

2023 ANNUAL REPORT



2020
ON CENTRAL

arizona CREDIT
central UNION

BRIGGS
TITLE AGENCY



HORIZON EYE SPECIALISTS
& LASIK CENTER

arizona CREDIT
central UNION

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STATEMENT FROM OUR *CEO*

Following a particularly challenging year in the overall financial industry in 2022, financial market participants were treated to a little reprieve in 2023. As a reminder, 2022 saw the Federal Open Market Committee (FOMC) raise the Federal Fund rate at 7 of its 8 scheduled meetings for a total of 4.25%, the fastest and largest increase by the FOMC in the past 40 years. Even after this historic increase, interest rates continued to rise during the first half of 2023, and by July a total of 4 rate increases for an additional 1.00% had been added, leaving the national overnight borrowing rate at 5.50%.

The financial system, in general, struggled to deal with the aggressive rate hike cycle as rising competition for deposits deprived many institutions of much need liquidity. Many institutions with volatile deposit bases were unable to weather the storm and it led to some regional bank failures in the first quarter of 2023. Arizona Central Credit Union continued to stay competitive in the marketplace with both deposit and loan pricing, raising rates many times over the last 18 months. Through safe and sound balance sheet practices, I am proud to say that Arizona Central Credit Union was able to successfully navigate this difficult time. However, the credit union was not immune to what was going on in the industry, and credit union members had no choice but to access their savings as they continued to deal with stubborn inflation in most consumer prices. Total member deposits declined by approximately \$50,000,000 or 7.4% during 2023. Something as an organization we hate to see, but the safe return of members' money when they need it is one of our most fundamental responsibilities.

Rising rates pushed 30-year mortgage rates above 8% for the first time since 2000. The lack of housing inventory for sale was fueled by owners not wanting to sell and part ways with their current low 3.00% - 4.00% mortgage rates. This along with continued elevated housing prices made it even tougher on the first-time home buyer during 2023. Arizona Central was proud to offer many down payment assistance and other 1st time home buyer programs to assist our members whenever these programs were available.

By the end of the year, the culmination of these monetary policy actions, began to show up in lowering some of the key inflation metrics. These positive outcomes have many people believing the FOMC may have maneuvered rate hikes in a manner that effectively slowed inflation yet didn't stall the economy sending it into some form of recession.

The end of 2023 found the credit union's operational focus on major technology upgrades to provide the opportunity and platform for continued growth. We look forward to enhancing efficiencies and product/service offerings to enhance our members' experience.



Greg Harden

President & CEO
Arizona Central Credit Union

FINANCIAL FOCUS

In 2023, the Federal Reserve continued its trend of increasing interest rates to address a growing inflation rate. The credit union adjusted accordingly, raising deposit rates to remain competitive within the industry. However, these adjustments, along with higher loan rates, lead to a narrow net interest margin.

Non-interest income for the credit union fell below expectations, primarily due to reduced fee income from lower mortgage loan originations. Additionally, we adopted a new required calculation of the allowance for loan losses, resulting in a one-time increase in the balance at the beginning of the year.

While charge-offs increased compared to the previous year, they stayed around the long-term historical average. Notably, the provision expense came in below the budget, attributed to the shift in the loan loss calculation method.

In summary, the 2023 financial focus was marked by the credit union's response to the Federal Reserve's actions, challenges in non-interest income, and the implementation of a new loan loss calculation methodology.

MEMBER FOCUS

Member Engagement is at an all-time high, demonstrative of our vision to create strategies to meet a member's individual expectations and provide multiple solutions for managing their finances at Arizona Central Credit Union. The quest continues to enhance efficiencies as we embark on major technology upgrades in 2024 to provide our members an unparalleled experience. We are grateful for our members' continued support of our credit union, we value your business.

COMMUNITY FOCUS

Volunteerism and community involvement are strategic priorities at our credit union. The changes we implemented this past year resulted in a 65% increase in volunteer hours! We had 288 volunteers volunteer a total of 1,875 hours and raised \$22,033.08. We are proud to make improving the lives of our members and making a positive impact on the communities in which we live and work an essential part of our culture.

