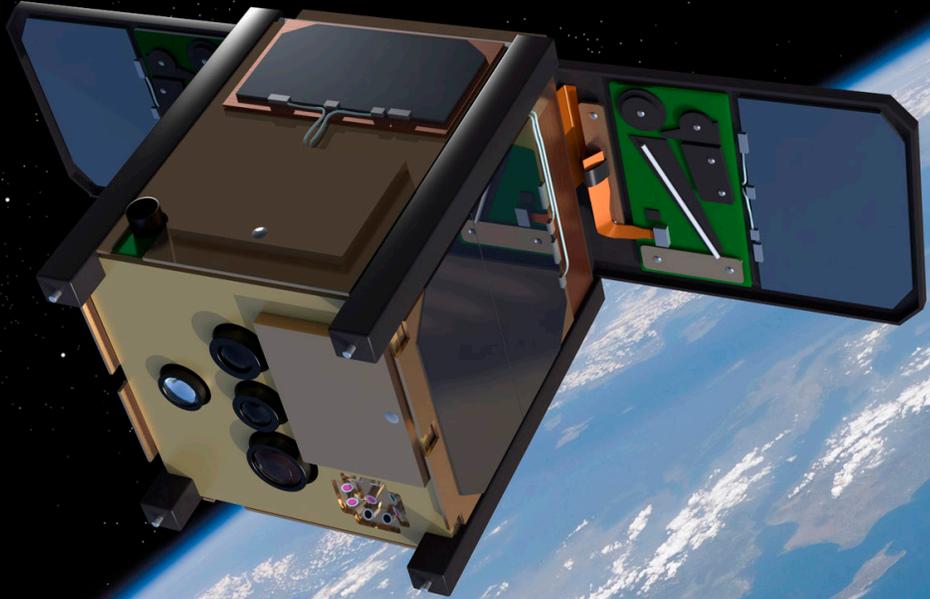


# NAVIGATING

*for a better tomorrow*



Annual Report  
2018

## Message from the Chair



It was another successful year for the Aerospace Federal Credit Union (AFCU). The credit union continued to grow membership, loans and shares in 2018, which goes to show that members are finding value in the products and services provided by the AFCU. Each year the credit union works toward improving how we serve you, the members. In 2018, the AFCU was able to return value to the membership in a variety of ways.

Members who entrusted AFCU with their savings last year were rewarded with a pro-rata share of a half-a-million-dollar bonus dividend. Auto loan rates continued to be among the best in the industry and many members benefited from even lower auto loan rates with bundle pricing by opening an AFCU Checking Account and/or an AFCU Platinum Visa® Credit Card account. In fact, members financed close to \$10 million in auto loans in 2018 and opened a record number of checking and credit card accounts. Your AFCU also enhanced offering rates on Share Certificate Accounts and experienced wide spread member acceptance.

In addition to returning value to the membership in 2018, the AFCU took the unprecedented action to leverage current earnings and restructured the investment portfolio to improve financial performance for years to come. This strategic initiative will position the AFCU to continue its quest to return value to the membership in the form of competitive rates on savings and loans and low-cost financial services.

Many thanks to my fellow board volunteers, the AFCU management team and staff that provide value and service to our membership. Their continual contributions are of high value and crucial to the success of the credit union. We take the responsibility of your financial needs extremely seriously and take pride that the AFCU is a safe and secure place for you to save and borrow. We appreciate the opportunity to serve you today and look forward to navigating for a better tomorrow!

**Charlotte M. Lazar-Morrison**

## Message from the President



In a word 2018 was outstanding! The financial markets as well as the financial services industry were in a state of flux and characterized by an improving but uncertain interest rate environment. Under the banner of intelligent banking and outstanding service, our goal was to navigate 2018 to a successful conclusion and position the AFCU to fulfill its Mission of assisting you to achieve financial success. We kept our eye on our Vision to have the AFCU be a preferred financial institution for when you were in the market for your next financial service. We appreciate the response received from the membership in the form of greater acceptance and use of the products and services offered by the AFCU.

