

AIR ACADEMY
FEDERAL CREDIT UNION



• • • 2020 • • •
Annual Report

FEDERALLY INSURED BY NCUA



CHAIRMAN & PRESIDENT'S REPORT

In 2020, Air Academy Federal Credit Union (AAFCU®) celebrated its 65th year serving the membership. While the often-used word, unprecedented, is one many used to describe the year, we are proud to say AAFCU remained a safe, sound, and strong credit union during one of the most uncertain and tumultuous times in history.

The year started on a normal and strong trajectory when we experienced what some call a once-in-a-century event. During the year, through the leadership of the Board of Directors, AAFCU never wavered in living its core values of Integrity, Quality, Service, and Community. We focused on doing what is right, being the best, providing world-class member experience, and being involved and invested in the communities where we live and work. Through the most difficult of times, our core values guided us through 2020, to a great year given the circumstances. From December 1955, when we finished the year with \$4,346.34 in assets and 27 members to December 2020, when we finished with \$740 million in assets and almost 50,000 members, we have been guided by taking care of you - our members. In short, 2020 was characterized by challenges and proud moments.

The year was a tale of two stories. In one story, we saw economic uncertainty, a record level of unemployment, and a myriad of financial challenges as businesses closed. We experienced great concern about the health of our loved ones and ourselves. Many experienced great loss and suffering. In the other story, some businesses saw a record year, the housing market saw incredible gains in many parts of the country, and the stock market made a quick recovery from the steep decline in the spring. In both stories, our members and employees were top of mind as

we stayed focused and remain focused on servicing those in both stories.

Throughout the year, over 1,200 members asked for help with loan extensions and mortgage forbearances. We gladly worked with them on a case-by-case basis to help provide relief based on their financial situation. By the end of 2020, a vast majority of members were caught up with their payments and many loans were paid in full. Reflecting back, helping people during their most difficult times is a highlight for employees and a proud moment for us as we continue developing custom, caring solutions for our members.

In 2020, the mortgage market was an opportunity for many to buy a home or refinance their mortgage. We saw interest rates at record lows resulting in AAFCU producing over \$200 million in mortgage loans. Demand for housing drove prices up which helped many members endure the difficult times. Colorado had one of the best real estate markets in the United States and helped our economy remain relatively strong.

An additional service AAFCU introduced in 2020, was business services; and we were thrown in the deep water right when the pandemic started. We offered Paycheck Protection Program (PPP) Loans through the Small Business Administration because many businesses were hurting and needed help. We helped small companies stay afloat and pay their employees through the rough seas - it was another proud moment for AAFCU.

Lower interest rates helped many who borrowed money but hurt members who relied on dividends. We remained committed to keeping our deposit rates as high as possible and our financial advisory service



offered through CUSO Financial Services, L.P. was there to step in and provide financial alternatives. Members needed guidance and advice with market volatility, and we were there to help.

In 2020, our financial results were solid and exceeded our expectations given the environment. Assets grew 16% to \$740 million and our net worth ratio was a strong 8.51%. Delinquent loans, loans charged off, and operating expenses stayed well below our peers. Net income was a solid \$2.6 million for the year. Overall, 2020 was a solid year and we are proud of the staff for their accomplishments during difficult and uncertain times.

Strong financial performance happens because we have committed members and outstanding staff. Our volunteer board of directors and supervisory committee always focus on doing the right thing for members and create the foundation for an outstanding culture. As recognition, AAFCU was named a Best Workplace—Large Company by The Gazette for the fourth consecutive year. This is an outstanding accomplishment, and we are proud of our team. In addition, and even during the pandemic, AAFCU remained involved in the community.

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Member service continued to be a highlight for AAFCU. Our measure of service is Net Promoter Score and in 2020 we raised our already world-class service to greater heights. We sent 24,809 survey invitations and received a healthy 4,035 (16%) response. We improved on our long-term averages in six of seven areas. These increases were made while our staff adapted to the environment and learned to work mostly through virtual channels, and while diligently preparing for the upcoming core operating system conversion. This is a true testament to our employees' commitment to serving you.

