

# Annual Report 2023



Federal Credit Union

# President's Message

In the year 2023, the credit union continued the streak of record-breaking results. We set records for the number of new members with over 1,100, consumer loans disbursed with almost \$35 million, net income of \$1.3 million, total loans of over \$101 million, and total assets that surpassed \$150 million. At the same time, inflation remained high and the Fed increased interest rates to combat that. The result was much higher costs for consumers, depleted savings, and credit card balances at the highest level in more than 20 years. This is where the credit union can 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 providing 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 lots of confusing 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 look through and understand some of those agreements if you're not familiar with them. To address this, we provide a free credit check-up. 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. Our team is knowledgeable and experienced and works as your advocate. We have countless stories in which performing a credit check-up resulted in saving members hundreds of dollars per month in payments and thousands of dollars in interest. Let's create a story with you.

On the deposit side, the credit union has been aggressively increasing deposit rates to provide higher returns relative to the local market. Through this effort, we paid out record dividends of more than \$1.4 million to our members last year.

Late last year, we received approval to expand our charter allowing us to extend the credit union value to more consumers. In 2024, we will be taking the next steps toward that opportunity. To support this growth while providing superior member experience, we are planning to add some staff positions.

The above examples are just a sampling of what we do every day to help our members. 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 that are specific to your situation. Please let us know what concerns you have, 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 move 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 2023 Recipients



Pictured are Mike Meier, Carly Rowe, and Christa Hosterman. Rowe is attending South Hills Diagnostic Medical Sonography program.



Pictured are Dick Scialabba, Alexis Park, and Mike Meier. Park is attending Geisinger School of Nursing.



Pictured are Mike Meier, Skye Robinson, and Christa Hosterman. Robinson is attending South Hills Diagnostic Medical Sonography program.

# Benner Pike Construction





# Chairman's Message

2023 was the second year under our 3-year strategic plan that the BOD approved in 2021. This plan focuses on six goals:

1. Continued growth and expansion
2. Maintaining financial soundness
3. Delivering frictionless member experience & superior member value
4. Active and impactful community involvement
5. Optimizing our capital position
6. Expand charter and position credit union for merger opportunities

We're continuing to make progress toward accomplishing and blowing past these goals. Let's look first at continued growth and expansion:

- We welcomed 1,179 new members. This increased our total membership by 3.6% to over 11,600 members.
- Our net income increased by 45% over 2022. We had projected a total income growth of \$717,287 over the 3-year period of the strategic plan. In 2023, we earned more than this projected 3-year total. Over the 2022-24 period of the current strategic plan, we now expect our income growth to be over 400% of what we had projected.
- Our assets increased by 18.5% to over \$156M. Our strategic plan projected assets would grow by \$4.6M by the end of 2024.
- We completed the land purchase for our new Benner Pike facility. We held the groundbreaking ceremony in August, and construction began in September. We expect to move into this facility in August 2024 and to be operational in September. This facility will replace our current East College Ave facility and allow us to co-locate our Centre county management. This facility will be 100% solar-powered.

Growth is important to each of 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. We saved our members almost \$130,000 last year through reduced fees. We completed checkups for over 2,600 members in 2023. As our membership grows, more people and businesses can capitalize on the value we offer. Our continued membership growth demonstrates that the word that Arize delivers real value is getting around. We're so enthusiastic about offering this value to more people that in 2023, we successfully requested that NCUA modify our charter to allow us to serve families and businesses in 7 counties that border on our current area of service in Centre and Huntingdon County.

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 offer our employees secure jobs with opportunities for professional growth.

In 2023, the news was full of reports of banks that failed. These failures were the direct result of management taking imprudent risks in an attempt to meet their stockholder's demand for better financial returns. At Arize, the Board of Directors has established and enforced limits that

preclude such risky investments. We have developed a measurement and reporting system to monitor our operations within our policies. Arize's financial soundness was formally recognized when the government's National Credit Union Administration (NCUA) assigned us a soundness rating that is awarded only to the best-run credit unions in the nation. In the words of the NCUA, "[Arize] Reflects fundamentally sound performance that consistently provides for safe and sound operations."

Our third strategic goal is to deliver frictionless member service. Friction happens when it's harder for you to accomplish your objective than it should be. In 2023, we completed over 20 initiatives to reduce friction for our members. These include instant debit card issuance, pre-approved loan offers, and support for mobile wallets.

As important as finances are, Arize understands that as a good corporate citizen, we must look beyond meeting our members' financial needs. We must engage our time and resources to improve the communities where we live and work. In 2023, our staff contributed over 1,350 hours in community service. In addition, we joined the State College Rotary to shred 13,000 lbs of waste paper and collect almost \$1,000 for the State College Food Bank. We closed our facilities so all of our staff were free to support our local United Way Day of Caring. We also provided over \$85,000 in donations and sponsorships to 40 local nonprofit organizations, including:

- 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 support a new canine officer;
- Award of scholarships to support three students entering local tech schools. These students are entering diagnostic medical sonography and nursing programs.

