

Annual Report

Overview

2024

- ASCERTAINMENT THAT A QUORUM IS PRESENT
- APPROVAL/CORRECTION OF THE MINUTES OF THE LAST MEETING
- REPORT OF DIRECTORS: CHAIRMAN
- REPORT OF DIRECTORS: TREASURER
- REPORT OF THE CEO
- REPORT OF THE CRM
- REVIEW OF FINANCIALS
- REPORT OF THE CIO
- REPORT OF VP OF RISK MANAGEMENT
- REPORT OF THE SUPERVISORY COMMITTEE
- MOTION TO ACCEPT REPORTS AS WRITTEN
- UNFINISHED BUSINESS
- NEW BUSINESS
- RE-ELECTIONS OF THE BOARD
- YEARS OF SERVICE AWARDS
- 2025 SCHOLARSHIP WINNERS
- MOTION TO ADJOURN

Minutes

May 16, 2024 Meeting

MISSION: NET Credit Union exists to help members succeed financially through cooperation and teamwork.

VISION: To be our region's primary, full service financial institution, by creating a welcoming atmosphere, that builds trust and allows members to be more engaged and financially successful.

The 82nd annual meeting of the NET Federal Credit Union was held as a virtual ZOOM meeting. In attendance were Board members: Don Bailey, Karen Clifford, Frank DiPaolo, Lori Doherty, Rich Surrige, Peggy Voytek; CEO – Clarence Baltrusaitis, CRM – Janelle Kaczmarek, CIO – Marc Michalski, VR Risk Management – Cheryl DeHaut, Accounting Manager – Andrea Krivak, Marketing Manager – Lauren Pabst, HR Manager – Amy Genovese. Excused was board member Paul Franceschelli

Don called the meeting to order at 5:04P.M. He asked the secretary, Lori Doherty, if there was a quorum. As indicated by the number of attendees, she noted a quorum was present.

Don then asked for the reading of the minutes from last year's annual meeting. A motion was made by Clarence Baltrusaitis to abstain from reading the minutes which was seconded by Karen Clifford and approved by all. Don stated they would be accepted as written.

The annual report was posted for all members to review. Don noted that he had nothing to add to his report. He then asked Treasurer, Rich Surrige if he had anything additional to add to his report. Rich stated he had nothing. CEO – Clarence Baltrusaitis was then asked if he wished to add anything to his report to which he replied nothing to add. Don then asked the following if they wished to add anything to their reports listed in the annual report: CRM – Janelle Kaczmarek; CIO Marc Michalowski; VP Risk Management – Cheryl DeHaut; no one from the Supervisory Committee responded. All of the above replied that they had nothing more to add. Therefore, a motion was made by Karen to accept all reports as written and was seconded by Rich, with all approving.

Don asked if there was any unfinished business from the floor. None was cited. He then stated under New Business was the reelection of Board members: Karen Clifford, Rich Surrige, and Don Bailey. No additional New Business was brought up.

Don then introduced Lauren Pabst to announce the scholarship winners for this year, who each will receive a \$5,000 check from NET. The college winner was from the College of Holy Cross, Jayde Waibel and the high school winner from North Pocono was Gwendelyn Powell. Congratulations to both young ladies.

Don then introduced Cheryl for the Years of Service Awards. Cheryl explained that was HR Manager, Amy Genovese's charge and introduced her to the assembly. Amy then reported that the following had 30 years of service to NET: herself- Amy Genovese, Maria Condella, Consumer Lending Manager, and Lou Nardella, Supervisory Committee Member. For 5 Years of Service the following were awarded: Bonnie Hessmiller, Member Relations Specialist 1; Kailia Kurash, Digital Designer; and Donna Trusky, Member Relations Specialist 1.

Don then introduced Clarence Baltrusaitis the CEO of NET. Clarence thanked everyone for attending the annual meeting. He noted that 2023 was a great growth number year and in 2024 we will continue to grow. He thanked all department heads and frontline staff for the work they do to give service to our members, without these efficient staff members we would be unable to develop NET into the great credit union it is today, especially to Marc with digital banking system, and Compliance for keeping us safe. Thank you too all.

Motion was then made to adjourn at **5:11P.M.** was made by Frank, seconded by Peggy and approved by all.

Respectfully submitted:

Lori Doherty, Secretary
Don Bailey, Chairman

Chairman

Donald Bailey



On behalf of NET Credit Union's Board of Directors, I'd like to welcome you to the 83rd annual meeting of the membership. I am pleased to present the 2024 Annual Chairman's report for NET Credit Union. 2024 was more than just a year of strong financial growth – it was a year of community, connection, and continued service to the people who make our credit union what it is.