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



SUPERVISORY COMMITTEE REPORT

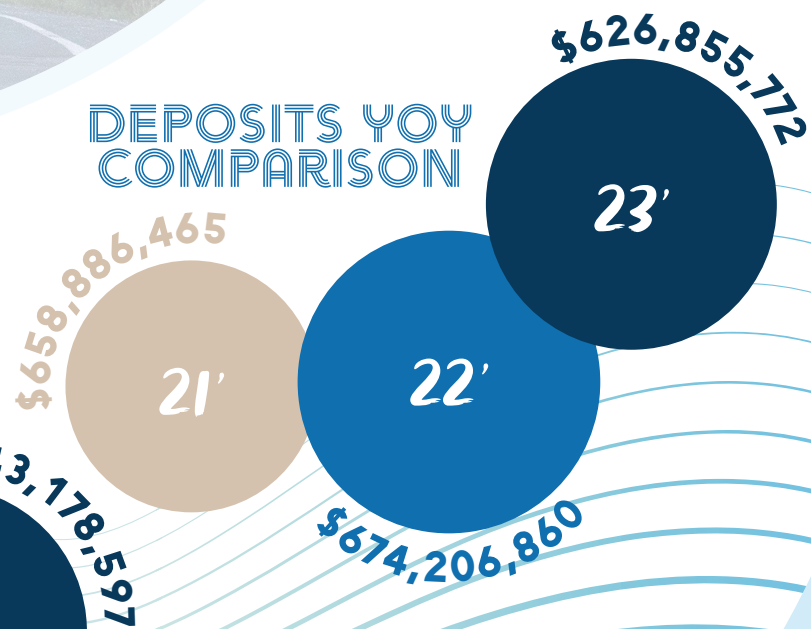
The volunteers of the Supervisory Committee are appointed by the Board of Directors to watch over members' interests in Arizona Central Credit Union. Each year, we review the credit union's records to ensure staff carried out their duties responsibly, conforming to all applicable laws, regulations, and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

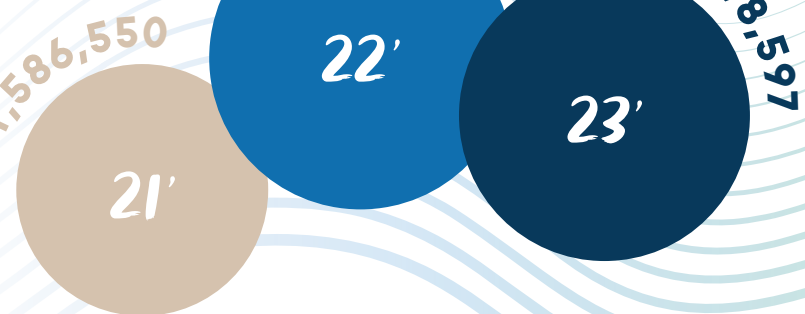
Doeren Mayhew concluded that the financial statements present fairly, in all material respects, the financial position of Arizona Central Credit Union as of December 31, 2023. Based on Doeren Mayhew's report, the reports of other external auditors, and staff reports, the Supervisory Committee has concluded that Arizona Central remains compliant with all applicable policies, laws, and regulations.

Respectfully submitted,
Johna Burke, Supervisory Committee Chair

DEPOSITS YOY COMPARISON



ASSETS YOY COMPARISON



5.

