



— 2019 — Annual Report



CHAIRMAN'S AND PRESIDENT'S REPORT

October 25, 1955 is when Air Academy Federal Credit Union (AAFCU®) was chartered. Also, in 1955, the first Fortune 500 list was published. If you looked at that list in 2019 (when AAFCU celebrated its 64th anniversary) there were 52 of the original companies still part of the original Fortune 500. Most of the 52 companies are household names and vary greatly in products and services. However, what does not vary is their desire to serve. Your credit union has the same desire. Our focus is on you, our member owners. 2019 was another excellent year with growth in members, assets, and loans. As of December 31, 1955, we ended the year with \$4,346.34 in assets, \$2,875 in loans, and 27 members. I am proud to report AAFCU ended December 31, 2019, with \$639,295,974.89 in assets, \$546,431,797.63 in loans, and 49,671 members. Thank you for 64 incredible years!

The economy remained strong in many parts of the United States and especially in Colorado. The housing market continued its positive run as unemployment remained unusually low. The stock market had an outstanding year with the Dow Jones Industrial Average returning 22.0%, the NASDAQ returning 34.8%, and the S&P 500 returning 28.5%. However, 2019 was not without volatility as the stock market had three noticeable drops during the year. Looking forward, many say there are tailwinds for the market over the next few years.

One of the unexpected changes in 2019 was interest rates. In 2018, the Federal Reserve Bank raised rates four times to a range of 2.25% to 2.50%. Near the end of 2018, many economists expected rates to continue their upward trend in

2019. However, that didn't happen. The Fed dropped rates three times to a range of 1.50% to 1.75%, and changed how financial institutions operated. Consumers and members saw higher loan rates, but were also benefiting from higher deposit rates. When the environment changed, deposit rates came down immediately, while loan rates dropped slightly. Even with rates dropping, AAFCU kept its Kasasa Cash® checking account at 2.25% APY¹ and left most deposit rates where they were in 2018 in the best interest of the membership. In response to the market, we did lower our loan rates to serve the membership better.

Lower interest rates and a strong economy helped decrease (improve) the delinquency ratio from 0.26% to 0.09%. Our loan charge-off rate decreased (improved) from 0.34 % to 0.24%. Our net income for the year was a solid \$3,741,902.60. Your credit union had another year with great outcomes, and we remain positive looking forward.

Strong financial results do not happen without loyal and committed members as well as outstanding employees. We are proud of our staff for the work they do and the culture they create. As recognition, AAFCU was named a Best Workplace—Large Company by The Gazette for the third consecutive year. We are one of two large companies that has won the award all three years of the award's existence. This is an outstanding accomplishment and we are proud of our AAFCU team. In addition, AAFCU was involved in many community events as outlined in this report.



Another highlight for the credit union was member service. We use Net Promoter Score as our measurement and in 2019 we improved our already world-class service to new heights. Looking forward, we will stay focused on providing outstanding member service and our 150+ employees are committed to making your experience second to none. Also, in 2019, we improved our products and services based on member needs. We introduced CardSwap™ to the membership which allows members to easily update payment information for your new AAFCU debit or credit card anytime your card is lost or stolen. Our investment advisory service, CUSO Financial Services, L.P.* (CFS), sponsored seminars on a variety of topics such as: long-term care, wills and trusts, and investments. To enhance our debit card, we implemented photo debit cards so members can select a personalized image to have on their debit card. Additionally, we began offering lawyers' trust accounts and introduced a checking account to help members with previous account challenges.

{ The Gazette, recognized AAFCU as a Best Workplace - Large Company, for the third year in a row. The recognition is a testament to the hard work and dedication of our 150+ employees, volunteer Board of Directors, and volunteer Supervisory Committee to create organizational excellence. }

We are strong. We are safe. We are growing. From our early beginnings 64 years ago to a worldwide financial institution, we are proud of our heritage and legacy of excellence, and we are proud to be a member-owned organization who provides banking, insurance, and investments through Air Academy Federal Credit Union, Air Academy Insurance Services**, and CUSO Financial Services, L.P.* We want to be Your Trusted Financial Partner. On behalf of your volunteer Board of Directors, Supervisory Committee, and 150+ dedicated employees, we appreciate your confidence and loyalty. We look forward to serving you, your family, and your friends for many years to come.

~Dr. Donald M. Bird
Chairman

~Glenn L. Strebe
President/CEO



TREASURER'S REPORT

Air Academy Federal Credit Union ended 2019 with \$639 million in total assets. This represented growth of \$36 million, a 6% increase.