In 2024, NET experienced significant increases in both member deposits and loan growth. Across all three of our branches, we saw a remarkable uptick in savings deposits, reflecting the financial discipline and trust of our membership. This not only strengthens individual financial security – it reinforces the financial stability of our credit union as a whole.

We also saw a surge in car loans, helping hundreds of members purchase new or used vehicles with attractive rates and a streamlined loan process. This increase shows that more members are turning to us as their trusted financial partner when it matters most.

These trends contributed to a healthy increase in our total asset size, providing us with more capacity to re-invest in services, innovation, and more importantly our communities.

As a not-for-profit credit union, our success is measured not just in numbers, but in the positive impact we make. This year, we

proudly supported several local fundraising efforts and community initiatives across the areas we serve. From sponsoring school programs to contributing to food drives and local non-profits, we're deeply committed to giving back.

I'd like to thank our members for your trust and loyalty to NET. It is your trust that we strive to live up to on a daily basis. I'd also like to thank my fellow members of the board, the supervisory committee, and the management team for your diligent and dedicated service in growing NET into one of the most envied organizations in the area.

Finally, I'd like to thank our staff, management, and executive leadership team, without whom our 2024 accomplishments would not have been possible. Your dedication to providing service to our members continues to be second to none. As we step into 2025, our commitment remains clear – to grow responsibly, serve compassionately, and continue making a difference one member, one family, and one community as a time.

Sincerely,
Donald Bailey, Chairman

Treasurer

Rich Surridge



Reflecting on 2024: A Year of Growth and Resilience

Once again, 2024 was a year defined by adaptability and strategic decision-making. Despite ongoing economic challenges, NET Credit Union's staff and management demonstrated remarkable resilience, successfully navigating high inflation and a dynamic interest rate environment to deliver strong results for our members.

Key Financial Highlights

- In December 2024, NET reached a historic milestone, exceeding 300 million in assets for the first time. We closed the year at \$303.9 million, reflecting an impressive 10.8% growth, driven by competitive CD and Money Market rates, as well as strong loan performance.
- Member Savings Increased by \$28.4 Million: A testament to our members' trust and commitment to financial growth.
- Net Loan Growth of \$23.1 Million (16.5% Increase): Indirect loans and fixed-rate HELOCs were the primary drivers of this expansion.
- Membership Growth: For the third consecutive year, we welcomed new members, with a 2.4% increase in 2024.

Financial Strength & Stability

- Net Worth Ratio: While higher savings rates slightly reduced our net worth ratio to 11.3%, this remains a robust figure, well above regulatory benchmarks.
- Capital Ratio of 11.5%: Regulatory standards consider a credit union "well capitalized" at 7.0%—NET's strong position ensures we are poised for continued growth and stability.

Income, Expenses, and Economic Outlook

Income and expenses rose in 2024 due to increased loan activity, dividend costs, and strategic staffing investments. As we look ahead, uncertainties remain—potential new tariffs, inflation trends, and Federal Reserve interest rate decisions could all impact the financial landscape. However, NET is well-positioned to adapt and thrive.

Gratitude & Looking Forward

I extend my deepest appreciation to NET's dedicated staff and management for their unwavering commitment to our members' success. Despite economic headwinds, their efforts have delivered exceptional results.

A special thank you to the Board and Executive Committee volunteers—your leadership and collaboration have been invaluable.

As we move into 2025, I am optimistic about NET's future and eager to build on this momentum.

Sincerely,
Rich Surridge, Board Treasurer

CEO

Clarence Baltrusaitis



Welcome to our 83rd annual meeting! Your credit union continued upon a path of safe, sustained growth throughout 2024. We continue to remain a strong credit union, with a capital ratio just under 12%, nearly twice the capital required by our regulators to be considered “well capitalized”. This is important to know as we continue our journey through volatile economic conditions. A high capital ratio makes NET Credit Union a battleship, with 12 inches of armor around her hull. We are built to take a lot of damage and still remain afloat.

In 2024, we grew shares (deposits) by over \$28 Million, a rate of growth of over 11%. Big number. We saw new members enter the credit union entrusting us with their deposits, and existing members bring more deposits to us, seeking safety, soundness, and security. And, we grew total assets by nearly 11% as well, pushing the credit union over the \$300 Million mark. We also continued to grow our loan portfolio by almost 17% in 2024, another big number showing that we’re servicing our members. Oddly enough, I’m unable to exactly put my finger on the direct cause of our staggering growth. Is it from marketing, our excellent digital banking platform, member service, staff, or word-of-mouth advertising by our members? I would say “yes” to all. Certainly, this growth is not from me! We have a great team at the credit union where staff believes in the credit union motto of “People Helping People”.

