



# 2018 ANNUAL REPORT



1417 Gillam Way  
Fairbanks, AK 99701  
Tel: 907-459-5900  
Fax: 907-459-5990  
Email: [info@spiritofak.com](mailto:info@spiritofak.com)  
Web: <https://spiritofak.com>

## 2019 Annual Meeting Agenda

6:00pm - Refreshments

6:30pm - Business Meeting

1. Open the Meeting – Welcome
2. Minutes of 2018 Meeting / Approval
3. Establish a Quorum
4. Nominating Committee Report
5. Supervisory Committee Report
6. Treasurer's Report
7. Board Chair Report
8. Other Business
9. Open Questions & Answers
10. Meeting Adjourned

## SPIRIT OF ALASKA FEDERAL CREDIT UNION 2018 ANNUAL MEETING MINUTES

April 18, 2018

**Open the Meeting** – Welcome: Spirit of Alaska Federal Credit Union’s (SoAFCU) 58th Annual Meeting was called to order by Chairman Charlie Sparks at 6:30 pm at the Johansen Branch of SoAFCU. Charlie thanked everyone for coming out tonight. The agenda presented will be followed and the meeting will adjourn with an Open Questions and Answers session. The board directors present were: Charlie Sparks, Jeannie Phillips, Charlie Dexter, and Bruce Foote.

**Read Minutes of 2017 Meeting:** Motion made and seconded to waive the reading and approve the minutes of the Annual Meeting of April 18, 2017. No discussion. No objection. Motion passed.

**Establish Quorum** - 15 Present: A quorum was established by Kevin Berry, Chairman of the Supervisory Committee, with at least 15 members present and then some.

**Nominating Committee Report:** Charlie Sparks gave the Nominating Committee Report. Board members Herb Kuss and Joe Little terms expired this year. Both have agreed to serve another term so nominations are closed.

**Supervisory Committee Report:** The Supervisory Committee Report appears in the Annual Report for 2016. Charlie said Kevin is doing a great job. Charlie added that the Annual Report states that there were no exceptions for a clean audit report. We are functioning well and in compliance.

**Treasurer’s Report:** Charlie Dexter gave the Treasurer’s Report as it appears in the Annual Report for 2017. The Treasurer’s Report is in three parts. Part one is Pages 6 through 10 that contains all of the financials. Page 5 is the Treasurer’s Report from a marketing perspective instead of a financial perspective.

From 2016 to 2017 there was a 7% increase in number of loans by \$7M. Dividend payments increased by \$17,658 despite extremely low Federal Reserve interest rates. First time ever net income over \$1M (nearly four times greater than 2016).

Excellent profitability ratios and a little over a quarter of a million dollars decrease in employee

salaries and benefits without cost to service. Our Johansen branch features a comfortable lounge with fireplace, waterfall, coffee and Wi-Fi. This branch has helped increased membership. Also how Spirit of Alaska benefited our community in 2017 appears in the Treasurer’s Report. One member asked if there were incentives to the tellers and their staff as they are well deserving.

Anthony Rizk, President and CEO, agreed and that they do a fantastic job. We have won many awards. They are paid very well and we also have a Pay for Performance Program which is like a yearly bonus. Charlie Sparks added to tell your friends. Another question was the decrease in employee salaries and benefits. Anthony began a restructuring of our services by eliminating some mid-level management positions and consolidation. Our previous CEO retired at the very beginning of 2017 so this was a drop in salary.

**Board Chair Report:** Charlie Sparks said his report as the Chairman is also in the Annual Report for 2017. The volunteers and staff were recognized at this time. This is Anthony’s full year as CEO of the credit union. It has been a banner year for him and the credit union. Our income exceeded a million dollars, a record for us especially with the low rate of interest rates.

Anthony restructured the credit union to provide better member services and integrate functions that personnel costs have been reduced and improved services. Just initiated in Missy Olson’s Real Estate Lending, is a new mortgage lending platform. This will allow us to track the mortgage all the way through closing. This will provide cost savings as well as better performance for our members. Anthony said there is a lot of compliance involved and with this it is built in and updated.

Charlie said as the largest Fairbanks credit union based here we are here to serve our members and contribute a lot to community activities and organizations to improve the quality of life in Fairbanks.

**Other Business:** A member asked if there was an incentive for first-time home buyers. Missy said Alaska Housing offers this and the Federal Home Loan Bank and Interior Regional Housing Authority. Anthony asked for the Open Questions and Answers

**Open Questions and Answers:** Anthony said the other platform being added is for our Consumer Loan Department. We have had problems with our on-line banking system and password, so this will probably start towards the end of 2018 and beginning of 2019.