Total deposits grew \$33 million to \$554 million, a 6.0% increase. Checking account balances increased 3%, Money Fund savings balances increased 6%, basic share savings balances increased 4% and Term Share Certificate balances increased 20%.

Members borrowed \$251 million in 2019 to help build their dreams. This is a 3% increase over 2018 loan originations. Outstanding loan balances increased \$9 million to end 2019 at \$546 million.

Our loan growth did not come at the expense of our safety and soundness. We ended the year with a net worth ratio of 9.43%; well above the 7% level our regulators, the National Credit Union Administration, consider well capitalized. Net worth increased 7% during 2019. Delinquent loans were only 0.09% of total loans and charge offs were only 0.24%. Both figures continue to be well below our peer averages and are improved from 2018.

During 2019 we saw the number of members enrolled in online banking increase 7% to exceed 19,000. Over 39% of our members enjoy the convenience of banking

whenever and wherever they wish. During 2019, members remotely deposited 57,200 checks totaling \$25 million. This was a 9% increase over 2018.

As we strive to grow and offer new products and services to our members, we never lose sight of our responsibility to be good stewards of our members' finances. Our operating expenses for 2019 were \$1.3 million (6%) lower than our peer group.

Thanks to the high standards of integrity and through the guidance of our Board of Directors and Senior Leadership Team, AAFCU remains a safe and sound place to invest and borrow.

Please refer to the financial statements in this report for more details. Thank you for your membership!

~Dr. Phil Prosseda
Treasurer

SUPERVISORY COMMITTEE'S REPORT

The Supervisory Committee provides the membership with an independent evaluation of the safety and soundness of Air Academy Federal Credit Union's operations, processes, and activities. The committee, which is appointed by the Board of Directors, works with our auditor to ensure all aspects of the credit union are routinely monitored. The auditor conducts internal audits and reviews internal controls to ensure the assets of the credit union are protected.

Annually, the National Credit Union Administration (NCUA), our federal regulatory agency, performs a safety and soundness examination of our credit union to verify that we are complying with federal regulations. The Supervisory Committee also employs an independent Certified Public Accountant firm to perform a comprehensive annual examination of the financial statements. For 2019, the firm of CliftonLarsonAllen issued Air Academy an unmodified opinion; the highest level of assurance issued by a CPA firm.

Based on the results of our internal audit procedures, the NCUA's examination report, and the independent auditor's report, it is the opinion of the Supervisory Committee that Air Academy continues to be financially sound and well managed.

The Supervisory Committee serves as your voice in credit union affairs. We invite you to share your comments, questions, or concerns with us at any time. You can send comments directly to the Supervisory Committee at:

Supervisory Committee
PO Box 62907
Colorado Springs, CO 80962-2907

~Terry Stokka
Chairman

FINANCIAL HIGHLIGHTS



Total Members (12/31/19)
 49,671



STATEMENT OF FINANCIAL CONDITION (unaudited)

As of
December 31, 2019 and 2018

	2019	2018
Loans to members	\$546,431,798	\$536,597,139
Less: Allowance for Loan Losses	(2,154,916)	(2,324,859)
Net Loans to Members	\$544,276,882	\$534,272,280
Cash and Investments	62,236,925	36,596,327
Other Assets	32,782,168	32,391,589
TOTAL ASSETS:	\$639,295,975	\$603,260,196

For the Years Ended December 31, 2019 and 2018

STATEMENT OF INCOME (unaudited)

	2019	2018
Operating Income	\$28,048,458	\$26,566,982
Operating Expenses	(19,934,792)	(18,295,890)
Provision for Loan Losses	(1,112,500)	(1,051,375)
Non-Operating (Losses) Gains, Net	(39,399)	52,358
Dividends Paid to Members	(3,219,864)	(2,068,157)
Net Income	\$3,741,903	\$5,203,918

	2019	2018	2017	2016	2015
Total Assets	\$639,295,975	\$603,260,196	\$580,112,182	\$553,752,054	\$515,209,500
Dividends Paid	\$3,219,864	\$2,068,157	\$1,708,960	\$1,722,203	\$1,716,725
Capital	9.43%	8.85%	8.38%	8.42%	8.66%

