



2022

ANNUAL REPORT



MINUTES OF THE 69TH ANNUAL MEMBERSHIP MEETING

Welcome and Call to Order: The 69th 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 28, 2022.

The 2021 Annual Report was posted on the Credit Union's website at www.GoAFFCU.com. At 4:00 p.m. Mr. Sam V. Farace, Jr., Chairman of the Board, called the meeting to order, and welcomed the members in attendance.

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 referred members to the Annual Report for the names of the Board Members. In attendance were: Mr. Brian K. Rawls, (Vice Chairman), Mrs. Joan B. Lopez (Secretary), Mr. Melvin J. Moczygemba (Treasurer), Mr. Michael M. Buecher, Mr. James E. Goodgion III, Ms. Georgia Snodgrass, Mr. John A. Szulta and Mr. Thomas L. Scott. Those serving on the Supervisory Committee in 2021 were Mr. Michael A. Pollog, Mr. Joseph M. Gonzales, Mr. Alejandro E. Valadez and Mrs. Price O. Long.

Management team members in attendance were Mr. Ryan Ross, President/CEO, Mr. Greg Barnes, EVP/COO, Mrs. Johnette Green, SVP/CLO, Ms. Cathy Miller, SVP/CRO, Mrs. Lisa Rodriguez, VP/CFO, Mrs. Stephanie Norwood, VP/Member Experience, Mrs. Jeanette Riedel, VP/CTO, Ms. Jessica Martinez, VP/ Human Resources, and Mr. Kerry Graham, VP/ Marketing.

Moment of Silence: A special moment of silence was observed for members who had passed away in 2021, 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 68th Annual Membership Meeting held on March 21, 2020 were approved.

Reports: Chairman Farace referenced the Chairman's Report, President's Report, and various Committee Reports contained in the 2021 Annual Report and called for any questions. There were none.

Annual Meeting Video Presentation: Mr. Farace introduced a video produced by the Marketing team that illustrated the status of the Credit Union, reflected some of the Credit Union's accomplishments and provided a glimpse into exciting things to come in 2022.

President's Report: Mr. Ross reported on some of the accomplishments the Credit Union achieved in 2021. AFFCU's membership base grew to over 52,000 members and the Credit Union grew to \$557 million in assets. New team members were added to the management team and a new branch was opened off of 1604 and Braun Road in San Antonio, Texas. The Credit Union is constantly evaluating its performance and in the next months will be launching a new streamlined Digital Banking platform and website. These long-awaited services are an answer to member feedback and AFFCU is proud to be able to offer these new services.

Mr. Ross thanked the loyal members who have put their trust in the Credit Union and afforded AFFCU the opportunity to step up its member service, technology and community relations. He closed with the promise to continue to make tremendous strides towards positive growth, transformation and excellence in customer service.

2022 MINUTES (CONTINUED)

Youth Committee Scholarship Report: Ms. Georgia Snodgrass presented the Youth Committee Report and announced the 2022 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. Isabella Ireland received the AFFCU Founder's Scholarship; Tori McClung received the MSgt Warren D. Vail, Sr. Memorial Scholarship; Luke Crittall received the SMSgt George H. Einfeldt Memorial Scholarship; Amina Washington received the CMSgt James C. Kemple Memorial Scholarship; and Alexandria Mitchell received the CMSgt Ronald (Ron) Applegate Memorial Scholarship. SMSgt George H. Einfeldt Memorial Scholarship; Amina Washington received the CMSgt James C. Kemple Memorial Scholarship; and Alexandria Mitchell received the CMSgt Ronald (Ron) Applegate Memorial 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. Buecher, Nominating Committee Chair, delivered the Nominating Committee Report. The Board had three 3-year term vacancies for 2022. 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. James E. Goodgion III, Mrs. Joan B. Lopez, and Ms. Georgia Snodgrass.

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. James E. Goodgion III, Mrs. Joan B. Lopez, and Ms. Georgia Snodgrass.

Adjournment: Chairman Farace adjourned the meeting at 4:33 p.m.

