

Statement of Financial Conditions

ASSETS:	2016	2017	2018
Net Loans	49,520,000	53,965,208	59,152,673
Cash & Investments	33,393,000	33,120,912	31,383,566
Other Assets	2,264,000	2,140,962	2,854,130
TOTAL ASSETS	85,177,000	89,227,082	93,390,369

LIABILITIES & MEMBERS' EQUITY:

Dividends & Accounts			
Payable	325,000	87,911	388,250
Shares	43,492,000	47,562,201	48,615,170
Share Drafts	25,734,000	26,988,575	28,769,586
Indexed Money Markets	2,100,000	1,430,684	651,813
Certificates	7,336,000	6,418,405	8,100,153
Statutory Reserve	597,000	596,964	596,964
Undivided Earnings	5,592,000	6,142,342	6,268,434
TOTAL LIABILITIES & MEMBERS' EQUITY	85,177,000	89,227,082	93,390,369

INTEREST INCOME:

Interest on Loans	2,690,962	2,917,026	3,155,672
Investment Income	550,977	607,275	662,715
TOTAL INTEREST INCOME	3,241,939	3,524,301	3,818,388

INTEREST EXPENSE:

Dividends	72,949	70,493	101,199
Interest on Borrowings	3,711	10,502	49,612
TOTAL INTEREST EXPENSE	76,660	80,995	150,811

NET INTEREST MARGIN	3,165,279	3,443,305	3,667,576
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NON INTEREST INCOME:

Fee Income	761,902	760,984	801,733
Other Income	135,821	156,048	262,241
TOTAL NON INTEREST INCOME	897,723	917,032	1,063,974

NON INTEREST EXPENSE:

Employee Compensation	1,687,553	1,629,892	1,826,834
Office Occupancy	213,862	207,960	210,698
Other Operating Expenses	1,289,333	1,026,491	987,035
Provision for Loan Loss	145,294	188,102	277,458
Professional Services	546,114	773,114	900,280
Educational/Promotional	75,348	99,315	165,615
TOTAL NON INTEREST EXPENSE	3,957,504	3,924,873	4,367,921

NET INCOME:	105,498	435,464	360,630
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NET WORTH TO ASSETS RATIO:	7.96%	8.08%	8.11%
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BOARD OF DIRECTORS

Dr. Richard Harris, Chair	Joe Herrle, Director
Jay Muir, Vice Chair	Mike Kipphan, Director
Jeffrey VanHorn, Treasurer	Brad Lunsford, Director
James Rushing, Asst. Treasurer	Andy Reisinger, Director
Wendy Vinhage, Secretary	Lonnie Woomeer, Director
Larry Cramer, Director	

BOARD EMERITI

Larry Beahm, Director	Richard Singer, Director
Hugh Mose, Director	John Switalski, Director

SUPERVISORY COMMITTEE

Jeffrey Stang, Chair	Mary Carbonara, Comm. Member
Larry Cramer, Secretary	Ronald Summers, Comm. Member
	Mark Thorwart, Comm. Member

SPE FEDERAL CREDIT UNION STAFF

Senior Management

Michael J. Meier, President/CEO
Joshua Fritchman, VP/CFO
Michael Scott, VP/CLO

Operations and Training Manager

Lori Miller

Marketing Manager

Christa Hosterman

Controller

Christina Swanger

BSA Risk and Compliance Officer

Sherri Klaus

Commercial Loan Officer

Najat Garcia

Accounting

Ella Kerstetter
Melissa Mangan

Branch Managers

Barbara Bernier / Cathy Howell

Assistant Branch Managers

Linda Brenneman / Ashley Dalton / Jesse Osbourne

Assistant Loan Managers

Randy Baldwin / Brenda Cerett / Linda Haines

Member Service Advocates

Shelly Andrews	Bobbi Marshall
Jackie Grey	Christine McClellan
Matt Kuhlman	Margie Price
Dawn Rogers	Kristin Macafee



2018 Annual Report



Science Park Road, State College



College Avenue, State College



Washington Street, Huntingdon

Chairman's Message

I am excited to be given this opportunity to summarize what we have accomplished and to give you an idea of where we are headed.

Every 3 years management and the Board of Directors adopt a strategic plan which sets the goals and directions for our credit union. 2018 was the final year of our 2016-2018 plan. This plan had four fundamental thrusts: To return to consistent and sustainable profitability, to improve our tools and technology, to increase our involvement within the community, and to begin the transition to new ways to deliver our financial services. I am pleased to say that we accomplished, and in many cases, exceeded the goals we had set for ourselves.

Profitability is important even though we are a not-for-profit organization because our profit furnishes the funds needed to provide improved services and benefits to our members and to offer competitive salaries and benefits to our staff. In the three years (2013-2015) which preceded the current strategic plan, we lost an average of \$47,000 per year. It's obvious that this needed to be corrected. Management took action to correct this problem and over the next 3 years, which ended in 2018, we improved our average net income to a positive \$301,000 per year with our net income in 2018 exceeding \$363,000 - over 3 times what it was in 2016.

