

Pen Air
CREDIT UNION



2022





Delbert Lee Morgan
President and CEO

CEO & CHAIRMAN REPORT



Robert Jacobson
Chairman of the Board

Pen Air® Credit Union experienced unprecedented growth in 2022. We changed our charter, expanded services, became an industry leader, and even broke ground on a new location.

As I mentioned, we underwent some big changes this past year. None larger than our charter change. This was a necessary course adjustment for the credit union. Not only did it remove the word “federal” from our name, but it eased barriers for banking with us. Now, you can live, work, worship, or go to school in one of the 17 counties we serve; whereas, before, you would have had to qualify for membership by meeting a narrow field of membership criteria.

And while we now service a significantly larger region, Northwest Florida and South Alabama will always be home. It’s where we started, and it’s where our roots run the deepest. We recently completed construction on our corporate offices located off 9 Mile Road and held a ground-breaking ceremony for our newest location in Beulah. These two buildings symbolize our commitment to our members’ and community’s needs.

Our newest community, Beulah, was specifically chosen for the tremendous growth within the

Northwest segment of Escambia County. Not only will this site act as a connection point between Northwest Florida and South Alabama, but we also believe it will provide our members a convenient banking center that continues to remove barriers, leverage our unique digital suite of solutions, and ultimately make banking with Pen Air easier than ever.

Through the years, we have grown alongside our membership while continually improving our services. The recent addition of two nationwide ATM networks provides greater account access any time, any place, courtesy of 70,000 conveniently located fee-free ATMs. Pen Air’s Skip-A-Payment program is now part of our unique portfolio of digital, self-service solutions. You can now request to skip-a-payment on your Pen Air loan through the ease and convenience of a few clicks. And while we endeavor to provide competitive rates across our financial solutions, our members currently collect some of the industry’s highest dividends with our Certificates of Deposit and Money Market accounts.

None of this would have been possible without your continued support and membership. It’s through our collective growth that we will continue enhancing the lives of our community for generations to come.



