

## Statement of Financial Conditions

ASSETS:	2011	2012	2013
Net Loans	38,496,000	41,288,000	41,484,000
Cash & Investments	34,162,000	35,965,000	36,307,000
Other Assets	1,890,000	2,272,000	2,269,000
<b>TOTAL ASSETS</b>	<b>74,548,000</b>	<b>79,525,000</b>	<b>80,060,000</b>

### LIABILITIES & MEMBERS' EQUITY:

Dividends & Accounts			
Payable	162,000	307,000	138,000
Shares	31,246,000	35,255,000	37,584,000
Share Drafts	17,165,000	19,261,000	19,378,000
Indexed Money Markets	5,391,000	4,734,000	5,160,000
Certificates	13,397,000	13,023,000	11,732,000
Statutory Reserve	597,000	597,000	597,000
Undivided Earnings	6,590,000	6,348,000	5,471,000
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>74,548,000</b>	<b>79,525,000</b>	<b>80,060,000</b>

### INTEREST INCOME:

Interest on Loans	2,452,276	2,439,388	2,427,453
Investment Income	706,667	493,504	479,421
<b>TOTAL INTEREST INCOME</b>	<b>3,158,943</b>	<b>2,932,892</b>	<b>2,906,874</b>

### INTEREST EXPENSE:

Dividends	669,471	197,925	145,990
Interest on Borrowings	299	335	724
<b>TOTAL INTEREST EXPENSE</b>	<b>669,770</b>	<b>198,260</b>	<b>146,714</b>

<b>NET INTEREST MARGIN</b>	<b>2,489,173</b>	<b>2,734,632</b>	<b>2,760,160</b>
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### NON INTEREST INCOME:

Fee Income	684,416	760,058	793,312
Other Income	240,199	145,448	152,850
<b>TOTAL NON INTEREST INCOME</b>	<b>924,615</b>	<b>905,506</b>	<b>946,162</b>

### NON INTEREST EXPENSE:

Employee Compensation	1,869,119	2,042,080	1,868,120
Travel & Conference	42,241	34,441	35,936
Office Occupancy	152,304	181,491	178,976
Office Operations	689,777	604,171	575,480
Member Services	262,463	339,021	402,634
Loan Servicing	240,909	200,857	209,199
Provision for Loan Loss	50,935	137,358	230,670
Professional Services	168,350	168,789	159,166
Educational/Promotional	171,096	202,425	190,385
<b>TOTAL NON INTEREST EXPENSE</b>	<b>3,647,194</b>	<b>3,910,633</b>	<b>3,850,566</b>

<b>NET INCOME:</b>	<b>(233,406)</b>	<b>(270,495)</b>	<b>(144,244)</b>
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<b>NET WORTH TO ASSETS RATIO:</b>	<b>9.5%</b>	<b>8.6%</b>	<b>8.3%</b>
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## BOARD OF DIRECTORS

Joseph Herrle	Chair
Richard Singer	Vice Chair
James Rushing	Treasurer
Jeffrey VanHorn	Assistant Treasurer
Larry Beahm	Secretary
Raymond Caravan III	Director
Phyllis Favorite	Director
John Switalski	Director

## BOARD EMERITI

Hugh Mose	Director
Peggy Lu Zimmerman	Director

## SUPERVISORY COMMITTEE

Dr. Richard Harris	Chair
Larry Cramer	Committee Member
David Mentzer	Committee Member
Jeffrey Stang	Committee Member

## SPE FEDERAL CREDIT UNION STAFF

### Senior Management

Michael J. Meier	President/CEO
Wendy Myers	VP & Director Lending and Retail Services
Walter Ripka	VP & Chief Information Officer

### Branch Managers

Mary Carbonara	East College Ave., State College
Cathy Howell	Washington St., Huntingdon
Lori Miller	Science Park Rd., State College

### Member Service Representatives

Linda Brenneman	Paula Hockenberry
Teresa Coppock	Jerie Kellogg
Emilee Fisher	Christine McClellan
Abby Gaisior	Patricia McNeal
Sharon Hege	Laura Nicholas
Elizabeth Hinchee	Evan Smith

### Accounting

Monica Henderson
Sherri Klaus
Melissa Mangan

### Information Technology

Brenda Horner
Dan Zbegner

### Member Lending Services

Brenda Cerett
Charlie Hackett
Linda Haines
Sue Hartswick

### Human Resources

Erin Butler
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### Marketing and Business Development

Christa Hosterman
Dianna Meckley
Sue Swain

### Small Business Lending

Michael Scott
Anna VanAlstine



## 2013 Annual Report



**HUNTINGDON**  
Washington Street

**STATE COLLEGE**  
College Avenue  
Science Park Road



## Supervisory Report

All credit unions are required by law to have a supervisory committee. The job of a supervisory committee is to oversee the credit union to determine that it is soundly managed and that members' assets are safeguarded. To do this, the supervisory committee monitors and evaluates the credit union's finances, operations, and decisions against current laws, regulations, policies, and procedures.

The supervisory committee is a dedicated group of volunteer members of the credit union. In early 2013 two new members joined the supervisory committee: Kristi Myers and Dave Mentzer. Combined with continuing members Larry Cramer, Jeff Stang, and Rik Harris this returned the committee to its authorized strength of five.

As part of fulfilling our responsibility in 2013, the supervisory committee conducted periodic examinations to verify that operations of the credit union were accurate and efficient. These examinations included unannounced teller cash drawer, traveler's check and vault cash audits at the State College Science Park and College Avenue facility and at our Huntingdon location.

The Committee met with the National Credit Union Administration (NCUA) audit team in May and tracked resolution of actions from this audit.

