

## Statement of Financial Conditions

ASSETS:	2013	2014	2015
Net Loans	41,484,000	45,276,000	45,633,000
Cash & Investments	36,307,000	32,628,000	35,062,000
Other Assets	2,269,000	2,217,000	2,165,000
<b>TOTAL ASSETS</b>	<b>80,060,000</b>	<b>80,121,000</b>	<b>82,860,000</b>

### LIABILITIES & MEMBERS' EQUITY:

Dividends & Accounts Payable	138,000	64,000	71,000
Shares	37,584,000	37,950,000	41,179,000
Share Drafts	19,378,000	20,248,000	20,880,000
Indexed Money Markets	5,160,000	3,280,000	2,609,000
Certificates	11,732,000	12,227,000	7,732,000
Statutory Reserve	597,000	597,000	597,000
Undivided Earnings	5,471,000	5,755,000	5,791,000
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>80,060,000</b>	<b>80,121,000</b>	<b>82,860,000</b>

### INTEREST INCOME:

Interest on Loans	2,427,453	2,445,722	2,562,747
Investment Income	479,421	478,584	480,544
<b>TOTAL INTEREST INCOME</b>	<b>2,906,874</b>	<b>2,924,306</b>	<b>3,043,291</b>

### INTEREST EXPENSE:

Dividends	145,990	125,986	86,468
Interest on Borrowings	724	7,495	5,728
<b>TOTAL INTEREST EXPENSE</b>	<b>146,714</b>	<b>133,481</b>	<b>92,196</b>

<b>NET INTEREST MARGIN</b>	<b>2,760,160</b>	<b>2,790,826</b>	<b>2,951,095</b>
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### NON INTEREST INCOME:

Fee Income	793,312	744,904	748,414
Other Income	152,850	133,621	126,729
<b>TOTAL NON INTEREST INCOME</b>	<b>946,162</b>	<b>878,524</b>	<b>875,143</b>

### NON INTEREST EXPENSE:

Employee Compensation	1,868,120	1,889,812	1,621,479
Travel & Conference	35,936	44,259	15,283
Office Occupancy	178,976	208,349	212,733
Office Operations	575,480	526,040	524,942
Member Services	402,634	400,322	399,883
Loan Servicing	209,199	217,301	249,009
Provision for Loan Loss	230,670	161,964	199,900
Professional Services	159,166	160,368	431,454
Educational/Promotional	190,385	164,423	69,216

<b>TOTAL NON INTEREST EXPENSE</b>	<b>3,850,566</b>	<b>3,772,838</b>	<b>3,723,899</b>
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<b>NET INCOME:</b>	<b>144,244</b>	<b>103,488</b>	<b>102,339</b>
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<b>NET WORTH TO ASSETS RATIO:</b>	<b>8.33%</b>	<b>8.20%</b>	<b>8.05%</b>
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## BOARD OF DIRECTORS

Joseph Herrle	Chair
Richard Singer	Vice Chair
Jeffrey VanHorn	Treasurer
James Rushing	Assistant Treasurer
Larry Beahm	Secretary
Gloria Carbaugh	Director
Raymond Caravan III	Director
Phyllis Favorite	Director
Dr. Richard Harris	Director
Jay Muir	Director
John Switalski	Director

## BOARD EMERITI

Hugh Mose	Director
Peggy Lu Zimmerman	Director

## SUPERVISORY COMMITTEE

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

## SPE FEDERAL CREDIT UNION STAFF

### Senior Management

Michael J. Meier	President/CEO
Joshua Fritchman	VP/CFO
Wendy Myers	VP/COO
Michael Scott	VP/CLO

### Branch Managers

Cathy Howell	Washington St., Huntingdon
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### Assistant Branch Managers

Barbara Bernier	Science Park Rd., State College
Linda Brenneman	Washington St., Huntingdon
Evan Smith	East College Ave., State College

### Member Service Representatives

Ashley Dalton	Christian Kafka
Abby Gaisior	Christine McClellan
Sharon Hege	Laura Nicholas
Elizabeth Hinchee	Tracy Powell
Paula Hockenberry	Dawn Rogers

### Accounting

Ella Kerstetter
Sherri Klaus
Melissa Mangan

### Human Resources

Erin Butler, AVP
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### Marketing and Business Development

Christa Hosterman
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### Member Lending Services

Brenda Cerett
Linda Haines
Sue Hartswick

### Small Business Lending

Anna VanAlstine
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## 2015 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. The Supervisory Committee consists of Jeffrey Stang as the committee chairman, Chad Horne, Larry Cramer and David Mentzer.