MESSAGE FROM THE CHAIRMAN

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



It is once again an honor and privilege to share the status of the Credit Union and highlight a few key initiatives from last year with you on behalf of AFFCU's Board of Directors and leadership team. This year, as in years past, we have experienced growth, transformation and improvements. The achievements AFFCU accomplished in 2022 are a testament to the devotion of the employees and demonstrates the confidence our members place in us.

All great organizations have supporting pillars that are critical to their success. At AFFCU, those pillars are our members, our employees and the systems that deliver the services our members demand. 2022 was a great year for all lines of business. Our membership took advantage of our high certificate rates and new High Yield Savings Account, knowing they have trust in us as their primary financial institution where their money is safe. At AFFCU, we're a financial institution that seized opportunities and grew throughout 2022.

Your Credit Union had the following financial results this past year:

- Net revenue of \$5.6 million.
- Total assets of \$636 million.
- Membership of approximately 51,858.
- Loans originated by the membership were over \$536 million, indicating your confidence in AFFCU as primary source for member's lending needs.
- Deposits grew more than \$531 million, demonstrating the security your Credit Union offers in times of uncertainty.

These financial gains earned in 2022 allowed the Credit Union to reinvest these funds back into our members and the communities we serve through our improved products, services and charitable contributions. Our financial health not only allows the Credit Union to invest in process improvements but also allows us to reinvest in the communities we serve.

In 2022, AFFCU reached out to support many worthwhile organizations in those communities we serve in many ways by providing education, a monetary donation and volunteers to help worthy causes. Community outreach has been a part of AFFCU's strategic plans since our inception in 1952. Our support has grown over the years as we have grown and 2022 was no exception.

The Lackland and VA Fisher Houses are outstanding organizations supporting and housing military personnel and their families undergoing treatment at local medical facilities at no charge. Throughout the year, AFFCU provides support to each house through programs such as the Armed Forces Financial Network (AFFN) gift card program and through our support of special events. Additionally, a \$5,000 check was presented to Lackland Fisher Houses in support of a major fund-raising event.

We supported the Alamo Breast Cancer Foundation which shares its proceeds, supporting the underserved communities in and around San Antonio. Our \$3,000 donation went a long way providing relief and comfort to those in need.

CHAIRMAN MESSAGE (CONTINUED)

In Columbus Mississippi, we saw an opportunity to support Lowndes County Chamber's "Educators Are Essential" program. This worthy campaign raised funds used to support the community's back to school events. Additionally, we supported our military in the community by providing \$1,800 to the Columbus AFB Top 3 organizations. These funds were used towards the special Senior NCO Induction Ceremony, providing tickets, meals, and mementos.

In Del Rio, we gladly supported the Val Verde County "Loaves and Fishes" program which provided resources to help fund their community pantry much like the San Antonio Food Bank program.

AFFCU understands the importance of investing in young adults, the future leaders of our communities. In 2022, we awarded scholarships totaling \$25,000 to five exceptional young men and women going to college.

Your Credit Union's responsibility is not only to protect the money you entrust to us, but to the communities that we serve. We will continue to be strong supporters to those and other organizations that are helping make our communities and country better. We live up to the motto of "People Helping People" every day.

As a team, we are working toward improving the AFFCU banking experience through upgrades to our technology, locations, processes and services. Last summer, we upgraded our website with a modern and user-friendly design. We also converted to a new Digital Banking platform that allows members to put the power of money management in the palm of their hands.

To complement these refreshed digital offerings, the Credit Union worked to further strengthen our presence in the communities we serve. With a mission to better serve members in the areas they live, we have developed a plan to expand our Network with additional Financial Centers.

The Braun Pointe Financial Center expansion kicked off in early 2022 and showcased our Credit Union's transition into a more personalized "high touch" environment providing the members with both an in-person and digital experience. Additionally, we're looking to expand into North San Antonio in 2023 with a new Financial Center located at Hwy 281 and Marshall Rd. This new facility will prioritize our commitment to the "human touch" as relationship banking is our differentiator in the digital environment we live in. This will help us continue to provide an experience that turns transactional requests into opportunities to add value to our members.

We implemented a satisfaction survey that has allowed us to hear directly from our members about the services and interactions they have at AFFCU. This automated survey allows the Credit Union the opportunity to gauge the sentiment of members after a random interaction and learn whether they would recommend AFFCU to a family member or friend. This vital feedback allows the Credit Union to pursue new and exciting efforts that will positively impact the AFFCU member experience.