A branch in North Pole was discussed. First, there would be an ATM and preferably in North Pole for use of more members than just Eielson.

Missy said we work with Alaska Housing where they have a renovation program so we have done VA loans for homes that need remodeling. We explore lot of avenues for the home buyers.

Another member feels services are getting less and less. The loss of the ATM's/Branch at UAF was explained and that Wells-Fargo took over. This was not a choice.

It was felt that the credit union did not have the best interest rates and dividends compared to other credit unions in town. Anthony said everyone is bumping up rates and that is something we are looking at this also very soon. Charlie said the other side of our profits is that the member does not see our loan losses. We do an excellent job of underwriting and our loan losses are among the lowest of all the credit unions. We appreciate the member's comments.

Steve mentioned that Anthony has an open door policy which is a nice thing about being a local financial institution. You can talk to Anthony any time.

Anthony spoke on Prestige, a service for older members. Events are held six or seven times a year for them.

A member inquired about the Johansen Branch and what the rest of the building is used for. There is this board room/conference room, training room and our data center which is state of the art. There is the teller line, offices, safe-deposit boxes and the sitting area.

Sliders at the top of the web site were covered along with other information at the bottom. There is only so much that can be put on the top. This was another good question.

**Meeting Adjourned:** Motion made and seconded to adjourn. No discussion. No objection. Motion passed and the Annual Meeting was adjourned at 7: 10 pm

**Prepared by:**

Joan S. O'Leary	Recording Secretary
Glenn Potts	Secretary
Charlie Sparks	Chairman



# 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.

Based on their performance on the 2017 audit, Hauser Jones & Sas were hired again to conduct the 2018 external financial audit of the Credit Union. The results of the 2018 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.

During 2018, the Committee met quarterly to review institutional procedures to safeguard the Credit Union's assets. Results of audits show the Credit Union is performing its duties well with financial accountability and prudent management decisions.

During 2018, Amy Isaacson, a local CPA and current Spirit of Alaska member, was added to the committee. This brings the supervisory committee to four members with room to add one additional member.

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.

**Kevin Berry (Chair)**

**Peggy Keiper**

**Ruth Prato**

**Amy Isaacson**



# Treasurer's Report

## Glenn Potts, Board Treasurer

We are positioned to increase profits for members in a rising interest rate environment. I can report an excellent external audit and NCUA examiner report.

### How Spirit of Alaska Benefited Our Members In 2018

1. Asset size increase of 3.37%
2. Loan Losses remained flat despite struggling economy
3. \$58,363 (20%) increase in dividend payments to members in 2018 vs 2017
4. End of Year ROA @ 1.00%, and continued growth of net worth
5. Excellent profitability ratios (see President/Chair report).

On Saturdays, the Johansen branch is open, and our Peger Road indoor kiosk is open 24/7.

### How Spirit of Alaska Benefited Our Community In 2018

The following is a partial list of organizations that Spirit of Alaska FCU supported in 2018:

- Ice Dogs Hockey
- Yukon Quest
- 2018 Alaska Business Week
- Fairbanks Golf Association
- Children's Miracle Network
- Friends of Fox Springs
- Opera Fairbanks
- Local high school graduations
- Banzai Financial Education for sponsored schools
- Fairbanks Heart Walk/AHA
- Soundwaves Music Festival (Harding Lake)
- UAF School of Management
- UAF Alumni
- Alaska Crippled Children and Adults
- Boy Scouts Lost Lake Camper School
- Catholic Schools of Fairbanks
- West Valley Boys Soccer
- American Heart Association
- Rotary Gold Tourney
- Alaska State Youth Soccer
- FYA The Door

# 2018 Loan Growth

All of our loan departments performed well last year, particularly Consumer Loans.

