

# 2019 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>

## 2020 Annual Meeting Agenda

### 6:30pm - Business Meeting

1. Open the Meeting – Welcome
2. Establish a Quorum
3. Minutes of 2019 Meeting / Approval
4. Nominating Committee Report
5. Board Chair Report
6. Supervisory Committee Report
7. Treasurer's Report
8. Other Business
9. Open Questions & Answers
10. Meeting Adjourned

## SPIRIT OF ALASKA FEDERAL CREDIT UNION 2019 ANNUAL MEETING MINUTES

April 18, 2019

**Open the Meeting** – Spirit of Alaska Federal Credit Union's (SoAFCU) 59th 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. Before adjournment, as part of the meeting minutes the board offered an open session of questions and answers. Charlie also introduced the other board directors that were present for the meeting: Jeannie Phillips, Glenn Potts, Jim Arkell, Bruce Foote and Traci Schachle. Anthony Rizk, President and CEO, introduced the management team and acknowledged the credit union's strong leadership and the successes throughout the year.

**Read Minutes of 2018 Meeting:** Motion made and seconded to waive the reading and approve the minutes of the Annual Meeting of April 18, 2018. All in favor say aye. Motion passed.

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

**Nominating Committee Report:** Charlie Sparks gave the Nominating Committee Report. Board members Charlie Dexter and Charlie Sparks terms expired this year. Both have agreed to serve another term so nominations were closed.

**Supervisory Committee Report:** The Supervisory Committee Report appeared in the Annual Report for 2018. Kevin Berry, Chairman, introduced committee members who were present. Peggy Keiper, Ruth Prato and Amy Isaacson. The audit was again clean. The only issue was the timeliness of the auditor's report.

**Board Chair Report:** Charlie Sparks said his report as the Chairman is also in the Annual Report for 2018. There was good turnout tonight and the catering was excellent. The Chairman and President's Report appear in the

2018 Annual Report and was read to everyone. Charlie thanked the staff for the outstanding job this year.

**Treasurer's Report:** Glenn Potts, Board Treasurer gave the Treasurer's Report as it appears in the Annual Report for 2018. The Treasurer's Report consists of the report, 2018 Loan Growth, Performance Ratios and Financials.

It was another great year for the credit union. The report reflects the benefits to our members and to our community in 2018. Glenn reported that there was an increase of dividend payments of 20% to members in 2018 versus 2017.

All of our loan departments performed well last year, particularly Consumer Loans. Glenn covered the Performance Ratios and everything has increased as compared to 2017.

Glenn pointed out that assets increased to \$154,283,481 and net income of \$1,500,548 which was half a million more than we had in 2017. Glenn concluded his report and thanked everyone.

**Other Business:** Anthony reported on new things happening. A more functional digital card processor will be ready to go live around October. Also, the credit union will be shifting some marketing budget to focus on disadvantaged youth in the community. Anthony mentioned that the economy for the state of Alaska is unknown, so the housing market will be affected. Charlie asked to open the floor for Open Questions and Answers.

**Open Questions and Answers:** Alex Koponen asked about the difference between the 2017-2018 Provision for Loan Losses. The answer was we try to estimate the amount of defaults that will happen according to our economy. We need to account for these losses throughout the year and it looks like this will increase. Nicolle DeVito and her group were congratulated for their work on this item.

Another comment was provided by Heather Koponen towards Roxanne Foster and Nicolle

DeVito concerning both of them being very supportive and sympathetic to the passing of her father, Nilo. The question was regarding the big change in Other Liabilities being so much lower in 2018 than 2017. Steve Carlson, CFO, answered that we were borrowing from the Federal Home Loan Bank around \$4M in 2017. We borrowed this because of the interest rate and to use as a hedge against interest rate increases, but could look into this further if the member wished.

Also, a question was asked about the old Steese Branch. Anthony said we were actively under contract trying to sell the building if anyone is interested.

Another question was regarding restrictions on construction loans, etc. Anthony said that our risk group was working on this and if restrictions need to be tightened we will do this to protect the entire membership.

