

- a) Determination of a Quorum
- b) Approval of minutes of last annual meeting

****DOOR PRIZES**

Treasurer's Report.....	Jerry Morey
President's Report.....	Alan Rowe
Credit Manager's Report.....	Sherri Syfrett

****DOOR PRIZES**

Audit & CDFI Committee's Report.....	Janie Clark
Unfinished Business.....	Steve Hooks
New Business.....	Steve Hooks
Election.....	Sherrie Tomlinson, Nominating Committee Chair

- a) Nominating Committee's Report, Nominees of Board -
Jerry Morey and Michael Munguia

****DOOR PRIZES**

Open Forum.....	Questions and Answers
Election Results.....	Nominating Committee

****DOOR PRIZES**

Adjournment.....	Steve Hooks
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TREASURER'S REPORT

2023 Annual Meeting (Covering 2022)

Hi, I am Jerry Morey, and I was your Secretary/Treasurer for this past year. I am pleased to report that Priority Credit Union fared well through the continuing uncertainty of 2022. Our financial condition and risk ratings continued to improve during 2022.

The results for the years ending December 2021 and December 2022 are summarized in the enclosed financials. Total assets grew to \$64.9 million from \$63.4 million even though, due to net worth ratio concerns, we have purposely been trying to not grow our total assets much, if at all.

Deposits grew slightly to \$57.3 million from \$57.2 million the prior year, again in part due to trying not to grow total assets too much. Liquidity in the marketplace has tightened significantly at most financial institutions over the past year.

Loans were a particular bright spot, growing approximately 22% to \$51.2 million from \$42.1 million. By redeploying existing liquidity within our balance sheet into these new loans, we were able to fund this loan growth while not growing total assets. VP of Lending, Sherri Syfrett, will expound upon this further when she does her report.

Net income was \$178,000 for 2022, and there were a number of non-operational type items, some favorable and some unfavorable, which occurred during 2022 and factored into that net income. Mr. Rowe will touch on some of those in the President's Report.

We were fortunate to receive a Technical Assistance grant from The CDFI (Community Development Financial Institution) Fund in the amount of \$125,000 in 2022. Maintaining our CDFI status remains an important initiative moving forward, as this provides various potential grant opportunities each year.

Another material item was that the FASB (Financial Accounting Standards Board), now mandated by NCUA (National Credit Union Administration), has implemented a new, onerous methodology for determining loan loss provisions at all financial institutions. It is called CECL (Current Expected Credit Losses) and, in almost every case, is causing loan loss reserves to go up, often materially. We did a one-time true-up at year-end 12/31/22 in the amount of an additional \$310,000 to bring PCU in compliance with this new edict. CECL is going to require higher reserves set aside for almost all new loans made going forward, which will burden earnings. This one-time year-end entry did not have to flow through the income statement but did come out of net worth, reducing our net worth ratio to 7.56%. Even after this adjustment, our net worth position as of December 31, 2022, continues to rank Priority Credit Union as "well capitalized" by regulatory standards.

We continue working hard to position the credit union in ways that strengthen its financial performance so that we may continue to provide a positive impact within the community and fulfill the mission of Priority Credit Union to serve its members, all of whom are highly valued. PCU now needs deposits, and members can help their credit union grow and prosper by maintaining all of their checking accounts and other accounts with PCU, as well as getting their loans and mortgages here—we would like to be your sole financial institution.

Thank you, Jerry Morey

ANNUAL MEETING 2023 FINANCIALS

BALANCE SHEET	2022	2021
Assets		
Loans	\$ 51,186,878	\$ 42,129,444
Less: ALLA & CPL	\$ (675,171)	\$ (470,500)
Cash & Investments	\$ 11,265,753	\$ 19,340,484
Fixed Assets (Net)	\$ 675,955	\$ 612,873
Other Assets	\$ 2,448,888	\$ 1,771,332
Total Assets	\$ 64,902,303	\$ 63,383,633
Liabilities	\$ 2,721,279	\$ 1,155,206
Shares		
Regular Shares	\$ 29,363,057	\$ 30,219,887
Club Accounts	\$ 148,838	\$ 136,220
Money Markets	\$ 10,730,725	\$ 11,917,554
Share Drafts	\$ 9,953,401	\$ 8,689,858
Share Drafts - Business	\$ 595,635	\$ 445,859
Certificates of Deposit	\$ 4,883,714	\$ 3,718,834
IRA Shares	\$ 1,323,056	\$ 1,591,472
IRA CDs	\$ 275,208	\$ 470,020
Total Shares	\$ 57,273,634	\$ 57,189,704
Capital	\$ 4,907,390	\$ 5,038,723
Total Liabilities, Shares, & Capital	\$ 64,902,303	\$ 63,383,633
INCOME & EXPENSES	2022	2021
Income		
Loans	\$ 2,109,857	\$ 1,917,461
Investments	\$ 167,109	\$ 173,591
Fees/Others	\$ 1,312,408	\$ 809,158
Total Income	\$ 3,589,374	\$ 2,900,209
Expenses		
Salaries & Benefits	\$ 1,138,310	\$ 1,107,340
Operating Expenses	\$ 2,259,206	\$ 1,740,808
Prov for Loan Losses	\$ 64,443	\$ (19,782)
Total Operating Expenses	\$ 3,461,959	\$ 2,828,367
Cost of Funds	\$ 90,790	\$ 63,308
Capital Gains/(Losses)	\$ 0	\$ 0
Net Income/(Loss) Before Non-Operating Gains/(Losses)	\$ 36,625	\$ 8,534
Non-Operating (Gains)/Losses	\$ (141,112)	\$ (1,195,054)
Gain/(Loss) on Disposal of Assets	\$ 0	\$ 1,376
Total Non-Operating (Gains)/Losses	\$ (141,112)	\$ (1,193,678)
Net Income/(Loss)	\$ 177,737	\$ 1,202,212

