



Value Through  
**Synergy**

Annual Report  
**2019**



## 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 2019, which goes to show that members recognize the value in the products and services provided by the AFCU. In 2019, the AFCU was able to return value to the membership in a variety of ways.

Members who entrusted AFCU with their savings were rewarded with competitive dividends throughout the year and a pro-rata share of a half-a-million-dollar bonus dividend at year-end; an amount equal to 15.5% of dividends paid during the year. In addition to rewarding savers, the AFCU offered low, competitive loan rates on consumer loans, and outstanding rates and low fees on mortgage loans. But the jewel of 2019 for borrowers was the industry leading AFCU Platinum Visa Credit Card rewards program that paid a weighted reward of 2.3% on purchase transactions. And not to be forgotten was the “Win With AFCU” debit card promotion that awarded twelve lucky members with \$500 each from a monthly drawing, and a grand prize winner at year-end of \$2,500, for members with an AFCU Checking Account and simply choosing to use their debit card to pay for daily purchases.

In addition to returning outstanding value to the membership in 2019, the AFCU initiated a campaign to hear the voice of the membership through focus groups comprised of both members and nonmembers alike with a goal to learn how to serve the AFCU community better. Knowledge gained from that experience has been beneficial in shaping the strategic direction of the AFCU and will ultimately result in members continuing to have a rewarding experience when engaged with the AFCU for financial services.

Thank you also for all the contributions from my fellow board volunteers, 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 value the opportunity to serve you and look forward to adding value to the membership in the future!

**Charlotte M. Lazar-Morrison**

## Message from the President



In a word 2019 was outstanding! With intelligent banking and outstanding service as a guiding light, our goal was to navigate the year to a successful conclusion and position the AFCU to fulfill its Mission of assisting its members to achieve financial success. We kept an eye on our Vision to have the AFCU be a preferred financial institution and aspire to continuously earn your trust with every experience that we share in delivering financial service to you. We are honored by the response received from the membership in the form of greater acceptance and use of the products and services that are offered by the AFCU.

The theme for this year's annual report is “Value Through Synergy” and is symbolic of the cooperative spirit of the credit union industry; that is, people coming together through a common bond to achieve a better good. The imagery of hands from all walks of life embraces our diversity and the truism that together we can accomplish more than attempting to receive the blessings of our opportunities alone. Collectively, our challenge is to energize the cooperative spirit of our credit union and watch the benefit of people helping people continue to grow. No one has a crystal ball on what the new year has to offer, but we have a clear vision for 2020 and returning value to you is at the forefront of our agenda.

As we move forward in 2020, we want to develop a better understanding of what's important to you and making your experience with the AFCU truly outstanding. We believe building on the rich tradition of the founders of the AFCU with a continuation of better than average dividend rates, competitive loan rates, low-cost fees for vital services, and one of a kind rewards for using our credit and debit cards for daily purchase transactions is a winning proposition.

On the spectrum of good, better and best, AFCU is at the top of the list when it comes to creating “Value Through Synergy”. We appreciate the membership and encourage you to stay engaged and enhance the cooperative spirit of the AFCU family of members. Together, we can make 2020 a rewarding experience and the AFCU a lifelong benefit now and for generations to come.

**Marvin L. Thomas**

## Summary Statement of Financial Condition

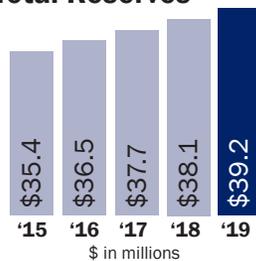
Years ended December 31

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Loans to Members	\$89,316,565	\$80,234,441
Less: Allowance for Loan Loss	(220,000)	(210,000)
Cash	1,587,141	1,293,047
Investments	274,644,515	274,189,290
Accrued Interest Receivable	974,624	999,043
Property and Equipment	969,924	687,844
NCUSIF Deposit	3,251,857	3,246,176
Other Assets	11,586,221	10,601,087
<b>TOTAL ASSETS</b>	<b><u>\$382,110,847</u></b>	<b><u>\$371,040,928</u></b>
<b>LIABILITIES &amp; EQUITY</b>		
Accounts Payable/Accrued Liabilities	\$2,305,442	\$2,938,381
Member Shares	339,327,488	334,419,181
Regular Reserve	1,580,557	1,580,557
Retained Earnings	37,649,581	36,506,205
Unrealized Gain/Loss on Investments	1,247,779	(4,403,396)
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>\$382,110,847</u></b>	<b><u>\$371,040,928</u></b>

