

# 2022

## ANNUAL REPORT



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### 2023 Annual Meeting Agenda

Date: 5/04/2023

6:30pm - Refreshments

7:00pm - Business Meeting

- o Open the Meeting – Welcome
- o Establish a Quorum
- o Minutes of 2022 Meeting / Approval
- o Nominating Committee Report
- o Board Chair Report
- o Supervisory Committee Report
- o Treasurer’s Report
- o Other Business
- o Open Questions & Answers
- o Meeting Adjourned



## SPIRIT OF ALASKA FEDERAL CREDIT UNION 2022 ANNUAL MEETING MINUTES

May 5th, 2022

**Open the meeting:** Spirit of Alaska Federal Credit Union's (SoAFCU) 62nd Annual Meeting was called to order by Chair Charlie Sparks at 7:01 pm at the Johansen Branch of SoAFCU. Charlie welcomed everyone to the meeting.

**Establish a Quorum:** A quorum was established by Charlie Sparks.

**Minutes of 2021 Meeting / Approval:** Motion made and seconded to approve the Minutes of the 2021 Annual Meeting. A member shared that it would be relevant to have the minutes include that it was done by Zoom and how many members participated. Anthony shared that they are recording the Annual Meeting. Anthony shared that we could update the minutes to state that we did it through Zoom, but there were people in person as well. No objection. Motion passed. Minutes for the 2021 Annual Meeting approved as amended.

**Nominating Committee Report:** Charlie Sparks introduced himself as the board chair. He has been involved in SoAFCU for more than 10 years. Charlie introduced the other board directors who were present: Glenn Potts, Margaret Hernandez, Bruce Foote, Mark Young, and Justin Borgen. Charlie next introduced the Supervisory Committee: Committee Chair Ruth Prato, Amy Isaacson, and Christa Baysinger. Margaret Hernandez, Board Director and Secretary, provided the Nominating Committee Report. Margaret stated the Nominating Committee had no open board seats; all seats are currently filled.

**Board Chair Report:** Board Chair Charlie Sparks provided the Board Chair Report. Charlie shared that his report is also a part of the Annual Report. Charlie shared that he is happy to report that 2021 was another outstanding year for SoAFCU despite continuing impacts from COVID. Given the low-interest rate environment and pandemic challenges, SoAFCU still realized superior margins of return on assets and return on equity. At the end of 2021, SoAFCU had assets of almost \$198 million, an increase of \$13.6 million or 7.4% over the previous year, 2020. This increase continues the trend of exceptional growth over recent years. The credit for SoAFCU's exceptional financial performance goes to President/CEO Anthony Rizk and his management team. The report highlights our Return on Assets (ROA) continue to decline slightly from the previous year but that is

largely because margins have declined for all financial institutions. Our net worth/capital percent also declined slightly to 11.56%. Like all institutions, our assets grew substantially. Over the last year, our assets have grown more than the previous 10 years total.

**COVID-19 Response:** Charlie highlighted the CU's COVID-19 response. Members experienced firsthand how we pivoted and moved to online to service customers. We learned a lot during the pandemic, and it totally changed the CU. As was mentioned last year, the CU has multiple branch locations and a walk-up window at Johansen allowed members access to all services with extremely low or no wait times. Our call center also provided exceptional service to members. What we've learned from the pandemic: technology provides a platform that allows members access not only to their account information but also to a wealth of financial resources from anywhere and anytime. SoAFCU now has many staff working remotely because of changes in response to COVID-19 and will look for other ways to continue to provide superior customer service while providing staff flexibility.

**SoAFCU 2021 Awards:** Charlie shared two kudos. SoAFCU was recognized as the Outstanding Small Business in Philanthropy for all of Alaska by the Association of Fundraising Professionals Alaska Chapter. Charlie shared that in previous reports he has boasted about the CU's exceptional community outreach, and this recognition makes it official. SoAFCU was also recognized by the Greater Fairbanks Chamber of Commerce as the Educational Advocate of the Year. SoAFCU has consistently supported community groups and the University of Alaska to improve the community in which we work and live. Evidence of this abounds in the organizations and activities we supported during 2021. If you are involved in a local service organization deserving of support, please tell us about it.

**Financial Literacy:** Financial Literacy is an important mission of all CUs. We believe strongly that this knowledge leads to informed decisions and financially literate members. Towards this goal, we sponsor the Banzai program. Banzai is an online, turnkey curriculum for youth from elementary through high school that builds financial literacy. We continue to add more teachers and schools throughout each year. If you want to learn more about this resource, please ask or visit the Spirit of Alaska website. Charlie shared that his wife is a public school teacher and uses this curriculum extensively.

Community Engagement: Now that COVID has moderated considerably, we are beginning to plan face-to-face events like our annual meeting, annual picnic, and other events that embody CU membership.

Thanks to Membership: The board and staff 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.

**Supervisory Committee Report:** Charlie shared that the Supervisory Committee Chair Ruth Prato was not able to attend the meeting. The Supervisory Committee report is included in the Annual Report.

