

# 2022

## ANNUAL REPORT



 **arizona** | CREDIT  
**central** | UNION

2 MANAGEMENT REPORT

3 SUPERVISORY COMMITTEE REPORT

4 CREDIT COMMITTEE REPORT

5 2022 FINANCIALS

7 ABOUT ARIZONA CENTRAL

9 BRANCH LOCATIONS & HOURS

# MANAGEMENT REPORT



As the nation was putting the COVID-19 pandemic that crippled the world for the last couple years well in the rear view mirror, 2022 found the U.S. and global economies continuing their volatility due to stubborn inflation and geopolitical challenges. These conditions forced the Federal Open Market Committee (FOMC) to raise the Federal Fund rate during 2022 at 7 of its 8 scheduled meetings and by a total of 4.25%. This was the fastest pace and the largest increase by the FOMC in the past 40 years.

Your credit union reacted to this fast changing market environment by increasing deposit rates 7 times over the course of 2022, as well as offering 3 certificate specials during the last half of the year. The majority of the rate changes took place with money market and term certificates, with total increases as high as .50% on money market, depending on balance tier, and increases as high as 2.15% on certificates, depending on maturity term. We also raised lending rates but at a slower pace and lower overall increase than deposits to stay competitive in the marketplace.

We leveraged lessons learned from the pandemic when looking at alternative service delivery channels and are proud to say that by the end of 2022 we had Interactive Teller Machines (iTM) available at all branch locations. We are excited to deliver additional member services through the iTMs over the next few years. We are committed to enhancing digital delivery channels so members may conduct business when, where and how they choose.

Deposit growth started strong, but fell the last 6 months as increased energy and food prices undoubtedly started to reduce member savings. In the end, member deposits increased by approximately \$15 million during 2022. Members continued to show strength in their finances with both loan delinquencies and defaults staying at below average levels throughout 2022.

Net interest margin and overall loan yield both made improvements in 2022 due to the aggressive rate increases by the FOMC, and should position the credit union to have healthy net income and return on assets in the coming years. One of the credit union's most important metrics, Member Engagement, continued to increase throughout 2022.

#### FINANCIAL FOCUS

In 2022 the Federal Reserve began increasing interest rates in an effort to slow a growing inflation rate. This comes on the heels of several years of government stimulus programs in place to help the economy during the pandemic. Due to these and other economic conditions the credit union's deposit growth rate began to slow down to more historical levels.

With the rising interest rates, the credit union was able to increase rates on deposits for our members and remain competitive with the industry. Loan rates also increased and the combined changes continued to keep net interest margin narrow. The credit union's non-interest income did see lower performance than expected, as negative investment results were experienced due to the declining markets during 2022. Charge-offs continued to be lower than normal, keeping the provision expense below budget.

Total assets increased by \$13.6 million in 2022, compared to an increase of \$96 million in 2021. Deposits increased \$15.3 million to \$674 million at the end of 2022. Arizona Central Credit Union's financial picture remained solid. Net Income was \$4,661,099 at year-end and total reserves and undivided earnings ended 2022 at \$63 million. The credit union's capital ratio continues to be strong at 8.34%. We continued to experience steady growth, ending the year with assets of \$755 million.

#### MEMBER FOCUS

We continue our focus on offering products and services that provide ease of use, maximize value and meet the individual needs of our diverse members. Creating compatibility and alignment with member expectations is priority #1. Member Engagement is at an all time high, demonstrative that our strategies to provide simple solutions through multiple delivery channels is producing results that will ensure growth well into the future. The quest continues to enhance efficiencies to ensure we deliver on what we promise. Thank you for your continued support of our credit union, we value your business.

#### COMMUNITY FOCUS

Volunteerism and community involvement are an essential characteristic of our organization. Our team is excited to be back out in the community in support of so many essential non-profit organizations. We are enhancing our outreach for 2023, selecting organizations that serve Arizonans across the state as well as local non-profits in each of the communities we live and work. The goal is to enhance, support and increase the impact Arizona Central Credit Union has on the lives of our members and potential members.

Respectfully submitted,  
Greg Harden, President/CEO  
Mark Denke, Board Chair

# SUPERVISORY COMMITTEE REPORT

ANNUAL REPORT 2022

The volunteers of the Supervisory Committee are appointed by the Board of Directors to watch over members' interests in Arizona Central Credit Union. Each year, we review the credit union's records to ensure staff carried out their duties responsibly, conforming to all applicable laws, regulations, and internal policies.

