

MEMBERSHIP HAS ITS BENEFITS

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ANNUAL
REPORT
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AEROSPACE
FEDERAL CREDIT UNION

Message from the Chair



The year 2023 was another outstanding year for Aerospace Federal Credit Union (AFCU) from the perspective that we saw a record number of members take advantage of the services offered by the credit union. It was a challenging year in regard to interest rates in general, but members found many opportunities at the credit union to make their life more enjoyable.

On the deposit side of the ledger, members took advantage of our better than average dividend rates on share certificates and we ended the year at a record high for those deposit categories. Members also took advantage of share certificate promotions which provided them with an opportunity to repatriate their deposit savings with the credit union.

From the lending side of the isle, members found tremendous value in our home equity line of credit (HELOC) mortgage product. Members realized very quickly that the credit union's HELOC product with a user friendly application process and low fees was the perfect solution for their financial needs. Members also took advantage of our Visa Platinum Credit Card and world class 5-4-3-2-1 rewards program, where in effect, members were rewarded for using their AFCU credit card for everyday transactions.

I am also pleased to report, in terms of safety and soundness, the credit union is well-capitalized and continues to receive high ratings from regulators. This reflects our duty of care in providing you financial services, and the commitment and alignment of the credit union with the industry slogan of "people helping people."

A huge thanks goes to my fellow board volunteers for all their contributions, and the AFCU management team and staff that provide service to our membership. We take the responsibility for 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 we achieve our vision for a better tomorrow!

David A. Christopher

Message from the President



As we head into calendar year 2024, we realize that membership is the key ingredient which allows the credit union to fulfill its charter and serve the needs of the membership. As a member of the credit union, you play a key role in the ongoing success of this cooperative financial institution. It is a symbiotic relationship that has stood the test of time and continues to evolve with the environment that we live in.

As an employee of The Aerospace Corporation or other qualifying group, the financial services that are offered by the credit union are an employee benefit. That benefit includes access to better than average dividend rates on your savings, low competitive loan rates, and low cost fees for essential services. But above all, as a member of the credit union, you have a team of dedicated finance professionals whose sole purpose is to assist you in achieving your financial success. I am pleased to report that thousands of employees along with new and existing members agree with this sentiment and leverage the services of the credit union to our mutual benefit.

In 2024, we believe the benefits of being a member of the credit union will continue to grow. Your relationship with the credit union is more than just a set of transactions, but more so about relationships that create a level of synergy which produces a better good. To that end, our goal is always to focus on returning the most value for your continued support of your credit union.

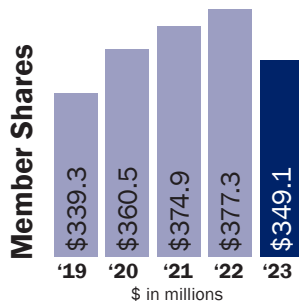
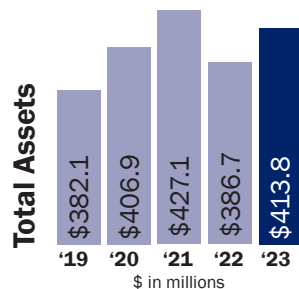
In closing, I am pleased to report the vision of a small group of people in 1961, that resulted in the AFCU charter, is alive and well and remains committed to continuously enhancing the benefits of AFCU membership. Together, we can make 2024 a rewarding experience and AFCU a lifelong benefit for generations to come.

Marvin L. Thomas

Summary Statement of Financial Condition

Years ended December 31

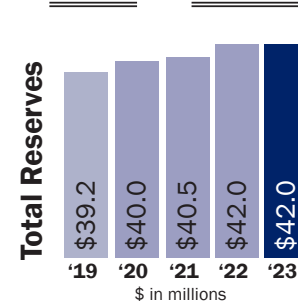
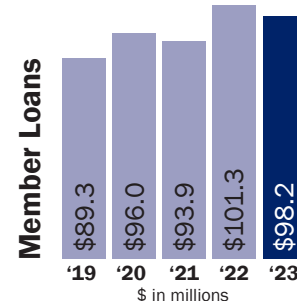
ASSETS	2023	2022
Loans to Members	\$98,264,025	\$101,308,913
Less: Allowance for Loan Loss	(80,000)	(70,000)
Cash	3,634,590	2,775,923
Investments	293,821,951	265,210,527
Accrued Interest Receivable	1,307,020	900,828
Property and Equipment	2,276,190	2,446,312
NCUSIF Deposit	3,375,902	3,556,588
Other Assets	<u>11,228,585</u>	<u>10,544,657</u>
TOTAL ASSETS	<u>\$413,828,263</u>	<u>\$386,673,748</u>
LIABILITIES & EQUITY		
Accounts Payable/Accrued Liabilities	\$53,954,615	\$3,192,895
Member Shares	349,059,029	377,309,256
Regular Reserve	0	1,580,557
Retained Earnings	42,026,965	40,416,120
Unrealized Gain/Loss on Investments	<u>(31,212,346)</u>	<u>(35,825,080)</u>
TOTAL LIABILITIES & EQUITY	<u>\$413,828,263</u>	<u>\$386,673,748</u>



Summary Statement of Income & Expense

Years ended December 31

INTEREST INCOME	2023	2022
Loans to Members	\$3,934,914	\$3,091,715
Investments	<u>7,798,241</u>	<u>5,439,814</u>
TOTAL INTEREST INCOME	11,733,155	8,531,529
Less: Dividend on Member Shares	<u>4,478,040</u>	<u>1,864,688</u>
NET INTEREST INCOME	7,255,115	6,666,841
Other Operating Income	<u>987,794</u>	<u>1,217,849</u>
TOTAL OPERATING INCOME	\$8,242,909	\$7,884,690
OPERATING EXPENSE		
Salaries & Benefits	\$2,868,014	\$2,384,976
Data Processing	867,937	806,656
Communications	177,759	171,796
Auditing Fees	70,032	102,936
Stationery & Supplies	14,835	17,485
Education & Promotion	126,994	123,030
Depreciation & Amortization	307,980	280,598
Share Insurance	0	0
General Expenses	<u>3,759,069</u>	<u>2,452,030</u>
TOTAL OPERATING EXPENSE	\$8,192,620	\$6,339,506
Non-Operating Income/(Loss)	<u>0</u>	<u>0</u>
NET INCOME	<u>\$50,289</u>	<u>\$1,545,184</u>



Report of the Treasurer



Key elements of your credit union's 2023 financial performance include:

- Total assets were \$413.8 million; up \$27.2 million from the previous year and reflects an increase of 7.0%.
- Member share deposits at \$349.1 million, were down \$28.3 million, and reflects a decrease of 7.5%.
- Member loans at \$98.2 million, were down \$3.0 million and reflects a decrease of 3.0%.
- Investments ended the year at \$293.8 million, up \$28.6 million and reflects an increase of 10.8%.
- Total revenue for the year was \$12.7 million, up 30.5% from a year ago. Of that amount, \$8.2 million was allocated to operating expenses, and most importantly, \$4.5 million was returned to members in the form of dividend payments.
- Net income for the year was \$50.3 thousand and was added to retained earnings/reserves and resulted in capital increasing to \$42.0 million. The corresponding net worth ratio was 10.16%, and represents a regulatory classification of a "well-capitalized" credit union.

We anticipate moderate growth in member share deposits and loan demand for 2024, 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

2023 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
Lauren P. Kim
Lesli K. Otake
Terence S. Yeoh

Recording Secretary

Gail J. LaCroix

Senior Management

Marvin L. Thomas | *President/CEO*
Joseline A. Blalock | *VP, Mortgage*
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*