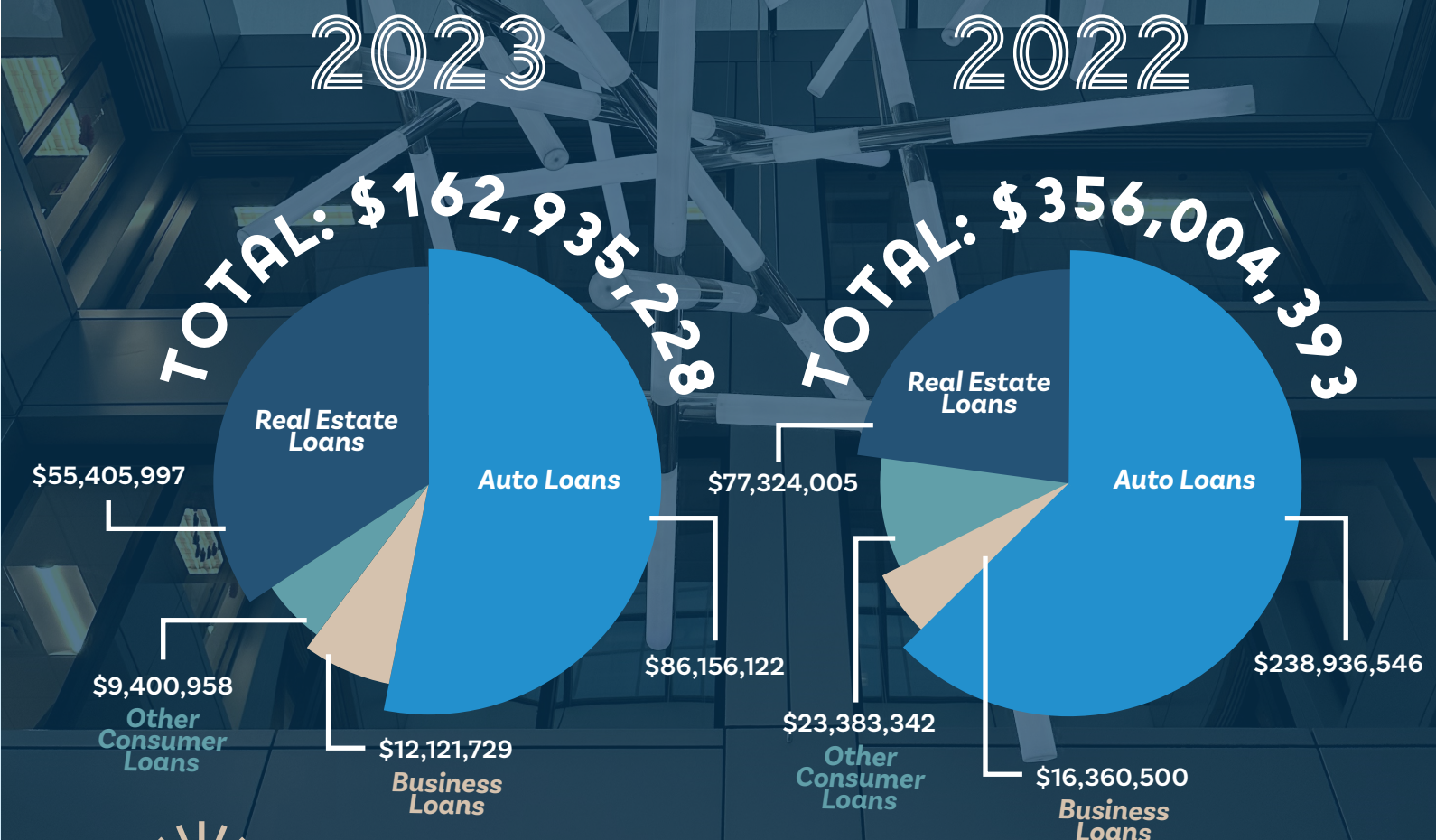
CREDIT COMMITTEE REPORT

During the period January to December 2023, a total of 4,269 loans were originated with loan amounts totaling \$162,935,228. Our loan portfolio declined by 3.72% year-over-year. Loan balances totaled \$621,139,182 in December 2023 compared to \$645,112,812 the previous year. Our Committee is focused on evaluating economic trends affecting our portfolio and ensuring a thorough lending administration. As we move into 2024, we will continue to monitor loan quality and credit risk while making safety and soundness a priority.

The breakdown below shows booked loans in each of our major categories. Auto Loans outpaced Real Estate and Commercial volume in 2023. Even as the rate market climbed, Arizona Central Credit Union assisted members borrowing with competitive terms and rates. We are grateful for the confidence members have shown us by choosing Arizona Central Credit Union and look forward to serving you in 2024.



