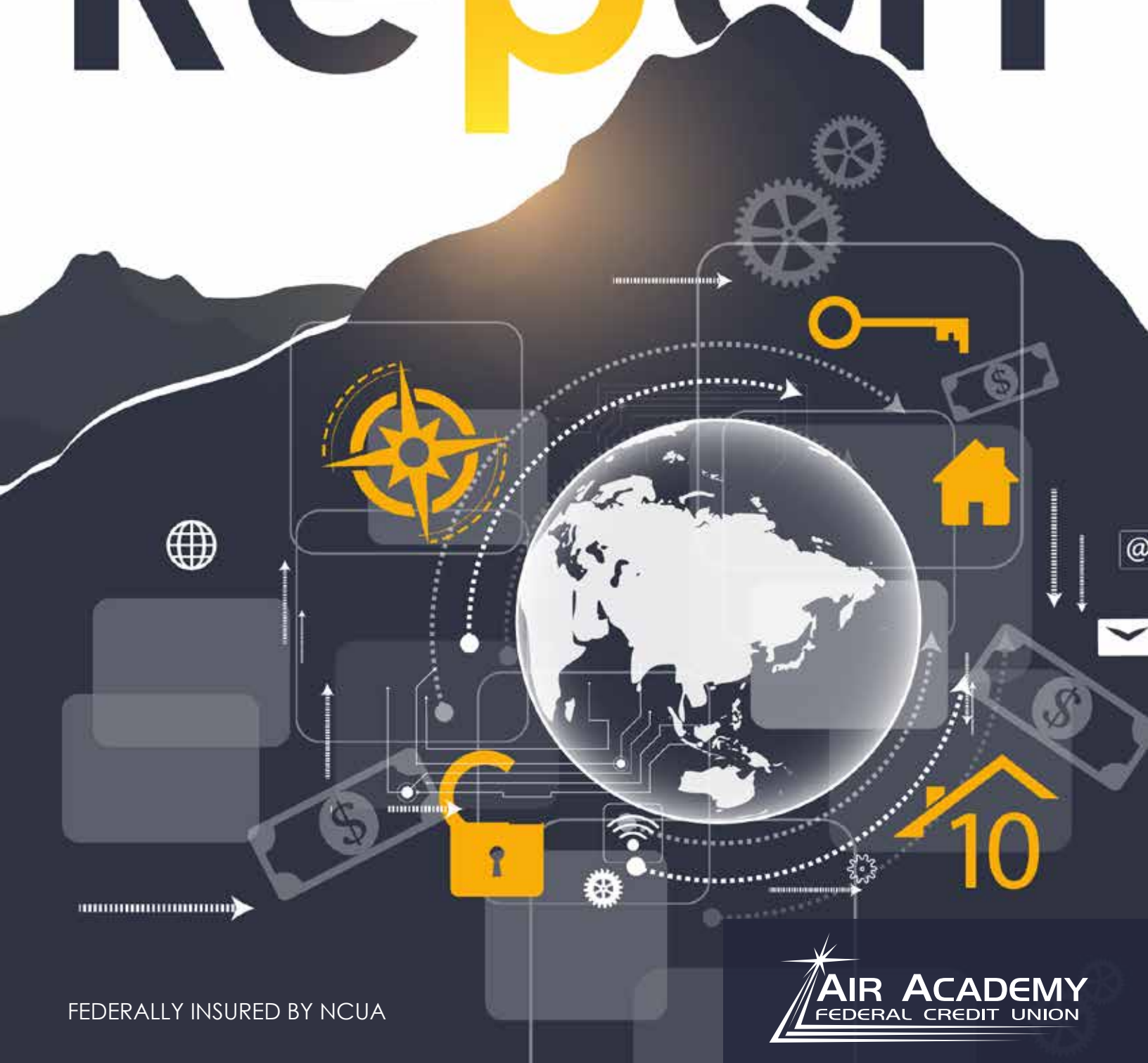



# 2017 Annual Report



FEDERALLY INSURED BY NCUA





Thank you to our  
members for making  
2017 a great year.