2023 BOARD OF DIRECTORS

Back Row

- » Randy Roy, Secretary
- » Robert Jacobson, Chair
- » Donald Bailey, Director

Front Row

- » Ann McCall, Treasurer
- » Stephanie Oram, Vice-Chair

Not Pictured

- » Gerald Adcox, Director
- » Ricky Crews, Director



2023 SUPERVISORY COMMITTEE

Back Row

- » Evan A. Hipsley, Jr.
- » Randy Smith, Chair
- » Jonathan Lewis

Front Row

- » Kevin Krieger
- » Cheryl Kirby



2023 ASSOCIATE VOLUNTEERS

- » Daniel Lucas
- » Michael Hamlin
- » Darryl Johnson
- » Debi Graham



2023 EXECUTIVE MANAGEMENT

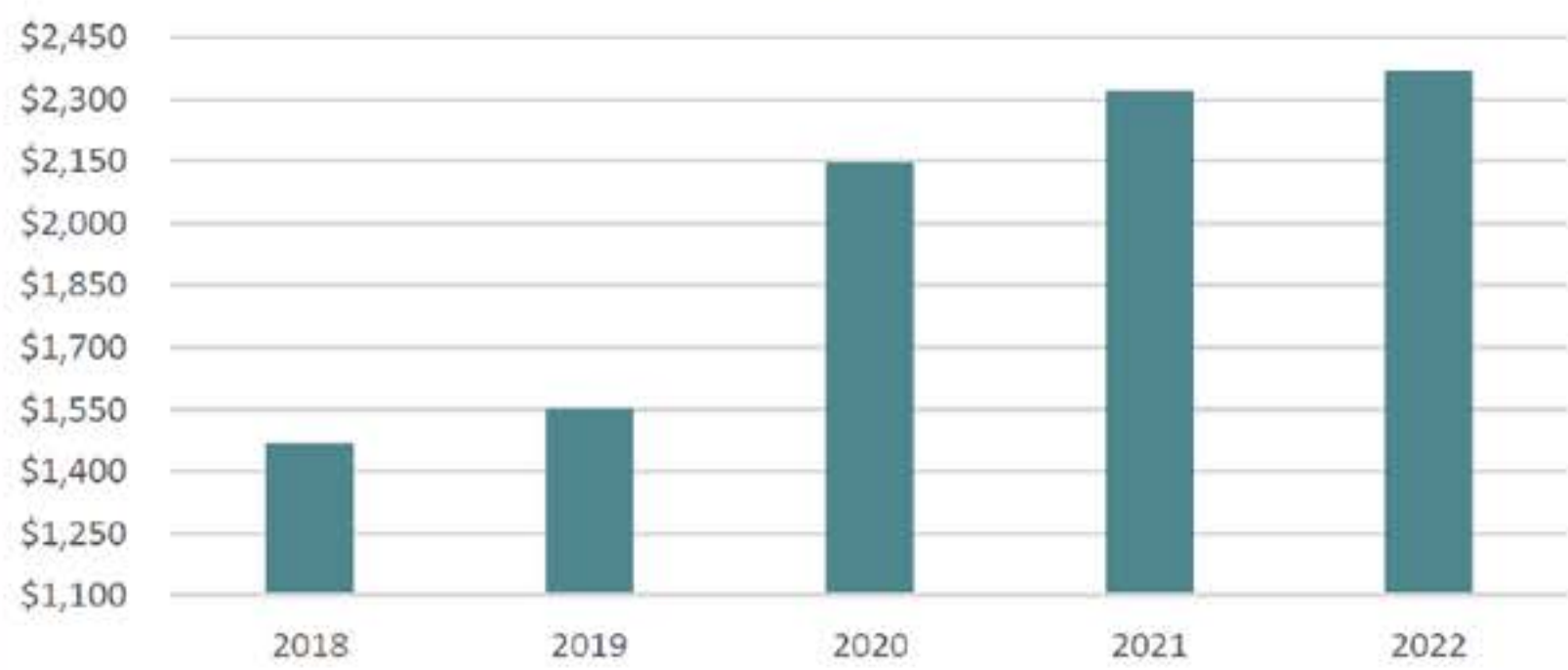
Back Row

- » Charles Blackwell, SVP/CRO
- » Derrick Aguilar, SVP/CXO
- » Delbert Lee Morgan, President/CEO
- » Galen Counselman, SVP/CIO
- » Chris Funk, SVP/CLO