**Treasurer's Report:** Board Treasurer Glenn Potts provided the Treasurer's Report. The CU had asset growth of 7.34%, primarily driven by growing member deposits. Loan growth was 3.54%. In 2021, \$376,498 in dividends was paid out to members. The CU had a very low charge-off rate of 0.09%. The End of Year Return on Assets was 0.49%. The End of Year Net Worth was 11.56%. The CU had excellent profitability ratios. The CU was positioned to significantly increase income in a rising interest rate environment. The external audit for 2021 was excellent. The CU continued to see low loan rates. The CU also continued strong community involvement. Glenn highlighted the CU's community involvement. In 2021 the CU supported the UAF College of Business and Security Management, the University of Alaska Fairbanks, Fairbanks Chamber of Commerce, and provided Banzai Financial Education. The CU also supported Fairbanks Youth Soccer Association, Alaska Police Officers Association, Air Force Association, Ice Dogs Hockey, Breast Cancer Detention Center, Eielson Air Force Base Community Activities, 2021 Partner School, High School basketball teams, Interior Girls Softball, Rotary Fairbanks, Fairbanks Children's Museum Career Day, and the Buzz Otis Memorial Championship.

**Other Business:** Anthony Rizk recognized all the managers. Christy Waters is the COO. She manages all the branch teller lines, consumer loans departments, and back-office operations. Nicolle DeVito is the Vice President of Internal Audit. She does more than just internal audit. Nicolle set up all the food tonight from the Oasis. Kurt Franklin, the owner, is a member. We like to do as much as we can with our members. Steve Carlson is our CFO. He has been with the CU since 2003-2004. We

have seen a lot of change in the economy and the CU. Mark Lew is the Vice President of Mortgage Loans. Ben Udden is the Vice President of Core Financial Systems. He has been here 2 years. He came as a UAF School of Management accounting graduate. John Lannet has been with us a long time and is the Vice President of Information Technology. He keeps everything safe behind our firewall. Rachel Cox is our member business loans manager. We have had a good year with our member business loans. Sarah Geer is the marketing director who put the annual meeting and report together.

Anthony recognized the board and the supervisory committee. These are completely volunteer positions. We have had a good year. It has been a challenging year. The year 2021 was like 2020 with COVID. As a CU, we are no longer requiring masks of our employees. We still have some plexiglass barriers up at some of the branches. Hopefully they will come down at some point. We are leaving that up to our teller lines to tell us when they feel safe to do so. They have some authority to determine that. They will eventually come down. It has been a difficult year income-wise with the low interest rates. The trend line is down for the ROA and net worth. Charlie mentioned we are \$198 million at the end of the year. We are now at \$203 million. We continue to grow. Our challenge is to find channels to place that money in interest bearing loans and investments. Our investment portfolio has grown in the last 24 months. The interest rates are coming up. The interest rate bounced up 50 basis points yesterday. A lot of our loans are variable. When the rates go up so does our interest income. We are in a good place as a CU. We have been riding on the lower end of where we think we need to be on the income side.

Steve discussed interest rates. Rates went up yesterday by half a point. In March they went up by a quarter point. We are very short in our investment portfolio. So, we are positioned to take advantage of that. We were very conservative in what we invest in. Some reasons for this include the uncertainty of COVID, rates, and the economy. We are correctly positioned. The Fed are talking about going up another half point. We will see. Everyone has their opinion on that. We will at least get one more half point and then wait and see what happens. Their challenge is to not create a recession but manage the economy.

Anthony shared the real estate market is a huge issue in Fairbanks right now. If you look at last year, there were

well over 400 properties for sale on the MLS. There is a quarter of that now this year. There is no one building. It is hard to get materials. One company is building 20 houses. That is the only contractor still doing numerous homes.

Anthony recognized the teller lines and operations staff. They stepped forward and worked hard and dealt with frustrated members, the masks, and things like that. We provided a lot of COVID relief where we could.

The charge off ratio is 0.09%. That is very minimal, and way better than what industry standards are. That is a credit to our entire staff in how we manage loans. We understand people have life events, but we are a financial institution. We are not a bank. It is members' money that we are managing. There are times as a financial institution when we must foreclose on our properties. We have had three foreclosure OREO properties on our books for the last 24 months. Today we signed on the third one to sell it. It is good to be rid of them. It creates an expense for the CU. The other thing that has eaten into our income is the cost of utilities. We have been hammered by utility costs, GVEA especially. This is affecting people and how they can make their house payments. We have gone as far as helping members pay their electrical payments through a repayment plan. We do a lot for our members as a CU. That is why you are members of a CU because you will get that experience with us way easier than you do with a bank.

