



2021

ANNUAL REPORT



MINUTES OF THE 68TH ANNUAL MEMBERSHIP MEETING

Welcome and Call to Order: The 68th Annual Membership Meeting of Air Force Federal Credit Union was held at the AFFCU Corporate Headquarters located at 1560 Cable Ranch Rd., Suite 200, San Antonio, Texas, 78245 on March 20, 2021. Members were provided the Annual Report. The Report was also posted on the Credit Union's website at www.goaffcu.com. At 10:00 a.m. Mr. Sam V. Farace, Jr., Chairman of the Board, called the meeting to order, welcomed the members in attendance and those members watching via live stream.

Determination of Quorum: Mrs. Joan B. Lopez certified that a quorum was present.

Pledge of Allegiance: Mr. Farace invited everyone to rise and join him in the recitation of the Pledge of Allegiance.

Introduction of the Board: Mr. Farace introduced the other members of the Board as follows:

Mr. James E. Goodgion III (Vice Chairman), Mrs. Joan B. Lopez (Secretary), Mr. Melvin J. Moczygamba (Treasurer), Mr. Michael M. Buecher, Ms. Georgia Snodgrass, Mr. Brian K. Rawls, Mr. John A. Szulta and Mr. Thomas L. Scott. Those serving on the Supervisory Committee were Mr. Michael A. Pollog, Mr. Joseph M. Gonzales, Mr. Alejandro E. Valadez and Mrs. Price O. Long.

Mr. Farace introduced the new President/CEO of AFFCU, Mr. Ryan Ross, who joined the Credit Union in September of 2020. Mr. Ross introduced his management team as follows:

Mr. Bob Sherwood, EVP/COO; Mrs. Johnette Green, SVP/CLO; Mrs. Cathy Miller, SVP/CRO; Mrs. Lisa Rodriguez, VP/CFO; Mrs. Stephanie Norwood, VP/Member Experience; Mrs. Jeanette Riedel, VP/CTO; and Mr. Danny Sanchez, VP/Marketing.

Moment of Silence: A special moment of silence was observed for members who had passed away in 2020, those families affected by the Coronavirus and for the brave men and women who served in our military who had made the ultimate sacrifice while defending this country that we may be free Americans.

Minutes of the 68th Annual Meeting: On a motion made and seconded from the floor, the minutes of the 67th Annual Membership Meeting held on March 21, 2020 were approved.

Reports: Chairman Farace referenced the reports contained in the Annual Report and called for any questions. There were none from the floor. Those members watching the live stream were able to submit their questions via a link provided to them.

Mr. Farace gave the Chairman's Report. With the unprecedented pandemic, 2020 was a very challenging year. The credit union mobilized staff, equipped facilities, and opened up new digital channels to serve members. The management team came up with diverse ideas to help members who lost their jobs or were furloughed. Employees set up at home with the necessary equipment to make transactions by phone or digital means and members were able to schedule appointments through the Interactive Member Experience i-Branch virtually. AFFCU was able to provide convenient and safe services throughout the year.

The credit union had positive financial outcomes in 2020, earning a record \$4 million plus and increasing the asset size to over a half a billion dollars. AFFCU was also able to continue to support the communities it serves by increasing support to the Food Banks in San Antonio, Del Rio and the Golden Triangle of Mississippi. In 2020, AFFCU was approved by the NCUA to serve two underserved areas: three counties in Mississippi near the Columbus branch and the underserved area of San Antonio, Texas. Those that live, work, worship, attend school or conduct business in any of these underserved areas can now join AFFCU.

Mr. Farace thanked the loyal membership for their support and contributions to AFFCU's success. He thanked the former President and CEO, Mr. Robert Glenn, for his 14 years of service to the Credit Union and welcomed Mr. Ryan Ross to the leadership helm. Mr. Ross delivered the President's Report. Mr. Ross expressed how truly honored he was to lead AFFCU.

2021 MINUTES (CONTINUED)

Not new to the credit union movement, he comes with 15 years of experience in the credit union industry, having worked at two previous financial institutions. He was impressed with the staff as they showed their dedication to taking care of the members in the midst of the pandemic.

He has tasked the management team with laying out a plan to enhance and streamline the Credit Union's products and services. AFFCU is looking to upgrade its online and mobile banking, along with the products tied to it, to provide members the features and services they need to reach their accounts from anywhere at any time. As with any change, the Credit Union will continue to maintain competitive rates and low fees.