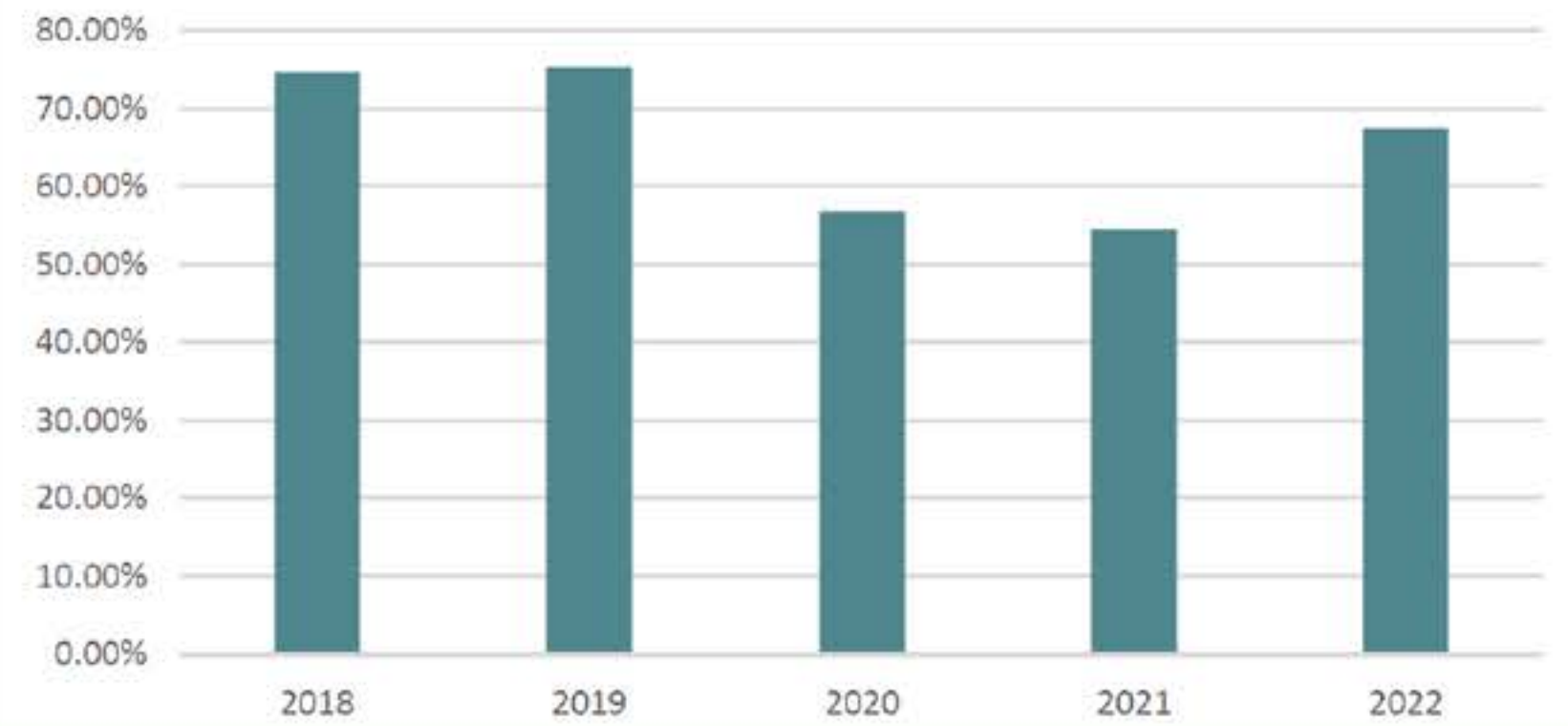
Front Row

- » Shirley Harris, SVP/CFO