We have had some concerns about how we can service our members any time, anywhere during COVID. One of the challenges has been hiring quality staff. No one else has been immune to this issue. The primary challenge for the last 18 months has been hiring staff for operations and teller line. Those are critical roles at the CU. Christy shared that we are not any different from any business, everyone is feeling that pain. The teller line has been a high turnover position, it is the nature of that job. The last 18 months more so. We have been diligently working to stabilize it. We are positioned well right now. We are looking to hire two more tellers. If anyone knows anyone who wants to get in the banking industry send them our way. Anthony shared that we have had some other roles in the CU that have been difficult to fill, but for some reason those roles have been very difficult. What we have seen recently is candidates applying for our jobs through our recruiting tool, indeed, go through the effort of setting up an interview, and then not show up to the interview. This has happened multiple times.

In talking with others, it seems that people are setting up the interview just so that they can have something on paper and then go to the unemployment office and claim unemployment. Applying and looking for jobs is a requirement for filing for unemployment. We have dealt a lot with that.

As a CU, we think we are more advanced technology-wise compared to Mt. McKinley Bank, Denali State Bank, and others. We don't do a lot of printing of paper. We are doing a new thing this year. We have multiple locations with ATMs around town, including the property on Peger/Davis (where we lease to Summit Coffee). We are going to replace the ATMs at all those locations with ITMs, which is an interactive teller. You can walk up to the machine, have a teller pop up on the screen, and do your transaction right there. We are going to start at our Gillam branch where we will also be doing a remodel. This will allow members to do banking when and where they want. This allows us to have a smaller footprint. We want to be out in North Pole to serve our members out there and build our membership base. Building out in North Pole is very expensive right now. It is not something the CU is interested in. We want to push this ITM technology. It is the fastest growing segment in the financial industry. It is a tough balance as a CU, because you have the existing membership where the demographic may be an older membership and is not accepting of technology, vs the younger membership that is growing rapidly. Ben Udden and Colin Lease, our business analyst, are working on this. We are on track; the machines are ordered. When you walk in the CU front doors you will be able to go right to the ITM where someone will pop up and help you. The ITMs can be a cash depositor, check depositor, and cash dispensing machine. Ben shared the ITMs will be able to do most transactions. We will be the first ones in Fairbanks with this technology. We will have a call center.

Anthony shared that back in October of 2020 we pushed the online environment and migrated to a new online banking platform. Colin gave an update on online banking. Since we migrated, the number of users on online banking has grown by 23%. Mobile app users have grown by 35%. About 65% of our total membership is using online banking actively. When you compare that to the rest of the industry that is good.

Anthony continued discussing financial technology. Venmo, PayPal, and others, are seen as a disrupter and are non-regulated. That is one of the issues. The question

is, do financial institutions compete against or work with them? We need to work with them because they are online and have a lot of investor money in them. We need to select them as partners going forward. Our online banking platform, Fiserv, uses Popmoney right now. Fiserv will be sunsetting Popmoney and moving to Zelle. That will be the new electronic payment vendor that will be integrated into our online banking platform. Charlie shared that the number one issue is security. We track our member comments. There are some members that get frustrated with our security. It behooves us and our members to be super secure with user IDs and passwords. We originally set up our platform so that you would be asked your security question and asked to renew your password every 90 days. That is standard and best practice in the industry. Members have pushed back, so we have set it to a year. I would recommend members reset their passwords every 6 months, but we won't require it until a year. Please be cognizant of your password. Every financial institution has some type of fraud that happens to a member whether it is through a debit or credit card. Be cognizant of any email that you get. The CU would never send you an email and ask you for information like your account number. If you receive a call from someone that is supposed to be from SoAFCU, hang up the phone and call us back directly. This goes for any financial institution.

**Open Questions & Answers:** One member asked about the decline in return on assets. Steve shared part of it is being conservative. We haven't changed rates, and haven't gone out and invested in the long-term, we have kept it short. Part of keeping it short is you get a lower yield. We grew very fast in major numbers. We didn't loan out that many. It all came in and we invested it. It is turning around. In the last 6 months our loan portfolio has increased. We have started to invest some of that. If rates keep going up, we are well positioned for increased income.

Anthony shared that the NCUA Alaska ROA average is 1.03. Alaska USA carries most of that weight. We can't be Alaska USA. They operate on much higher levels of economies of scale. If you removed Alaska USA from that calculation, we would be much closer. Based on our asset size compared to MAC FCU and True North FCU, our Alaskan peers, we are about the same level. When you look at those ROAs and understand those calculations, the primary denominator is our assets. We have grown to \$203M. If nothing has changed except the denominator,

that is going to go down. Charlie shared that Fairbanks is very competitive as far as financial institutions. There is MAC FCU, Denali State Bank, Mt. McKinley Bank, and all the others. If you want to try and keep your CU local, there is a lot of competition. Some of them have looked outside of Alaska. If we want to be down in Oregon, we can do that but there is footwork there. We can't do it by extending our charter. You must show that there is lack of CU representation in that area. In today's environment that would be difficult to do, especially in Alaska. Alaska is declining in population. We have a quarter of the houses on the market available for people to buy. This is an issue for the people operating out of Eielson. Some of the F35s could go away because there is not enough housing. When you look at it, Fairbanks didn't step up and build housing for the F35s coming in.