Mr. Michael Buecher, Supervisory Committee Chair, gave the Supervisory Committee Report. He indicated that a detailed written report was included in the Annual Report.

Ms. Georgia Snodgrass presented the Youth Committee Report and announced the 2021 AFFCU Scholarship recipients. There were a total of five scholarships awarded, each in the amount of \$5,000 to be used at the college or university of the recipient's choice. The recipients were as follows: Ms. Sophia Mendoza Dela Cruz from Helotes, Texas, received the George H. Einfeldt Memorial Scholarship; Mr. Stephen John Mullen from San Antonio, Texas, received the Warren D. Vail, Sr. Memorial Scholarship; Ms. Jennifer Marie Tharp from San Antonio, Texas, received the James C. Kemple Memorial Scholarship; Ms. Emma Elizabeth Jachimowicz from Schertz, Texas, received the Ronald R. Applegate Memorial Scholarship and Ms. Harley Sue Guerrero from San Antonio, Texas, received the AFFCU Founders' Scholarship.

Unfinished Business: Chairman Farace called for any Unfinished Business. There was none.

New Business: Chairman Farace called for any New Business. There was none.

Nominating Committee Report: Mr. James E. Goodgion III, Nominating Committee Chair, delivered the Nominating Committee Report. The Board had three 3-year term vacancies for 2021. It was the duty of the Nominating Committee to nominate at least one member for each position, with the election to be held at the Annual Meeting. The Nominating Committee received submissions from three individuals indicating their desire to serve on the Board. The Nominating Committee found the candidates qualified and agreeable to having their names placed in nomination. They were: Mr. Melvin J. Moczygemba, Mr. Brian K. Rawls, and Mr. Thomas L. Scott.

There were no nominations by petition. According to Article V of the Bylaws, when only one member was nominated for each position to be filled, the election would not be conducted by ballot and there would be no nominations from the floor. Therefore the following nominees were declared elected by general consent for three-year terms: Mr. Melvin J. Moczygemba, Mr. Brian K. Rawls, and Mr. Thomas L. Scott.

Adjournment: Chairman Farace adjourned the meeting at 10:32 a.m.

MESSAGE FROM THE CHAIRMAN

Col Sam V. Farace Jr., USAF (Ret), NCVE



On behalf of the Air Force Federal Credit Union's (AFFCU) Board of Directors, it my privilege to report on the status of our member-owned credit union. For almost 70 years, the Board and the Credit Union's Leadership's top priority has been and continues to be improving the financial health and well-being of our members and the communities we serve. I'm proud to state that AFFCU has managed to stay true to that commitment and this achievement is all the more remarkable when considering many organizations during this period struggled to recover from the effects of the pandemic.

I am pleased to report that your Credit Union remains financially strong and solvent. At the close of 2021, AFFCU had earned \$5,851,041, increasing our asset size to a record \$557,934,776. The financial gains earned in 2021 allowed the credit union to continue our efforts to upgrade our technology, facilities and maintain partnerships while permitting us to begin working on new initiatives.

Key accomplishments during this period included making some major changes in our aging facilities. We sold our branch at Guilbeau which served us well for many years and replaced this branch with a modern facility having a more visible and accessible location at Braun Road and Hwy 1604. This branch fulfilled our goal to improve our services while making it more convenient for our members. It is equipped with the latest high-touch technology, which improves our overall service delivery. Braun branch provides support for existing members and expands support for the entire Northwest side of San Antonio. Additionally, plans are in the works to relocate our Lackland branch from its location to just across the street where the Bank of America branch was located. This move will provide more efficient and cost effective operations.

The leadership team has identified other initiatives that are in various stages of planning and implementation. For example, Cloud Storage, Cyber Mat improvements, and a member-centric communication phone system are in works. Additionally, the team rolled out the new Fraud Alerts system for debit and credit cards, reducing potential losses for all participants. Our team of dedicated employees continue to diligently work on improving member experiences, as we implement more technology through our service channels.

Our fiscal strength permitted us to do more than provide excellent financial service, but also philanthropic endeavors. In 2021, we continued to invest in our local communities through scholarships, sponsorships, donations, and civic support. It's a huge honor to live up to the credit union motto "People Helping People" by contributing to causes that are important to our staff, members and communities we serve.

