

## Statement of Financial Conditions

ASSETS:	2012	2013	2014
Net Loans	41,288,000	41,484,000	45,276,000
Cash & Investments	35,965,000	36,307,000	32,628,000
Other Assets	2,272,000	2,269,000	2,217,000
<b>TOTAL ASSETS</b>	<b>79,525,000</b>	<b>80,060,000</b>	<b>80,121,000</b>

### LIABILITIES & MEMBERS' EQUITY:

Dividends & Accounts Payable	307,000	138,000	64,000
Shares	35,255,000	37,584,000	37,950,000
Share Drafts	19,261,000	19,378,000	20,248,000
Indexed Money Markets	4,734,000	5,160,000	3,280,000
Certificates	13,023,000	11,732,000	12,227,000
Statutory Reserve	597,000	597,000	597,000
Undivided Earnings	6,348,000	5,471,000	5,755,000
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>79,525,000</b>	<b>80,060,000</b>	<b>80,121,000</b>

### INTEREST INCOME:

Interest on Loans	2,439,388	2,427,453	2,445,722
Investment Income	493,504	479,421	478,584
<b>TOTAL INTEREST INCOME</b>	<b>2,932,892</b>	<b>2,906,874</b>	<b>2,924,306</b>

### INTEREST EXPENSE:

Dividends	197,925	145,990	125,986
Interest on Borrowings	335	724	7,495
<b>TOTAL INTEREST EXPENSE</b>	<b>198,260</b>	<b>146,714</b>	<b>133,481</b>

<b>NET INTEREST MARGIN</b>	<b>2,734,632</b>	<b>2,760,160</b>	<b>2,790,826</b>
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### NON INTEREST INCOME:

Fee Income	760,058	793,312	744,904
Other Income	145,448	152,850	133,621
<b>TOTAL NON INTEREST INCOME</b>	<b>905,506</b>	<b>946,162</b>	<b>878,524</b>

### NON INTEREST EXPENSE:

Employee Compensation	2,042,080	1,868,120	1,889,812
Travel & Conference	34,441	35,936	44,259
Office Occupancy	181,491	178,976	208,349
Office Operations	604,171	575,480	526,040
Member Services	339,021	402,634	400,322
Loan Servicing	200,857	209,199	217,301
Provision for Loan Loss	137,358	230,670	161,964
Professional Services	168,789	159,166	160,368
Educational/Promotional	202,425	190,385	164,423
<b>TOTAL NON INTEREST EXPENSE</b>	<b>3,910,633</b>	<b>3,850,566</b>	<b>3,772,838</b>

<b>NET INCOME:</b>	<b>(270,495)</b>	<b>(144,244)</b>	<b>(103,488)</b>
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<b>NET WORTH TO ASSETS RATIO:</b>	<b>8.6%</b>	<b>8.3%</b>	<b>8.2%</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
Dr. Richard Harris	Director
John Switalski	Director

## BOARD EMERITI

Hugh Mose	Director
Peggy Lu Zimmerman	Director

## SUPERVISORY COMMITTEE

Jeffrey Stang	Chair
Larry Cramer	Committee Member
David Mentzer	Committee Member
Chad Horne	Committee Member
Thomas Lewis	Committee Member

## SPE FEDERAL CREDIT UNION STAFF

### Senior Management

Michael J. Meier	President/CEO
Joshua Fritchman	CFO
Wendy Myers	VP & Director Lending and Retail Services

### 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	Elizabeth Hinchee
Teresa Coppock	Paula Hockenberry
Emilee Fisher	Christine McClellan
Abby Gaisior	Laura Nicholas
Sharon Hege	Evan Smith

### Accounting

Sherri Klaus
Melissa Mangan

### Human Resources

Erin Butler
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### Marketing and Business Development

Christa Hosterman
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### Member Lending Services Small Business Lending

Brenda Cerett	Michael Scott
Charlie Hackett	Anna VanAlstine
Linda Haines	
Sue Hartswick	



# 2014 Annual Report



Science Park Road, State College



College Avenue, State College



Washington Street, Huntingdon



## Supervisory Report

All credit unions are required by law to have a supervisory committee. The job of a supervisory committee is to oversee all aspects of 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 quality of the credit union's finances, operations, and decisions.

The supervisory committee is a dedicated group of volunteer members of the credit union. During 2014 the Supervisory Committee lost the services of Chairman Rik Harris who was elected to the Board of Directors. Jeffrey Stang was selected to replace Rik Harris as committee chairman. Larry Cramer and David Mentzer continued to serve as committee members. Chad Horne and Tom Lewis joined the committee in 2014.

In order to fulfill our responsibility in 2014, the supervisory committee conducted periodic examinations to verify that operations of the credit union were accurate and efficient. These examinations included

- Teller cash drawer and vault cash audits at all branches
- ATM, traveler check, and money order audits at all branches
- Employee, official and family loans audit
- Quarterly review of closed accounts

None of these examinations revealed more than minor procedural issues.