- » Dana Mullins, SVP/CPO

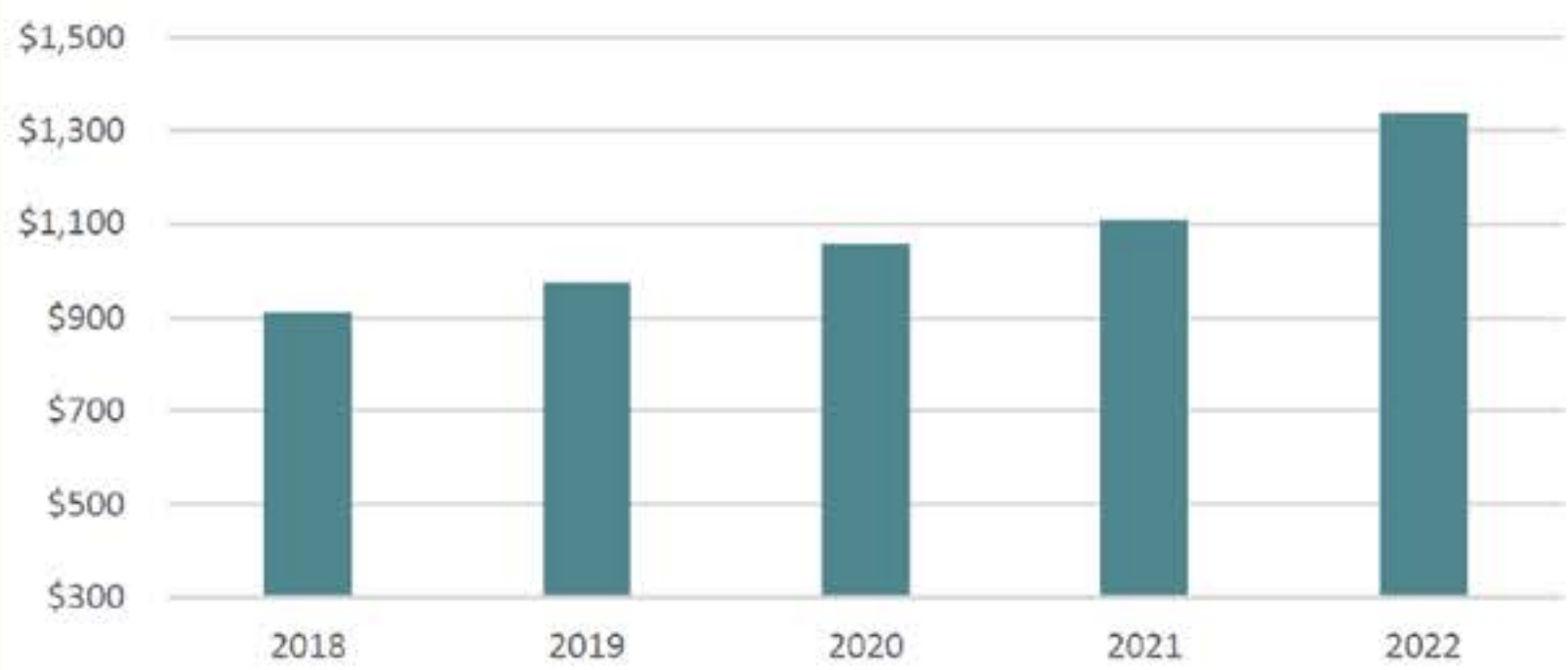
Total Assets
(in Millions)