Sarah Geer spoke on BANZAI, an organization that offers turnkey online curriculum and programs for kids from elementary through high school that builds financial literacy. BANZAI educates kids through creating a budget, making decisions, etc. and continues on to high school, college, buying a car, and finding a job. Along with this are pre and post-tests. And now there is an adult scenario of saving for a house, how credit works, etc. Sarah had some great quotes from students who have done this program and the program really does work. Sarah was thanked for her presentation. A member verified that this was a great program.

Amanda Race has been a member since August of 1986, but this was her first for attending an annual meeting since opening her first account at 18 years of age. She asked about the number of members. Anthony believes it is around 9,000, but was as high as 13,000. Lynne Pohlman, former HR, said this was correct. There were a lot of \$5 accounts and inactivity that were purged.

Another member wanted to thank Missy Olson when she bought her home here. Missy

was great.

Another member asked about reopening Wood Center. Anthony said this was completely out of our control, but would love to be there. We are looking at different areas though like North Pole, Healy, and Delta Junction. Gary Newman said we have three branches now. Anthony responded with more research needed to be conducted because many members today use online banking instead of traditional brick and mortar branches. Anthony went into detail about what is out there and making a good decision on what we can use.

A question was asked about the solar panels on the Johansen Branch. John Lannet, IT Manager, said we were generating about 3 kilowatt hours today on this cloudy day. John can get some more specific numbers if the member would like those. Also there is a link on the website with some information. Anthony said there has been some interest in doing solar loans for homes and is glad someone brought up this topic.

**Meeting Adjourned:** With no further business or questions, the 2019 Annual Meeting was adjourned at 7:10 pm

### **Prepared by:**

Joan S. O'Leary - Recording Secretary

Jeannie Phillips - Secretary

Charlie Sparks - Chairman



# Chairman & President's Report

I am proud to report that 2019 was another solid year for Spirit of Alaska FCU. I must attribute our solid performance to our CEO Anthony Rizk and his team. Despite the low interest rate environment, Spirit of Alaska had strong margins, return on assets and return on equity, both historically and in relation to our peer institutions. I am happy to report that at the end of 2019, Spirit of Alaska had assets exceeding \$159 million, reflecting more than a 3.14% increase.

- H. Charles Sparks



↓ **0.79%**  
Return on Assets (ROA)  
Above Alaska Peer & National Averages

↑ **12.98%**  
Net Worth/Capital

↑ **\$159** million in assets  
3.14% Asset Increase Over 2018

Arrows indicate an increase or decrease from the previous year's performance.

**(cont'd) We continue to focus on outstanding member service, superior loan underwriting, and efficient operations and this allows us to offer some of the highest rates on savings while also being very competitive on loan rates.**

### New Software

During 2019 we launched a new software platform that will allow us to expand our digital services to members. Look for the roll out of these new apps in 2020, like "CardValet".

an outside consultant. We feel this provides long term savings, more responsiveness, as well as local control.

Investing in staff pays dividends in many ways. Spirit of Alaska supports staff professional

2019. These included: Cheers for Gears (11 bike donations), The Yukon Quest, the University of Alaska Fairbanks, and youth sports to name just a few of those we supported. Among all the financial institutions in

### Financial Literacy

We continue to support financial literacy in our schools through the BANZAI program. BANZAI is an organization that offers turnkey curriculum and programs for kids from elementary through high school that builds financial literacy at any grade level. We've added more teachers and schools during the year and are excited that it has been well received. Financial literacy is an important mission of credit unions. 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.

### Staff Development

One area that we've stepped up in 2019 has been staff development. We are committed to providing our staff the opportunity to grow and advance within the credit union. A great example of these investments includes: moving technical support of our core processing system software in-house from

development at a high level. These investments build the capacity of Spirit of Alaska and provide a foundation for enhanced operations, growth and better member service.