Fast forward to 2019, and the course is clear that our objective is to continue a rich tradition of returning value to the membership in the form of competitive rates on member loans and savings and provide innovative products and services that make the AFCU the right choice for you. To that end, beginning in January 2019 we launched two initiatives aimed to reward members for their patronage; an enhanced rewards program on the AFCU Visa Credit Cards that features a 5-4-3-2-1 rewards structure on goods and services that you typically use every day; and our AFCU Visa Debit Card has been upgraded with a new design that features the AeroCube 4 satellite, enhanced EMV security chip technology, plus, a “Win with AFCU!” sweepstakes that gives you a chance to win cash prizes for using your debit card for daily routine transactions.

The true measure of Mission Success for the AFCU is membership growth. 2018 was encouraging with impressive growth in the field of membership groups associated with The Aerospace Corporation (TAC); the Los Angeles Air Force Base (LAAFB); and the civil service and contract employee groups that support TAC and LAAFB. However, the story behind the favorable membership gain is the record number of family members that were referred to the AFCU by you. We believe this reflects your trust in us to deliver on our commitment to assist our members achieve financial success. With the advent of mobile banking, an expansive ATM network, shared branching and remote delivery channels for opening accounts and applying for loans, there has never been a better time to be an AFCU member. We appreciate your support and look forward to what we will accomplish in 2019!

**Marvin L. Thomas**

## Summary Statement of Financial Condition

Years ended December 31

ASSETS	2018	2017
Loans to Members	\$80,234,441	\$72,757,295
Less: Allowance for Loan Loss	(210,000)	(150,000)
Cash	1,293,047	1,052,420
Investments	274,189,290	283,403,906
Accrued Interest Receivable	999,043	960,375
Property and Equipment	687,844	817,569
NCUSIF Deposit	3,246,176	3,263,657
Other Assets	<u>10,601,087</u>	<u>10,734,559</u>
<b>TOTAL ASSETS</b>	<b><u>\$371,040,928</u></b>	<b><u>\$372,839,781</u></b>

### LIABILITIES & EQUITY

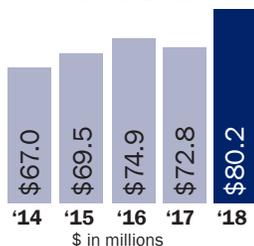
Accounts Payable/Accrued Liabilities	\$2,938,381	\$2,912,990
Member Shares	334,419,181	335,510,203
Regular Reserve	1,580,557	1,580,557
Retained Earnings	36,506,205	36,136,096
Unrealized Gain/Loss on Investments	<u>(4,403,396)</u>	<u>(3,300,065)</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>\$371,040,928</u></b>	<b><u>\$372,839,781</u></b>

## Summary Statement of Income & Expense

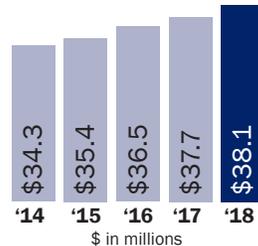
Years ended December 31

INTEREST INCOME	2018	2017
Loans to Members	\$3,014,259	\$2,693,883
Investments	<u>6,218,291</u>	<u>5,624,577</u>
<b>TOTAL INTEREST INCOME</b>	<b>9,232,550</b>	<b>8,318,460</b>
Less: Dividend on Member Shares	<u>2,788,724</u>	<u>2,424,984</u>
<b>NET INTEREST INCOME</b>	<b>6,443,826</b>	<b>5,893,476</b>
Other Operating Income	<u>1,040,544</u>	<u>805,247</u>
<b>TOTAL OPERATING INCOME</b>	<b>\$7,484,370</b>	<b>\$6,698,723</b>
<b>OPERATING EXPENSE</b>		
Salaries & Benefits	\$2,959,995	\$2,942,470
Data Processing	681,800	638,089
Communications	165,622	157,979
Auditing Fees	69,463	79,596
Stationery & Supplies	18,752	18,704
Education & Promotion	167,130	144,878
Depreciation & Amortization	245,624	258,742
Share Insurance	0	0
General Expenses	<u>1,772,861</u>	<u>1,338,712</u>
<b>TOTAL OPERATING EXPENSE</b>	<b>\$6,081,247</b>	<b>\$5,579,170</b>
Non Operating Income/(Loss)	<u>(1,033,013)</u>	<u>44,294</u>
<b>NET INCOME</b>	<b><u>\$370,110</u></b>	<b><u>\$1,163,847</u></b>