It is with great pride that we inform you of our selection as the "Air Force Credit Union of the Year" (under \$1 billion in assets category) by the Department of Defense. The award was presented at the Defense Credit Union Council Conference in August 2021. If you are keeping score, this marks the fifth time we have been the recipient of this prestigious service award.

In addition to serving those who serve our country, AFFCU's field of membership was expanded this year to include much of Bexar County. If you work, worship, live or do business in the county, you can now join AFFCU. This expansion is important to the credit union since we're now able to provide membership, products, and services to many more people in our founding city.

CHAIRMAN MESSAGE (CONTINUED)

2021 correspondingly brought with it the retirement of our Executive Vice President/Chief Operations Officer/COO, Mr. Robert (Bob) Sherwood (USAF, Chief Master Sergeant Ret.). Bob served at AFFCU April 24, 2004, through August 31, 2021, as the second in Command. His service of 17 years can be characterized as highly commendable. During his tenure, the Credit Union has grown assets from \$223 million to \$556 million. Under Bob's leadership, the credit union garnered numerous awards including the prestigious Secretary of the Air Force award "Credit Union of the Year" and provided various support in the communities we serve to Non-Profit organizations like the San Antonio Food Bank. Bob's exemplary devotion to AFFCU will be sorely missed by all.

We also introduced some great additions to our senior leadership team. In our Human Resources Department, we welcomed our Vice President, Ms. Jessica Martinez and Mr. Kerry Graham as the Vice President of Marketing. Both of these employees bring excellent knowledge and experience from their former positions.

The accomplishments achieved in 2021 could not have been possible without the dedicated team of employees who serve our members in our

branches, on the phone, through technology or in our corporate headquarters. They remain steadfast to our commitment to provide you with the very best products, services, and security, assisting with your financial journey. We are equally indebted to the skilled oversight and dedication provided by our volunteers. They spend many hours ensuring your credit union meets or exceeds your financial requirements.

Lastly, I'd like to say "thank you" to our members for choosing AFFCU as your financial partner. We are grateful for the faith you place in us and work hard daily to continue to earn it. As we closed the books on our 69th year of service, we look forward to being "With You for Life".

Sincerely,



Col Sam V. Farace, Jr., USAF (Ret) NCVE
Chairman, AFFCU

MESSAGE FROM THE PRESIDENT

Ryan Ross



I'm pleased to say that AFFCU continued to make great strides in many areas thanks to the efforts and support of our staff, our Board of Directors, and our members. We closed out 2021 stronger than planned with another record year for our organization and this achievement wouldn't be possible without you.

Our Board Chairman, Sam Farace, briefly highlighted some of the Credit Union's accomplishments from the past year within his report. I'd like to shine a spotlight on some of the exciting enhancements we have in the works.

We've entered 2022 with big plans and goals in mind. The AFFCU team is focused on constantly examining our "Share of Wallet", to ensure our earnings are being put to use by providing innovative products, and improving processes and services for both our staff and members.

As part of the commitment to our member's financial health, we're investing in enhanced digital tools and solutions. This will allow you to manage your money conveniently and reach your financial goals faster. These improvements include: an upgrade to our online and mobile banking platform with new features and functionality that will allow us to provide state-of-the-art self-service options, a complete overhaul of our website with better search functionality, a new appointment scheduling feature for a faster and more personalized branch visit, and an AI-based phone system to alleviate hold times.

Additionally, we will continue to invest in solutions that make it easier than ever to be an AFFCU member.

Our team will also greatly benefit from the refined digital efforts that we'll be unveiling. The streamline infrastructure will help the Credit Union grow our productivity and assist more members.

Further developing the Credit Union's Company Culture is a key component in another main goal of mine, to make AFFCU an "employer of choice". We've increased the Credit Union's base salary and revitalized the benefits package offered to new and existing staff members in order to attract and retain employees in this competitive job market.

The updated compensation packages is only the beginning. We're also initiating a new member service training which will be a continued resource to increase member satisfaction and retention while providing our staff with a plethora of excellent skills to give them the advantage to successfully assist all of our members' requests.

Building on the AFFCU Brand is paramount to the Credit Union's future growth. Expect to see more of AFFCU's community efforts highlighted on tv, social media, and more. You will also continue to see our revamped logo and signage introduced throughout the year.

