

Member owned...

...Community Focused!

**Statement of Financial Condition  
For Year Ending December 31, 2016**

	2016 YTD	2015 YTD	2014 YTD		2016	2015	2014
<b>ASSETS:</b>				<b>Income:</b>			
Cash Items	\$1,810,927	\$1,909,447	\$2,182,279	Interest Loans	\$5,373,311	\$5,342,200	\$5,608,892
Total Loans	\$102,140,281	\$93,325,917	\$88,349,805	Tot Investments	\$526,825	\$515,887	\$440,525
Allow Losses	(\$440,552)	(\$349,738)	(\$420,342)	<b>TOT INT INCOME</b>	<b>\$5,900,136</b>	<b>\$5,858,087</b>	<b>\$6,049,417</b>
Adj Total All Loans	\$101,699,729	\$92,976,179	\$87,929,463	Total Non-Int Inc	\$2,049,737	\$2,215,418	\$2,270,873
Total Investments	\$33,760,307	\$40,276,008	\$39,976,625	<b>Total Income</b>	<b>\$7,949,873</b>	<b>\$8,073,505</b>	<b>\$8,320,290</b>
Fixed Assets	\$7,350,888	\$7,546,509	\$7,737,088	<b>EXPENSES:</b>			
Other Assets	\$3,082,435	\$3,242,299	\$3,356,206	Total Comp & Bene	\$4,238,406	\$3,937,743	\$3,948,550
<b>TOTAL ASSETS</b>	<b>\$147,704,286</b>	<b>\$145,950,442</b>	<b>\$141,181,661</b>	Total Operating Exp	\$2,830,010	\$2,760,717	\$2,892,691
<b>LIABILITIES:</b>				Total Dividend Exp	\$265,409	\$285,831	\$374,499
Other Liabil	\$4,332,588	\$7,539,963	\$7,563,728	Prov for Losses	\$330,000	\$309,000	\$200,000
Total Shares	\$127,056,192	\$122,339,813	\$118,237,530	<b>Total Expense</b>	<b>\$7,663,825</b>	<b>\$7,293,291</b>	<b>\$7,415,740</b>
Total Reserves	\$16,315,506	\$16,070,666	\$15,380,403	<b>NET INCOME</b>	<b>\$286,048</b>	<b>\$780,214</b>	<b>\$904,550</b>
<b>TOTAL LIAB &amp; CAP</b>	<b>\$147,704,286</b>	<b>\$145,950,442</b>	<b>\$141,181,661</b>				

**Board of Directors**

<b>Charlie Sparks</b>	<b>Chair</b>
<b>Joe Little</b>	<b>Vice Chair</b>
<b>Glenn Potts</b>	<b>Secretary</b>
<b>Charlie Dexter</b>	<b>Treasurer</b>
<b>Bruce Foote</b>	<b>Director</b>
<b>Jeannie Phillips</b>	<b>Director</b>
<b>Herb Kuss</b>	<b>Director</b>

**Supervisory Committee**

<b>Kevin Berry</b>	<b>Chairman</b>
<b>Mike Barch</b>	<b>Member</b>
<b>Chandra Clack</b>	<b>Member</b>
<b>Mario Gatto</b>	<b>Member</b>
<b>Mariah Ver Hoef</b>	<b>Member</b>

**Management**

<b>Anthony Rizk</b>	<b>President/CEO</b>
<b>Steve Carlson</b>	<b>Chief Financial Officer</b>
<b>Christy Waters</b>	<b>Chief Operating Officer</b>
<b>Missy Olson</b>	<b>SVP Real Estate Lending</b>
<b>Lynne Pohlman</b>	<b>VP Human Resources</b>
<b>Angela Maddex</b>	<b>VP Systems Ops &amp; Integration</b>
<b>Nicolle DeVito</b>	<b>VP Internal Audit</b>
<b>Darrell Clark</b>	<b>VP Marketing</b>



**Annual Report  
2016**



**CHAIRMAN AND PRESIDENT’S REPORT**

The year 2016 marked a turning point for Spirit of Alaska Federal Credit Union (SoAFCU). After more than 14 years at its helm, Mike Lombardino retired in January 2017. During Lombardino’s service as the President and Chief Executive Officer, SoAFCU grew from \$70 million of total assets to \$148 million of total assets, representing an average annual increase of 8 percent per year, and total equity of \$16 million, average annual increase of 14 percent. At his departure, SoAFCU is strongly positioned for the future, enjoying strong financial performance and net worth. The Board is very grateful to Mike Lombardino for his exemplary service.

Anthony Rizk assumed the duties of the President and CEO immediately upon Mike’s retirement. Anthony has been a member of the SoAFCU management team for over 13 years, most recently as Vice President of Information Technology. The Board feels extremely fortunate to have someone with Anthony’s abilities and strong commitment to the Fairbanks community. We are confident that under his leadership, we will continue to prosper financially while providing outstanding service to our members.