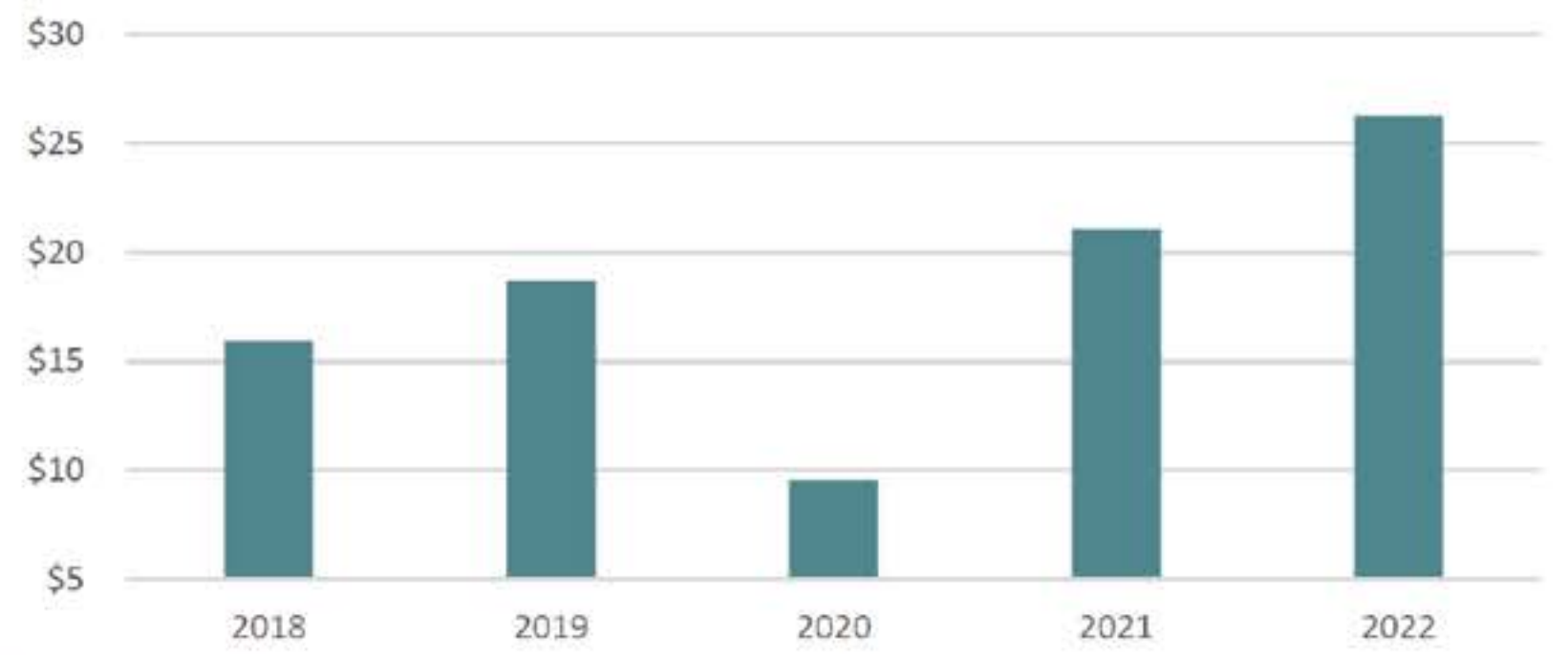
Loan/Deposit Ratio



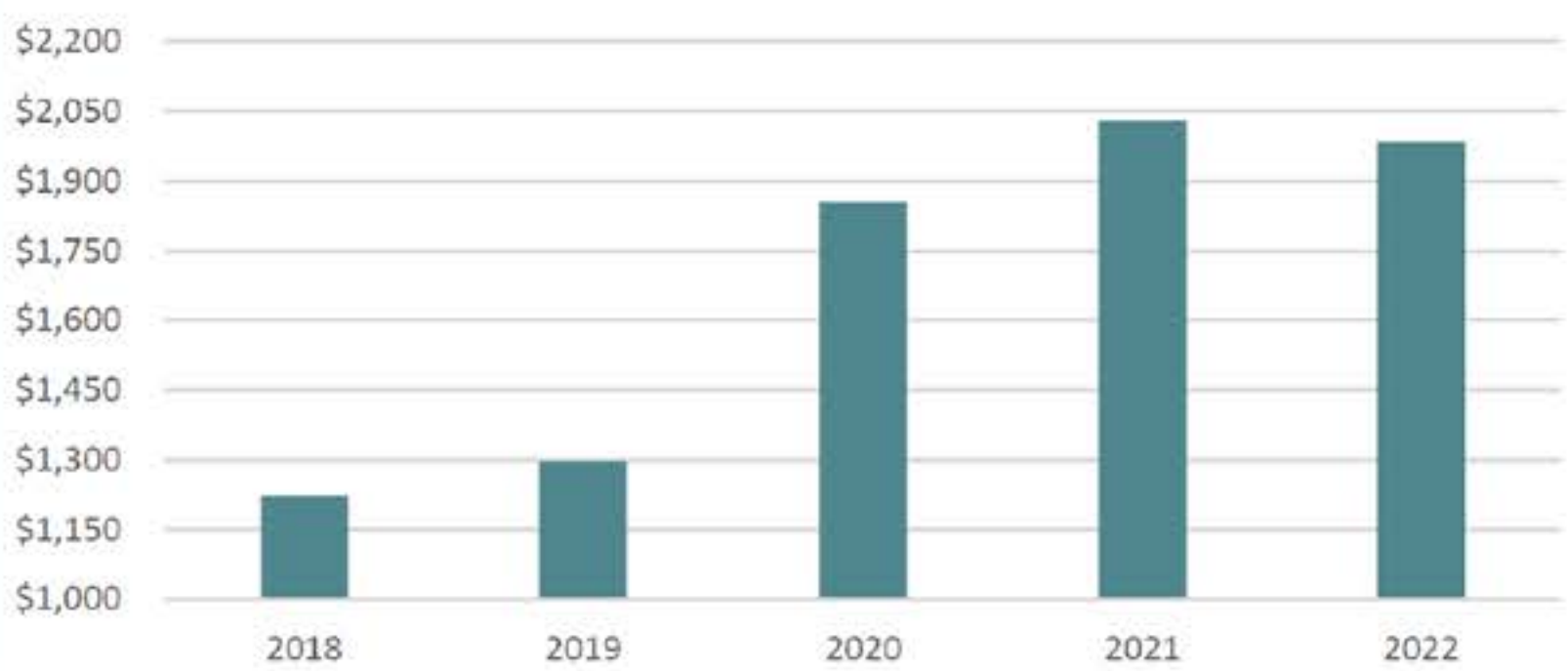
Total Loans
(in Millions)