**ERM Certification** (Rachel, Anthony, Christy, Nicolle)

**BSA Certification** (Nicolle, Anthony, Christy, Juanita, Melissa)

**CUNA Compliance Certification** (Nicolle)

**CUNA Audit Certification** (Nicolle)

**WCMS School** (Anthony)

**FMF** (Steve, Charlie, Anthony)

**CUNA CEO Councils** (Anthony)

### Community Engagement

As the largest local credit union in the interior Alaska, community engagement is something we take seriously at Spirit of Alaska. As in past years, Spirit of Alaska supported numerous local organizations and events during

***During 2019, we launched a new software platform that will allow us to expand our digital services to members.***

the community we believe we turn 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!

### Thanks to Membership

The Board and staff of Spirit of Alaska would like to thank you for your membership and support of the credit union. 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



# 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 2018 audit, Hauser Jones & Sas were again hired to conduct the 2019 external financial audit of the Credit Union. The results of the 2019 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 2019, 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 2019, Francine Davis, a fiscal officer for the School of Management at the University of Alaska Fairbanks 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.

On January 6, 2020, Peggy Keiper resigned from the Supervisory Committee. On March 31, 2020, the Spirit of Alaska Board of Directors approved the admission of Christa Ogawa Baysinger to the Spirit of Alaska Supervisory Committee. The committee continues its search for additional members to the 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.

**Ruth Prato (Chair)**  
**Francine Davis**

**Amy Isaacson**  
**Peggy Keiper**

# Treasurer's Report

**Glenn Potts, Board Treasurer**

## How Spirit of Alaska Benefited Our Members In 2019

1. Asset size increase of 3.14%
2. \$144,867 (42%) increase in dividend payments to members in 2019 vs 2018
3. Ability to withstand unusually higher than normal loan loss in 2019
4. End of Year ROA at 0.79%
5. End of Year Net Worth at 12.98%
6. Excellent profitability ratios (see President/Chair report).
7. Positioned to increase profits for members in a rising interest rate environment
8. Excellent external audit for 2019
9. Excellent NCUA examiner report
10. Continued strong community involvement

## How Spirit of Alaska Benefited Our Community In 2019

The following is a partial list of organizations that Spirit of Alaska FCU supported.

- UAF School of Management
- Military Care Packages
- Cheers for Gears Initiative, partnering with School District Summer programs
- Go Skateboarding Day
- Graduations at local High Schools
- Banzai Financial Education in sponsored schools
- 2019 Alaska Business Week
- NAACP - Black History Month
- Big Brother, Big Sister Bowl for Kid's Sake
- Alaska Songbirds - Creamer's Field
- Alaska Police Officers Association
- Yukon Quest
- Ice Dogs Hockey
- UAF CTC Culinary Arts Program
- UAF SOM Busines Leader of the Year
- UAF Blue & Gold Celebration
- West Valley Boys Soccer
- West Valley Wolfpack Wrestling
- Interior Youth Basketball (IYB)
- FNA Basketball Tournament
- Alaska Grizzlies Youth Hockey
- Arctic Lions Hockey
- Rize & Dance Crew
- Fairbanks Youth Soccer Association (FYSA) & Food Truck Rally

Treasurer's Report continued on next page





# Loan Growth

All of our loan departments performed well in 2019, particularly Consumer Loans.

46

## New Mortgage Loans

Total Value: \$4,801,545

2

## New Construction Loans

Total Value: \$666,900

33

## New Business Loans

Total Value: \$4,348,777

1015

## New Consumer Loans

Total Value: \$24,444,471

# Call Center Service

On average, our call center picked up a member's call within 60 seconds or less throughout the year.



