

# 2023 ANNUAL REPORT



## Chairman's Report

Greetings Fellow Members!

2023 was a great year for AERO Federal Credit Union both in performance and completion of initiatives. As a Board, we are tasked with ensuring the CEO is soundly managing and operating the credit union. One of the ways the Board receives feedback is through an audit performed by the NCUA annually. Recently, AERO Federal Credit Union received a CAMEL 1 rating by the NCUA for the first time since I have been involved with the credit union. For those who are not familiar with this rating, this is the highest achievement given to a credit union by the auditors of the National Credit Union Association. A level one indicates the Credit Union has the strongest performance and risk management practices, and the least degree of supervisory concern. As a Board member, I am thrilled to report this rating to our members!

A few numbers I selected to highlight are asset growth of over \$307M, net income of \$941,781, and ROA of .31%. All other key metrics can be viewed in the Annual Report. AERO Federal Credit Union is listed as the strongest credit union in our asset size category in the State of Arizona.

On the technology front, we installed two cutting-edge software packages to benefit our members:

- Alkami Remote and Online Banking systems
- Corelation Keystone IT Core software to run our network and member facing processes

AERO Federal Credit Union also was honored by AZCentral with the TOP WORKPLACE award in 2023.

We are continuously working to improve our products for easy access and quick results.

We want to THANK YOU for choosing AERO Federal Credit Union and for your continued loyalty. The Board of Directors, Supervisory Committee, AERO Federal Credit Union Management Staff and all our employees look forward to continuing to serve you and continue our mission to strive to provide exceptional services and rates to our members.

Michelle Meldrum  
*Chairman of the Board*

## Treasurer's Report

2023 was another excellent year for AERO Federal Credit Union. Assets are a strong \$307.5 million. Our net worth ratio grew to an Arizona-leading 12.14%, well above the industry average of 11.43%. The loan to share ratio of 84.62% is up from 80.23% in 2022. We increased our loan reserve to \$1.84 million dollars.

Total loans increased by an amazing \$10.7 million from \$216.1 in 2022 to \$226.8 million in 2023. This growth was funded by increases in our Money Market and Certificate deposit growth. We offered the best auto loan rates for most of the year, compared to our competition.

As of December 31, 2023, AERO Federal Credit Union had no borrowings, nor were there any liquidity concerns in the foreseeable future. The combined net charge-off and delinquent ratio of 0.74% was well below the industry average of 0.95%.

The credit union realized more success in 2023 as we launched our new Online Banking platform. This feature-rich system allows for members to see their credit score and to now utilize Zelle technology. Our Return on Assets ratio was a strong ratio of .31% and allowed us to offer some of the highest deposit rates in the state for most of the year. After recording our highest net income years in the history of the Credit Union in 2021 and 2022, we are proud to report that proper management of members' funds led to another "top 5" best year in 2023. AERO Federal Credit Union continues to provide competitive products to our members with sound financial planning and execution.

Lenny Bean  
*Treasurer, BOD*

## CEO's Report

2023 was a very productive year for the credit union. We continue to update our technology and cybersecurity on an annual basis. We successfully converted our Core IT software to the industry-leading "Corelation Keystone" platform. This allows the credit union and our membership to have a solid foundation to build on for the next decade. We also upgraded our Remote and Online Banking system to the "best of class" Alkami platform. With Alkami technology, our members can now see their credit report growth each day, use Zelle services, and many other cutting-edge features that weren't previously available. In addition to these upgrades, we continue to promote the new "chat" and "video chat" features that are available on our website and through our call center.

I am proud to report that we set several new records in 2023. We grew our loan portfolio to a new record high of \$226.8 million, an impressive \$10.7 million increase from year-end 2022. We work hard to improve our efficiency each year. Glatt Financial Health Scorecards rated the credit union as the healthiest and strongest in the entire state of Arizona for almost all of 2023.

AZCentral again awarded us the prestigious "2023 Top Workplace" award. We are proud to have won this award again. Our staff do such a great job and along with our members, are our top priority. We continue to build a culture that is enviable.

Thanks again to our entire team for a very successful year. I am proud to be part of this great financial institution. We have a long and successful history. Our Board of Directors and Supervisory Committee are comprised of dedicated individuals that work tirelessly to support and build the credit union. I thank them for their efforts in making our credit union and community a better place. I have served in the credit union industry since 1987 and can tell you that we have a Board and Supervisory Committee that are second to none. They do an amazing job and care about your needs.

We have an amazing staff. Many of our employees have served you for decades. We are truly the definition of a strong credit union family. We take great pride in the high quality of service we offer to our members every day. Our team is sincere when they look you in the eye, call you by name, and tell you they are glad to see you.

