

2020

ANNUAL REPORT



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central | CREDIT
UNION

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MANAGEMENT REPORT



It goes without saying that 2020 was extremely challenging as the world dealt with the COVID-19 pandemic. The Credit Union did not have a "magical playbook" for handling all the effects of this terrible event; but we never lost focus of you, our member.

We created solutions for our member's financial challenges brought on by the pandemic through loan modifications, fee waivers and supported our business members through the Paycheck Protection Program. We modified strategies for in-person service and focused on educating members how to conduct business remotely and securely.

We learned a lot from the events of 2020 and will rely on this knowledge to make the Credit Union an even better place to belong going forward.

FINANCIAL FOCUS

The pandemic caused a large disruption in the nation's economic and financial outlook. Almost immediately, the Federal Open Market Committee (FOMC) lowered interest rates by 150 basis points.

The initial impact to the Credit Union was significant. Deposits started increasing significantly as members changed their spending behaviors. The reduction of interest rates narrowed the net interest margin on loans and investments which negatively impacted interest income. On the positive side, the Credit Union had record mortgage loan volume due to extremely low mortgage rates.

Total assets increased by \$120 million in 2020, compared to an increase of \$27 million in 2019. Deposit growth increased a record \$110 million to \$562 million by the end of 2020. Arizona Central Credit Union's financial picture remained solid despite the volatile year. Net Income was \$3,162,949 at year-end and total reserves and undivided earnings ended 2020 at \$52.3 million. The Credit Union's capital ratio continues to be strong at 8.11%; even though we experienced record asset growth, ending the year with assets of \$645 million.

MEMBER FOCUS

2020 began with such promise; a year dedicated to developing solutions that meet the needs of our diverse membership. Instead, we began developing solutions for emergency relief; financial support for those impacted by the COVID-19 pandemic, ensuring service delivery amid branch closures and providing uninterrupted access to the products and services we offer.

2021 will be a year of recovery, addressing the upheaval in the financial services industry as a whole and developing the 'new normal'. Enhancing delivery channels and simplifying processes to deliver convenience for all interactions, both physical and digital. You may remain confident that accomplishing these tasks is our top priority.

Aligning member needs, staff development and organizational priorities will provide the foundation for everything we do. Thank you for your ongoing support of Arizona Central Credit Union – we appreciate your business!

COMMUNITY FOCUS

Community engagement and volunteerism are an integral part of our culture. While the pandemic required we modify our strategies, it did not deter us from our mission. It was even more important that we found innovative and remote ways to support organizations that deliver needed services to the communities in which we live and work. While our numbers are considerably lower than past years, we are very proud of our team's support this year; we had 197 unique volunteers donate 530 hours of their time at 108 events.

We will continue to support our members and community partners as we navigate 2021.

Respectfully submitted,
Greg Harden, President/CEO
Larry Pfeiffer, 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 operations. 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, 2020. 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. We would like to thank the Board of Directors and the members of Arizona Central Credit Union for the privilege of serving them.