The results achieved in 2022 were not by chance, but by the design of our talented employees and an extremely dedicated Board of Directors, all focused on taking care of our membership. My commitment to you is that we will continue to serve you to the best of our abilities. Every day we strive to be better as an organization that thrives on continually empowering our members to gain financial success.

In conclusion, I would like to personally thank you, our members, for choosing AFFCU. Our team works hard each day to earn the trust you place in our financial institution.

Sincerely,



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

MESSAGE FROM THE PRESIDENT

Ryan Ross



The progress AFFCU has been able to achieve in one year is impressive. Our financial health continues to move upwards at a steady and balanced pace. The updates we've made to our Financial Centers and Digital Banking have positioned us for further success this year and in years to come. We ended 2022 with a list of triumphs, but there is so much more exciting work to accomplish.

The AFFCU staff is the driving force behind our success. Each role and department offers valuable insights into how the Credit Union can improve our processes, services, and products. Our employees are passionate about providing the best member experience possible and it is apparent in the work that they do.

Last year, we announced the addition of five new members to the senior leadership team. These talented leaders bring a wealth of education and experience to help us continue to advance and innovate to better serve our membership base.

In an effort to further foster a culture of collaboration, we held our first annual All Employee Staff Training and Recognition Day. The day was full of celebrations as we recognized our employees and shared news about upcoming initiatives.

Additionally, we organized our first company picnic at Seaworld San Antonio for our employees and their families. Enhancing the Credit Union's culture has been a driving force for the leadership team. Outings such as our company picnic and All Employee Staff Training and Recognition Day are reminders of the importance of valuing the employees who are taking care of our members each day.

As an organization, we found new and exciting ways to support our community. Our Earth Day document and electronic shredding event at the Braun Pointe Financial Center allowed us to invite community partners, members, and neighbors to safely dispose of personal documents and electronics while learning more about AFFCU.

To honor AFFCU's 70th anniversary, the Credit Union sponsored a service dog for a female veteran living with PTSD. This was our way of giving back to the current and retired service men and women that helped establish our Credit Union.

As for products and services, we're proud to say that our offerings are some of the most competitive in our markets. We're working towards improving our infrastructure to maximize member satisfaction no matter the chosen method of interaction. We want to provide consistent and helpful experiences with our members whether that be in person, over the phone, or through Digital Banking.

Again, there is so much left to come for our organization and I do not doubt the positive future in store for us.

I am tremendously grateful to lead this Credit Union. The support AFFCU receives from the volunteer Board of Directors, staff, and our members allow us to reach new heights.

Sincerely,

A handwritten signature in black ink that reads "Ryan Ross".

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. Ensuring the relevant plans, policies and control procedures established by the Board of Directors are properly administered.
4. Making sure that policies and control procedures used to 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 2022 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 9/30/2022 (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 annual audit program

included AFFCU Financial Statements, Member Verification, and AFFCU Retirement Plan and Trust.

In addition to the annual audit, Doeren Mayhew CPAs also audited several other areas of the Credit Union's operations including marketing compliance, ACH (automated clearing house) processes, and internal collections.

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

CastleGarde 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 2023. 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 27, 2023. 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 Sam V. Farace Jr., Michael M. Buecher, and John A. Szulta III.

Respectfully Submitted,



James E. Goodgion III
Nominating Committee Chair

2023 SCHOLARSHIP WINNERS

Christian Franco

AFFCU Founders' Scholarship
\$5,000

Mikaela Garza

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

Luis Rodriguez

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

Virginia Bustos

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

Rhys Morrow

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

STATEMENT OF FINANCIAL CONDITION

| ASSETS | 2022 | 2021 |
|-------------------------------------|----------------------|----------------------|
| Cash & Cash Equivalents | \$30,872,357 | \$34,352,821 |
| Investments | 34,294,204 | 37,654,106 |
| Federal Home Loan Bank Stock | 2,286,000 | 1,273,000 |
| Loans Held for Sale | 0 | 0 |
| Loans to Members (Net of Allowance) | 535,390,547 | 453,269,605 |
| Accrued Interest Receivable | 1,480,815 | 1,041,823 |
| Accounts Receivable | 498,465 | 450,598 |
| Fixed Assets | 4,063,088 | 4,221,545 |
| NCUSIF Deposit | 4,838,417 | 4,832,259 |
| Other Assets | 22,320,291 | 20,839,019 |
| TOTAL ASSETS | \$636,044,184 | \$557,934,776 |