PRESIDENT'S REPORT

PCU Annual Meeting 2023

It is great to see all of you, and thank you again for your membership and support. Your credit union had a good year overall in 2022. We grew total assets to \$64.9 million, made net income of \$178,000, our risk ratings were greatly improved, and we were approved for another \$125,000 grant from the CDFI Fund (Community Development Financial Institution). Remember, too, that due to net worth limitations, we have been striving to limit our growth in total assets for a few years now, though, as our V.P. of Lending will outline shortly, we had robust loan growth in 2022 as we were able to do so without growing much in total assets by redeploying existing liquidity out of lower yielding assets and into loans. In doing so, we incurred approximately \$80,000 in early withdrawal penalties in investment CDs in 2022 and can easily make that up and then some over the course of a year in higher-yielding assets now since we are coming out of the ultra-low pandemic rate environment. This also provided another benefit of reducing PCU's interest rate risk to low levels compared to many of our peers across the country. Total shares (deposits) ended the year at \$55.2 million.

Whereas at 2021 year-end, we were awash in liquidity due to higher loan demand, tightening liquidity across the marketplace generally, and high inflation forcing members to spend reserves to pay expenses, we now need new deposits. This dynamic is playing out the same way for most financial institutions across the country. We encourage members to move their checking accounts and any other accounts to PCU so that we may address its liquidity needs and build for the future. In addition to the above, PCU did, unfortunately, experience some wire fraud, though, fortunately, there was a partial recovery, and the remainder was mostly covered by our bonding company and an Employee Retention Credit from a federal pandemic program. We also became fully engaged in a digital marketing program and are working on scaling that up to target new members as well as our CDFI census tracts.

The economy at large is showing mixed signals as to which way things may go. Many traditional leading indicators, including an inverted yield curve, are flashing signs of concern that a recession may be looming in the next year or so, though no one knows for sure. We continue to work on maintaining our Certified CDFI status and have a grant request currently pending. The CDFI Fund is going through many changes at this time and is supposed to announce new qualifying criteria sometime this year. We are monitoring this and will, of course, strive to address any needed items to stay qualified if at all possible. We are also looking at potential core IT system alternatives as our current contract matures in June of 2025, and the current one is very expensive.

I would like to again recognize and thank our wonderful Board members. All members should know that they volunteer a lot of their valuable time and do a great job providing strategic direction for PCU. Thank you again to all of you for your support.

Alan Rowe, President & CEO

CREDIT MANAGER REPORT

Annual Meeting 2023

LENDING DEPARTMENT:

The lending department saw significant loan growth in 2022, as many members took advantage of historically low rates throughout the first half of the year. Even with the threat of rising rates and inflation in the latter half of the year, we were able to provide a variety of lending solutions to assist our members in achieving their financial goals.

Charge-offs were just 0.37%, or \$169,689 net for the year. We have been able to help members who are still struggling to get back on track after the pandemic through various repayment programs.

PRIORITY CU LOAN ORGANIZATIONS:

In 2022, our loan portfolio grew by \$9 million, ending at \$51,186,878 – up from \$42,129,144 in 2021. A considerable portion of this is within the vehicle loan category. In the 4th quarter of 2021, we stepped into the indirect auto market – financing loans for individuals while at the dealership. This avenue provided us with not only strong, qualified loan applications in 2022 but also an increase in our member base. Additionally, we saw an uptick in our HELOC loans due to lower interest rates and improved real estate market values.

Loans	2020	2021	2022
Vehicle Loans	\$ 5,881,205	\$ 6,688,088	\$ 13,184,373
Unsecured/Personal Loans	\$ 896,084	\$ 707,146	\$ 909,830
Other Secured Loans	\$ 417,452	\$ 314,618	\$ 372,593
Credit Cards	\$ 293,250	\$ 393,850	\$ 249,300
HELOCs	\$ 395,250	\$ 1,285,746	\$ 4,895,387
1st Mortgages	\$ 882,878	\$ 1,122,200	\$ 949,994
Loan Participations	\$ 8,655,603	\$ 8,111,218	\$ 6,868,897
Total	\$ 17,421,722	\$ 18,622,867	\$ 27,430,383

Our plan for 2023 is to build on the successes we saw in the previous year. Some of our initiatives include: offering affordable financial products for our underserved communities, technological advances for increased digital access, and sales and service training for staff members. The lending department is committed to meeting and exceeding our members' financial needs.

Sherri Syfrett
Vice President of Lending