



# Annual Report 2021

Arize   
Federal Credit Union

## President's Message

As I write this message, it has been more than two years since the COVID-19 pandemic began. Vaccines, boosters, and treatments are readily available to almost everyone. However, variants and mutations of the virus pose continued threats, and the pandemic continues to impact everyone. Supply chain issues, staffing shortages, inflation, and many other challenges exist across all industries. Through it all, your credit union continues to demonstrate flexibility and resilience.

On a positive note, many parts of the country (including ours) are seeing the lowest level of COVID-19 cases since the early part of the pandemic. The credit union continues to do what we can to support our employees, members, and communities by providing unprecedented assistance.

In our Board Chair's report, you'll note some information on how the credit union is living out our mission and serving our members and the communities. Let me review how we do that.

First, 'to provide financial solutions' is just what it says. We've adopted a member advocacy focus where we work with you to understand your unique situation, provide education, and identify opportunities to provide appropriate solutions that make sense for you. We value our relationships 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. We employ these as tools 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 all of us feel overwhelmed at times by 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 place 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.

There are lots of confusing components to the 'deals' that other financial institutions are offering, and consumers often end up paying more than they should through no fault of their own. It's difficult to look through and understand some of those agreements if you're not familiar with them.

Credit unions are a unique type of financial institution, and we believe that is what allows us to serve effectively as your financial advocate. As such, we can provide value in many ways specific to your situation.

It has also been one year since we introduced the credit union's new name. We greatly appreciate your support with the transition as we move forward to serve a broader community and membership. The new name and branding portray a fresh, modern, and forward-thinking organization. We are confident that you will continue receiving the same great experiences, enhanced value, and more.

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,  
Micheal J. Meier

## Chairman's Report

Welcome to this year's annual meeting. 2021 was our third and final year under the 3-year strategic plan we adopted in 2018. As a reminder, this plan focused on three goals

- Rapidly growing while maintaining financial soundness.

- Improving services and benefits for our members.
  - Increasing our value to the communities we live in.
- Looking at financials, I'd like to focus on a few items,
- Our year-end assets grew by 3.2% to \$128.6M, our highest asset level ever.
  - Our net income increased to \$461K, 63% higher than 2020.
  - We ended the year with 10,854 members, a year-over-year growth of 241 members. Our continued membership growth is noteworthy given that COVID restrictions continued to impact our lobby operations.

Our growth was especially encouraging at our Huntingdon branch. Our Huntingdon facility opened for business on March 17, 2020 – just in time to face the pandemic. In 2021, despite continuing COVID disruptions, our staff at Huntingdon increased deposits by 14.4%, increased our outstanding loan balance by 43.7%, and brought in 178 new members. This facility, to my knowledge, is the only financial institution in the state to rely on solar power.

Our staff is identifying and meeting the needs of our members and our communities. We are growing rapidly because word is spreading that we are improving our members' financial lives.

The main thing that distinguishes Arize from other financial institutions is that they are in business to make money for their owners. We are in business to provide services and tangible benefits to our members. All financial institutions will tell you that they benefit their customers – we do it better than anyone.

- We continue to charge the fewest and lowest fees in the region. In 2021, we imposed 91% fewer fees than our competitors. Our members have over \$230,000 more in their pockets than if they had banked with a local competitor.
- We continue to offer free credit checkups—these help identify where we can develop solutions to our members' financial problems.

Our Facebook page is full of stories showing how a credit check-

up started a conversation that led to saving a member a lot of money.

- » One of our members was charged over \$1,200/month to repay existing loans with another financial institution. We reduced her monthly payments by over \$850/month.
- » Another member had two installment loans, one at 25.8% interest and another at 21.7%. We were able to refinance both of these loans at much lower rates, reducing her monthly payment and saving \$5,000 in interest charges over the life of the loan.
- » A third member had two loans, one at 25.8% and the other at 12.5%, with a combined monthly payment of \$325/month. We were able to offer a consolidation loan at 5.29%, reducing his monthly payment by over \$100 and saving him over \$4,000 in interest over the length of the loan.

In addition to benefiting individual members, we are also engaged in improving the communities we serve.

- We partnered with the State College Downtown Rotary to hold our popular State College Shred day for a second year. In half a day, we shredded over 15,000 lbs. of paper (25% more than in 2020) and raised \$1,800 for the State College Food Bank.
- In 2019, we recognized that our community's need for people with skills taught by trade schools were not being met. We responded with a program to competitively award scholarships to students entering trade schools. In 2021, we awarded three scholarships to students pursuing degrees in licensed practical Nursing, Landscape/Plant Production Technology, and Dental Hygiene. We are continuing this program in 2022.
- We continued to be a significant supporter of the Heart of JCo, a Huntingdon area charity focused on improving the lives of children from financially challenged families.

With 2021 behind us, what do we have to look forward to in 2022?

- Our College Avenue business has grown beyond the ability of the current facility to support our needs. We are currently

planning to relocate this facility to a nearby location in mid-2023. This new facility will position us to better serve our members living in Centre County.

- We will augment our online loan services to make it possible to apply for most consumer loans without ever needing to visit one of our branch offices.
- We will significantly expand the financial services we offer to our small business members, making it easier for them to transition to Arize as their primary financial partner.

The services and benefits we provide to our members could not happen without the significant contributions and dedication of our credit union staff and management and my fellow volunteer board and supervisory committee members. All of you have my sincere gratitude for your tireless efforts.

I'm confident that this team will continue to demonstrate to each of our members that we measure Arize's success by more than numbers on a page. We measure our success by how well we fulfill our mission to improve our members' financial lives.

Respectfully Submitted,  
Dr. Richard (Rick) Harris, Board Chair

## Supervisory Committee 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. A 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 Mark Thorwart as the committee chairman, Larry Cramer, who also serves on the Board of Directors, Mary Carbonara, Wendy Myers, and Kathy Moore.