January 2019

First Time Homebuyer Workshop

February 2019

Art Scholarship Awards

Colorado Springs School District 11

Seminar - Understanding Your VA Loan Benefits

March 2019

Art Scholarship Awards

Academy School District 20

Kiowa School District C-2

First Time Homebuyer Workshop

April 2019

Art Scholarship Awards

Douglas County RE-1

Elizabeth School District C-1

Falcon School District 49

Fountain-Fort Carson School District 8

Lewis Palmer School District 38

Arts Business Education Consortium Awards Luncheon

Balloon Ball

Benefiting the Children's Hospital Colorado Springs

Payback Piggy

Seminar - Retirement Income Planning

Seminar - Understanding Your VA Loan Benefits

May 2019

Art Scholarship Awards

Elbert C-200

Backpacks For Kids

Parker Task Force for Human Services

Adopt-A-Park Program

Laura Gilpin Park (Colorado Springs)

First Time Homebuyer Workshop

Homes for Heroes Community Cares K9 Event

Collected Supplies for National Mill Dog Rescue

Seminar - The Truth about Trusts vs Wills

Academy School District 20 Staff Appreciation Breakfasts

June 2019

AAFCU Community Shred Day

Blanket Donation to Project Linus Colorado Springs Chapter

Adopt-A-Park Program

Laura Gilpin Park (Colorado Springs)

Colorado Springs Western Street Breakfast

Going for the Green Golf Classic

Benefiting the Colorado Institute For

Social Impact and Air Academy Federal Credit

Union Foundation

Elephant Rock Cycling Classic

Benefiting the Help and Hope Center Douglas

& Elbert Task Force

Seminar - Understanding Your VA Loan Benefits

United States Air Force Academy Newcomer's Orientation

Veteran's Cup Golf Tournament

Benefiting The Home Front Cares

Woof and Wine Event

Benefiting the Humane Society of South Platte Valley

July 2019

Courage Classic

Benefiting the Children's Hospital Colorado

Douglas County School District Learning and Leadership Summit

First Time Homebuyer Workshop

Fountain Valley Scholars Golf Tournament

Stars and Stripes Golf Tournament

Benefiting the YMCA of the Pikes Peak Region

August 2019

Backpacks For Kids

Benefiting the Parker Task Force for Human Services

Academy School District 20 Back-to-School All Staff Breakfast

Cheyenne Mountain School District 12 Convocation

Falcon School District 49 Back-to-School Event

Military Movie Night at the Rocky Mountain Vibes

Rocky Mountain Vibes Baseball Youth Baseball Clinic

Seminar - Understanding Your VA Loan Benefits

United States Air Force Academy Friday Football Luncheons

September 2019

AAFCU Community Shred Day

Backpacks For Kids

Benefiting the Parker Task Force for Human Services

First Time Homebuyer Workshop

Seminar - Navigating Social Security and Medicare

United States Air Force Academy Parents' Weekend

United States Air Force Academy Football Luncheons

October 2019

Better Business Bureau of Southern Colorado Night of Excellence

Creepy Crawl 5k

Benefiting the YMCA of the Pikes Peak Region

Dolls for Daughters and Toys for Boys Toy Drive

Benefiting Kenzie's Causes

Payback Piggy

Seminar - Planning for Long-Term Care

Trick or Treat at AAFCU

Trunk or Treat at the United States Air Force Academy

Seminar - Understanding Your VA Loan Benefits

United States Air Force Academy Football Luncheons

November 2019

Air Force Academy vs. Navy Football Tailgate

Dolls for Daughters and Toys for Boys Toy Drive

Benefiting Kenzie's Causes

First Time Homebuyer Workshop

Seminar - The Truth About Trusts vs Wills

United States Air Force Academy Friday Football Luncheons

Weekend Food Backpack Program

Benefiting the Parker Task Force for Human Services

December 2019

Colorado Springs Festival of Lights Parade

Dolls for Daughters and Toys for Boys Toy Shop

Benefiting Kenzie's Causes

Emily Griffith Center for Children - Chins Up Holiday Party

Seminar - Tax Efficient Retirement Planning

Seminar - Understanding Your VA Loan Benefits

AAFCU COMMUNITY
support snapshot



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aafcu.com

¹APY = Annual Percentage Yield

*Non-deposit investment products and services are offered through CUSO Financial Services, L.P. ("CFS"), a registered broker-dealer (Member FINRA/SIPC) and SEC Registered Investment Advisor. Products offered through CFS: are not NCUA/NCUSIF or otherwise federally insured, are not guarantees or obligations of the credit union, and may involve investment risk including possible loss of principal. Investment Representatives are registered through CFS. The Credit Union has contracted with CFS to make non-deposit investment products and services available to credit union members.

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