One of our most popular offerings have been the high-yield Checking+ and Digital Checking accounts, which have benefits like ATM Fee refunds, a higher interest bearing savings account, and others. Check them out when you are online, in-person, or call in. Digital banking has grown as well, with nearly 82%

of all members utilizing our app on mobile phones and tablets, or going on-line on their computers to check their balances, pay a bill, transfer funds, check their credit score, and many other FREE features that digital banking offers. Our digital platform has current, modern safety features that monitor your account for potential fraud from “bad actors” that are out in cyberspace trying to get at your hard earned money. You get “big bank” safety from our growing credit union!

We are committed to becoming our region’s premier financial institution. We will achieve this goal by making decisions that are right for our members, our employees, and our credit union. The combination of family atmosphere, devotion, dedication, and pride has enabled NET Credit Union to remain a strong, reliable, and trustworthy Financial Institution. I’d like to thank my staff, the Supervisory Committee, and the Board of Directors for their dedication and service. Most importantly, I would like to thank our members, new and old. Thank you for Banking on NET.

Sincerely,
Clarence Baltrusaitis, President/CEO

CRM

Janelle Kaczmarek



As Chief of Risk Management (CRM) for the Credit Union, I oversee risk and compliance within the credit union. This incorporates reviewing our policies and procedures for compliance with rules and regulations from our regulator the National Credit Union Association (NCUA). We have various areas of risk that financial institutions are susceptible to including vendor risk, compliance risk, interest rate, credit risk just to name a few. The NCUA completed an exam in June 2024 and we received a good rating per their "CAMELS" system. This exam looks at the credit union's Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity to Market Risk.

During 2024, we completed 2 internal risk assessments, 4 external assessments by our Insurance provider, and our annual financial risk assessment by our audit firm. These cover various areas of risk for the credit union. All reviews received sufficient results.

Risk assessments, fraud investigations, member complaints and regulatory forms such as Currency Transaction reports are filed by the Compliance Department, who is vigilant on ensuring the credit union remains compliant. Additionally, a Committee was created to specifically review, address and implement additional controls in our branches as well as IT and Operations departments, to deter fraud our members and the credit union may encounter.

All our strategic goals for growth and development remain the foundation of our credit union and risk management is an integral part to assist in the oversight of these strategic initiatives.

As CRM, I am proud of the continued growth and success of NET Federal Credit Union.

Sincerely,
Janelle Kaczmarek, CRM

Financials

2024 reports

Income Statement For the Period Ended 12/31/24

INTEREST INCOME	
Loan Interest Income	\$10,254,362
Investment Income	\$2,496,762
Total Interest Income	\$12,751,124
DIVIDEND AND INTEREST EXPENSE	
Dividends Paid to Members	\$4,348,134
Interest Paid on Borrowings	\$17
Total Dividend and Interest Expense	\$4,348,151
Provision for Loan Losses	\$627,437
Net Interest Income after Provision for Loan Losses	\$7,775,536
NON-INTEREST INCOME	
Fees and Charges	\$2,122,365
Other Operating Income	\$2,078,161
Total Non-Interest Income	\$4,200,526
TOTAL INCOME	\$16,951,650
NON-INTEREST EXPENSE	
Compensation and Employee Benefits	\$4,985,343
Travel and Conference Expenses	\$121,206
Total Dues	\$43,261
Office Occupancy Expenses	\$677,274
Office Operations Expenses	\$2,848,528
Educational and Promotional Expenses	\$549,650
Loan Servicing Expenses	\$1,162,254
Professional and Outside Services	\$950,784
Total Operating Fee	\$50,190
Non-Operating Expenses	\$6,783
Total Miscellaneous Expenses	\$139,421
Total Non-Interest Expenses	\$11,535,094
NET INCOME	\$440,968

Balance Sheet For the Period Ended 12/31/24

ASSETS	
Cash and Cash Equivalents	\$18,493,452
Investments	\$93,156,839
Gross Loans	\$163,198,089
Allowance for Loan and Overdraft Losses	\$(1,527,503)
Accounts Receivable	\$2,243,314
Prepaid Expenses	\$609,117
Property and Equipment	\$12,409,265
Interest Receivable	\$1,171,857
NCUSIF Deposit	\$2,488,037
Other Assets	\$11,679,524
Total Assets	\$303,921,991
SHARES, LIABILITIES AND MEMBERS' EQUITY	
SHARES	
Member Share Accounts	\$280,048,023
LIABILITIES	
Accounts Payable	\$(121,588)
Accrued Expenses	\$276,626
Other Liabilities	\$490,192
TOTAL SHARES AND LIABILITIES	\$280,693,253
MEMBERS' EQUITY	
Regular Reserve	\$1,899,113
Undivided Earnings	\$32,226,009
Equity Acquired in Merger	\$278,884
Other Comprehensive Income	\$(9,162,835)
AFS Unrealized Gain/(Loss)	\$(2,012,433)
Net Income	\$ -
Total Members' Equity	\$23,228,738
Total Shares, Liabilities Members' Equity	\$303,921,991

CIO

Marc Michalowski



In 2024, the credit union continued adding additional functionality into our digital banking. Members are now able to push their debit and credit directly to their digital wallet and view their card information via digital issuance. We also have enhanced our payment functionality by providing additional real time solutions.