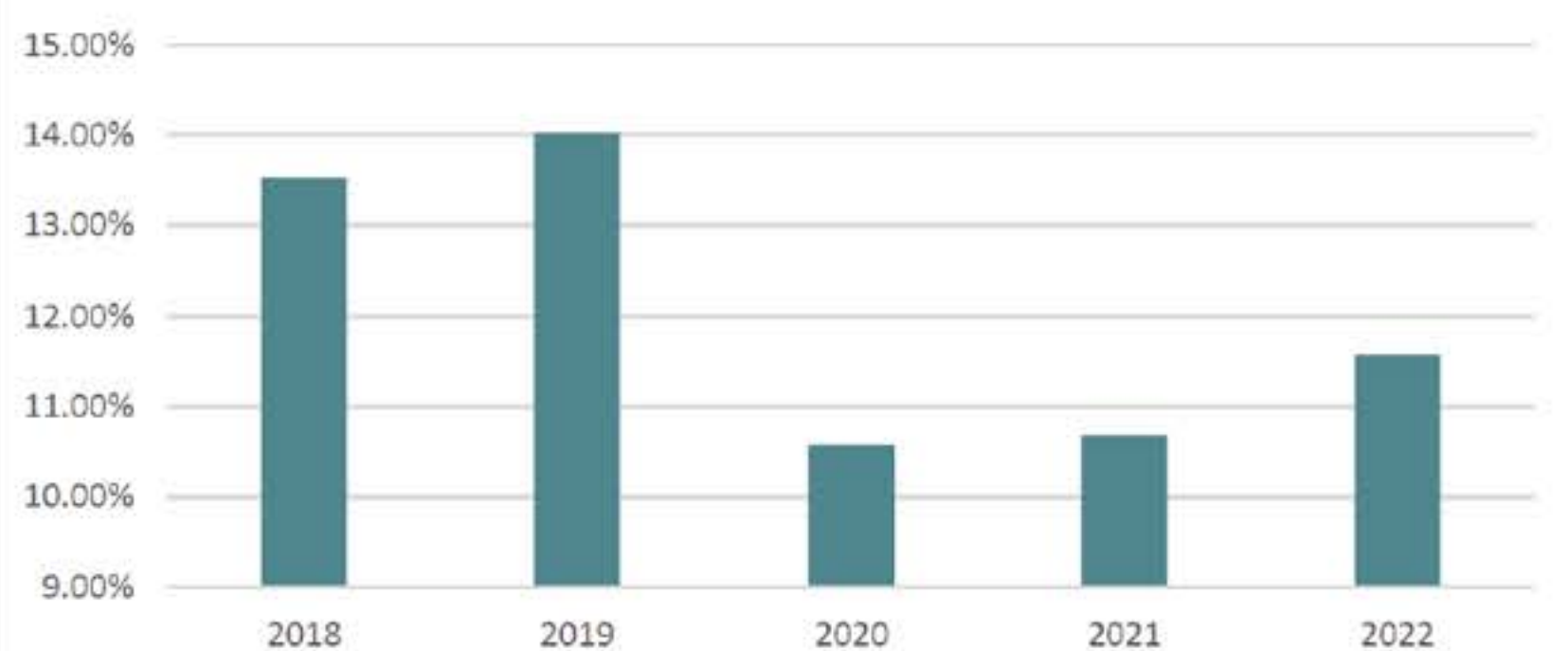
Net Income
(in Millions)