To assist in these duties, we rely on external auditors and internal staff whose responsibility is to report to us on the adequacy of the credit union's internal controls over various areas of the credit union's operation. In addition, the Committee retained Doeren Mayhew CPAs and Advisors, a national CPA firm with recognized expertise in the credit union industry, to verify members' accounts and perform an opinion audit based on the credit union's financial statements.

Doeren Mayhew concluded that the financial statements present fairly, in all material respects, the financial position of Arizona Central Credit Union as of December 31, 2022. Based on Doeren Mayhew's report, the reports of other external auditors, and staff reports, the Supervisory Committee has concluded that Arizona Central remains compliant with all applicable policies, laws, and regulations.

Respectfully submitted,  
Johna Burke, Supervisory Committee Chair

## COMPARISON TABLES

### ASSET GROWTH

2020	\$645,140,220
2021	\$741,586,550
2022	\$755,233,028

### DEPOSIT GROWTH

2020	\$561,621,381
2021	\$658,886,465
2022	\$674,206,860

# CREDIT COMMITTEE REPORT

ANNUAL REPORT 2022



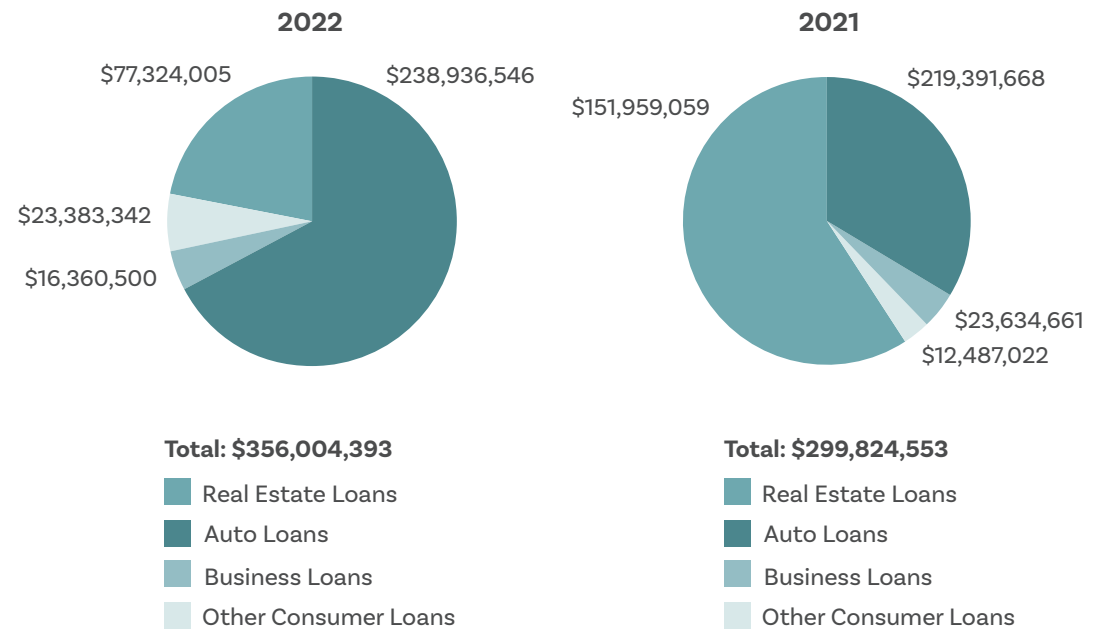
During the course of 2022, a total of 9,119 loans were originated with loan amounts totaling \$356,004,393. Our loan portfolio grew 24% year-over-year. Loan balances totaled \$652,195,535 in December, 2022 compared to \$527,156,707 the previous year.

As the year drew to a close, our growth forecast decreased - keeping that downward shift as we moved into 2023. Our Committee will continue to be an important component that provides oversight, safety and soundness to best serve our membership.

The breakdown below shows booked loans in each of our major categories.