### Member Loans



### Total Reserves

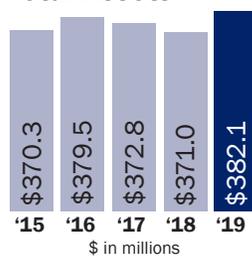


## Summary Statement of Income & Expense

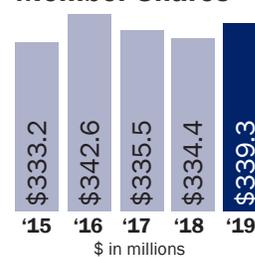
Years ended December 31

	<b>2019</b>	<b>2018</b>
<b>INTEREST INCOME</b>		
Loans to Members	\$3,398,188	\$3,014,259
Investments	6,856,531	6,218,290
<b>TOTAL INTEREST INCOME</b>	<b>10,254,719</b>	<b>9,232,549</b>
Less: Dividend on Member Shares	3,747,153	2,788,724
<b>NET INTEREST INCOME</b>	<b>6,507,566</b>	<b>6,443,825</b>
Other Operating Income	1,134,357	1,040,544
<b>TOTAL OPERATING INCOME</b>	<b>\$7,641,923</b>	<b>\$7,484,369</b>
<b>OPERATING EXPENSE</b>		
Salaries & Benefits	\$2,855,073	\$2,959,995
Data Processing	750,492	681,800
Communications	178,596	165,622
Auditing Fees	93,419	69,463
Stationery & Supplies	16,796	18,752
Education & Promotion	163,734	167,130
Depreciation & Amortization	227,703	245,624
Share Insurance	0	0
General Expenses	2,197,764	1,772,861
<b>TOTAL OPERATING EXPENSE</b>	<b>\$6,483,577</b>	<b>\$6,081,247</b>
Non Operating Income/(Loss)	(15,000)	(1,033,014)
<b>NET INCOME</b>	<b><u>\$1,143,346</u></b>	<b><u>\$370,108</u></b>

### Total Assets



### Member Shares



## Report of the Treasurer



Your credit union experienced favorable financial performance in 2019. Key elements include:

- Total assets were \$382.1 million; up \$11.1 million from the previous year and reflects an increase of 3.0%.
- Member share deposits at \$339.3 million, were up \$4.9 million, and reflects a gain of 1.5%.
- Member loans at \$89.3 million, were up \$9.1 million and reflect a gain of 11.3%.
- Investments ended the year at \$274.6 million, up \$0.5 million and reflect an increase of 0.2%.
- Total revenue for the year was \$11.4 million, up 10.9% from a year ago. Of that amount, \$6.5 million was allocated to operating expenses, and most importantly, \$3.7 million was returned to members in the form of dividend payments.
- Net income for the year was \$1.1 million and was added to retained earnings/reserves and resulted in capital increasing to \$39.2 million. The corresponding net worth ratio was 10.27%, and represents a regulatory classification of a “well-capitalized” credit union.

We expect steady growth in both member share deposits and loan demand in 2020 and the AFCU balance sheet is well structured to accommodate a wide range of interest rates.

**James W. Ford**

Federally insured by NCUA

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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**

## 2019 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

Terence S. Yeoh

### Advisory Committee

Brenda E. Eichel

### Recording Secretary

Gail J. LaCroix

### Senior Management

Marvin L. Thomas | *President/CEO*

Cynthia R. Chafe | *VP, Compliance*

Gregory S. Moran | *VP, IT*

Jeri L. Smith | *VP, Member Service*

Lani L. Young | *Finance Director*

Ian B. Freshman | *Marketing Manager*