

MEMBERS
FIRST



AEROSPACE
FEDERAL CREDIT UNION

2022 ANNUAL
REPORT

Message from the Chair



The year 2022 was another outstanding year for Aerospace Federal Credit Union (AFCU). The AFCU continued to meet the needs of the membership as it emerged from the COVID-19 pandemic and transitioned to a new paradigm. The membership was also resilient in its commitment to utilizing AFCU for savings and borrowing and we also experienced steady growth in membership. This is a true sign that AFCU is fulfilling its mission to assist members achieve financial success.

During 2022, the AFCU maintained its commitment of returning value to the membership. While the value returned to members took on many forms, it is notable that members gravitated to our AFCU Visa Platinum Credit Cards and industry leading rewards program where members earned either one to five reward points or one to five percent cash back on their purchasing dollars. The AFCU also supported several initiatives that rewarded members for using the products and services of the Credit Union, such as the AFCU Visa Debit Card which features a monthly cash drawing. In addition, the Credit Union sponsored several member appreciation events during the year with a focus on bringing people together and celebrating our common bond as members of the Credit Union.

I am also pleased to report that during our journey and arriving where we are today, in terms of the safety and soundness of AFCU, your Credit Union is well-capitalized and continues to receive the highest ratings from regulators. Once again, this reflects the membership and its commitment and alignment with the credit union industry slogan of “people helping people.”

A huge thanks goes to my fellow board volunteers for all their contributions, the AFCU management team and staff that provide value and service to our membership. We take the responsibility of your financial success extremely seriously and have comfort in the knowledge that the AFCU is a safe and secure place for you to save and borrow. We appreciate the opportunity to serve you and look forward to working with you as together we achieve our vision for a better tomorrow!

David A. Christopher

Message from the President



As we head into calendar year 2023, our outlook for the New Year is aligned with the theme for this year’s annual report, Members First. As President of Aerospace Federal Credit Union (AFCU), I have confidence in the success that lies ahead because as an organization, we hold true to a set of core values and beliefs that have sustained us through good and challenging times.

There were many lessons learned from our experience of managing the resources of the Credit Union while fulfilling the needs of the membership during COVID-19. First and foremost, we realize that as your Credit Union we’re not a network of branches, but more so a network of financial service professionals who are committed to delivering Intelligent Banking and Outstanding Service. As our service paradigm continues to evolve, a staple of our success is our internet-based delivery channel where members can transact business online safely and at their convenience. Going forward, we believe AFCU as an internet-based financial cooperative is a necessary pivot for us to fulfill our Mission of assisting every member in achieving their financial success. Our AFCU team understands the importance of earning your trust to ensure AFCU is front of mind when it comes to selecting your preferred financial institution for service. We believe our Pyramid of Success epitomizes that members are the top priority of AFCU.

In 2023, we believe AFCU is uniquely positioned to expand its product offerings and enhance the value of being an AFCU member. We believe managing your financial affairs is more than just a set of transactions, but more so about relationships that create synergy for a better good and is a direct benefit of you being associated with The Aerospace Corporation. To that end, our goal is to ensure your experience with AFCU is truly outstanding and will continue to reward you with better than average dividend rates, competitive loan rates, low-cost fees for essential services, and industry leading rewards on our credit and debit cards for daily purchase transactions.

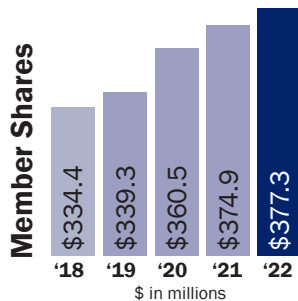
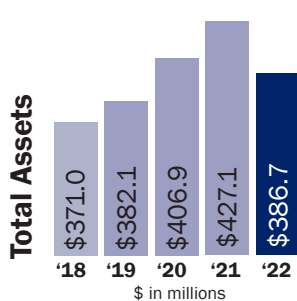
In closing, I am pleased to report the vision of a small group of people that resulted in the origin of AFCU is alive and well and remains committed to placing Members First. Together, we can make 2023 a rewarding experience and AFCU a lifelong benefit for generations to come.