While COVID continued to disrupt business-as-usual for a second straight year, the supervisory committee continued to perform

their duties as practical, given the safety protocols in place. In 2021, the supervisory committee conducted periodic examinations to verify that the credit union operations were accurate and efficient.

These examinations included:

- Quarterly consumer loan audits
- Quarterly review of closed accounts
- Quarterly AuditLink reviews
- Annual employee expense report audit
- Annual incentive audit
- Annual surprise cash count audits at all three branches

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. These examinations were reported to the supervisory committee and Arize management. Issues identified by these examinations are closed or actively being addressed by management. Through regular attendance at Board of Directors meetings and review of Board minutes and policy decisions, we believe that the actions of the Board are sound and responsive to the needs of the Arize Federal Credit Union members.

We are pleased to report that, in our opinion, the Arize Federal Credit Union activities have been administered in compliance with all rules and regulations of the National Credit Union Administration and the bylaws of the Arize Federal Credit Union. We commend Arize management for successfully overcoming many challenges during the second year of pandemic-related business disruptions. Well done!

The committee thanks the Board, Management, and all employees who supported the Supervisory Committee.

Respectively submitted,  
Mark Thorwart, Chair

# Arize Federal Credit Union Staff and Board of Directors

## **Volunteers**

Dr. Richard Harris - Chair  
Judge Brad Lunsford (Ret.)– Vice Chair  
Richard Singer - Treasurer  
Andy Reisinger – Assistant Treasurer  
Monica Wright – Secretary  
Larry Cramer  
Tiffany Cunningham  
Joe Herrle  
Nadine Kerlin  
Lonnie Woomer  
Richard Scialabba

## **Board Emeriti**

Larry Beahm  
Hugh Mose  
John Switalski

## **Supervisory Committee**

Mark Thorwart-Chair  
Mary Carbonara  
Larry Cramer  
Kathy Moore  
Wendy Myers

## **Senior Management**

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

## **Accounting**

Ella Kerstetter  
Taylor Welker

## **Assistant Branch Manager**

Linda Brenneman  
Kristin Macafee

## **Assistant Loan Managers**

Shelly Andrews  
Brenda Cerett  
Jackie Grey

## **Branch Managers**

Randy Baldwin  
Ashley Dalton  
Bobbi Marshall

## **BSA Risk and Compliance Officer**

Sherri Klaus

## **Commercial Lending**

Ken Schirling, AVP  
Marcia Grupp

## **Controller**

Christina Swanger

## **Marketing**

Christa Hosterman  
Mary Potter

## **Member Advocate Supervisor**

Abbie Duck

## **Operations**

Barb Bernier  
Lori Miller

## **Senior Member**

### **Advocates**

Katie Barr  
Keri Panek  
Stacey Phillips  
Margie Price  
Gretta Ray  
Beth Trzcinski  
Shane Twomley  
Olivia Yost

## Statement of Financial Condition

	2019	2020	2021
<b>ASSETS:</b>			
Net Loans	63,994,731	75,885,921	78,266,399
Cash & Investments	33,105,999	42,607,574	42,545,018
Other Assets	3,852,996	6,086,053	7,754,291
<b>Total Assets</b>	<b>100,953,726</b>	<b>124,579,548</b>	<b>128,565,708</b>

### LIABILITIES & MEMBERS' EQUITY:

Other Liabilities	578,163	473,508	742,095
Shares	51,976,605	64,518,932	71,856,473
Share Drafts	27,576,602	36,814,988	40,032,698
Certificates	11,128,636	11,936,953	5,298,410
Statutory Reserve	596,964	596,964	596,964
Undivided Earnings, Secondary Capital, & Unreal. Gain (Loss)	9,096,756	10,238,204	10,039,068
<b>Total Liabilities &amp; Members' Equity</b>	<b>100,953,726</b>	<b>124,579,548</b>	<b>128,565,708</b>

### INTEREST INCOME:

Interest on Loans			
Investment Income	3,379,838	3,559,343	3,713,648
<b>Total Interest Income</b>	<b>4,044,644</b>	<b>4,146,290</b>	<b>4,293,404</b>

### INTEREST EXPENSE:

Dividends	209,559	227,360	171,389
Interest on Borrowings & Secondary Capital	30,650	120,006	120,003
<b>Total Interest Expense</b>	<b>240,208</b>	<b>347,366</b>	<b>291,391</b>

### NET INTEREST MARGIN

	2019	2020	2021
	<b>3,804,436</b>	<b>3,798,924</b>	<b>4,002,012</b>

### NON INTEREST INCOME:

Fee Income	861,751	747,813	1,310,538
Other Income	245,142	718,794	404,937
<b>Total Non Interest Income</b>	<b>1,106,893</b>	<b>1,466,606</b>	<b>1,715,475</b>

### NON INTEREST EXPENSE:

Employee Compensation	1,921,837	2,214,892	2,409,759
Office Occupancy	206,584	254,817	286,961
Other Operating Expenses	1,052,271	1,042,761	1,203,980
Provision for Loan Loss	341,304	278,259	162,479
Professional Services	959,652	966,525	968,094
Educational/Promotional	192,540	226,567	225,228
<b>Total Non Interest Expense</b>	<b>4,674,187</b>	<b>4,983,822</b>	<b>5,256,502</b>

### NET INCOME:

	<b>237,142</b>	<b>281,708</b>	<b>460,986</b>
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Net Worth to Assets Ratio:	9.72%	8.10%	8.21%
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Unrealized Gain/(Loss) on Investments for Net Worth Calculation)	\$(709,889)	\$741,031	\$80,619
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Thank you for your membership!