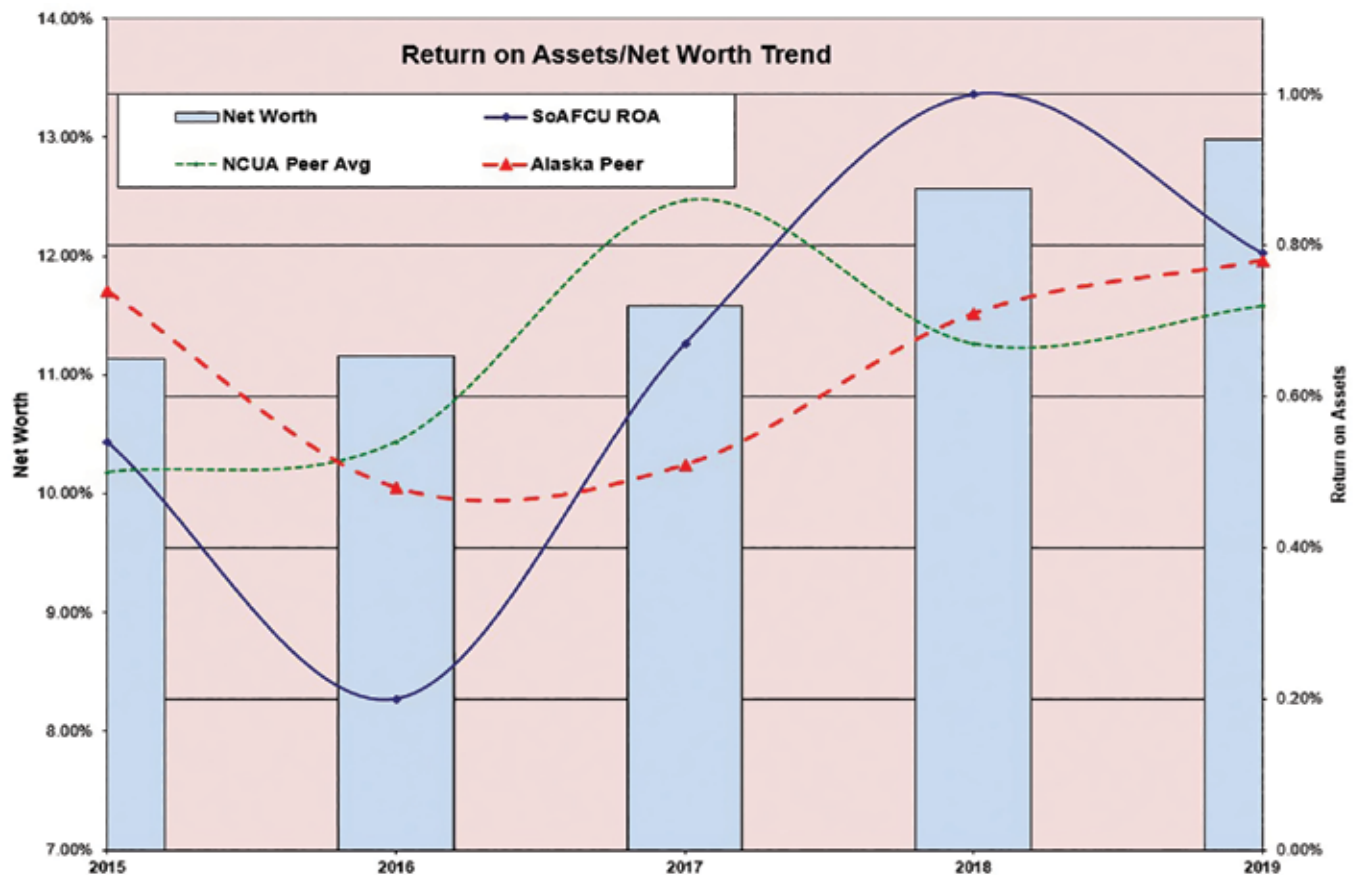


# Performance Ratios

The below ratios detail our performance from 2017 - 2019 based on other credit unions in Alaska, as well as national NCUA data.

RATIOS	2019	2018	2017
Net Worth	12.98%	12.57%	11.58%
ROA (average assets)	0.79%	1.00%	0.67%
NCUA Alaska Average ROA	0.78%	0.71%	0.51%
NCUA Peer Group ROA	0.72%	0.67%	0.86%

The below graph details our performance from 2017 - 2019 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.