64

## New Mortgage Loans

Total Value: \$8,229,112

3

## New Construction Loans

Total Value: \$417,850

26

## New Business Loans

Total Value: \$3,601,399

968

## New Consumer Loans

Total Value: \$17,984,890

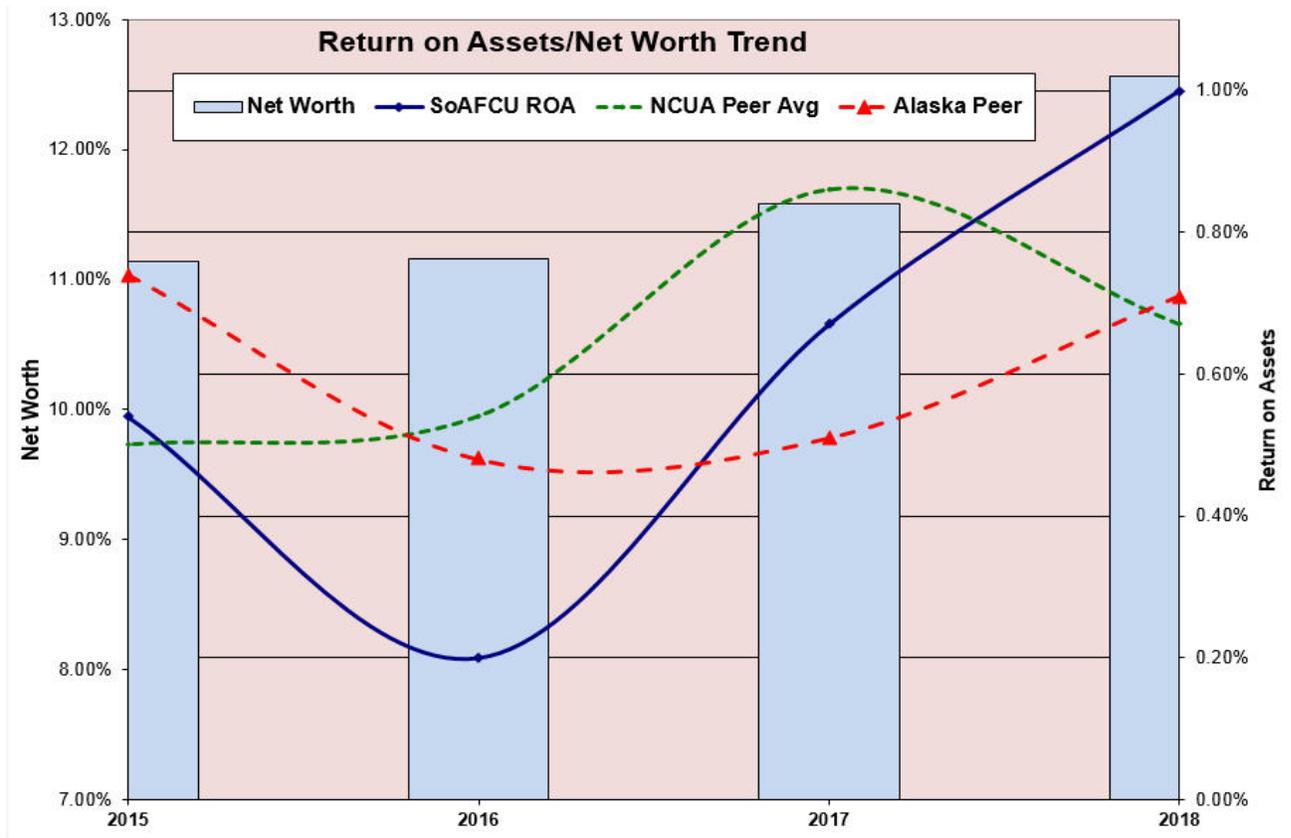


# Performance Ratios

The below ratios detail our performance from 2016 - 2018 based on other credit unions in Alaska, as well as national NCUA data.

RATIOS	2018	2017	2016
Net Worth ↑	12.57%	11.58%	11.16%
ROA (average assets) ↑	1.00%	0.67%	0.20%
NCUA Alaska Average ROA ↑	0.71%	0.51%	0.48%
NCUA Peer Group ROA ↑	0.67%	0.47%	0.51%

The below graph details our performance from 2015 - 2018 based on other credit unions in Alaska, as well as national NCUA data. See detailed income and assets yearly comparison figures on the next page.





## Assets

ASSETS	2018	2017	2016
Cash Items	\$1,818,111	\$2,221,969	\$1,810,927
Total Loans	\$106,099,732	\$109,317,133	\$102,140,281
Allow Losses	(\$379,854)	(\$564,563)	(\$440,552)
Adj Total All Loans	\$105,719,878	\$108,752,570	\$101,699,729
Total Investments	\$37,106,656	\$28,173,689	\$33,760,307
Fixed Assets	\$7,227,810	\$7,160,124	\$7,350,888
Other Assets	\$2,411,026	\$2,931,277	\$3,082,435
<b>TOTAL ASSETS</b> ↑	<b>\$154,283,481</b>	<b>\$149,239,629</b>	<b>\$147,704,286</b>

## Liabilities

LIABILITIES	2018	2017	2016
Other Liabilities	\$943,756	\$5,270,722	\$4,332,588
Total Shares	\$134,516,715	\$126,546,631	\$127,056,192
Total Reserves	\$18,823,010	\$17,422,276	\$16,315,506
<b>TOTAL LIABILITIES</b>	<b>\$154,283,481</b>	<b>\$149,239,629</b>	<b>\$147,704,286</b>