| LIABILITIES | | |
|--|----------------------|----------------------|
| Shares and Savings Accounts | \$531,432,902 | \$509,989,027 |
| Dividends Payable | 0 | 0 |
| Borrowed Funds | 50,000,000 | 0 |
| Accrued Expenses and Other Liabilities | 9,317,646 | 5,098,757 |
| TOTAL LIABILITIES | \$590,750,548 | \$515,087,783 |

| EQUITY | | |
|---|----------------------|----------------------|
| Regular Reserves | \$5,654,729 | \$5,654,729 |
| Undivided Earnings | 45,504,564 | 39,822,413 |
| Accumulated Other Comprehensive Income (Loss) | (6,515,293) | (3,279,785) |
| Equity Acquired From Merger | 649,635 | 649,635 |
| TOTAL MEMBERS' EQUITY | \$45,293,636 | \$42,846,992 |
| TOTAL LIABILITIES AND MEMBERS' EQUITY | \$636,044,184 | \$557,934,776 |

STATEMENT OF **INCOME**

INTEREST INCOME

| | 2022 | 2021 |
|------------------------------|---------------------|---------------------|
| Loans to Members | \$20,742,798 | \$17,558,112 |
| Investments | 1,903,163 | 1,894,123 |
| TOTAL INTEREST INCOME | \$22,645,961 | \$19,452,235 |

DIVIDEND AND INTEREST EXPENSE

| | | |
|--|---------------------|---------------------|
| Shares and Savings Accounts | 2,414,042 | 2,466,246 |
| Other Interest | 0 | 0 |
| Borrowed Funds | 468,651 | 0 |
| Total Interest Expense | 2,882,692 | 2,466,246 |
| Net Interest Income | \$19,763,268 | \$16,985,989 |
| Provision For Loan Losses | 2,025,210 | 1,493,804 |
| NET INTEREST INCOME AFTER PROVISION | \$17,738,058 | \$15,492,186 |

NON-INTEREST INCOME

| | | |
|--------------------------------------|--------------------|--------------------|
| Fee Income | 6,076,719 | 5,709,917 |
| Other Operating Income | 1,520,373 | 1,943,664 |
| Gain (Loss) on Investments | 0 | 989,599 |
| Gain (Loss) on Disposition of Assets | (36) | (54,164) |
| Other Non-Operating Income | 0 | 0 |
| TOTAL NON-INTEREST INCOME | \$7,597,056 | \$8,589,016 |

NON-INTEREST EXPENSE

| | | |
|-----------------------------------|---------------------|---------------------|
| Salaries and Benefits | 9,574,729 | 8,998,781 |
| Office Occupancy | 2,325,493 | 2,245,511 |
| Office Operations | 2,702,289 | 2,479,271 |
| Other Expense | 5,060,452 | 4,506,598 |
| TOTAL NON-INTEREST EXPENSE | \$19,652,963 | \$18,230,161 |
| NET INCOME | \$5,682,152 | \$5,851,041 |

BOARD OF **DIRECTORS**



Chairman

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



Vice Chairman

James E. Goodgion, III
NCVE



Treasurer

Melvin J. Moczygemba
CPA, NCVE



Secretary

Joan B. Lopez
NCVE



Director

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



Director

CMSgt Brian K. Rawls
USAF (Ret), 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

Greg Barnes

Executive Vice President / Chief Operating Officer

David Lancaster

Senior Vice President / Chief Lending Officer

Ricardo (Ric) Ledezma

Vice President / Chief Financial Officer

Jeanette Riedel

Vice President / Chief Technology Officer

Andrew Ramos

Vice President, Digital & Product Integration

Stephanie Norwood

Vice President, Business Operations

Jessica Martinez

Vice President, Human Resources



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