A member thanked the CU for the senior program that Sarah leads. It is well done, and she has a nice variety of events. Sarah shared that Prestige is for members 55+ that are in good standing. They do various events like Ice Alaska, the Musk Ox Farm, and other tours to get members out. It has been a good investment for the CU.

A member, Randy, asked about the comment that 65% of members are using online banking. Have you thought about reasons why some don't go online? Have you thought about the idea of having a class in here on Saturday mornings for an hour or two on online banking? Charlie said that generally we want to move members online because we can provide many more services at a much lower cost. We should have a clinic where people can understand what all the security procedures are and the things we require you to do. Charlie said that we talk about this issue at board meetings. Anthony shared that we did this on the old platform. We have a resource on our website. We can have a training and class. Randy shared that some people may not feel comfortable going on the website but are willing to come in. Sarah shared that previous classes were not well attended. We can hold another one. We have a video learning center online that cover all our online banking products. Anthony shared that we could offer some in person classes on a Saturday or an evening. We would provide something to eat. There are a lot of nuances to online banking. If you don't use certain things, then you don't necessarily know about them. We have a financial manager platform built into the online banking. You can do all your financial planning and budgeting on the platform. It is a nice feature. Members should look at it. Ben shared that it is

a personal finance manager from a big company called Money Management. You can grab your information from other institutions, do budgeting, and add comments to your transactions. Colin shared that has grown 50% since we migrated. That hasn't had quite the adoption that we are looking for, but people have started to use that. Colin shared that he uses it. Anthony shared that both Colin and Ben represent the younger generation and digital side. The younger generation wants to do it online, not walking to the teller line. Our new platform has our remote deposit capture where you don't even have to go into the CU. Colin shared that another opportunity people have is at the kiosks at all the branches (which will be updated soon). Members can come in and a teller will help you walk through online banking.

A member asked if we are going back to the former log in system. If you went to a branch and wanted to look at something online, after punching in your password it would call back to their landline. Ben shared that we have a new security software that comes with the new e-Teller. You can add multiple numbers, including a cell phone and a landline. It uses multi-factor authentication. The machine learns if you are logging in from the same browser all the time and will not request the code. If you are logging in from the library it will notice that you are at a different location, and it will give you the option for a phone call or text message to get the code. We made some modifications for that. It is looking at every instance you log in. It should eventually not happen as frequently. Anthony asked the member if they were having trouble logging in now. The member shared that they previously were but are no longer having issues. Anthony shared that we try to make it as easy as possible for members to use online banking. Security is important. We don't want to risk members accounts or money. Charlie shared that dual-factor authentication is not just us; it is everybody. Anthony shared that it is AI. It takes time for it to learn.

A member asked about logging into e-Teller. The code was sent to their cell phone, but it didn't stay long enough to punch the code in. Anthony shared that we work with any member who needs help. We are a client of Fiserv. If you are using a cell phone that is more than 3-4 years old, it won't work. That is part of the process. They upgrade, and eventually your stuff is out of date. If you want to use online banking and mobile, you will need a newer phone. Apple comes out with a new cell phone about every 18 months. If you have a new phone,

you will never have a problem. The CU can't make our platform fit your cell phone.

A member, Heather, thanked all the personnel here for their expertise and excellent service. Heather asked that online banking not to be pushed for members who do not have reliable cell phone or internet connections.

Heather asked what a charge-off was. Charlie shared that it is when a loan goes bad. Anthony shared that ours is a lot lower than other places.

Heather asked what the difference was between a savings account and a money market account. Anthony shared that a money market account is going to pay more interest. It is an interest bearing and transactional account. We have some members that are entirely e-members. We have an e-money market account. It has a minimum balance account of \$2500.00. It is a higher yielding savings account for people who have more money to invest. You earn more as you invest more into it. It is completely liquid. You can draw it at any time. It is not based on the stock market. Steve shared that we are not allowed to invest in the stock market. That is a regulation by the NCUA, which we are governed by. On the investment side it is very conservative. We invest what we can't loan out, but it must be backed by the U.S. government. We do investments in municipalities.

Heather brought up that Wells Fargo got the contract for the university. She intends to pursue that the university give it back to this institution. Ben shared that we are currently in negotiations with UAF about building an ITM at Wood Center.

Heather shared that last year GVEA scheduled their meeting at the same time as this meeting. How can it not happen again? Anthony shared that he had a discussion with Gary Newman. We randomly chose the same date. Anthony called GVEA 30 days before we scheduled ours and they didn't know when their meeting date was going to be. We need to have our meeting when our board members and managers are here. We have it at the same time every year. We will work harder next year. Anthony apologized and shared that he can't guarantee it won't happen again next year. Charlie and Sarah shared that we must give notice to members.