## Income

INCOME	2018	2017	2016
Interest Loans	\$6,051,442	\$5,965,200	\$5,373,311
Total Investments	\$581,869	\$481,367	\$526,825
Total Interest Income	\$6,633,311	\$6,446,567	\$5,900,136
Total Non-Interest Income	\$2,111,054	\$1,938,522	\$2,049,737
<b>TOTAL INCOME</b>	<b>\$8,744,365</b>	<b>\$8,385,089</b>	<b>\$7,949,873</b>
<b>NET INCOME</b> ↑	<b>\$1,500,548</b>	<b>\$1,004,768</b>	<b>\$286,048</b>

## Expenses

EXPENSES	2018	2017	2016
Total Comp & Benefits	\$3,786,089	\$3,959,116	\$4,238,406
Total Operating Expense	\$2,911,298	\$2,753,138	\$2,830,010
Total Dividend Expense	\$341,430	\$283,067	\$265,409
Provision for Losses	\$205,000	\$385,000	\$330,000
<b>TOTAL EXPENSES</b> ↓	<b>\$7,243,817</b>	<b>\$7,380,321</b>	<b>\$7,663,825</b>

I am proud to report that 2018 was a strong year for Spirit of Alaska Federal Credit Union (SoAFCU). I attribute our solid performance to our CEO Anthony Rizk and his team. Our financial performance is strong by any measure, especially against our peer CU's both within Alaska and Nationally.

- H. Charles Sparks



**1.00 %**

Return on Assets (ROA)  
Above Alaska Peer & National  
Averages



**8.22 %**

Return on Equity (ROE)



**\$154** million in assets

3% Asset Increase Over 2017

# Chairman & President's Report

Continued strong financial performance provides a solid financial foundation for the credit union, and this can be attributed to CEO Anthony Rizk and his strong leadership team.

Our focus on outstanding member service, superior loan underwriting, and efficient operations allows us to offer some of the highest rates on savings products while also being very competitive on loan rates. An excellent example of this is our loan charge off rate. Over the past 5 years, our loan charge offs have averaged just .28%, among the lowest for Alaska credit unions, and well below our national peer credit unions. This is significant because it allows us to provide loans at low rates, while also paying higher rates on our deposit products.

An important mission of credit unions is financial literacy, especially for the youth in our community. To address this, SoAFCU has partnered with BANZAI, an organization that offers turnkey online curriculum and programs for kids from elementary through high school that builds financial literacy. We believe strongly that this knowledge leads to better informed decisions, and better citizens. If you want to learn more about this resource, please ask.

One of credit unions' precepts is to serve the underserved. At SoAFCU, we take this seriously and in fall of 2018 began research on expanding our service area to other interior Alaska communities which are presently underserved by the financial industry. We are looking closely at the communities of Healy, North Pole and Delta Junction. At present, we are uncertain if and how we might expand or increase our presence in these communities but the need is there. Watch

***An important mission of credit unions is financial literacy, especially for the youth in our community.***

for updates on these efforts in the future.

As the largest local credit union in the interior Alaska, community engagement is something we take very serious at SoAFCU. During 2018, SoAFCU supported numerous local organizations and events. These included: School Food Pantries, The Yukon Quest, the University of Alaska Fairbanks, and Youth Basketball and Soccer to name just a few

of those we supported. Among all the financial institutions in the community, we believe we return the highest proportion of our earnings back to the community. If you are involved in a local service organization that is deserving of support, please tell us about it!

The Board and staff of SoAFCU would like to thank you for your membership and support of SoAFCU. As a member-owned financial cooperative that prospers

through the support of its members, we never forget that we work for you. As always, we are thankful for your continued support and we welcome the opportunity to serve all your financial needs.

***H. Charles Sparks***  
- Board Chair

***Anthony Rizk***  
- President/CEO

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## Management & Committees

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### Management Staff

Anthony Rizk..... President & CEO  
Christy Waters..... Chief Operating Officer (COO)  
Steve Carlson..... Chief Financial Officer (CFO)  
Angela Maddex..... Vice President Systems Strategy & Integration  
Nicolle DeVito..... Vice President Internal Audit  
Mark Lew..... Vice President Real Estate Lending Services  
Cindy Cevasco..... HR Manager  
John Lannet..... IT Manager  
Sarah Geer..... Marketing Director



### Board of Directors

Charlie Sparks..... Chairman  
Joe Little..... Vice Chairman  
Jeannie Phillips..... Secretary  
Glenn Potts..... Treasurer  
Bruce Foote..... Director  
Traci Schachle..... Director  
Jim Arkell..... Director



### Supervisory Committee

Kevin Berry..... Chair  
Ruth Prato..... Member  
Peggy Keiper..... Member  
Amy Isaacson..... Member

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## NOTES

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