Respectfully submitted,
Johna Burke, Supervisory Committee Chair

COMPARISON TABLES

ASSET GROWTH

2018	\$497,872,823
2019	\$525,110,049
2020	\$645,140,220

DEPOSIT GROWTH

2018	\$446,121,950
2019	\$451,716,490
2020	\$561,621,381

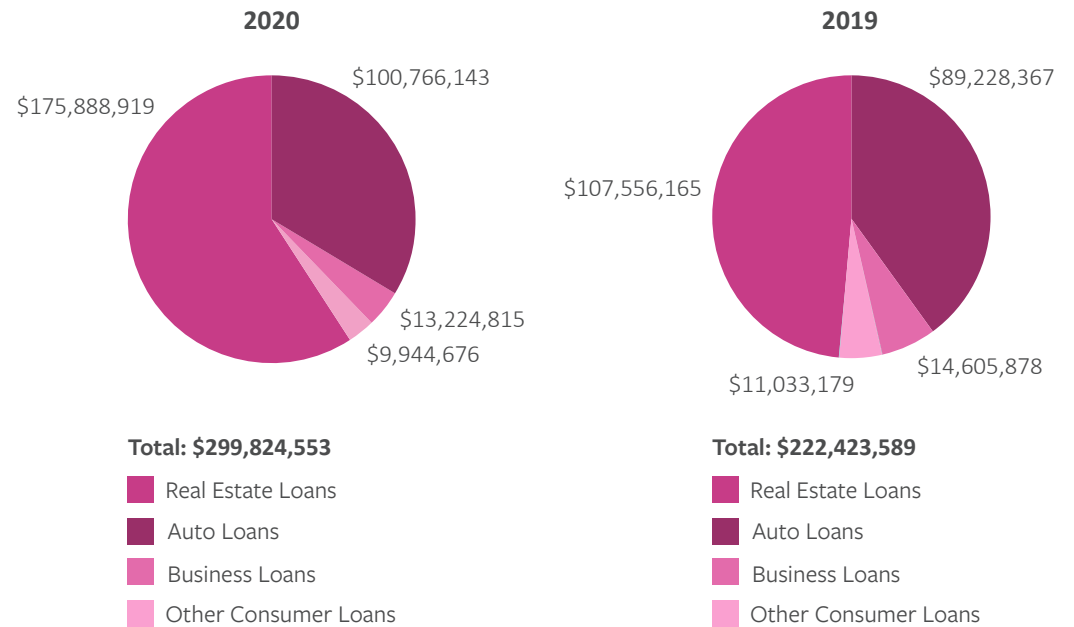
CREDIT COMMITTEE REPORT



During January 2020 to December 2020, a total of 5,961 new loans were originated totaling \$299,824,553. The breakdown below shows booked loans in each of our major categories. Despite the current instability of the financial markets, this volume exceeded our initial budget goal by \$84,000,000 mainly due to record low rates plus a very strong real estate market. For the second year in a row, residential real estate outpaced auto lending. At year-end, loans outstanding totaled \$416,814,597; a 0.01% decrease from December 2019. In addition to new loans, the Committee also made considerations due to hardships related to the pandemic by assisting members with deferred payments.

COMPARISON CHARTS

TOTAL NEW LOAN ORIGINATIONS



Loan growth will remain a priority in 2021. Our Committee will continue to be an important component that provides oversight, safety and soundness to best serve our membership.

Respectfully submitted,
Yvette Clay, Credit Committee Chair

FINANCIAL CONDITION STATEMENT

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ASSETS	2020	2019
Loans: Net Allowance for Loan Losses	\$412,679,596	\$413,460,083
Total Loans Held for Sale (HFS), Cash & Accounts Receivable	\$20,044,326	\$16,330,138
Corporate Capital & Other Investments	\$2,081,000	\$2,081,000
Corporate Account Deposits & Certificates	\$132,978,069	\$31,363,423
Marketable Investments	\$41,378,909	\$28,001,927
Fixed Assets	\$13,517,111	\$13,369,038
Accrued Interest, Prepaid & Other Assets	\$17,489,538	\$16,113,818
NCUSIF Deposit	\$4,971,672	\$4,390,622
Total Assets	\$645,140,221	\$525,110,049
LIABILITIES		
Total Payables	\$30,756,047	\$25,442,399
Total Member Deposits	\$561,621,381	\$451,716,490
Total Liabilities	\$592,377,428	\$477,158,889
Members' Capital	\$52,762,793	\$47,951,160
Total Liabilities & Members' Equity	\$645,140,221	\$525,110,049

INCOME STATEMENT

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TOTAL INTEREST INCOME	2020	2019
Interest on Loans	\$22,113,689	\$22,236,972
Interest on Investments	\$820,912	\$1,360,719
Total Interest Income	\$22,934,601	\$23,597,691
TOTAL DIVIDENDS & INTEREST EXPENSE		
Dividends & Interest Expense	\$1,666,435	\$1,215,402
Net Interest Income	\$21,268,166	\$22,382,289
Provisions for Loan Losses	\$3,634,038	\$2,491,952
Net Interest Income After Provisions	\$17,634,128	\$19,890,337
NON-INTEREST INCOME		
Fees & Charges	\$6,631,095	\$5,846,404
Other Non-Interest Income	\$5,866,665	\$6,665,439
Gain/(Loss) on Inv. & F/A	\$3,180,690	\$4,527,676
Total Non-Interest Income	\$15,678,450	\$17,039,519
NON-INTEREST EXPENSE		
Compensation & Benefits	\$15,677,395	\$13,566,018
Occupancy	\$3,396,230	\$3,716,221
Operations	\$6,230,499	\$5,921,621
Marketing	\$1,733,581	\$1,786,733
Professional Fees	\$304,001	\$261,267
NCUA Share Insurance	\$0	\$0
Other Non-Interest Expense	\$2,807,923	\$2,750,787
Total Non-Interest Expense	\$30,149,629	\$28,002,647
Net Income	\$3,162,949	\$8,927,209

ABOUT US

ARIZONA CENTRAL

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

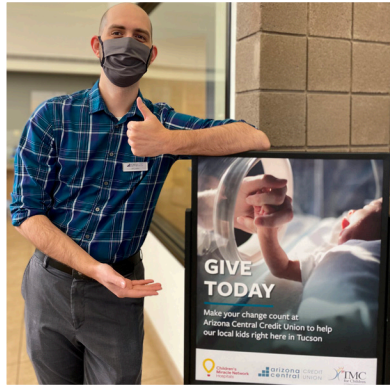
With nearly 60,000 members and over \$645 million in assets, we have proudly served Arizona since 1939.

