

Annual Report 2022



President's Message

As I write this message, it has been over 3 years since the COVID-19 pandemic began. The White House has announced plans to end the National Emergency Declaration effective May 11, 2023. Locally, Mount Nittany Health recently relaxed its masking policy. The world appears to be moving past the pandemic. Through it all, your credit union continues to demonstrate flexibility and resilience.

In many ways, 2022 was the best year in the credit union's history. We set records for the number of new members, consumer loans disbursed, net income, and total loans. At the same time, inflation spiked, and the Fed increased interest rates to combat that. The result was much higher consumer costs, depleted household savings, and credit card growth at the largest rate in more than 20 years. The latter will impact consumers for years. This is where the credit union is able to help.

Our mission 'to provide financial solutions to everyday challenges and to improve the financial well-being of our members and communities' is simple. It centers around an advocacy approach toward solutions and solving problems and reflects the experience members expect and receive from the credit union.

One way we improve financial well-being is through added value. There are many confusing (sometimes bad) components to the 'deals' offered by other financial institutions, 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 unfamiliar with them. To address this, we provide a free credit checkup where a team member will confidentially review your credit report with you for education purposes and to identify any errors and opportunities to improve your situation. Since credit unions have a statutory cap on interest rates of 18%, we're confident we can provide much-needed financial relief to many households, especially those carrying credit card debt. Our team is knowledgeable and experienced and works as your advocate. We have countless stories in which a credit checkup saved members hundreds of dollars per month in payments and thousands of dollars in interest.

On the deposit side, the credit union has aggressively increased deposit rates to provide higher returns relative to the local market.

The above examples are just a small sample of daily things we do to help our members. Credit unions are a unique type of financial institution, and we believe that allows us to serve effectively as your financial advocate. As such, we can provide value in many specific ways to your situation. Please let us know your concerns, and we'll work with you to find appropriate solutions.

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
President & CEO

Arize Trade and Technical School Scholarship 2022 Recipients



Pictured are Mike Meier, Mackenzie Houck, and Christa Hosterman. Houck is attending Penn College for Nursing.



Pictured are Mike Meier, Jadalyn Grissinger, and Christa Hosterman. Grissinger is attending Penn College for Nursing.



Pictured are Mike Meier, Hailey Bucha, and Christa Hosterman. Bucha is attending Wilson College for Veterinary Nursing/Pre-Vet program.

Arize Donations



Arize donated \$1,000 to the Children's Advocacy Center of Centre County in 2022.



Arize donated \$2,500 to Huntingdon Police Foundation to support their K9 program.



Arize donated \$2,500 to the Heart of JCo's All I Want for Christmas fund to help supply children with presents.

Chairman's Message

Welcome to this year's annual meeting. I am excited to have this opportunity to review the great things we accomplished in 2022 and to give you a look at where we are headed in 2023.

2022 was the first year under our new 3-year strategic plan that the BOD approved in 2021. This plan focuses on six goals

- Continued growth and expansion
- Maintaining financial soundness
- Delivering frictionless member experience and superior member value
- Active and impactful community involvement
- Optimizing our capital position
- Expand charter and position credit union for merger opportunities

We're off to a great start in accomplishing these goals.

Let's look at continued growth and expansion - in 2022, we welcomed 1046 new members. This grew our total membership by 3.6% to over 11,000 members. In 2023 we plan to increase membership by an additional 2.8%. This membership growth is over ten times the forecast population growth rate of Centre and Huntingdon Counties. In 2022 our income increased by 92% over 2021, and in 2023, we expect to increase income by an additional 22.8%. In 2022 our assets increased by 2.4%, and we project they will grow by almost 12% this year. In 2022 we signed a purchase agreement to acquire a land parcel in College Township near the Shiloh Road / Benner Pike intersection. By next year, we will have relocated our current College Ave branch to a new facility we will build on this parcel, with construction starting mid-summer. Like our current Huntingdon branch, this facility will be 100% powered by solar energy to help protect our environment.