TOTAL NEW LOAN ORIGINATIONS YOY COMPARISON



Respectfully submitted,
Yvette Clay, Credit Committee Chair

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ASSETS

Loans: Net Allowance for
Loan Losses

2023

\$621,583,713

2022

\$649,802,535

Total Loans Held for Sale
(HFS), Cash & Accounts
Receivable

\$11,002,976

\$10,253,366

Corporate Capital &
Other Investments

\$2,457,600

\$2,014,100

Corporate Account
Deposits & Certificates

\$19,114,057

\$5,431,592

Marketable Investments

\$39,557,390

\$45,987,590

Fixed Assets

\$14,483,788

\$14,637,362

Accrued Interest, Prepaid
& Other Assets

\$28,947,343

\$20,716,180

NCUSIF Deposit

\$6,031,730

\$6,390,303

Total Assets

\$743,178,597

\$755,233,028

LIABILITIES

Total Payables

\$63,777,803

\$27,311,684

Total Member Deposits

\$626,855,772

\$674,206,860

Total Liabilities

\$690,633,575

\$701,518,544

Members' Capital

\$52,545,022

\$53,714,484

**Total Liabilities &
Members' Equity**

\$743,178,597

\$755,233,028

FINANCIAL CONDITION STATEMENT

TOTAL INTEREST INCOME

Interest on Loans

2023

\$29,856,915

2022

\$26,031,395

Interest on Investments

\$1,724,900

\$2,427,043

Total Interest Income

\$31,581,815

\$28,458,438

Total Dividends &
Interest Expense

\$6,396,122

\$1,668,244

Net Interest Income

\$25,185,693

\$26,790,194

Provisions for Loan Losses

\$1,739,417

\$481,626

Net Interest Income
After Provisions

\$23,446,276

\$26,308,568

NON-INTEREST INCOME

Fees & Charges

\$3,931,687

\$4,222,483

Other Non-Interest Income

\$7,735,173

\$5,277,779

Gain/(Loss) on Inv. & F/A

\$211,057

(\$1,228,670)

Total Non-Interest Income

\$11,877,918

\$8,271,592

NON-INTEREST EXPENSE

Compensation
& Benefits

\$15,837,974

\$14,776,381

Occupancy

\$3,447,803

\$3,579,332

Operations

\$7,620,271

\$7,224,951

Marketing

\$1,856,602

\$1,239,349

Professional Fees

\$358,034

\$487,404

NCUA Share Insurance

\$0

\$0

Other Non-Interest
Expense

\$2,711,055

\$2,611,644

Total Non-Interest
Expense

\$31,831,739

\$29,919,061

Net Income (Loss)

\$3,492,455

\$4,661,099

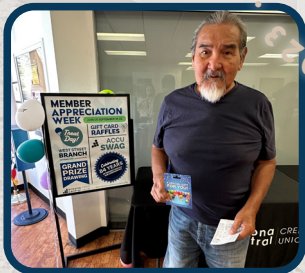
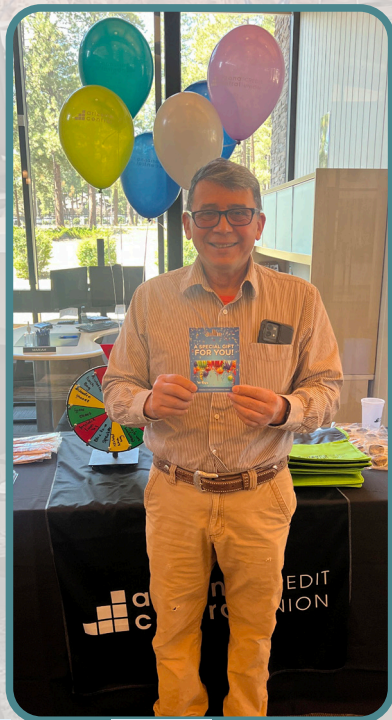
ABOUT US

ARIZONA CENTRAL CREDIT UNION

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

With over 60,000 members, over \$743 million in assets, and nine, full-service branches throughout the Greater Phoenix area, Tucson, Flagstaff and Show Low, we have proudly served Arizona for 85 years.

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.



- 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
- Business Savings, Checking, Credit Cards & Loans
- Commercial Real Estate Loans
- eBRANCH Mobile Deposit
- Online Money Management Tool
- SavvyMoney® Credit Monitoring
- Send & Receive Money with Zelle®
- iTM - Interactive Teller Machines
- 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
- NextGen Youth Club
 - 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.

MEMBER SERVICES & BENEFITS

BRANCHES 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.



HOURS OF OPERATION

Mon, Tue, Thur, Fri

9 a.m. - 5:30 p.m.

Wednesday

10 a.m. - 5:30 p.m.

Saturday

Via Phone Only:
Support & Lending
Departments
10 a.m. - 2 p.m.

CONTACT US

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

azcentralcu.org



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11.

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*

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