We operate nine, full-service branches throughout the Greater Phoenix area, Tucson, Flagstaff and Show Low, and offer access to more than 5,600 branches nationwide through the CO-OP Shared Branching Network. Our members also have access to nearly 55,000+ surcharge-free ATMs nationwide through the CO-OP Network.

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**.

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- Member Share Accounts
- Simple & Money Market Checking Accounts with Visa® Check Cards
- Money Market Savings 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
- Easy Pay & Funds Transfer
- Mobile Banking, SMS Banking & Mobile Apps
- Payroll Deduction & Direct Deposit
- Central Phone Banking
- CO-OP Shared Branch Network
- 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 Voya® Financial Partners
- Monkey Money Savings Program (12 years old & younger)
- CU Succeed Savings Program (13-17 years old)
- Free Notary Public Services
- 24-Hour Depository
- Vacation & Travel Discounts

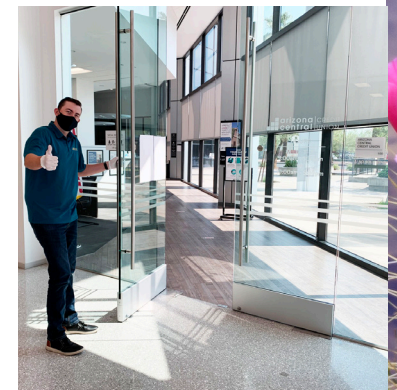
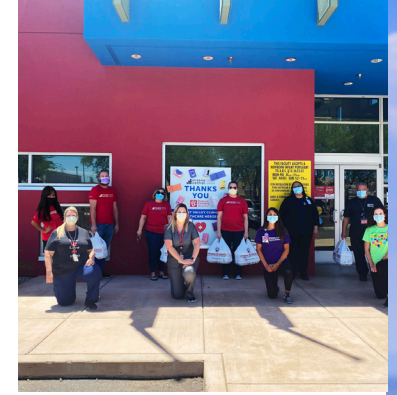
*Investment adviser representative and registered representative of, and securities and investment advisory services offered through Voya Financial Advisors, Inc. (member SIPC).

Central Financial Services is not a subsidiary of nor controlled by Voya Financial Advisors. Voya Financial Advisors is not an affiliate of Arizona Central Credit Union.

Not NCUSIF Insured. Not a Deposit of a Credit Union. May Lose Value. Not Credit Union Guaranteed. Not Insured by Any Federal Government Agency.

MEMBER SERVICES & BENEFITS

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ABOUT ARIZONA CENTRAL

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
4451 S. White Mountain Rd., Suite D

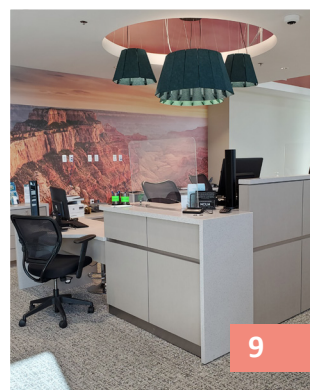
Plus
More than 5,600 branches nationwide through the CO-OP Shared Branching Network

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.**



BOARD OF DIRECTORS

Larry Pfeiffer Chair
Mark Denke Vice Chair
Stephanie McQuillan Treasurer
Sandy Watts Secretary
Nicolette Lemmon Director
Veronica Piotrowski Director
Brian Raczynski Director

SUPERVISORY COMMITTEE

Johna Burke Chair
Kyle Hallstrom Member
John Skelton Member

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Janet Moodie Senior Vice President & COO
Justin Whitesides Senior Vice President, CAO & General Counsel
Yvette Clay Vice President & CLO
Mike Neill Vice President & CFO
Kathy Pluhowsky Vice President, Financial Resolution
Angela Smith Vice President, Innovation and Analytics
Traci Spear Vice President, Operations