In order to fulfill our responsibility in 2015, the supervisory committee conducted periodic examinations to verify that operations of the credit union were accurate and efficient. These examinations included:

- Surprise teller cash drawer, vault cash, ATM, and money order audits at all branches
- 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 SPEFCU 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  
Supervisory Committee Chair

## Chairman's Message

As the years fly by we continue to provide the privilege of a Credit Union to everyone who lives, works, worships, or volunteers in Centre and Huntingdon Counties. With a little over 11,000 members and \$83,000,000 in asset we volunteers have our hands full!

In the past year we expanded the Board of Directors to eleven committed and involved volunteers. In particular we are pleased to have three directors who live and work in our Huntingdon marketplace.

That same Board may be tired of hearing the same song, however I feel compelled to preach the logic of "growing the Credit Union. This does not mean that we take "risks" or behave foolishly. It means that the Credit Union must be always poised and ready to make small advances in service, membership, best practices and succession planning.

In 2014 we became a founding member of rkGoBig LLC. rkGoBig is a cooperative of six carefully matched credit unions (differing sizes, markets and locations) situated in a tri-state area focused on widespread collaboration that also includes the power of bulk buying or negotiating costs for various back office functions. As the organization matures other resources are becoming available for collaborating on other services.

In 2015 we saw significant improvement in operational efficiency, retained earnings and overall financial soundness. In addition, we have been able to implement and adapt to operational suggestions from the NCUA (National Credit Union Administration) examiners to improve our CAMEL rating (credit union report card).

As your entrusted leaders we the Board will expect many new challenges in 2016 and we believe that we are well-equipped to manage each task and move the Credit Union forward.

Knowing that we cannot do this alone, we ask this of you the members. Please think of SPE as your primary banking resource. There is no financial question or service that the highly trained staff of SPE FCU cannot serve. We need you to use us for borrowing, for investing, for depositing and for consolidation analysis.

Respectfully submitted,

*Joseph C. Herrle*

Joseph C. Herrle  
Board Chair

## President's Message

The credit union has consistently endorsed and embraced the concept of soundness, profitability and growth (SPG). This defines the hierarchy upon which we establish priorities. That means that our first priority is ensuring the soundness of the organization. Profitability follows that and then growth. To do it in reverse would place your credit union at too much risk.

With regard to Soundness, we work hard to maintain compliance with the industry rules and regulations. While there are no 'perfect' audits or exams, the reports have historically been good and the credit union remains healthy, strong and financially sound. We are currently managing almost \$83 million in assets and are well-capitalized per our regulatory body.

During the past year, the credit union has been working to position itself appropriately to effectively service the future needs of our members. To accomplish this requires the credit union to get on a path to sustained Profitability. Your credit union turned a pivotal corner in 2015 as the organization recorded the first year of positive earnings in the last 4 years. This return to profitability lays the foundation for a brighter future for your credit union.

Once the first two parts of the SPG concept are in place, we will turn to the Growth of the organization. This will occur organically as we roll out new technologies, products and services that enhance the value and benefit for our members. We have been working to improve the service to our members for a couple of years by leveraging technology and cooperation through the rkGoBig, LLC CUSO (Credit Union Service Organization) that we formed in 2014.

The collaborative project has been evolving over the past several years and will be fully implemented by the end of 2016. The major parts include a systems upgrade and an enhanced, plastic card program this summer which will give us more capability and flexibility in providing products and services to meet your needs. Watch your mail over the next few months for more information on this collaborative effort.

Collaboration is a key element in achieving our expense reduction goals and providing the tools and technologies for enhancing service to our members. Through our partnership with Keystone Lending Alliance, we are able to provide members with a convenient and competitively priced process for your auto loan needs. And our newly formed arrangement with First Heritage Financial will fill all of your mortgage needs once fully up and operational.

Whether it's on-line banking, debit or credit cards, or mobile banking, members are utilizing technologies that are more convenient for their lifestyles. Our service delivery model continues to evolve to meet the current and future needs of our members. Throughout all, we remain committed to expanding and deploying the necessary security tools and communication techniques to protect your information and provide peace of mind.

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