You might ask, "Why should I care about whether Arize grows?" Growth is vital to us for three main reasons. First, we can demonstrate that Arize offers better value to our members than any other local financial institution in Centre or Huntingdon County. When our membership grows, more people and businesses can cash in on the value we offer. We're enthusiastic about offering our value to more people, and we intend to expand our charter to include neighboring counties. We are actively looking for credit unions who want to merge with us so we can adopt their members and communities into our family. Second, our financial growth provides funds to improve our member services while keeping our loan rates low and offering the highest rates in the region on your checking and savings deposits. Third, as our size and complexity increase, we can better deliver our employees secure jobs with opportunities for professional growth.

I'd like to turn to our second goal, the mandate to maintain financial soundness. This year the news has been full of reports of banks that failed. These failures resulted from management taking imprudent risks to meet their stockholder's demand for better financial returns. At Arize, the Board of Directors, rather than demanding imprudent risk, has established and enforced limits that preclude such risky investments. Management has developed a measurement and reporting system that allows us to

monitor operations within our policies. The financial soundness of Arize was formally recognized in August 2022 when the government's National Credit Union Administration (NCUA) – which insures all Arize deposits up to \$250,000 – raised our CAMELS rating. This new high rating level is awarded only to the best-run credit unions in the nation and, in the words of the NCUA, "Reflects fundamentally sound performance that consistently provides for safe and sound operations."

Before I tell you about our initiatives to deliver frictionless service, we must discuss what friction is. Friction happens when it's harder to accomplish your objective than it should be. When you call a company and are put on hold for 20 minutes, that's friction. When you have a simple question that takes three phone calls plus an in-person visit to get the question answered, that's friction.

In 2022 we intensified our program to identify and fix Arize operations that cause conflict for our members. This ranged from enabling you to reset your passwords and do account-to-account transfers online to more complex things like allowing new members to open their accounts online and improving our phone answering service, which reduced our average member wait time to only 26 seconds. Our staff has already embarked on seven new friction-reduction projects for 2023.

These include automated online loan decisions and the instant issuing of new debit cards at our branches.

As crucial as finances are, Arize understands that we need to look beyond meeting our members' financial needs. We must engage our time and our resources to improve the communities where we live and work. In 2022 our staff volunteered over 885 hours of community service. We joined with the State College Rotary to shred 14,100 lbs of waste paper and collect almost \$1,500 for the State College Food Bank. We closed our facilities so all of our staff were free to support the local United Way days of caring. We also provided over \$73,000 in donations and sponsorships. These donations included

- Financial support to the Heart of JCo, a Huntingdon charity that works to create a kinder world where no child is hungry or excluded due to financial hardship;
- Support to the Huntingdon police department to enable them to acquire a new canine officer for the Huntingdon police force;
- Award of scholarships to support three students entering local tech schools

The services and benefits we provide to our members could only happen with the significant contributions and dedication of our credit union staff, 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 in a spreadsheet. We measure our success by how well we fulfill our mission to improve our members' financial lives.