I'm truly energized by what we have in store. My promise is to make tremendous strides towards positive growth and transformation.

Again, I'd like to thank the staff, volunteer Board of Directors and our members for contributing to the success AFFCU has experienced. The Credit Union's profitability affords us the opportunity to further develop more people-centric solutions for you, our team and our community.

Sincerely,

A handwritten signature in black ink that reads "Ryan Ross". The signature is written in a cursive, flowing style.

Ryan Ross
President/CEO

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee, which is appointed by the Board of Directors of AFFCU, is responsible for ensuring that the credit union's financial records are in order and that internal controls are in place to protect the assets of the credit union for its members.

To meet these goals, the Supervisory Committee is responsible for determining whether your credit union managers have:

1. Established and maintained effective internal controls to achieve the credit union's financial reporting objectives.
2. Promptly prepared accounting records and financial reports to accurately reflect operations and results.
3. That the relevant plans, policies and control procedures established by the Board of Directors are properly administered.
4. That policies and control procedures that safeguard against error, carelessness, conflict of interest, self-dealing and fraud are established.

Section 115 of the Federal Credit Union Act states that the Supervisory Committee is responsible for the credit union's audit and that the results are reported to the Board of Directors and the membership. To assist in carrying out these responsibilities in 2021 the committee engaged the firm of Doeren Mayhew CPAs to perform an independent audit and to provide an opinion on the financial condition of your credit union for the period ending 09/30/2021 (although this date does not coincide with year-end it is the date that our financial audit is historically done.) The goals of this audit are to determine the reliability and integrity of the financial and operating information and to determine compliance with generally accepted accounting principles (GAAP). The audit program included AFFCU Financial Statements, Member Verification, and AFFCU Retirement Plan and Trust.

Beginning November 29, 2021, AFFCU contracted BKD CPA Firm to perform the Bank Secrecy Act

(BSA), Office of foreign Assets Control (OFAC), Fair and Accurate Credit Transactions (FACT) Act, Identity Theft/Red Flags, Fair Lending, and Secure and Fair Enforcement for Mortgage Licensing (S.A.F.E.) Act audits. The intent of the services was to focus on specific risk areas regarding federal consumer protection regulations, bank secrecy act regulations, fair lending laws and regulations, and S.A.F.E Act regulations; to provide information related to the credit union's risk within those areas; to consider the effectiveness of the credit union's policy, procedures, and practices in those areas; and to provide a reasonable workable solution to any issues discovered.

AFFCU's internal auditor performs monthly inspection of internal controls, cash, member loans, and other assets of your credit union.

Castle Garde was engaged to perform an Information Systems risk assessment, multi-factor authentication assessment, and a website compliance review. The Supervisory Committee followed and offered guidance to our internal auditor during the year. It approved the annual internal audit plan, worked with the compliance officer to ensure compliance training programs were administered to staff and met with credit union management to discuss detailed operations information.

The committee is pleased to report your credit union continues a tradition of excellent financial management and compliance. The committee will continue to monitor the credit union's controls as it faces the challenges and opportunities in the upcoming year.

Respectfully Submitted,



TSgt Michael M. Buecher, USAF (Ret)
Supervisory Committee Chair

NOMINATING COMMITTEE REPORT

AFFCU will have three 3-year term vacancies on the Board of Directors in 2022. It is the duty of the Nominating Committee to nominate at least one member for each of these positions, with the election to be held at the Credit Union's annual meeting on March 29, 2022. The Nominating Committee received submissions from three individuals indicating their desire to serve on the Board. The Nominating Committee found the candidates qualified and agreeable to having their names placed

in the nomination. The nominees for the Air Force Federal Credit Union Board of Directors are: Joan B. Lopez; James E. Goodgion, III and Georgia S. Snodgrass.