One of our initiatives began in late 2016 has been the restructuring of our service departments within SoAFCU. This was initiated by Anthony and his senior management team, and challenged all of our service and support groups to evaluate existing reporting relationships with a goal of integrating and consolidating responsibilities to provide better service. The initial results have been very encouraging and will have a noticeable impact on our 2017 financial results.

During 2016, our largest investment of staff resources was associated with implementing and monitoring new regulations. Each year additional regulations are implemented by a number of different government agencies that are designed to strengthen the financial industry and protect member and customers. We expect compliance activities to continue to be a major cost to SoAFCU’s operations. However, we are committed to ensuring our operations adhere to the highest level of compliance while safeguarding our members’ assets. We expect 2017 to be just as challenging in this regard.

As the largest locally operated credit union in the Fairbanks market, community engagement has been a major focus for SoAFCU.

During 2016, SoAFCU supported numerous local organizations and events like Ice Alaska, UAF’s Athletics, CTC, & SOM; Golden Days, and Yukon Quest to name just a few of those supported.

In closing, this past May, the Alaska Credit Union League (ACUL) annual meeting was held in Fairbanks on May 19-21 and was co-hosted by SoAFCU. It was one of the most engaging ACUL meetings in recent years and brought a number of nationally recognized speakers to Fairbanks. We were honored and excited to have played a significant role in organizing this event that showcased Fairbanks to members from communities around Alaska.

On behalf of our Board and our staff, we would like to thank you for your membership and support of SoAFCU. We are a member-owned financial cooperative that prospers through the support of its members. As always, we are thankful for your continued support and we welcome the opportunity to serve all your financial needs.

**H. Charles Sparks**      **Anthony Rizk**  
**Board Chair**              **President/CEO**

**SUPERVISORY COMMITTEE REPORT**

The Supervisory Committee is composed of a group of volunteer members responsible for helping ensure the safety and soundness of the Credit Union. This responsibility is exercised in accordance with the Federal Credit Union Act and Spirit of Alaska Federal Credit Union’s bylaws. The Committee fulfilled its responsibilities through the supervision of the internal audit function, engagement of an external financial auditor, and review of the National Credit Union Administration’s (NCUA) recent examination results and related matters.

It is the Supervisory Committee’s responsibility to oversee all aspects of the Credit Union to determine that it operates within regulatory guidance and internal procedures to ensure members’ assets are safeguarded. To fulfill this function, the committee monitors and evaluates the quality of the Credit Union’s finances, operations, and records using various tools. Additionally, the committee reviews member account records to verify their accuracy.

The Vice President of Internal Audit is the primary contact and performs the audit functions. The internal audit duties are overseen by the Supervisory Committee to separate this function from management control. This provides both independence and streamlined reporting.

Moss Adams LLP was hired again to conduct the external financial audit of the Credit Union. The results of the audit concluded that the financial statements of the Credit Union accurately represent the financial position of the organization and supports management’s commitment to accurate financial reporting.

The Committee also reviewed the results of the Credit Union’s regulatory examination, conducted by the NCUA. Results of the NCUA examination indicated that the Credit Union is financially sound.

During 2016, the Committee met monthly, except for June, July, and November, to review institutional procedures to safeguard the Credit Union’s assets. In April the Bank Secrecy Act compliance was reviewed and a report was presented to the Board. The business continuity and cyber breach plans were also reviewed in April. In July, the Member Verification process was audited and a report was presented to the Board. In October the Loan Quality Control program was reviewed for effectiveness with any issues reported to the Board. Results of audits show the Credit Union is performing its duties well with financial accountability and prudent management decisions.

In May of 2016, Mariah Ver Hoef was added to the Supervisory Committee.

We would like to express our appreciation to the Board of Directors and management for their support and assistance during the various audits and continued efforts in making Spirit of Alaska Federal Credit Union our members’ primary financial institution.

**Mike Bartch, Kevin Berry (Chair)**  
**Chandra Clack, Mario Gatto**  
**Mariah Ver Hoef.**

**TREASURER’S REPORT**

**HOW SoAFCU MEMBERS BENEFITS OUR COMMUNITY IN 2016**

- Earned a net income of \$286,049 during a difficult low rate environment.
- Earned a clean report from outside auditors.
- Earned an outstanding review from NCUA examiners.
- Enjoyed low loan losses.
- Grew asset base to \$147,704,287.
- Provided \$28,105 in sponsorships to 36 community organizations including Ice Alaska, Yukon Quest, high school graduation nights and UAF’s School of Management.

**HOW SoAFCU BENEFITTED OUR MEMBERS IN 2016**

- Total Dividends Paid on Member Deposits = \$265,409

**Member Business Loans 2016**

- Total number of new loans = 44
- Total Value of these loans = \$5,917,039

**Mortgage Loans**

- Number of new mortgages = 126
- Value of these mortgage loans = \$18,117,014
- Number of new construction loans = 11
- Value of these loans = \$2,311,550

**Consumer Loans 2016**

- Total number of new consumer loans = 921
- Total value of these loans = \$15,973,476

**Charlie Dexter, Treasurer**