# CHAIRMAN'S AND PRESIDENT'S REPORT

**Air** Academy Federal Credit Union (AAFCU®) was chartered on October 25, 1955, to serve the cadets and staff of the United States Air Force Academy. From our humble beginnings of \$4,346.34 in assets, \$2,875 in loans, and 27 members as of December 31, 1955, to one of the top 500 credit unions in the United States, we are proud to report your credit union continues to be safe, sound, and dedicated to serving you, the owner. Thank you for a great 62 years!

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The economy remained positive through 2017. The housing market continued its upward trajectory, the stock market set record highs, and unemployment locally, statewide, and nationally were strong. Even with economic success, interest rates stayed low. These conditions helped AAFCU grow in assets, loans, members, and net income. Assets increased 4.8% to \$580.1 million, loans increased 9.7% to \$509.0 million, members increased 1.6% to 49,082, and net income increased 36% to \$2.9 million. The string of successful years continues and we look forward to many more.

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Part of our success is due to our outstanding organizational culture. Leadership and management guru, Peter Drucker once said, "Culture Eats Strategy for Breakfast." We work hard to have an outstanding employee culture. In 2017, the Colorado Springs newspaper, The Gazette, recognized AAFCU as a Best Workplace - Large Company. Of the 20 Best Workplaces in the Large Company category, we earned second place. The recognition is a testament to the hard work and dedication of our 150+ employees, volunteer Board of Directors, and volunteer Supervisory Committee to create organizational excellence. We believe an outstanding culture benefits the membership by providing an outstanding member experience. In addition, this follows our strategic objective of Growing our Employees. We promise to continue working hard to provide a world-class member experience. On a recurring basis, we

measure member experience with Net Promoter Score (NPS). We have measured NPS for a few years and thank you for providing feedback. We take feedback seriously and it serves as a foundation for continuous improvement. We have surveyed thousands of members. In our most recent survey, scores across all delivery channels were in the mid to upper 70s. This compares favorably to the top household name companies in the United States.

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In addition to having great employees, we must have competitive products and services. To complement our My Way Mortgage® which allows you to pick the length of your mortgage, we created the My Way Loan, so members can customize personal loans to the terms that best fit their budget. Also in lending, the 10/10 Home Equity Line of Credit (HELOC) was introduced to help members use the equity in their house. These lending programs helped AAFCU write \$245 million in loans in 2017. Seminars were offered to provide educational opportunities on financial topics and we welcomed Google Pay™ and Samsung Pay™ to our menu of services. In October, we launched an outstanding community program, Payback Piggy, which provided 150 opportunities for people to find \$50 cash to personally use or to pass along goodwill to others. This is in addition to the many community programs that are a part of the AAFCU culture. Please review our involvement shown in this 2017 AAFCU Annual Report.

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AAFCU has a proud 62-year tradition of being a member-owned financial institution that is strong, safe, and growing. Our pledge is to help you - our member-owners - with your banking, insurance, and investing needs. We want to be **Your Trusted Financial Partner**. On behalf of your volunteer Board of Directors and Supervisory Committee, and 150+ dedicated staff members, thank you for being a member of Air Academy Federal Credit Union. We look forward to serving you and your family for many years to come.

~Dr. Donald M. Bird  
Chairman

~Glenn L. Strebe  
President/CEO

# TREASURER'S REPORT

**Air** Academy Federal Credit Union (AFCU) ended 2017 with \$580 million in total assets. This represented growth of \$26 million, a 5% increase.

Our loan portfolio surpassed \$500 million, helped in large part by our "personal by design" My Way Mortgage. By allowing members to pick any term between one and thirty years, we increased our mortgage portfolio \$30 million, or 17%. We also launched our new 10/10 Home Equity Line of Credit (HELOC). Our consumer loan portfolio also grew as My Way Loan launched, increasing \$14 million or 5%. Overall, AFCU loaned members \$245 million in 2017 to help build their dreams.