## COMPARISON CHARTS

### TOTAL NEW LOAN ORIGINATIONS



Respectfully submitted,  
Yvette Clay, Credit Committee Chair

# FINANCIAL CONDITION STATEMENT

ANNUAL REPORT 2022

ASSETS	2022	2021
Loans: Net Allowance for Loan Losses	\$649,802,535	\$523,521,707
Total Loans Held for Sale (HFS), Cash & Accounts Receivable	\$10,253,366	\$13,406,986
Corporate Capital & Other Investments	\$2,014,100	\$2,106,600
Corporate Account Deposits & Certificates	\$5,431,592	\$89,162,621
Marketable Investments	\$45,987,590	\$71,976,945
Fixed Assets	\$14,637,362	\$14,580,290
Accrued Interest, Prepaid & Other Assets	\$20,716,180	\$20,933,519
NCUSIF Deposit	\$6,390,303	\$5,897,882
<b>Total Assets</b>	<b>\$755,233,028</b>	<b>\$741,586,550</b>
<b>LIABILITIES</b>		
Total Payables	\$27,311,684	\$25,800,957
Total Member Deposits	\$674,206,860	\$658,886,465
Total Liabilities	\$701,518,544	\$684,687,422
<b>MEMBERS' EQUITY</b>		
Regular Reserve	\$9,069,017	\$9,069,017
Undivided Earnings	\$53,934,491	\$49,273,392
Accrued Other Comprehensive Loss	(\$9,289,024)	(\$1,443,281)
Total Members' Equity	\$53,714,484	\$56,899,128
<b>Total Liabilities &amp; Members' Equity</b>	<b>\$755,233,028</b>	<b>\$741,586,550</b>

5

6

# INCOME STATEMENT

ANNUAL REPORT 2022

	2022	2021
<b>TOTAL INTEREST INCOME</b>		
Interest on Loans	\$26,031,395	\$21,933,153
Interest on Investments	\$2,427,043	\$890,297
<b>Total Interest Income</b>	<b>\$28,458,438</b>	<b>\$22,823,450</b>
<b>TOTAL DIVIDENDS &amp; INTEREST EXPENSE</b>		
Dividends & Interest Expense	\$1,668,244	\$1,376,250
<b>Net Interest Income</b>	<b>\$26,790,194</b>	<b>\$21,447,200</b>
Provisions for Loan Losses	\$481,626	\$482,021
<b>Net Interest Income After Provisions</b>	<b>\$26,308,568</b>	<b>\$20,965,179</b>
<b>NON-INTEREST INCOME</b>		
Fees & Charges	\$4,222,483	\$5,793,961
Other Non-Interest Income	\$5,277,779	\$6,295,664
Gain/(Loss) on Inv. & F/A	(\$1,228,670)	\$1,344,689
<b>Total Non-Interest Income</b>	<b>\$8,271,592</b>	<b>\$13,434,314</b>
<b>NON-INTEREST EXPENSE</b>		
Compensation & Benefits	\$14,776,381	\$14,160,688
Occupancy	\$3,579,332	\$3,488,128
Operations	\$7,224,951	\$6,274,751
Marketing	\$1,239,349	\$1,438,911
Professional Fees	\$487,404	\$218,043
NCUA Share Insurance	\$0	\$0
Other Non-Interest Expense	\$2,611,644	\$2,815,857
<b>Total Non-Interest Expense</b>	<b>\$29,919,061</b>	<b>\$28,396,378</b>
<b>Net Income</b>	<b>\$4,661,099</b>	<b>\$6,003,115</b>

# ABOUT US ARIZONA CENTRAL

Arizona Central Credit Union is a not-for-profit, full-service, financial institution owned by its members.

With over 60,000 members, over \$755 million in assets, and nine, full-service branches throughout the Greater Phoenix area, Tucson, Flagstaff and Show Low, we have proudly served Arizona since 1939.

At Arizona Central Credit Union, employee satisfaction and retention are the foundation of our commitment to exceed our members' expectations. We realize that we are stronger together and want to thank you, our members, staff and volunteers, for your loyal and ongoing support.

Member satisfaction, customized solutions and convenience continue to be the foundation for launching new products and delivery channels ensuring we meet the needs of our diverse membership.