Heather shared that she sees the uChoose program as a way to increase consumerism. Anthony shared that it is a consumer preference and invited Heather to meet with him to discuss the program. We are offering discounts to our members to buy from local vendors. It is up to our members to choose to use that card and

that program or not. The program isn't mandatory. It may promote consumerism, but we have feedback that our members like it. Charlie shared that the program pushes competition. You don't have to use the program, but if you want to use it, it does promote local businesses. Anthony shared that they are trying to create partnerships with local businesses, such as the Co-Op Market. For example, when you use your debit or credit card, rather than cash at the Co-Op, you could get a discount as a SoAFCU member. There are interchange fees involved when you use your debit or credit card. It is a process, and the CU makes some money. We must earn money to provide the service. We must provide a 3% fee on our machines to support the machine. We have had enough feedback from our members that they want to see something like the uChoose Rewards program.

Heather shared that on statements it first states the minimum amount you owe. This could encourage people to get the idea of only paying the minimum and not the full debt. Anthony shared that they could investigate changing the order. Anthony thanked Heather for the comment. That is why we have the meeting so we can understand what our members are looking for.

A member asked if the CU is going to reduce their interest rates. Anthony shared that he looks at a report every week. We have a third-party vendor that does a comparison and shows what everyone else is doing. The rates have been low. We will be exploring the possibility of bumping some rates up. They just bumped up the fed rate 75 basis points over the last 90 days. We are probably not going to bump up our checking and savings accounts up. That is too fast and too much of a hit on the CU's bottom line. It is not manageable that way. You will probably see a bump here in the next 30-60 days. Charlie shared that they won't be the lowest. We try to stay in the middle of the pack. Anthony shared that it is a difficult time. We are flush with money. We are very liquid. We never want to tell members that we don't want their money, we love our members deposits, but if we can't lend it out and invest in something, then we are taking money that we must pay dividends on but are not earning anything on. it is a financial strategy at that point. No financial institution would do it any different. We are not modeled like MAC FCU or True North FCU. We are conservative. That has been successful for us since 1960.

A member asked about a home equity line of credit (HELOC). Anthony shared that we do HELOCs. Mark

explained the HELOCs that the CU offers. Anthony shared that it is just a qualifying process. If you have that come talk to us. We would love to have that HELOC for you. That is why we are here, so that you can expand your financial footprint. If you want to open whatever you qualify for, come talk to the mortgage department and they will work that out for you.

**Meeting Adjourned:** With no further business or questions, Anthony adjourned the meeting.

**Prepared by:**

Anthony Rizk ..... President/CEO  
 Glenn Potts ..... Treasurer  
 Charlie Sparks..... Chairman

# Chairman & President's Report

Spirit of Alaska FCU (SoAFCU) had another strong year by any measure of performance. All the Credit Union's key ratios trended in a positive direction in 2022. The Treasurer's Report provides additional financial details. These results notwithstanding, the CU did face some challenges during 2022. Staffing challenges that arose during COVID-19 continued through 2022 and appear to be the new normal. SoAFCU's decision to upgrade its ATMs with the latest Interactive Teller Machine (ITM) technology will be beneficial during this staffing climate, as it will allow us to continue to provide a wide range of quality services to our members through the strategic use of staff via call center and self-service options.

- H. Charles Sparks



**0.79%**

Return on Assets (ROA)



**11.29%**

Net Worth/Capital



**\$205** million in assets

3.5% Asset Increase Over 2021

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

### Rate Increases

Recent interest rate increases by the Federal Reserve have increased the cost of borrowing over the last year. We anticipate these increases to peak soon and then possibly decline. However, only time will bear out these expectations. While rates paid on deposit accounts have not kept pace with the increased borrowing rates, this lag is normal. You should see rates on accounts increase during 2023, but they will be lower than those for CDs and similar investments.

### The Credit Union Advantage

A 2022 report by the Credit Union National Association (CUNA) compared lending between credit unions and banks. The study reported that while credit unions made 150% more loans to non-prime borrowers (lower credit scores) the default rates were lower, relative to banks. This speaks to the credit union advantage—offering superior services and rates. SoAFCU takes pride in achieving lower rates of default and lower loan losses year after year, and we attribute this to our underwriting and willingness to work with members when unexpected events occur. This year our loan charge-offs totaled \$122,500 or 0.11% of average monthly outstanding loan balance of \$113,000,000. This is well below industry average.

### ITM Technology

SoAFCU is enhancing member services through the introduction of ITM technology. We are replacing outdated ATMs with new ITM technology which will allow for significantly expanded member service through virtual face-to-face assistance and self-service options. For example, withdrawals can be made for mixed bill denominations. Cash deposits will also work using multiple denominations. Check deposits will also be a common transaction that can be done right at the ITM, all via self-service, if the member chooses. We are excited by the introduction of this technology and the enhanced capabilities it can provide to our members. We plan to strategically locate ITMs in areas where we had previously considered establishing physical full-service branches, such as North Pole. ITMs allow expansion at significantly reduced cost and staffing relative to a traditional full-service branch.