So what are we doing with these profits? We have chosen to return these funds to our members both directly and through improved services. For example,

- In January 2018 we announced that SPE was eliminating almost all of the fees we charged for our services. In 2018 alone this resulted in over \$60,000 not charged to our members.
- In January 2019 we announced our "Rise Rewards" program which is already returning money to each of you through higher interest rates on your deposits and rewards credits on your loan balances.
- We continue to offer loan rates which are among the lowest in the local market and, are in some cases (such as home equity loans) much lower than other local financial institutions
- Many of our members prefer to do their banking from their smart phone or home computer. To address this need we have significantly improved our on-line services so that we now securely offer Online/ home banking, Mobile banking, and Remote Deposit Capture

In addition to improving our financial services, we have acted on our responsibility to help improve lives of people in the communities we live in. For example,

- We have initiated several programs to improve the financial health of our members. One such program is Fresh Start. This program is focused on helping people re-establish their credit ratings after they have been degraded by life events such as divorce, medical costs or job loss.
- We encourage our volunteers and staff to donate their time to local charities. To demonstrate our commitment, we closed both our State College and Huntingdon branches for the day so our staff could volunteer at the local United Way's Day of Caring
- We initiated a scholarship program to help students afford training at local trade schools.

Many of you are aware that in 2018 we decided that we could better serve our Huntingdon area members by building a new facility. To help the local economy, we have directed our general contractor to use local labor for this project wherever possible.

The result of our efforts over the last 3 years is that SPE is now financially healthy and is investing in programs which return tangible

value to our members and our communities. We are excited about how far we have come but we want to keep aggressively moving forward. Our new strategic plan for 2019 – 2021 (which was adopted by the BOD in 2018) focuses on three goals

- Increasing Growth and Expansion while maintaining financial soundness
- Continuing to improve member services and benefits
- Increasing our community involvement

In closing, I want to express my sincere gratitude to my fellow board members, to the supervisory committee, and to our president, his executive team, and the credit union staff for their dedication to benefiting each and every one of our members and positioning us to be able to improve the financial well-being of our members and of the communities we serve in the years ahead.

Respectfully submitted,

Richard Harris

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 consisting of Jeffrey Stang as the committee chairman, and Mary Carbonara, Mark Thorwart, Larry Cramer and Ron Summers.

In order to fulfill our responsibility in 2018, the supervisory committee conducted periodic examinations to verify that operations of the credit union were accurate and efficient. These examinations included:

- Surprise teller drawer, vault and ATM cash audits at all branches
- Quarterly consumer Loan audits
- Quarterly review of closed accounts
- Employee expense report audit

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, RKL. 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.

Respectfully submitted,

Jeffrey Stang

President's Message

The credit union's mission is "to provide financial solutions to everyday challenges and to improve the financial well-being of our members and communities." So, what does that mean and how do we do it? Let me break it down for you.

First, **'to provide financial solutions'** is just what it says. We've adopted a member advocacy focus in which we work with you to understand your unique situation, provide some education and identify opportunities such that we can provide appropriate solutions that make sense for you. We value the relationships we have with our members and continuously seek to deepen those for mutual benefit. Our staff is extremely dedicated and passionate about helping our members. We don't 'sell' products and services. Those are just the tools we use to help you achieve your goals.

Next, **'everyday challenges'** are the things we all deal with. We all have busy lives. Work, school, volunteer activities, friends, raising families, dealing with various 'life events, etc. occupy our days. Most people are NOT thinking about their finances and we are all overwhelmed with the barrage of financial choices that exist.

'To improve the financial well-being of our members' answers the question "Why does the credit union exist?" We want you to be in the best financial shape possible and we recognize that it's difficult (if not impossible) to be an 'expert' in everything – especially finances. This is where we believe the credit union can help. As one example, there's a saying that "consumers don't want the loan, they want the car or house or (fill in the blank)." But there are lots of confusing (sometimes bad) components to the 'deals' that are being offered and consumers often end up paying more than they should through no fault of their own. It's difficult to comb through and understand some of those agreements if you're not familiar with them. This is one way where our advocacy approach can be applied to help you avoid or get out of a 'bad deal' and get you in the best position possible. Everyone of us is unique and therefore, the solution also needs to be unique.

We continuously create and share our member 'success stories.' These are everyday situations where we have helped our members improve their financial life through our advocacy approach. These are 'big deals' to the individuals we help but, to us, it's just 'how we roll!'

As a credit union we are different, and we believe that this difference is what allows us to serve effectively as your financial advocate. I hope you'll see that we can provide value in many ways that is specific to your unique situation.

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. We're here to help you navigate it successfully.

Respectfully submitted,

Michael J. Meier