From our humble beginnings 65 years ago, to a world-class, world-wide financial institution today, we are proud of our heritage and legacy of excellence and accomplishment. We are proud to be a member-owned organization providing banking, insurance, and investments through Air Academy Federal Credit Union, Air Academy Insurance Services, and CUSO Financial Services, L.P. We strive to be Your Trusted Financial Partner. On behalf of your volunteer Board of Directors, Supervisory Committee, and 150+ dedicated employees, thank you. We appreciate your confidence and loyalty. We look forward to serving you, your family, and your friends for years to come.

~Dr. Donald M. Bird
Chairman ● ● ● ●

~Glenn L. Strebe
President/CEO ● ● ● ●

TREASURER'S REPORT

Air Academy Federal Credit Union (AAFCU®) ended 2020 with \$740 million in total assets. This represented growth of \$101 million, a 16% increase.

As the COVID-19 pandemic slowed consumer spending and the CARES Act provided economic impact payments to individuals, total deposits grew. Checking account balances increased 22%, money fund savings balances increased 16%, basic share savings balances increased 31% and term share certificate balances decreased 6%.

Members borrowed \$331 million in 2020 to help build their dreams. This is a 28% increase over 2019 loan originations, as historically low interest rates helped drive mortgage loan refinancing. Total outstanding loan balances ended 2020 at \$539 million.

Our members and the economy faced headwinds due to the pandemic, yet our safety and soundness remained strong. We ended the year with a regulatory net worth ratio of 8.51%; well above the 7% level our regulators, the National Credit Union Administration, consider well capitalized. Net worth increased 5% during 2020. Delinquent loans were only 0.25% of total loans and charge offs were only 0.26%. Both figures continue to be well below our peer averages and only increased slightly from 2019, even as the national and local unemployment rate rose dramatically.

Approximately 1,200 members reached out to us asking for help with consumer loan extensions and mortgage loan forbearances – a total of \$28 million in loans, or 5% of our portfolio. Subsequently, approximately 220 members were able to pay off their loans and another 930 have resumed scheduled payments. Only 11 loans with requested COVID extensions totaling \$78,000 were charged off during 2020. The resilience of our membership is incredible!

During 2020, we saw the number of members enrolled in online banking increase 5% to exceed 20,000. Over 41% of our members enjoy the convenience of banking whenever and wherever they wish.

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 2020 were \$1.6 million (7%) lower than our peer group.

Thanks to the high standards of integrity and through the guidance of our Board of Directors, 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 2020, the firm of CliftonLarsonAllen issued Air Academy Federal Credit Union (AAFCU®) 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 AAFCU 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:

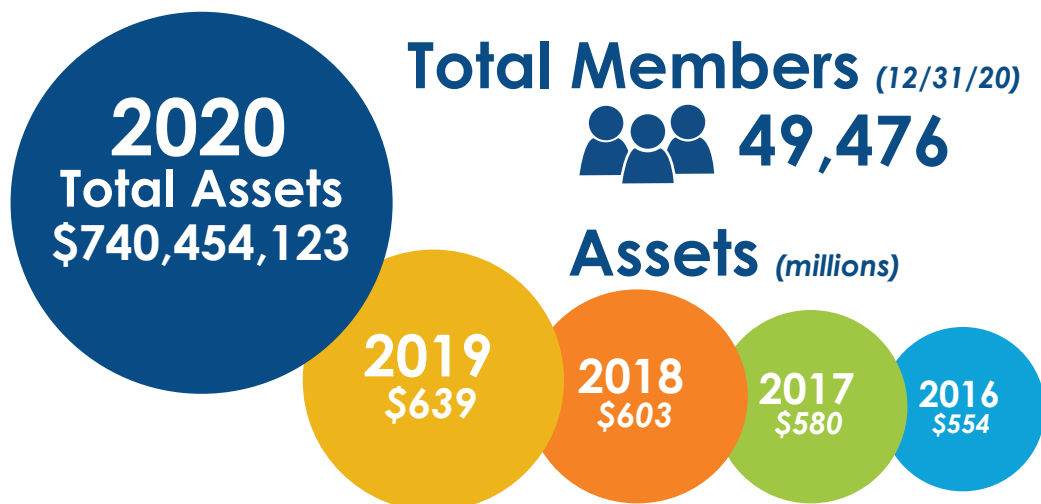
Supervisory Committee

P.O. Box 62907
Colorado Springs, CO 80962-2907

~Terry Stokka

Chairman ● ● ● ●

FINANCIAL HIGHLIGHTS



STATEMENT OF FINANCIAL CONDITION (unaudited)