### Community Engagement

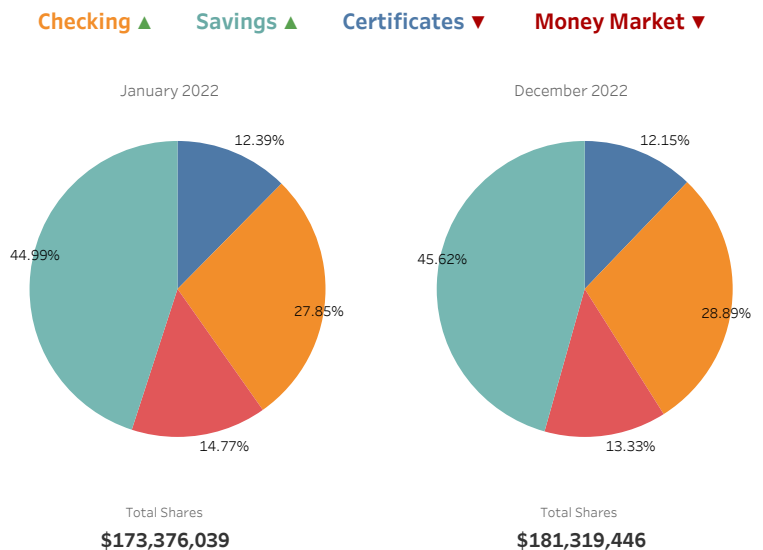
Our community engagement was impactful during 2022. SoAFCU supported many community activities, events, and organizations in the interior. Some of these are shown below. If you would like to recommend a community organization for the Credit Union to partner with, please let us know.

Last Summer, Spirit of Alaska hosted our first member picnic since the start of Covid. This is another positive sign that we are returning to normal operations within the Credit Union. We look forward to the 2023 year with shared optimism and inspiration!

### Thanks to Membership

The Board and staff 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.

### Share Composition 2022





# 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.

The Supervisory Committee consists of volunteer members responsible for ensuring that the board of directors is safeguarding the Credit Union’s assets and that management is complying to policies, procedures, and plans. This responsibility is conducted in compliance with the Federal Credit Union Act and Spirit of Alaska Federal Credit Union’s bylaws. The Committee fulfilled its responsibilities by supervising the internal audit function, engaging an external financial auditor, and reviewing the National Credit Union Administration’s (NCUA) most current examination results and related matters.

It is the role of the Supervisory Committee to monitor all elements of the Credit Union to ensure that it works within regulatory guidelines and internal processes to secure members’ assets. In order to accomplish this responsibility, the committee monitors and assesses the Credit Union’s finances, operations, and records using a variety of methods. In addition, the committee verifies the accuracy of member account records.

The Vice President of Internal Audit is the key point of contact and is responsible for carrying out audit functions. To distinguish this job from management control, the Supervisory Committee oversees the internal audit duties. This offers both independence and efficient reporting.

Hauser Jones & Sas was rehired to conduct the Credit Union’s external financial audit in 2022 based on their performance in the audits conducted in 2021 and 2020. The results of the 2022 audit indicated that the Credit Union’s financial

statements accurately reflect the organization’s financial position and support management’s dedication to accurate and reliable financial reporting.

In 2022, the Committee resumed quarterly in-person meetings with enhanced measures to protect its membership. A review of the Credit Union’s institutional policies and procedures for protecting its assets indicate that the Credit Union is carrying out its responsibilities with financial accountability and prudent management decisions.

Ruth Prato resigned as chair on December 31, 2022, but she continues to serve on the committee. As of January 1, 2023, Amy Isaacson assumed the Chairperson responsibilities. The committee continues to actively search for new members.

As in previous years, the Supervisory Committee and board of directors continue to meticulously address all NCUA recommendations.

We would like to thank the board of directors and management for their support and assistance during the numerous audits, as well as their ongoing efforts to make Spirit of Alaska Federal Credit Union the primary financial institution for our members.

Ruth Prato .....	2022 Chair
Amy Isaacson .....	Member
Christa Ogawa Baysing.....	Member

# Treasurer's Report

Glenn Potts, Board Treasurer

## How Spirit of Alaska Benefited Our Members in 2022

- o Asset growth of 3.5%
- o Loan growth of 15.80%
- o \$317,937 in dividends paid out to members in 2022
- o Very low charge-off rate of 0.11%
- o End of Year Return on Assets was 0.79%
- o End of Year Net Worth was 11.29%
- o Excellent profitability ratios (see President/Chair report)
- o Positioned to significantly increase income in a rising interest rate environment
- o Excellent external audit for 2022
- o Continued competitive loan & CD rates
- o Continued strong community involvement

## How Spirit of Alaska Benefited Our Community in 2022

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

- o Alaska Credit Union League
- o Blood Bank of Fairbanks
- o FNSB School District
- o UAF College of Business and Security Management
- o Midnight Sun Run
- o Salvation Army
- o Fairbanks Children's Museum
- o Alaska Songbird Institute
- o Cheers for Gears Bicycles
- o Mighty Oaks Foundation
- o World Ice Association
- o Family Centered Services

Treasurer's Report continued on next page



## Loan Growth

All of our loan departments performed well in 2022.