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

Arize Volunteering



Statement of Financial Condition

| | 2020 | 2021 | 2022 |
|--|--------------------|--------------------|--------------------|
| ASSETS: | | | |
| Net Loans | 75,885,921 | 78,266,399 | 88,437,664 |
| Cash & Investments | 42,607,574 | 42,545,018 | 35,762,570 |
| Other Assets | 6,086,053 | 7,754,291 | 7,506,926 |
| Total Assets | 124,579,548 | 128,565,708 | 131,707,159 |
| LIABILITIES & MEMBERS' EQUITY: | | | |
| Other Liabilities | 473,508 | 742,095 | 622,228 |
| Shares | 64,518,932 | 71,856,473 | 70,828,465 |
| Share Drafts | 36,814,988 | 40,032,698 | 43,864,358 |
| Certificates | 11,936,953 | 5,298,410 | 8,438,009 |
| Statutory Reserve | 596,964 | 596,964 | 596,964 |
| Undivided Earnings, Secondary Capital, & Unreal. Gain (Loss) | 10,238,204 | 10,039,068 | 7,357,135 |
| Total Liabilities & Members' Equity | 124,579,548 | 128,565,708 | 131,707,159 |
| INTEREST INCOME: | | | |
| Interest on Loans | 3,559,343 | 3,713,648 | 4,360,461 |
| Investment Income | 586,947 | 579,756 | 778,206 |
| Total Interest Income | 4,146,290 | 4,293,404 | 5,138,667 |
| INTEREST EXPENSE: | | | |
| Dividends | 227,360 | 171,389 | 79,668 |
| Interest on Borrowings & Secondary Capital | 120,006 | 120,003 | 144,940 |
| Total Interest Expense | 347,366 | 291,391 | 224,608 |
| NET INTEREST MARGIN | 3,798,924 | 4,002,012 | 4,914,059 |
| NON INTEREST INCOME: | | | |
| Fee Income | 747,813 | 1,310,538 | 1,273,452 |
| Other Income | 718,794 | 404,937 | 173,645 |
| Total Non Interest Income | 1,466,606 | 1,715,475 | 1,447,097 |
| NON INTEREST EXPENSE: | | | |
| Employee Compensation | 2,214,892 | 2,409,759 | 2,597,201 |
| Office Occupancy | 254,817 | 286,961 | 308,316 |
| Other Operating Expenses | 1,042,761 | 1,203,980 | 1,114,558 |
| Provision for Loan Loss | 278,259 | 162,479 | 439,866 |
| Professional Services | 966,525 | 968,094 | 857,369 |
| Educational/Promotional | 226,567 | 225,228 | 158,601 |
| Total Non Interest Expense | 4,983,822 | 5,256,502 | 5,475,947 |
| NET INCOME: | 281,708 | 460,986 | 885,209 |
| Net Worth to Assets Ratio: | 8.10% | 8.21% | 8.69% |
| Unrealized Gain/(Loss) on Investments for Net Worth Calculation) | \$741,031 | \$80,619 | \$(3,486,522) |

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. 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 Mary Carbonara, as the committee chair, Larry Cramer who also serves on the Board of Directors, Wendy Myers, Kathy Moore, and Ron Mesavage.

In order to fulfill our responsibility in 2022, the Supervisory Committee conducted periodic examinations to verify that operations of the credit union were accurate and efficient. These examinations included:

- Quarterly consumer loan audits
- Quarterly review of closed accounts
- 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. Results of these examinations were reported to the supervisory committee and to Arize management. Issues identified by these examinations are either closed or are 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 activities of the Arize Federal Credit Union 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 their efforts and expertise in navigating the current financial climate. Well done!

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

Respectively submitted,
Mary Carbonara, Chair
Arize Supervisory Committee

Arize Federal Credit Union Staff and Board of Directors

Volunteers

Dr. Richard Harris – Chair
Judge Bradley P. Lunsford (Ret.) – Vice Chair
Richard Singer – Treasurer
Andrew Reisinger – Assistant Treasurer
Monica Wright – Secretary
Larry Cramer
Tiffany Cunningham
Joseph Herrle
Nadine Kerlin
Lonnie Woomer
Richard Scialabba

Board Emeriti

Larry Beahm
Hugh Mose

Supervisory Committee

Mary Carbonara – Chair
Larry Cramer
Kathy Moore
Ronald Mesavage
Wendy Myers

Senior Management

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

Senior Member Advocates

Charlene Robison
Clare Alexander
Gretta Ray
Katie Barr
Kym Simmons
Mae Scribner
Stacey Phillips
Olivia Yost

Assistant Branch Managers

Linda Brenneman
Randi Ranck

Assistant Loan Managers

Shelly Andrews
Brenda Cerett
Jackie Grey

Member Advocate Supervisor

Abbie Duck

Branch Managers

Ashley Dalton
Bobbi Marshall
Kristin Macafee

Operations

Barb Bernier
Lori Miller

Director of Internal Audit and Compliance

Sherri Klaus

Accounting

Ella Kerstetter
Taylor Welker

Marketing

Christa Hosterman
Mary Potter

Commercial Lending

Ken Schirling, AVP
Marcia Grupp