Total Deposits
(in Millions)



Capital Ratio
(Safety & Soundness)



STATEMENTS OF FINANCIAL CONDITION

As of December 31

Assets				
	Unaudited 2022	Audited 2021	Variance \$	Variance %
CASH AND CASH EQUIVALENTS	\$ 221,923,250	\$ 245,085,585	\$ (23,162,335)	-9%
INVESTMENTS	705,820,864	876,009,122	(170,188,257)	-19%
LOANS AND LEASES NET OF ALLOWANCE FOR LOAN LOSSES	1,324,567,249	1,096,735,774	227,831,475	21%
OTHER ASSETS	116,767,010	103,868,758	12,898,252	12%
TOTAL ASSETS	\$ 2,369,078,373	\$ 2,321,699,239	\$ 47,379,134	2%

Liabilities, Shares, And Members' Equity

	Unaudited 2022	Audited 2021	Variance \$	Variance %
ACCOUNTS PAYABLE AND OTHER LIABILITIES	\$ 224,466,676	\$ 56,586,829	\$ 167,879,847	297%
MEMBER SHARES AND DEPOSITS	1,985,044,244	2,028,565,834	(43,521,591)	-2%
TOTAL EQUITY	159,567,453	236,546,576	(76,979,123)	-33%
TOTAL LIABILITIES, SHARES, AND EQUITY	\$ 2,369,078,373	\$ 2,321,699,239	\$ 47,379,134	2%

STATEMENTS OF INCOME

For the years ended December 31

	Unaudited 2022	Audited 2021	Variance \$	Variance %
INTEREST ON LOANS	\$ 65,031,548	\$ 55,941,145	\$ 9,090,403	16%
INCOME FROM INVESTMENTS	14,330,799	7,637,981	6,692,818	88%
INTEREST EXPENSE	12,086,846	13,326,810	(1,239,964)	-9%
NET INTEREST INCOME	67,275,501	50,252,316	17,023,185	34%
FEE INCOME	12,797,705	11,297,319	1,500,386	13%
OTHER OPERATING INCOME	12,745,148	14,509,640	(1,764,492)	-12%
NON-OPERATING INCOME (LOSS)	2,890,011	3,259,111	(369,100)	-11%
PROVISION FOR LOAN LOSSES	10,779,735	2,587,025	8,192,710	317%
NON-INTEREST EXPENSE	58,682,582	55,659,327	3,023,255	5%
NET INCOME (LOSS)	\$ 26,246,048	\$ 21,072,034	\$ 5,174,015	25%

2022 SUPERVISORY COMMITTEE REPORT

The Supervisory Committee's responsibility is the monitoring and evaluation of Pen Air Credit Union's financial activities on behalf of its members to ensure continued viability of the credit union. It is the committee's responsibility to affirm that the credit union's management is protecting the assets of the credit union by establishing and maintaining sound internal controls in accordance with Generally Accepted Accounting Principles, the Federal Credit Union Act, and Pen Air's Bylaws. The Supervisory Committee is also responsible for providing an independent assessment of the protection and soundness of your credit union by monitoring all operational areas and determining that the financial condition of Pen Air is accurately presented in its financial statements.

The Supervisory Committee engaged the Firm of Nearman Maynard Vallez, Certified Public Accountants, for the 2022 audit. This independent firm was contracted by the committee to verify the financial statements, the accuracy of member account statements, and compliance with federal and state regulations and Board policy. The Florida Division of Financial Institutions conducts periodic risk-based examinations and ensures that each state-chartered financial institution meets state and federal requirements for safety and soundness.