54

### New Mortgage Loans

Total Value: \$9,031,001

19

### New Business Loans

Total Value: \$3,487,686

872

### New Consumer Loans

Total Value: \$27,962,111

## Call Center Service

On average, our call center picked up a member's call within 30 seconds or less throughout the year.

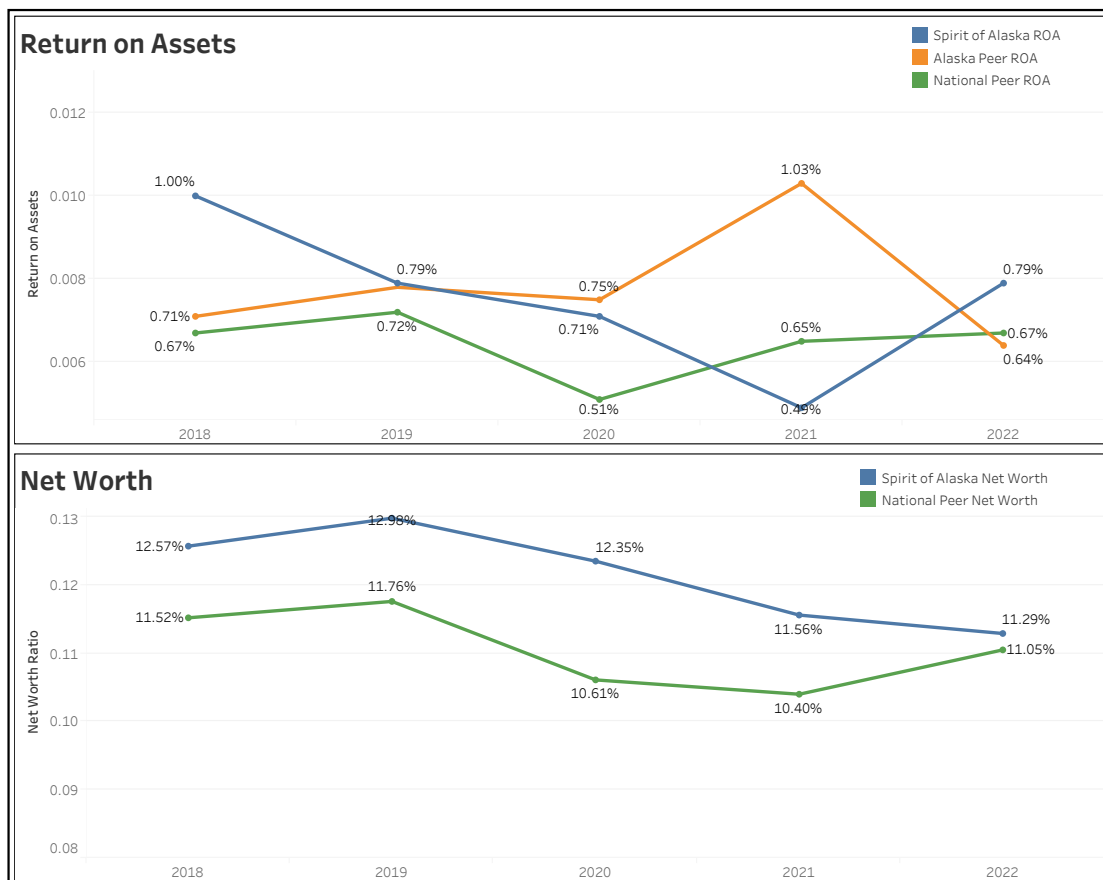


# Performance Ratios

The below ratios detail our performance from 2018 - 2022 based on other credit unions in Alaska, as well as national NCUA data.

RATIOS	2022	2021	2020	2019	2018
Net Worth	11.29%	11.56%	12.35%	12.98%	12.57%
ROA (average assets)	0.79%	0.49%	0.71%	0.79%	1.00%
NCUA Alaska Average ROA	0.64%	1.03%	0.75%	0.78%	0.71%
NCUA Peer Group ROA	0.67%	0.65%	0.51%	0.72%	0.67%

The below graph details our performance from 2018 - 2022 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	2022	2021	2020
Cash Items	\$2,367,995	\$2,411,508	\$1,848,052
Total Loans	\$119,765,511	\$103,589,484	\$100,145,156
Allow Losses	(\$283,748)	(\$406,241)	(\$497,759)
Adj Total All Loans	\$119,481,763	\$103,183,243	\$99,647,397
Total Investments	\$70,406,939	\$82,282,469	\$73,725,353
Fixed Assets	\$6,811,122	\$6,953,145	\$7,035,822
Other Assets	\$6,153,662	\$3,532,467	\$2,530,730
<b>TOTAL ASSETS</b>	<b>\$205,221,482</b>	<b>\$198,362,832</b>	<b>\$184,787,354</b>