As of December 31, 2020 and 2019	2020	2019
Loans to members	\$541,708,574	\$546,431,798
Less: Allowance for Loan Losses	(2,310,011)	(2,154,916)
Net Loans to Members	\$539,398,563	\$544,276,882
Cash and Investments	166,852,107	62,236,925
Other Assets	34,203,453	32,782,168
TOTAL ASSETS:	\$740,454,123	\$639,295,975

For the Years Ended December 31, 2020 and 2019

STATEMENT OF INCOME (unaudited)

	2020	2019
Operating Income	\$29,663,896	\$28,048,458
Operating Expenses	(22,173,366)	(19,934,792)
Provision for Loan Losses	(1,712,000)	(1,112,500)
Non-Operating (Losses) Gains, Net	105,222	(39,399)
Dividends Paid to Members	(3,281,268)	(3,219,864)
Net Income	\$2,602,484	\$3,741,903

	2020	2019	2018	2017	2016
Total Assets	\$740,454,123	\$639,295,975	\$603,260,196	\$580,112,182	\$553,752,054
Dividends Paid	\$3,281,268	\$3,219,864	\$2,068,157	\$1,708,960	\$1,722,203
Capital	8.51%	9.43%	8.85%	8.38%	8.42%

COMMUNITY SUPPORT SNAPSHOT

January 2020 ●●●●

- First Time Homebuyer Seminar
- Financial Planning Basics Seminar
- Colorado State Leadership Conference Sponsor
Benefiting Future Business Leaders of America

February 2020 ●●●●

- Art Scholarship Awards
Colorado Springs School District 11
- Long Term Care Planning Seminar
- Understanding Your VA Loan Benefits Seminar

March 2020 ●●●●

- Art Scholarship Awards
Kiowa School District C-2
- Investment in Character Breakfast Sponsor
Benefiting Boy Scouts of America Pikes Peak Council
- Retirement Strategies Seminar

April 2020 ●●●●

- ABE Luncheon Sponsor
Benefiting the Arts Business Education Consortium
- Balloon Ball
Benefiting the Children's Hospital Colorado Springs
- Denim and Diamonds Gala
Benefiting the Falcon Education Foundation

May 2020 ●●●●

- KOAA News Channel 5 Congrats to Grads! Sponsor
- Payback Piggy

June 2020 ●●●●

- Payback Piggy
- Lewis-Palmer High School Graduation Sponsor
- Palmer Ridge High School Graduation Sponsor
- Courage Classic Virtual Tour
Benefiting the Children's Hospital Colorado

July 2020 ●●●●

- Courage Classic Virtual Tour
Benefiting the Children's Hospital Colorado
- Packz 4 Kidz Fundraiser
Benefiting Kenzi's Causes
- Sporting Clays Classic Sponsor
Benefiting Boy Scouts of America Pikes Peak Council

August 2020 ●●●●

- Golf Tournament Sponsor
Benefiting the Academy School District 20 Foundation
- Back to School Teacher Appreciation
Benefiting Academy School District 20
- Packz 4 Kidz Drive-Thru Backpack Giveaway Presenting Sponsor

September 2020 ●●●●

- Eagles for Eagles Golf Tournament Sponsor
Benefiting Boy Scouts of America Pikes Peak Council

October 2020 ●●●●

- Community Shred Day
Hosted by AAFCU
- Toy Drive Fundraiser
Benefiting Kenzi's Causes
- Payback Piggy

November 2020 ●●●●

- Financial Literacy School Outreach
Academy School District 20
- Toy Drive
Benefiting Kenzi's Causes

December 2020 ●●●●

- Holiday Party Sponsor
Benefiting Emily Griffith Center for Children - Chins Up
- Kenzi's Causes Colorado Springs Toy Shop Presenting Sponsor



Integrity • Quality • Service • Community





AIR ACADEMY FEDERAL CREDIT UNION



aafcu.com

*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.

**Insurance products are not insured by NCUA or any Federal Government Agency; are not a deposit, or guaranteed by the Credit Union or any Credit Union affiliate; and may lose value.

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