



ANNUAL REPORT 2022



AERO
Federal Credit Union

Chairman's Report

Greetings Valued Members!

2022 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. AERO 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 \$300M, net income of \$1.42M, and ROA of .50%. All other key metrics can be viewed in the Annual Report. AERO is listed as the strongest credit union in our asset size category in the State of Arizona.

On the personnel front, we are fully staffed and created two new positions:

- Compliance Specialist - Jessica Antonio
- IT Manager - will be onboarding in early 2023.

AERO also was honored by AZCentral with the TOP WORKPLACE Award in 2022.

On major initiatives, AERO took on a huge IT project in 2022 to evaluate and select a new IT CORE system. Contracts were signed around May 2022, staff is working tirelessly, and we expect to be transitioned and complete by July 2023. In addition, our website was modified to be more user friendly with some fun technology and new chat capabilities.

We are continuously working to improve our mobile app and digitize our product forms 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 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

2022 was another excellent year for AERO Federal Credit Union. Assets increased by over \$17 million as we grew from \$292 million to over \$309 million. Our net worth ratio remains a strong 12.10%, well above the industry average of 10.65%. The loan to share ratio of 80.23% is up from 75.59% in 2021. We maintained our Loan reserve at \$1.05 million dollars.

Total deposits increased by an amazing \$14 million from \$255 in 2021 to \$269 million in 2022. This growth helped provide funds to allow for a record \$216 million in loans. We have maintained our Auto Loan Refinance Bonus program for members this year, which also contributed to the growth of our loan portfolio.

As of December 31, 2022, AERO had no borrowings, nor were there any liquidity concerns in the foreseeable future. The combined net charge-off and delinquent ratio of 0.34% was well below the industry average of 0.62%.

The credit union realized more efficiency in 2022 and we found new cost savings and revenue. Our Return on Assets ratio was a strong ratio of .50% 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 year in the history of the credit union in 2021, we are proud to report that proper management of members' funds led to our second-best year in 2022. AERO continues to provide competitive products to our members with sound financial planning and execution.

Dale Jepsen
Treasurer, BOD

CEO's Report

I am proud to report that we set several new records in 2022. We grew our asset size to a strong \$309 million, an impressive \$17 million more than we ended with in 2021. We work hard to improve our efficiencies each year. This past year Glatt Financial Health Scorecards rated the credit union as the healthiest and strongest in the entire state of Arizona.

We recently conducted our Annual Survey of our Membership. We were excited about the results. Due to everyone's efforts, this year's totals are higher than our previous surveys. When asked the question "how would you rate your satisfaction with AERO," 84.6% were highly satisfied, versus 72.8% and 79.25% in 2020 and 2018. When asked "how likely are you to recommend AERO," 80.6% said very likely, versus 65.61% and 71.13% in 2020 and 2018. We are really happy with our progress and look forward to continuing to find better ways to serve our members.

We had a very successful year due to the hard work of our team. 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 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 are excited to announce that we won the AZCentral Top Workplace Award in 2022. Last year was definitely a banner year at the credit union.

We appreciate you and thank you for choosing AERO. Please let me know if I 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 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 2022, and two additional meetings were 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. 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 2022, 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, 2022 and 2021. CliftonLarsonAllen, LLP (CLA) was engaged to provide outsourced internal audit consultation services for the years ended December 2022, 2023, and 2024.

There were a few changes to the SC membership in 2022. John Jensen and Christina Jones were appointed as members. Steve deBorhegyi was appointed to serve as the chairman of the SC, and Michael Lucia was appointed to serve as the Secretary. Robert (Scotty) Jones and Ravindra (Ravi) Laddu resigned from their positions in good standing. We thank them for their time and service to the credit union.

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

Steve deBorhegyi
Supervisory Committee Chairman

Statement of Financial Condition

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 43,314,976	\$ 22,643,328
Certificates of Deposit	5,981,000	21,980,000
Held-to-maturity securities	25,466,496	33,242,027
Other investments	999,628	856,328
Loans to members, net of allowance for loan losses	215,008,214	191,962,110
Accrued interest receivable	582,178	388,268
Premises and equipment, net	5,038,423	3,397,211
NCUSIF deposit	2,457,312	2,295,044
Deferred Compensation Investments	5,292,733	10,043,984
Split Dollar Life Insurance	3,667,332	3,596,400
Other assets	1,588,382	2,296,952
TOTAL ASSETS	<u>\$ 309,396,674</u>	<u>\$ 292,701,652</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' share and savings accounts	\$ 269,290,052	\$ 255,375,540
Accrued dividends and interest payable	62,035	6,707
Accounts payable and other liabilities	2,601,486	1,389,394
Total liabilities	<u>271,953,573</u>	<u>256,771,641</u>
MEMBERS' EQUITY		
Regular Reserve	3,074,938	3,074,937
Undivided earnings	34,368,163	32,855,074
Total members' equity	<u>37,443,101</u>	<u>35,930,011</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 309,396,674</u>	<u>\$ 292,701,652</u>

Statement of Income

	<u>2022</u>	<u>2021</u>
INTEREST INCOME		
Interest on loans to members	\$ 7,406,365	\$ 6,380,911
Interest on investment securities and cash equivalents	745,892	474,772
	<u>8,152,257</u>	<u>6,855,683</u>
INTEREST EXPENSE		
Dividends on members' share and savings accounts	727,778	256,699
Interest on borrowed funds	-	-
Total interest expense	<u>727,778</u>	<u>256,699</u>
Net interest income	7,424,479	6,598,984
PROVISION FOR LOAN LOSSES	<u>322,636</u>	<u>9,032</u>
Net interest income after provision for loan losses	<u>7,101,843</u>	<u>6,589,952</u>
NON-INTEREST INCOME		
Fees and charges	904,019	713,375
Other operating income	1,337,868	1,511,771
Other non-operating income	145,109	91,178
Total non-interest income	<u>2,386,996</u>	<u>2,316,324</u>
NON-INTEREST EXPENSE		
Compensation and benefits	4,494,018	4,070,687
Occupancy	647,320	603,674
Operations	1,827,703	1,833,130
Loan servicing	487,345	414,419
Other expense	519,364	325,998
Total non-interest expense	<u>7,975,750</u>	<u>7,247,908</u>
NET INCOME (LOSS)	<u>\$ 1,513,089</u>	<u>\$ 1,658,368</u>