We continue to focus on ensuring on our cybersecurity program remains strong and constantly receive strong audits ensuring we are taking the necessary steps to protect our member's information. Our investment in technology continues to drive security and efficiency to both our members and team members.

Our Marketing team, provided our "Next Generation Banking" campaign as well as oversees our philanthropic effort serving the community. The team continually works to offer new financial incentives to help our members find new products and services to meet their financial needs.

As we move into 2025, we have nothing short of another great round of campaigns and enhancements coming to continue to enhance our member's financial futures.

Sincerely,
Marc Michalowski, CIO

VP of Risk Management

Cheryl DeHaut



In 2024, the Compliance/Risk Management area ensured that the Credit Union remained in compliance with all federal regulations. Regulations are ever changing and it is likely that the trend will continue in 2025.

The Compliance Area received a favorable rating from our NCUA exam in 2024. Our internal audits also had positive results.

We continue as a support partner with our Supervisory Committee.

Unfortunately, fraud is on the rise. More often than not, the fraud is related to fraudsters who prey on our unsuspecting members. In 2024, we developed a department-wide fraud committee. The committee is tasked with reviewing fraud cases and determining if any actions could have prevented the fraud and/or mitigating steps that we can take in the future to reduce our fraud exposure. The Marketing team has done a fantastic job in getting fraud awareness information to our members.

In 2024, we took the initial steps to further utilize and automate our Verafin BSA/fraud monitoring program. This work will continue in 2025.

We also engaged a third-party to conduct a fair lending

review.

From an HR perspective, in 2024, we continued to bring exceptional talent in to the continued growth of the Credit Union. Our team members are important to the continued growth of the Credit Union. We offer an extensive benefit package at a reasonable cost.

We are excited to see all that the Credit Union will achieve in 2025!

Sincerely,
Cheryl DeHaut, VP of Risk Management

Supervisory Committee

Michael Burke

Recently during the first week of April 2025 investors saw the Dow Jones Industrial Average drop greater than 3,000 points over a two day period. Inflationary worries have been prevailing for some time as well. One might ask what happens to insure the safety and security of my investments at NET FCU.

One dedicated measure is the Supervisory Committee, whose job it is to provide a fiduciary interest for our members. The Supervisory Committee is responsible for ensuring that the financial condition is accurately and fairly presented in the Credit Union's financial statement and that the Credit Union's management practices and procedures are sufficient to safeguard our members' assets.

We are required to make sure a thorough annual audit is conducted. NET Credit Union's auditing firm Forvis Mazars LLP issued a report regarding all financial statements for the year ending June 30th 2024 and insured all operations and cash flows were in conformity with Generally Accepted Accounting Principles (GAAP). In addition Forvis Mazars also completed a number of internal audit reviews in which no major issues were identified.



The effectiveness of the Supervisory Committee is due in no small part to the outstanding efforts of our Risk Management and Compliance Team members. Thanks and congratulations to our Board of Directors, our CEO Clarence Baltrusaitus and his management and staff for their dedication to making NET a success once again.

Sincerely,
Michael Burke,
Supervisory Committee Chair

Annual Report

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- RE-ELECTIONS OF THE BOARD

Years of Service Awards

5 Years



Kim Kramer
Indirect Lending Manager



Steve Cowgill
Director of IT

10 Years



Alisa Mulea
Member Relationship Specialist I



Janelle Kaczmarek
Chief of Risk Management

15 Years



Sara Young
Operations Support Specialist

2025 Scholarships

Winners each received \$5,000

Question:

Banking is easier, faster and more convenient with NET. What makes NET Future Ready Now? How can we continue to move forward in the banking industry?

College Winner

Pace University

Olivia Morgan

"Online banking is evolving at an extremely rapid pace, NET Credit Union has done a great job keeping up with it so far. From offering budgeting tools to ensuring safety and security protocols, they care deeply about their member's finances. NET continues to show how much of a forward-thinking company they are by adding new ways of payment, such as Zelle, and ways to alert and protect their members from the rise of phishing scams."

High School Winner

North Pocono High School

Raina Nemitz

"NET can provide banking services that are seamless, efficient, and accessible anytime, anywhere. By leveraging cloud technology, NET banking platforms can scale operations efficiently. This allows them to handle growing numbers of users and transaction volumes without compromising performance."

Annual Report

2024

MOTION TO ADJOURN

THANK YOU