The supervisory committee's efforts were augmented by the services of a professional audit firm, Padden, Guerrini, and Associates. This firm conducted legally mandated audits and special assessments of other areas of credit union operation. Results of these examinations were reported to the supervisory committee and to SPE management. Issues identified by these examinations are either closed or are actively being addressed by management.

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 have been administered in compliance with all rules and regulations of the National Credit Union Administration and the bylaws of the SPE Federal Credit Union.

Respectively submitted,

*Jeffrey Stang*

Jeffrey Stang, Chairman  
SPEFCU Supervisory Committee

## Chairman's Message

The year 2014 brought new challenges, just when we thought we were turning the corner! As previously discovered the "world economy" continues to send mixed messages requiring our management to read the signs carefully.

We stayed on task this year and we did create new initiatives, new training and new efforts to meet the changing face of banking.

We acknowledge the reality of high expense ratios and the related operational challenges as indicated by our federal regulator, the NCUA (National Credit Union Administration). To address this reality and position the credit union for the future, we took appropriate action to temporarily shrink the balance sheet slightly and enact expense reductions. These actions are some of the most difficult the credit union has undertaken and were done with the full support of the Board.

We continue to be pleased with the orderly evolution of our leadership team led by the CEO, Michael Meier. We rely on the entire team to grow the credit union and serve our membership throughout our market areas of Centre and Huntingdon counties.

Our long term goal of growing the assets has been hindered by the economy but signs of improvement are starting to show. By fulfilling our growth aspirations we will be able to properly serve current and future generations. Recent growth has been steady and we now serve more than 11,200 members and manage assets of approximately \$80,000,000 for SPE members in Centre and Huntingdon counties.

Running a Credit Union continues to be a very complex task but we will continue to serve you in 2015 and make it look easy!

If we all rally to the challenge of growing the Credit Union (founded 36 years ago) and we spread the story of the Credit Union advantage we will surely feel the benefit of a democratic financial co-op that is a Federal Credit Union!

We ask for your support this year in making SPE your "go to" financial resource. In doing that, we will meet the needs of our members and fulfill the credit union philosophy of 'people helping people.'

Respectfully submitted,

*Joseph C. Herrle*

Board Chair

## President's Message

Evolution is defined as "any process of formation or growth; the gradual development of something." Unfortunately, many credit unions are not evolving and are struggling under the economic and regulatory challenges. Credit unions are closing at a rate of about one per day due to an inability to grow and develop. They are unable to generate sustainable earnings which prevents them from investing in tools and technology to meet the evolving needs of their members. This is a cause for concern for the credit union movement.

The good news is that SPE 'is' evolving. We are committed to finding a way to advance the credit union movement to ensure that the benefits of credit union membership continue to thrive for the more than 100 million (and growing) Americans who are credit union members.

At SPE we continuously seek ways to improve service to our members. During 2014, in the true spirit of the credit union, cooperative model, your credit union became a founding member of a CUSO (Credit Union Service Organization) called rkGoBig, LLC. It is a collaborative venture with other credit unions whose primary goal is to reduce operating expenses by redefining the credit union back office operations. Through shared resources and collaboration, credit unions will be able to allocate more energy and effort toward servicing our members as well as providing quality and competitive products and services that our members want.

The collaborative project has been evolving over the past several years and will take two more years to be fully implemented. At present, shared services include Collections, Compliance and Vendor Management. During 2016, we will be migrating to a new core, data processing system which will give us more capability and flexibility in providing products and services to meet your needs. More on this collaborative effort will be communicated throughout the next year.

As we work hard on collaboration to help preserve the credit union movement, your credit union remains focused on allocating resources to meet your growing and evolving needs. Our focus has been on fulfilling our 'WHY - we do it better for you!' There have been several items designed toward this over the past year.

First, our Kasasa account is a 'free' account that offers rewards of high dividends and ATM fee refunds with no penalties. We've instituted a very easy, seamless way for members to sign up.

We also joined another CUSO (Keystone Lending Alliance) to provide an easy, convenient and competitive process for your auto loan needs.

With our free credit checkup, we will educate you on the components of your credit score to help you get the best possible rates. In addition, we will evaluate your loans and work with you to put you in a better financial position.

The above are just some examples of ways in which your credit union is helping our members improve their lives. In order to fulfill these needs, the credit union must be financially sound. We are currently managing more than \$80 million in assets and are well-capitalized per our regulatory body. In addition, we have 'turned the corner' from the trend of negative earnings caused by the recent recession. The credit union is positioned for a return to positive earnings in 2015.

The evolution of consumer behavior toward remote services continues. Whether it's on-line banking, debit or credit cards, or mobile banking, members are utilizing technologies that are more convenient for their lifestyles. Over the next year, our service delivery model will also evolve to meet the current and future needs of our members. We also remain committed to expanding and deploying the necessary security tools and communication techniques to protect your information and provide peace of mind.

SPE will continue evolving for our members' benefit. I want to thank you for your trust and support during the past year. We're looking forward to helping you toward a better future so please reach out to our staff with any questions or concerns. We're here to help you navigate it successfully.

Respectfully submitted,

*Michael J. Meier*

Michael J. Meier  
President/CEO