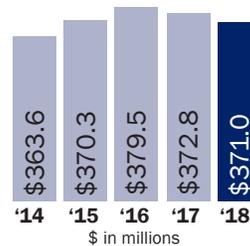
### Member Loans



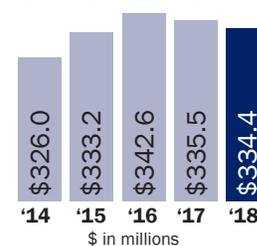
### Total Reserves



### Total Assets



### Member Shares



## Report of the Treasurer



Your credit union experienced favorable financial performance in 2018. Key elements include:

- Total assets were \$371.0 million; down \$1.8 million from the previous year and reflect a decrease of 0.5%.
- Member share deposits at \$334.4 million, were down \$1.1 million, a decrease of 0.3%.
- Member loans at \$80.2 million, were up \$7.5 million and reflect an increase of 10.3%.
- Investments ended the year at \$274.2 million, down \$9.2 million and reflect a decrease of 3.3%.
- Total revenue for the year was \$10.3 million, up 12.6% from a year ago. Of that amount, \$6.1 million was allocated to operating expenses, and most importantly, \$2.8 million was returned to members in the form of dividend payments.
- Net income for the year was \$370,110 and was added to retained earnings/reserves, which resulted in capital increasing to \$38.1 million. The corresponding net worth ratio was 10.26%, and represents a regulatory classification of a “well-capitalized” credit union.

We expect steady growth in both member share deposits and loan demand in 2019 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 internal auditing firm RSM US, LLP. Annually, internal audits were conducted on numerous areas of credit union operations with a focus on regulatory compliance and risk management. Richards & Associates, CPAs was engaged to conduct an independent opinion audit of the Aerospace Federal Credit Union's financial statements and business practices. Both auditing firms reported and discussed their results with the Supervisory Committee and Senior Management. I am pleased to report there were no significant areas for concern with respect to the operational practices and performance of the credit union. Additionally, they found the credit union's financial statements conform to the generally accepted accounting principles of the United States of America and are available for review at the credit union.

**Anthony T. Stier**

## 2018 Officials

Board of Directors  
**Charlotte M. Lazar-Morrison** | *Chair*  
**David A. Christopher** | *Vice Chair*  
**James W. Ford** | *Treasurer*  
**Tammy L. Choy** | *Secretary*  
**Susan J. Adams**  
**Lauren P. Kim**  
**Kien T. Le**  
**Steven M. Leontis**  
**Joe M. Straus**

Supervisory Committee  
**Anthony T. Stier** | *Chair*  
**Mary H. Moy**  
**Lesli K. Otake**  
**Christopher P. Woods**  
**Terrence S. Yeoh**

Advisory Committee  
**Brenda E. Eichel**  
**Maraea M. Weinberg**

Recording Secretary  
**Gail J. LaCroix**

Senior Management  
**Marvin L. Thomas**  
*President/CEO*  
**Cynthia R. Chafe**  
*VP, Compliance*  
**Lani L. Young**  
*Finance Director*  
**Gregory S. Moran**  
*VP, Information Technology*  
**Jeri L. Smith**  
*VP, Member Service*