### Liabilities

LIABILITIES	2022	2021	2020
Other Liabilities	\$1,476,622	\$1,230,234	\$1,360,316
Total Shares	\$181,319,446	\$174,904,064	\$162,093,401
Total Reserves	\$22,425,415	\$22,228,534	\$21,333,637
<b>TOTAL LIABILITIES</b>	<b>\$205,221,482</b>	<b>\$198,362,832</b>	<b>\$184,787,354</b>

# Statement of Financial Condition

## Income & Expenses

### Income

INCOME	2022	2021	2020
Interest Loans	\$5,614,009	\$5,346,930	\$5,834,335
Total Investments	\$1,080,121	\$478,351	\$602,141
Total Interest Income	\$6,694,130	\$5,825,281	\$6,436,476
Total Non-Interest Income	\$1,838,632	\$1,849,858	\$1,916,795
<b>TOTAL INCOME</b>	<b>\$8,532,762</b>	<b>\$7,675,139</b>	<b>\$8,353,271</b>
<b>NET INCOME</b>	<b>\$1,604,934</b>	<b>\$943,342</b>	<b>\$1,216,909</b>

### Expenses

EXPENSES	2022	2021	2020
Total Compensation & Benefits	\$3,665,446	\$3,539,825	\$3,748,388
Total Operating Expense	\$2,944,445	\$2,815,474	\$2,576,718
Total Dividend Expense	\$317,937	\$376,498	\$531,256
Provision for Losses	\$0	\$0	\$280,000
<b>TOTAL EXPENSES</b>	<b>\$6,927,828</b>	<b>\$6,731,797</b>	<b>\$7,136,362</b>

# Community Stories



Sponsored by SPIRIT OF ALASKA FCU

In 2022, employees built bikes for deserving students recommended by teachers during FNSBSD summer school programs. The bikes were presented during the 2022 Member Picnic.

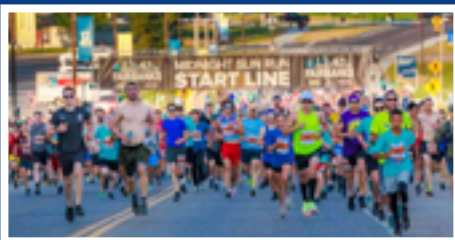


## Supporting the Blood Bank of Alaska



Spirit of Alaska sponsored a new donor chair at the Blood Bank of Alaska Fairbanks Center in 2022. The Blood Bank of Alaska plays a crucial role in providing lifesaving blood and blood products to hospitals and healthcare facilities throughout the state.

## Sponsoring the Midnight Sun Run



In June 2022, Spirit of Alaska sponsored the Midnight Sun Run, which supports local non-profit Fairbanks Resource Agency (FRA). FRA is dedicated to providing equal opportunities for Interior Alaskans with disabilities and their families, ensuring access to education, employment, housing, recreation, and family services with the same respect as any member of the community.

## UAF College of Business and Security Management



Spirit of Alaska continued our strong partnership with the UAF College of Business and Security Management in 2022, providing funds for a much needed student study and lounge area. This space will be called “Spirit of Alaska Lounge” and will showcase SoAFCU branding in the interior design. Spirit of Alaska also participated as a UA Giving Day Sponsor.



## Salvation Army Angel Tree

We continued our tradition of hosting Salvation Army Angel Trees at all Spirit of Alaska branches. Our amazing staff and members generously contributed to provide gifts for over 45 children in need within our community.



## Partnership with Fairbanks Youth Soccer Association

Spirit of Alaska FCU has sponsored the Food Truck Rally since 2018, building a great relationship with FYSA, a vital local sports organization. Since 2020, we expanded our sponsorship to include banners on the field and as a team and jersey sponsor. FYSA serves families from all walks of life!



# Management & Committees



## Management Staff

Anthony Rizk.....	President & CEO
Steve Carlson.....	Chief Financial Officer (CFO)
Nicolle DeVito.....	Vice President Internal Audit
Juanita Tedder.....	Vice President Branch Administration
Mark Lew.....	Vice President Real Estate Lending Services
Ben Udden.....	Vice President Core Financial Systems
John Lannet.....	Vice President Information Technology
Sophie Leonelli.....	Vice President Human Resources & Administration
Doug Newell.....	Vice President Consumer Loans
Rachel Cox.....	Business Lending Manager
Michele Mace.....	Operations Manager
Karalee Watts.....	Marketing Director



## Board of Directors

Charlie Sparks.....	Chairman
Glenn Potts.....	Treasurer
Margaret Hernandez.....	Secretary
Bruce Foote.....	Director
Mark Young (2022).....	Director
Karen Mallette.....	Director
Justin Borgen.....	Director
Keith Swarner.....	Director



## Supervisory Committee

Ruth Prato.....	2022 Chair
Amy Isaacson.....	Member
Christa Baysinger.....	Member

## NOTES