ANNUAL REPORT 2022



# MEMBER SERVICES & BENEFITS

- Member Share Accounts
- Simple & Money Market Checking Accounts with Visa® Check Cards
- Money Market Accounts
- Certificates & IRAs
- Health Savings Accounts
- You-Name-It Savings Accounts
- New & Used Vehicle Loans
- Credit Union Advantage & AutoSMART
- Lines of Credit
- Signature Loans
- Mortgages & Home Equity Loans
- Visa® Gold, Classic & Secured Credit Cards
- Quik Money Card (ATM-only card)
- Business Savings, Checking, Credit Cards & Loans
- Commercial Real Estate Loans
- eBRANCH Mobile Deposit
- Online Money Management Tool
- SavvyMoney® Credit Monitoring
- Easy Pay & Funds Transfer
- Mobile Apps & SMS Alerts
- Payroll Deduction & Direct Deposit
- Central Phone Banking
- CO-OP Surcharge-Free ATM Network
- eBRANCH Online Banking & Bill Pay Services
- Mechanical Breakdown Protection & GAP Policies
- MEMBER'S CHOICE™ Borrower Security
- Central Financial Services\*
- Auto & Homeowner's Insurance through TruStage™
- Life Insurance through Cetera Advisor Networks, LLC
- CU Grow Savings Program (12 years old & younger)
- CU Succeed Savings Program (13-17 years old)
- Free Notary Public Services
- 24-Hour Depository
- Vacation & Travel Discounts

Securities and advisory services are offered through Cetera Advisor Networks LLC, (doing insurance business in CA as CFGAN Insurance License LLC: CA Insurance License# 0644976), member FINRA/SIPC, broker-dealer and registered investment advisor. Cetera is under separate ownership from any other named entity.

Central Financial Services is not a subsidiary of nor controlled by Cetera Advisor Networks LLC.

Investments are: • Not FDIC/NCUSIF insured • May lose value • Not financial institution guaranteed • Not a deposit • Not insured by any federal government agency.

ANNUAL REPORT 2022



ABOUT ARIZONA CENTRAL CREDIT UNION

# BRANCH LOCATIONS & HOURS

## Branch & ATM Locations

Phoenix  
2020 N. Central Ave., Suite 100

Glendale  
6901 W. Bell Rd.  
5552 W. Glendale Ave.

Chandler  
1805 W. Chandler Blvd.

Tempe  
4455 S. Rural Rd.

Tucson  
2150 W. Ina Rd.

Flagstaff  
2521 N. West St.  
1948 S. Woodlands Village Blvd.

Show Low  
4474 S. White Mountain Rd.

## Contact Us

Call or go online  
(602) 264-6421 or toll free at (866) 264-6421  
azcentralcu.org

## Hours of Operation

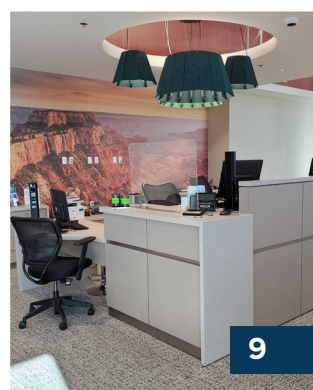
Mon, Tue, Thur, Fri ..... 9 a.m. - 5:30 p.m.  
Wed ..... 10 a.m. - 5:30 p.m.  
Via Phone Only - Support & Lending Departments  
Sat ..... 10 a.m. - 2 p.m.



Company NMLS #485260



Federally insured by NCUA



# BOARD OF DIRECTORS

Mark Denke .....Chair  
Stephanie McQuillan .....Vice Chair  
Veronica Piotrowski ..... Treasurer  
Sandy Watts ..... Secretary  
Nicolette Lemmon ..... Director  
Brian Raczynski ..... Director  
Kyle Hallstrom ..... Director

## SUPERVISORY COMMITTEE

Johna Burke ..... Chair  
John Skelton ..... Member  
Jason Covault ..... Member  
Kimberly Ortiz ..... Member  
Robert Gibboni, Jr ..... Member

## STRATEGIC MANAGEMENT TEAM

Greg Harden ..... President & CEO  
Janet Moodie ..... Senior Vice President & COO  
Justin Whitesides ..... Senior Vice President, CAO & General Counsel  
Yvette Clay ..... Vice President & CLO  
Mike Neill ..... Vice President & CFO  
Angela Smith ..... Vice President, Chief Strategist  
Kathy Pluhowsky ..... Vice President, Financial Resolution  
Julie Ashurst ..... AVP, Human Resources  
Melanie Hemming ..... Director, Marketing  
Marty Jacobson ..... AVP, Information Technology