# Statement of Financial Condition

## Assets & Liabilities

### Assets

ASSETS	2019	2018	2017
Cash Items	\$1,974,448	\$1,818,111	\$2,221,969
Total Loans	\$106,906,942	\$106,099,732	\$109,317,133
Allow Losses	(\$380,611)	(\$379,854)	(\$564,563)
Adj Total All Loans	\$106,526,331	\$105,719,878	\$108,752,570
Total Investments	\$41,231,944	\$37,106,656	\$28,173,689
Fixed Assets	\$6,952,957	\$7,227,810	\$7,160,124
Other Assets	\$2,435,535	\$2,411,026	\$2,931,277
<b>TOTAL ASSETS</b>	<b>\$159,121,215</b>	<b>\$154,283,481</b>	<b>\$149,239,629</b>

### Liabilities

LIABILITIES	2019	2018	2017
Other Liabilities	\$1,042,102	\$943,756	\$5,270,722
Total Shares	\$137,985,403	\$134,516,715	\$126,546,631
Total Reserves	\$20,093,710	\$18,823,010	\$17,422,276
<b>TOTAL LIABILITIES</b>	<b>\$159,121,215</b>	<b>\$154,283,481</b>	<b>\$149,239,629</b>

# Statement of Financial Condition

## Income & Expenses

### Income

INCOME	2019	2018	2017
Interest Loans	\$6,207,304	\$6,051,442	\$5,965,200
Total Investments	\$802,718	\$581,869	\$481,367
Total Interest Income	\$7,010,022	\$6,633,311	\$6,446,567
Total Non-Interest Income	\$1,711,982	\$2,111,054	\$1,938,522
<b>TOTAL INCOME</b>	<b>\$8,722,004</b>	<b>\$8,744,365</b>	<b>\$8,385,089</b>
<b>NET INCOME</b>	<b>\$1,227,176</b>	<b>\$1,500,548</b>	<b>\$1,004,768</b>

### Expenses

EXPENSES	2019	2018	2017
Total Comp & Benefits	\$3,613,595	\$3,786,089	\$3,959,116
Total Operating Expense	\$2,812,936	\$2,911,298	\$2,753,138
Total Dividend Expense	\$486,297	\$341,430	\$283,067
Provision for Losses	\$582,000	\$205,000	\$385,000
<b>TOTAL EXPENSES</b>	<b>\$7,494,828</b>	<b>\$7,243,817</b>	<b>\$7,380,321</b>





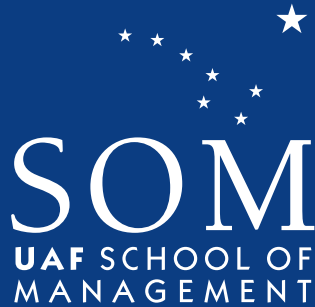
**Sponsored by SPIRIT OF ALASKA FCU**

In 2019, employees built 11 bikes for deserving students recommended by teachers during FNSBSD summer school programs. The bikes were presented during the Borough's first Go Skateboarding Day event.





# Community Support Stories



Spirit of Alaska partnered with the UAF School of Management again in 2019, providing funds for the Professionally Polished Program, scholarships and the Student Investment Fund.



## Troop Care Packages

10 boxes of supplies were packed and sent to deployed troops by employees in November of 2019.



**THANK YOU  
FOR YOUR SERVICE!**



# Management & Committees



## Management Staff

Anthony Rizk.....	President & CEO
Christy Waters.....	Chief Operating Officer (COO)
Steve Carlson .....	Chief Financial Officer (CFO)
Ben Udden.....	Vice President Core Financial Systems
Nicolle DeVito.....	Vice President Internal Audit
Mark Lew .....	Vice President Real Estate Lending Services
Rachel Cox.....	Business Lending Manager
Cindy Cevasco.....	HR Manager
John Lannet.....	Information Technology Manager
Sarah Geer .....	Marketing Director



## Board of Directors

Charlie Sparks.....	Chairman
Joe Little.....	Vice Chairman
Glenn Potts.....	Treasurer & Secretary
Bruce Foote.....	Director
Margaret Hernandez.....	Director
Patty Loud.....	Director



## Supervisory Committee

Ruth Prato.....	Chair
Francine Davis.....	Member
Amy Isaacson .....	Member

# NOTES