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 are fulfilling our mission to improve the financial lives of our members.

Respectfully submitted,  
Rik Harris, Chair  
Arize Board of Directors

# Arize Community Involvement



# Statement of Financial Condition

	2021	2022	2023
<b>ASSETS:</b>			
Net Loans	78,266,399	88,437,664	101,217,448
Cash & Investments	42,545,018	35,762,570	43,042,234
Other Assets	7,754,291	7,506,926	11,934,833
<b>Total Assets</b>	<b>128,565,708</b>	<b>131,707,159</b>	<b>156,194,514</b>
<b>LIABILITIES &amp; MEMBERS' EQUITY:</b>			
Other Liabilities	742,095	622,228	2,967,342
Shares	71,856,473	70,828,465	59,119,283
Share Drafts	40,032,698	43,864,358	39,337,720
Certificates	5,298,410	8,438,009	44,835,229
Statutory Reserve	596,964	596,964	0
Undivided Earnings, Secondary Capital, & Unreal. Gain (Loss)	10,039,068	7,357,135	9,934,939
<b>Total Liabilities &amp; Members' Equity</b>	<b>128,565,708</b>	<b>131,707,159</b>	<b>156,194,514</b>
<b>INTEREST INCOME:</b>			
Interest on Loans	3,713,648	4,360,461	6,004,995
Investment Income	579,756	778,206	1,152,041
<b>Total Interest Income</b>	<b>4,293,404</b>	<b>5,138,667</b>	<b>7,157,036</b>
<b>INTEREST EXPENSE:</b>			
Dividends	171,389	79,668	1,412,543
Interest on Borrowings & Secondary Capital	120,003	144,940	176,904
<b>Total Interest Expense</b>	<b>291,391</b>	<b>224,608</b>	<b>1,589,446</b>
<b>NET INTEREST MARGIN</b>	<b>4,002,012</b>	<b>4,914,059</b>	<b>5,567,590</b>
<b>NON INTEREST INCOME:</b>			
Fee Income	1,310,538	1,273,452	1,420,264
Other Income	404,937	173,645	168,827
<b>Total Non Interest Income</b>	<b>1,715,475</b>	<b>1,447,097</b>	<b>1,589,091</b>
<b>NON INTEREST EXPENSE:</b>			
Employee Compensation	2,409,759	2,597,210	2,774,411
Office Occupancy	286,961	308,316	291,225
Other Operating Expenses	1,203,980	1,114,558	1,189,514
Provision for Loan Loss	162,479	439,866	374,479
Professional Services	968,094	857,396	995,264
Educational/Promotional	225,228	158,601	248,640
<b>Total Non Interest Expense</b>	<b>5,256,502</b>	<b>5,475,947</b>	<b>5,873,533</b>
<b>NET INCOME:</b>	<b>460,986</b>	<b>885,209</b>	<b>1,283,149</b>
Net Worth to Assets Ratio:	8.21%	8.69%	8.13%
Unrealized Gain/(Loss) on Investments for Net Worth Calculation)	\$80,619	\$(3,486,522)	\$(2,765,057)



# 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 2023, 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

## Volunteers

Dr. Richard Harris – Chair  
Judge Bradley P. Lunsford (Ret.) – Vice Chair  
Richard Singer – Treasurer  
Nadine Kerlin – Assistant Treasurer  
Monica Wright – Secretary  
Larry Cramer  
Darrell Early  
Joseph Herrle  
Alpesh Parmar  
Lonnie Woomer  
Richard Scialabba

## Board Emeriti

Larry Beahm  
Hugh Mose

## Supervisory Committee

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

## Senior Management

Michael J. Meier, President/CEO  
Joshua Fritchman, SVP/CFO  
Michael Scott, SVP/CRO  
Sean Albright, VP/COO  
Ken Schirling, VP/CCLO  
Erin Smith, VP/CHRO

# Staff and Board of Directors

## Senior Member Advocates

Clare Alexander  
Katie Barr  
Erica Hillard  
Kelly McHugh  
Gretta Ray  
Charlene Robinson  
Mae Scribner  
Olivia Yost

## Assistant Branch Managers

Abbie Duck  
Stacey Phillips  
Randi Ranck

## Assistant Loan Managers

Shelly Andrews  
Brenda Cerett  
Jackie Grey Voltz

## Branch Managers

Ashley Dalton  
Kristin Macafee  
Bobbi Marshall

## Operations

Barb Bernier

## Director of Internal Audit & Compliance

Sherri Klaus

## Technology Liaison & Compliance Support

Judy Murdoch

## Accounting

Matt Gibson  
Ella Kerstetter  
Taylor Welker

## Marketing

Christa Hosterman  
Mary Potter

## Commercial Lending

Marcia Grupp  
Crystal Sunderland

Arize

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