Respectfully Submitted,



TSgt Michael M. Buecher, USAF (Ret)
Nominating Committee Chair

2022 SCHOLARSHIP WINNERS

Isabella Ireland

AFFCU Founders' Scholarship
\$5,000

Tori McClung

MSgt Warren D. Vail, Sr., USAF (Ret) Scholarship
\$5,000

Luke Crittall

SMSgt George H. Einfeldt, USAF (Ret) Scholarship
\$5,000

Amina Washington

CMSgt James C. Kemple, USAF (Ret) Scholarship
\$5,000

Alexandria Mitchell

CMSgt Ronald "Ron" Applegate, USAF (Ret) Scholarship
\$5,000

STATEMENT OF **FINANCIAL CONDITION**

ASSETS	2021	2020
Cash & Cash Equivalents	\$34,352,821	\$22,435,197
Investments	37,654,106	36,769,496
Federal Home Loan Bank Stock	1,273,000	1,271,400
Loans Held for Sale	0	0
Loans to Members (Net of Allowance)	453,269,605	435,969,907
Accrued Interest Receivable	1,041,823	1,132,244
Accounts Receivable	450,598	55,468
Fixed Assets	4,221,545	5,013,876
NCUSIF Deposit	4,832,259	4,491,100
Other Assets	20,839,019	18,295,273
TOTAL ASSETS	\$557,934,776	\$525,433,960

LIABILITIES		
Shares and Savings Accounts	\$509,989,027	\$485,057,998
Dividends Payable	0	0
Borrowed Funds	0	0
Accrued Expenses and Other Liabilities	5,098,757	5,444,064
TOTAL LIABILITIES	\$515,087,783	\$490,502,062

EQUITY		
Regular Reserves	\$5,654,729	\$5,654,729
Undivided Earnings	39,822,413	33,971,372
Accumulated Other Comprehensive Income (Loss)	-3,279,785	-5,343,838
Equity Acquired From Merger	649,635	649,635
TOTAL MEMBERS' EQUITY	\$42,846,992	\$34,931,898

TOTAL LIABILITIES AND MEMBERS' EQUITY	\$557,934,776	\$525,433,960
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STATEMENT OF **INCOME**

INTEREST INCOME	2021	2020
Loans to Members	\$17,558,112	\$17,531,233
Investments	1,894,123	1,890,599
TOTAL INTEREST INCOME	\$19,452,235	\$19,421,832

DIVIDEND AND INTEREST EXPENSE

Shares and Savings Accounts	2,466,246	3,465,413
Other Interest	0	223,589
Borrowed Funds	0	15,430
Total Interest Expense	2,466,246	3,704,432
Net Interest Income	\$16,985,989	\$15,717,400
Provision For Loan Losses	1,493,804	594,097
NET INTEREST INCOME AFTER PROVISION	\$15,492,186	\$15,123,303

NON-INTEREST INCOME

Fee Income	5,709,917	5,276,677
Other Operating Income	1,943,664	1,501,427
Gain (Loss) on Investments	989,599	0
Gain (Loss) on Disposition of Assets	-54,164	-439
Other Non-Operating Income	0	0
TOTAL NON-INTEREST INCOME	\$8,589,016	\$6,777,665

NON-INTEREST EXPENSE

Salaries and Benefits	8,998,781	8,748,582
Office Occupancy	2,245,511	2,289,972
Office Operations	2,479,271	2,327,904
Other Expense	4,506,598	4,381,111
TOTAL NON-INTEREST EXPENSE	\$18,230,161	\$17,747,569
NET INCOME	\$5,851,041	\$4,153,399

BOARD OF DIRECTORS



Chairman

Col Sam V. Farace Jr.
USAF (Ret), NCVE



Vice Chairman

CMSgt Brian K. Rawls
USAF (Ret), NCVE



Treasurer

Melvin J. Moczygemba
CPA, NCVE



Secretary

Joan B. Lopez
NCVE



Director

TSgt Michael M. Buecher
USAF (Ret), CCD, NCVE



Director

James E. Goodgion, III
NCVE



Director

CPT Thomas L. Scott
USA (Ret), NCVE



Director

Georgia S. Snodgrass
NCVE



Director

Lt Col John A. Szulta III
USAF (Ret)



AFFCU SENIOR MANAGEMENT TEAM

Ryan Ross

President / Chief Executive Officer

Kerry Graham

Vice President Marketing

Johnette Green

Senior Vice President / Chief Lending Officer

Jessica Martinez

Vice President Human Resources

Cathy Miller

Senior Vice President / Chief Risk Officer

Stephanie Norwood

Vice President Member Experience

Jeanette Riedel

Vice President / Chief Technology Officer

Eleanor (Lisa) Rodriguez

Vice President / Chief Financial Officer



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