Our rewards checking product Kasasa® - which offers members who meet monthly qualifications either high dividends, cash back on purchases, or refunds on purchases in the iTunes®, Amazon® and/or Google Play™ stores - continued to grow. Total deposits grew \$14 million to \$518 million, a 3% increase.

Our loan growth did not come at the expense of our safety and soundness. We ended the year with a net worth ratio of 8.38%; well above the 7% level our regulators, the National Credit Union Administration, consider well capitalized. Delinquent loans were only

0.49% of total loans and charge offs were 0.45%. Both figures are below our peer averages.

As we continue to invest in electronic services for our members, we saw the number of members downloading our mobile application approach 18,000. This means over 35% of our members enjoy the convenience of banking whenever and wherever they wish. During 2017, members remotely deposited 61,400 checks totaling \$23 million.

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 2017 were \$510,000 (3%) lower than our peer group.

Thanks to the high standards of integrity and through the guidance of our Senior Leadership Team and Board of Directors, AFCU remains a reliable place to invest and borrow with confidence.

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 (AFCU) operations and activities. The committee, which is appointed by the Board of Directors, works with the AFCU full time internal auditor to ensure all aspects of the credit union are routinely monitored. The auditor regularly 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 AFCU to verify the credit union is complying with federal regulations. The Supervisory Committee also employs an independent Certified Public Accountant (CPA) firm to perform a comprehensive annual financial statement opinion audit. For 2017, the firm of CliftonLarsonAllen, LLP, issued AFCU an unmodified opinion; the highest audit opinion 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 AFCU continues to be financially sound and well managed.

The Supervisory Committee serves as your voice in AFCU affairs. We invite you to share your comments with us throughout the year. Please send correspondence addressed to the Supervisory Committee to the following address:

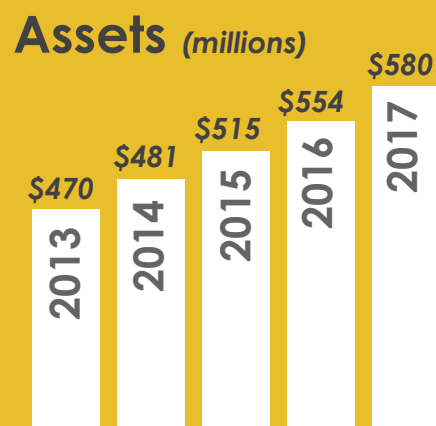
**Supervisory Committee**  
PO Box 62907  
Colorado Springs, CO 80962-2907

~**Terry Stokka**  
*Chairman*

## FINANCIAL HIGHLIGHTS

Total Assets  
**\$580,112,182**

Total Members (12/31/17)  
**49,082**



## STATEMENT OF FINANCIAL CONDITION

(unaudited)

As of December 31, 2017 and 2016

	2017	2016
Loans to members	\$509,027,786	\$464,163,735
Less: Allowance for Loan Losses	(3,047,790)	(3,237,666)
Net Loans to Members	505,979,996	460,926,069
Cash and Investments	40,844,788	59,868,480
Other Assets	33,287,398	32,957,505
<b>TOTAL ASSETS:</b>	<b>\$580,112,182</b>	<b>\$553,752,054</b>

For the Years Ended December 31, 2017 and 2016

## STATEMENT OF INCOME

(unaudited)

	2017	2016
Operating Income	\$24,389,287	\$24,331,311
Operating Expenses	(17,825,703)	(16,607,687)
Provision for Loan Losses	(2,023,100)	(3,980,000)
Non-Operating (Losses) Gains, Net	37,396	89,097
Dividends Paid to Members	(1,708,960)	(1,722,203)
<b>Net Income</b>	<b>\$2,868,920</b>	<b>\$2,110,518</b>