Marvin L. Thomas

Summary Statement of Financial Condition

Years ended December 31

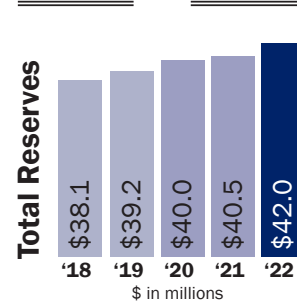
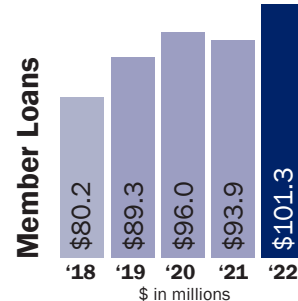
ASSETS	2022	2021
Loans to Members	\$101,308,913	\$93,952,850
Less: Allowance for Loan Loss	(70,000)	(110,000)
Cash	2,775,923	793,381
Investments	265,210,527	314,435,348
Accrued Interest Receivable	900,828	840,434
Property and Equipment	1,632,131	965,905
NCUSIF Deposit	3,556,588	3,521,772
Other Assets	11,358,838	12,653,712
TOTAL ASSETS	<u>\$386,673,748</u>	<u>\$427,053,402</u>
LIABILITIES & EQUITY		
Accounts Payable/Accrued Liabilities	\$3,192,895	\$13,395,580
Member Shares	377,309,256	374,926,993
Regular Reserve	1,580,557	1,580,557
Retained Earnings	40,416,120	38,870,938
Unrealized Gain/Loss on Investments	(35,825,080)	(1,720,666)
TOTAL LIABILITIES & EQUITY	<u>\$386,673,748</u>	<u>\$427,053,402</u>



Summary Statement of Income & Expense

Years ended December 31

INTEREST INCOME	2022	2021
Loans to Members	\$3,091,715	\$3,018,021
Investments	5,439,814	3,888,503
TOTAL INTEREST INCOME	8,531,529	6,906,524
Less: Dividend on Member Shares	1,864,688	1,704,727
NET INTEREST INCOME	6,666,841	5,201,798
Other Operating Income	1,217,849	1,883,684
TOTAL OPERATING INCOME	\$7,884,690	\$7,085,482
OPERATING EXPENSE		
Salaries & Benefits	\$2,384,976	\$3,029,330
Data Processing	806,656	738,075
Communications	171,796	188,556
Auditing Fees	102,936	78,111
Stationery & Supplies	17,485	15,696
Education & Promotion	123,030	109,470
Depreciation & Amortization	415,966	424,894
Share Insurance	0	0
General Expenses	2,316,661	2,001,929
TOTAL OPERATING EXPENSE	\$6,339,506	\$6,586,062
Non-Operating Income/(Loss)	0	0
NET INCOME	<u>\$1,545,184</u>	<u>\$499,421</u>



Report of the Treasurer



Key elements of your credit union's 2022 financial performance include:

- Total assets were \$386.7 million; down \$40.4 million from the previous year and reflects a decrease of 9.5%.
- Member share deposits at \$377.3 million, were up \$2.4 million, and reflects a gain of 0.6%.
- Member loans at \$101.3 million, were up \$7.4 million and reflects an increase of 7.8%.
- Investments ended the year at \$265.2 million, down \$49.2 million and reflects a decrease of 15.7%.
- Total revenue for the year was \$9.7 million, up 10.9% from a year ago. Of that amount, \$6.3 million was allocated to operating expenses, and most importantly, \$1.9 million was returned to members in the form of dividend payments.
- Net income for the year was \$1.5 million and was added to retained earnings/reserves and resulted in capital increasing to \$42.0 million. The corresponding net worth ratio was 10.86%, and represents a regulatory classification of a "well-capitalized" credit union.

Growth in member share deposits and loan demand is anticipated for 2023, and the AFCU balance sheet is well structured to accommodate a wide range of interest rates.

James W. Ford

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Report of the Supervisory Committee



In compliance with the Federal Credit Union Act, the Supervisory Committee retained RSM US, LLP, a CPA firm, to conduct internal audits of many of the operational areas in the credit union with a focus on regulatory compliance and risk management. Richards and Associates, a CPA firm, was retained to conduct an independent opinion audit of the Aerospace Federal Credit Union's financial statements and business practices. Both CPA firms reported and discussed their results with the Supervisory Committee and Senior Management. I am pleased to report there were no significant areas of concern with respect to the operational practices and performance of the credit union. Additionally, they found the credit union's financial statements conform to generally accepted accounting principles of the United States of America and are available for review at the credit union.

Anthony T. Stier

2022 Officials

Board of Directors

David A. Christopher | *Chair*
Christopher P. Woods | *Vice Chair*
James W. Ford | *Treasurer*
Tammy L. Choy | *Secretary*
Lauren P. Kim
Charlotte M. Lazar-Morrison
Kien T. Le
Steven M. Leontis
Mary H. Moy

Board Member Emeritus

Susan J. Adams
Joe M. Straus

Supervisory Committee

Anthony T. Stier | *Chair*
Brenda E. Eichel
Lesli K. Otake
Terence S. Yeoh

Recording Secretary

Gail J. LaCroix

Senior Management

Marvin L. Thomas | *President/CEO*
Gregory S. Moran | *VP, IT*
Jeri L. Smith | *VP, Member Service*
Lani L. Young | *Finance Director*
Ian B. Freshman | *Marketing Manager*
Erin M. Hicks | *Compliance Officer*