The supervisory committee's efforts were augmented by the services of a professional audit firm, Padden, Guerrini, and Associates. This firm conducted legally mandated balance sheet audits, the required annual Automated Clearing House (ACH) audit, and special examinations of other areas of credit union operation. Results of these examinations were reported to the supervisory committee and to SPEFCU management. All issues identified by these examinations are either closed or are actively being addressed by management.

Padden, Guerrini, and Associates performed audits of closed accounts through February 2013. The supervisory committee reassumed responsibility for these audits thereafter. A team led by Jeff Stang developed procedures to be used for these periodic audits and worked with management to assure that required reporting and processes were in place to implement this procedure.

Through regular attendance at Board of Directors meetings, review of Board minutes, and policy decisions we believe that the actions of the Board are sound and responsive to the needs of the SPE Federal Credit Union members.

We are pleased to report that in our opinion the activities of the SPE Federal Credit Union were administered in compliance with all statute laws, rules and regulations of the National Credit Union Administration and policies of the SPE Federal Credit Union.

Respectfully submitted,

*Rik Harris*

Supervisory Committee Chair

## Chairman's Message

In the past year SPE has met and managed many new challenges. The world and local economies continue to transmit 'mixed signals'. The constant vacillating back and forth from doom and gloom to new claims of recovery and optimism make it difficult for consumer confidence to improve. Despite this, SPE continues to move ahead!

We are positioned to meet the constant change in the financial markets and in the personal lives of our members. These efforts include additional training and new initiatives designed with your best interest in mind. The shift to electronic transactions, such as bill pay, e-statements, and on-line loan application are keys to this evolution.

The year 2013 presented the staff and the Board with the most substantial challenge of the decade!

We joined together to accept the retirement of Chief Executive Officer Russ Brooks and we joined together again to find the next leader for SPE.

After several months of search, deliberation and consultation our new leader (new CEO) for SPE was found in our midst in the form of our long-serving Chief Financial Officer Michael Meier.

The orderly transition of leadership from Brooks to Meier is living proof to the value of a sophisticated succession plan created by the Board of Directors some years ago. With each passing day we see reasons to be optimistic and to follow the leadership plans being put forth by our Board, Staff and members.

We continue to be pleased with the friendly merger of Huntingdon Federal Credit Union (now known as SPEFCU) completed in 2012. Our efforts there are led by on-site manager Cathy Howell and we see continued growth from this location.

We now serve approximately 11,000 members and manage assets of \$80,000,000 for SPE members in Centre and Huntingdon Counties. The goal on the horizon is asset growth to \$100,000,000. Without a doubt that goal will take every bit of strength we can muster. It's as though the last mile is the hardest mile to run!

Running a credit union is a very complex task but we will continue to do the job in 2014 and make it feel easy for you!

If we all accept the challenge of growing this credit union (founded 35 years ago) and we spread the story of the credit union advantage we really can exemplify the credit union motto of people helping people!

Please resolve this year to **make SPE your primary place for all of your financial needs** as we aim for the lofty goal of growing to \$100,000,000. Our success in growing the credit union will be reflected in providing you each with better, newer and more economical services to make your financial world more orderly.

Respectfully submitted,

*Joseph C. Herrle*

Board Chair

## President's Message

Change is inevitable and SPE is not immune as the 'winds of change' demonstrated this past year. Several employees retired after lengthy careers with the credit union. Don Hileman, the longtime CEO of the former HCFCU retired at the beginning of the year and Russell Brooks, CEO of SPE FCU, retired on October 31 after 11 years. In all there are 6 new faces at SPE.

During the year, phase II of the renovations at our College Avenue office were completed. This is an extension of the work that began in 2012 when we added drive up services to that office. In October, four of the staff from our Science Park office moved into the new space at College Avenue. These improvements will make better use of the space at both offices and improve overall service to our members.

The economic climate has been changing as well. The lingering effects of the Great Recession and the regulatory expense burden in the aftermath were felt by the credit union as well as our members. Although the economy continues to struggle, signs of recovery are beginning to appear. After 3 years of recorded losses, the credit union is projecting positive earnings in 2014. We are able to withstand such economic downturns because we are well capitalized. This is measured by the Net Worth ratio – an accumulation of net income over the years – which serves as a cushion for financial challenges and for expanding services to our members.

The economic changes have also caused a change in consumer behaviors. All of us are using remote services more often. Whether it's on-line banking, debit or credit cards, or mobile banking, members are utilizing technologies that are more convenient for their lifestyles. As a result, fewer transactions are taking place inside the credit union facilities. We are focused on this evolution and are adapting our service delivery model to meet the current and future needs of our members. We are committed to expanding and deploying the necessary security tools and communication techniques to protect your information and provide peace of mind.

The credit union celebrated its 35th anniversary in 2013. From \$80 in a desk drawer to more than \$80 Million and offices in 2 counties, we have grown through your support and utilization of products and services. Change is constant. At SPE, our focus is on what's best for you – our members! Our goal is to meet your financial needs and we strive to 'do it better for you!' One way we do that is through a credit checkup. Through this process, we review and educate you about your credit and look for ways to improve your financial situation. These reviews are extremely valuable and we are confident that you will find them useful as you look to change your financial outlook and advance toward your goals. I encourage you to speak to a member of our staff to get started.

Thank you for your support during the past year and in the years ahead. With all of the changes, both internal and external, the credit union is poised for an even brighter future. And we're looking forward to helping you toward a better future too. We're here to help you manage it successfully. Change is inevitable.

Respectfully submitted,

*Michael J. Meier*

President/CEO