	2013	2014	2015	2016	2017
Total Assets	\$470,009,634	\$481,422,762	\$515,209,500	\$553,752,054	\$580,112,182
Dividends Paid	\$1,920,600	\$1,811,075	\$1,716,725	\$1,722,203	\$1,708,960
Capital	8.24%	8.51%	8.66%	8.42%	8.38%



## January 2017

Financial Literacy Classroom Presentations  
*Academy District 20*  
Discover Goodwill's Discover Your Potential Fall  
Graduation Celebration

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## February 2017

Financial Literacy Classroom Presentations  
*Colorado Springs School District 11*  
El Paso County Sheriff's Office 14th Annual Awards Banquet  
Art Scholarship Awards  
*Colorado Springs School District 11*

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## March 2017

Financial Literacy Classroom Presentations  
*Academy District 20*  
*Colorado Springs School District 11*  
Art Scholarship Awards  
*Kiowa School District C-2*  
*Academy School District 20*

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## April 2017

Air Force Academy Spring Football Game  
Art Scholarship Awards  
*Douglas County School District RE-1*  
*Elbert School District 200*  
*Elizabeth School District C-1*  
*Falcon School District 49*  
*Lewis Palmer School District 38*  
*Fountain-Fort Carson School District 8*  
Arts Business Education Consortium (ABE) Awards Luncheon  
Financial Literacy Classroom Presentations  
*Academy School District 20*

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## May 2017

Financial Planning Seminar  
Financial Literacy Classroom Presentations  
*Colorado Springs School District 11*  
Estate Planning Seminar  
Discover Goodwill's Discover Your Potential Spring  
Graduation Celebration  
Year-End Appreciation Breakfast  
*Benefiting Academy School District 20*  
Veteran's Cup Golf Tournament  
*Benefiting The Home Front Cares*

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## June 2017

Woof and Wine Event  
*Benefiting the Humane Society of South Platte Valley*  
AAFCU Community Shred Day  
Colorado Springs Western Street Breakfast  
Climb for Courage  
*Benefiting the Children's Hospital Colorado*  
United States Air Force Academy Newcomer's Orientation

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## July 2017

Fountain Valley Scholars Golf Tournament  
Courage Classic  
*Benefiting the Children's Hospital Colorado*  
Falcon District 49 Back to School Event

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## August 2017

Colorado Springs Parade of Homes  
Back to School Breakfast  
*Benefiting Academy School District 20*  
Going for the Green Golf Classic  
*Benefiting Colorado Institute For Social Impact and Air*  
*Academy Federal Credit Union Foundation*  
Cheyenne Mountain School District Convocation  
Sky Sox Baseball Presenting Sponsorship

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## September 2017

United States Air Force Academy Parents' Weekend  
United States Air Force Academy Friday Football Luncheon  
4th Annual Griffith's Kitchen  
*Benefiting Emily Griffith Center for Children-Chins Up*  
AAFCU Community Shred Day  
Financial Literacy Classroom Presentations  
*Colorado Springs School District 11*  
Better Business Bureau of Southern Colorado  
*Night of Excellence*

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## October 2017

Dolls for Daughters and Toys for Boys Toy Drive  
United States Air Force Academy Friday Football Luncheon  
Payback Piggy  
Creepy Crawl 5k  
*YMCA of the Pikes Peak Region*  
Trick or Treat at AAFCU

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## November 2017

United States Air Force Academy Friday Football Luncheon  
Air Force Academy vs. Navy Football Tailgate  
Colorado Springs Veteran's Day Parade  
Castle Rock Starlighting Ceremony  
Financial Planning Seminar