We appreciate you and thank you for choosing AERO Federal Credit Union. Please let me know if we can do anything to make your member experience more rewarding.

Michael K. Moyes  
*President/CEO*

## Supervisory Committee's Report

The members of the Supervisory Committee (SC) are appointed annually by the Board of Directors (BOD). The SC is responsible for monitoring internal controls, confirming that AERO Federal Credit Union remains in compliance with all rules and regulations, and ensuring the Credit Union (CU) remains solid financially while serving the best interests of its members.

The SC held four routine quarterly meetings in 2023, and one additional meeting was held for special purposes. During routine quarterly meetings, the SC conducted reviews based on the three-year risk-based audit schedule designed and implemented in 2021 and subsequently reviewed annually. According to the audit schedule, the SC will continue conducting certain audit procedures including, but not limited to, reviews of controls over closed accounts, dormant accounts, branch cash counts, loan next payment date changes, address changes, and wire transfers on a test basis. These auditing procedures performed by the SC are supplemented by procedures performed by external professional service firms.

During 2023, the SC continued their engagement with two professional service firms. SingerLewak Accountants and Consultants (SingerLewak) is engaged to provide independent annual financial statement audit and member account verification services for the years ended December 31, 2023, and 2022. CliftonLarsonAllen, LLP (CLA) was engaged to provide outsourced internal audit consultation services for the years ended December 2022, 2023, and 2024.

There were no changes to the SC membership in 2023. John Jensen and Christina Jones continue to be members. Steve deBorhegyi is the chairman of the SC, and Michael Lucia is the Secretary.

Finally, the SC concludes, to the best of our knowledge and belief, the condensed financial statements contained in AERO Federal Credit Union's Annual Report are accurate.

Steve deBorhegyi  
*Supervisory Committee Chairman*

## Statement of Financial Condition

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 26,905,235	\$ 43,314,976
Certificates of Deposit	13,468,000	5,981,000
Held-to-maturity securities	23,434,940	25,466,496
Other investments	1,031,228	999,628
Loans to members, net of allowance for loan losses	224,956,905	215,008,214
Accrued interest receivable	814,897	582,178
Premises and equipment, net	4,606,766	5,038,423
NCUSIF deposit	2,569,909	2,457,312
Deferred Compensation Investments	1,812,387	5,292,733
Split Dollar Life Insurance	5,013,304	3,667,332
Other assets	2,907,958	1,588,382
<b>TOTAL ASSETS</b>	<u>\$ 307,521,529</u>	<u>\$ 309,396,674</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>LIABILITIES</b>		
Members' share and savings accounts	\$ 268,023,741	\$ 269,290,052
Accrued dividends and interest payable	153,070	62,035
Accounts payable and other liabilities	2,023,681	2,601,486
Total liabilities	<u>270,200,492</u>	<u>271,953,573</u>
<b>MEMBERS' EQUITY</b>		
Regular Reserve	3,074,938	3,074,938
Undivided earnings	34,246,099	34,368,163
Total members' equity	<u>37,321,037</u>	<u>37,443,101</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 307,521,529</u>	<u>\$ 309,396,674</u>

## Statement of Income

	<u>2023</u>	<u>2022</u>
<b>INTEREST INCOME</b>		
Interest on loans to members	\$ 9,702,415	\$ 7,406,365
Interest on investment securities and cash equivalents	<u>2,372,454</u>	<u>745,892</u>
Total interest income	<u>12,074,869</u>	<u>8,152,257</u>
<b>INTEREST EXPENSE</b>		
Dividends on members' share and savings accounts	3,605,954	727,778
Interest on borrowed funds	<u>-</u>	<u>-</u>
Total interest expense	<u>3,605,954</u>	<u>727,778</u>
Net interest income	8,468,915	7,424,479
<b>PROVISION FOR LOAN LOSSES</b>	<u>288,722</u>	<u>322,636</u>
Net interest income after provision for loan losses	<u>8,180,193</u>	<u>7,101,843</u>
<b>NON-INTEREST INCOME</b>		
Fees and charges	900,141	904,019
Other operating income	927,432	1,337,868
Other non-operating income	<u>78,374</u>	<u>145,109</u>
Total non-interest income	<u>1,905,947</u>	<u>2,386,996</u>
<b>NON-INTEREST EXPENSE</b>		
Compensation and benefits	4,882,583	4,494,018
Occupancy	712,127	647,320
Operations	1,345,741	1,827,703
Loan servicing	529,970	487,345
Other expense	<u>1,673,938</u>	<u>519,364</u>
Total non-interest expense	<u>9,144,359</u>	<u>7,975,750</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 941,781</u>	<u>\$ 1,513,089</u>