Under the direction of the committee, Pen Air's Internal Audit Department maintains a wide-ranging and persistent review of the credit union's processes. This guidance ensures that all activities are in compliance with policies

and procedures and that the interest of the members and credit union are protected.

The primary role of the Supervisory Committee is to review Pen Air's financial records and to ensure that all is in order and that internal controls are in place to protect both the credit union and its members. Each member of the Supervisory Committee is a volunteer appointed annually by Pen Air's Board of Directors. We assist the Board of Directors in its general oversight of the credit union's financial reporting, internal controls, and audit function.

The committee affirms, based on its audits, annual report of independent accountants, and examination reports by the State and Federal regulators, that the policies, programs, and management practices of Pen Air are sound and members' assets are well safeguarded. The committee is appreciative of the support provided by the Board of Directors, CEO, committees, and staff.

Your Supervisory Committee Members are honored to serve and to assist in ensuring the financial well-being of our members' assets. The Committee will continue to exercise best practices to ensure the financial integrity of Pen Air for its members. We look forward to Pen Air's continued success in providing financial protection and solutions and in meeting the needs of its members.

Respectfully Submitted,
Randall L. Smith, Chair

COMMUN•EROSITY®

Where community and generosity meet.



141

ORGANIZATIONS



98

VOLUNTEERS



5,097

HOURS

Pen Air Credit Union strives to enhance lives through impactful partnerships, employee-driven fundraising, and volunteer efforts serving the communities where we live, work, and play.

2021 ANNUAL MEETING MINUTES

It has been my honor to serve as your Secretary on Pen Air Credit Union's Board of Directors. Each monthly Board Meeting and periodic sub-committee meetings are carefully documented for National Credit Union Administration (NCUA) review, as well as, for Pen Air's records. As is required by the NCUA, I respectfully present below the minutes from the 2021 Annual Business Meeting of the membership.

2021 Pen Air Annual Business Meeting of the Membership Minutes:

The Annual Business Meeting of Pen Air was held virtually through Zoom on Thursday, April 21, 2022.

Mr. Robert Jacobson, Chair, called the meeting to order at 5:30pm and led the membership in the Pledge of Allegiance.

Ascertainment of the quorum was made that the required fifteen (15) members were present.

Mr. Jacobson noted to the membership that Mr. John DeLoach, attorney, would serve at parliamentarian.

Mr. Jacobson asked for a motion to accept the Minutes of the 85th Annual Business Meeting, CEO & Chairman's Report, Treasurer's Report, and Supervisory Committee Report, as printed in the 2021 Annual Report.

A motion was made, seconded, and carried to accept the Minutes of the 85th Annual Business Meeting, CEO & Chairman's Report, Treasurer's Report, and Supervisory Committee Report, as printed in the 2021 Annual Report. Mr. Jacobson turned the meeting over to Mr. Delbert Lee Morgan, President/CEO.

Mr. Morgan briefed the membership on the accomplishments of the past year.

Mr. Morgan turned the meeting over to Ms. Stephanie Oram.

Ms. Oram presented the Nominating Committee Report to the membership.

Ms. Oram noted to the membership that there were 6 nominees; consequently, Mr. Roy, Mr. Bailey, and Mr. Crews were elected to serve on the Board of Directors, and Mr. Hipsley, Jr., Ms. Kirby, and Ms. Graham were elected to serve on the Supervisory Committee or as Associate Volunteers. All seats were filled by acclamation.

Upon a motion regularly made, seconded, and carried, the meeting adjourned.

Randy Roy, Secretary
Robert Jacobson, Chair

UNEXPIRED TERM OF THE BOARD OF DIRECTORS

Ann McCall	3 Years
Stephanie Oram	3 Years
Darryl Johnson	3 Years
Robert Jacobson	2 Years
Gerald Adcox	2 Years
Randy Roy	1 Year
Donald Bailey	1 Year