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## December 2017

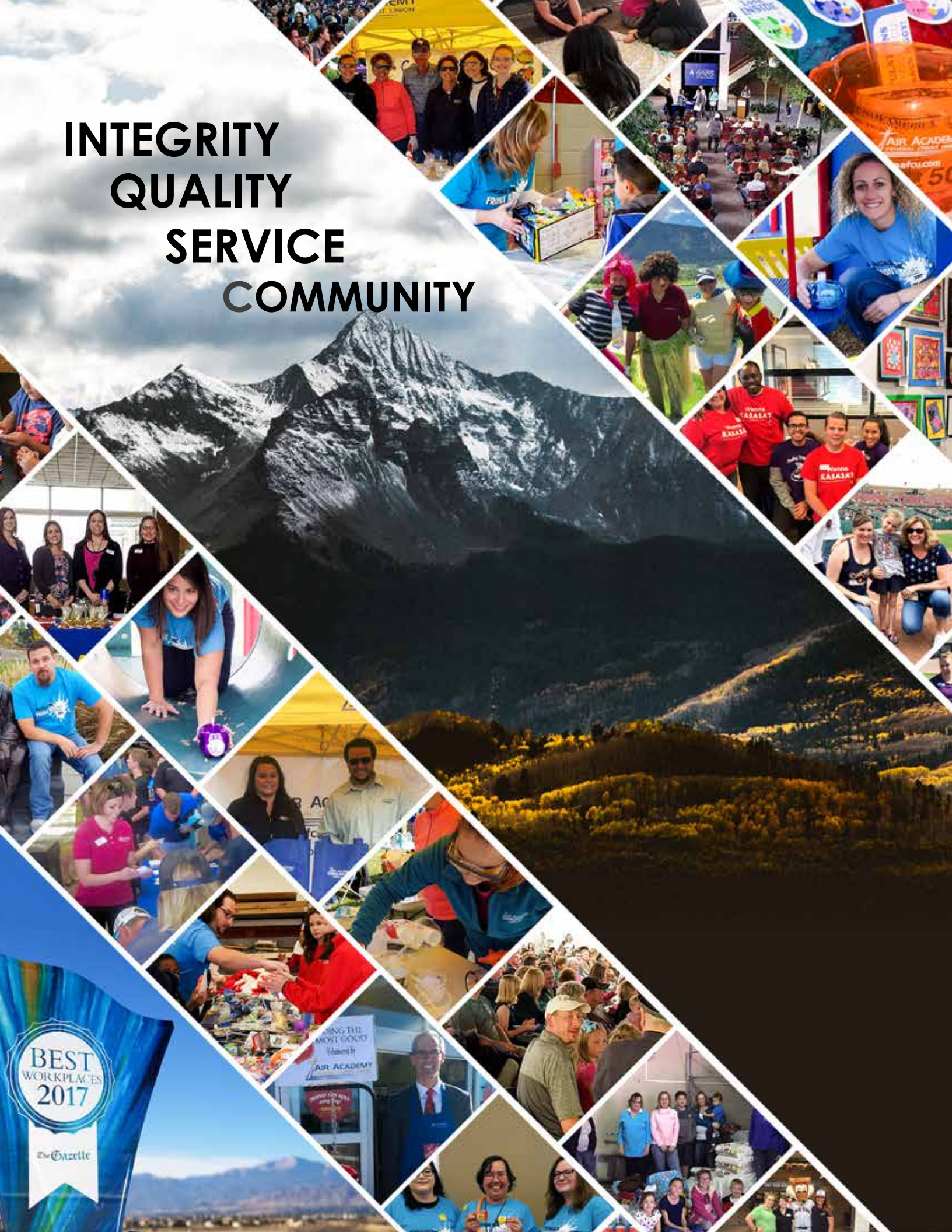
Dolls for Daughters and Toys for Boys Toy Shop  
Financial Literacy Classroom Presentations  
*Falcon School District 49*  
Emily Griffith Center for Children- Chins Up Holiday Party

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**AAFCU** **COMMUNITY**  
support snapshot



**INTEGRITY  
QUALITY  
SERVICE  
COMMUNITY**





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