

STATEMENT OF FINANCIAL CONDITION  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Loans to members, less allowance for loan losses	\$165,798,000	\$159,715,000
Investments	32,554,000	41,430,000
Cash and cash equivalents	23,131,000	14,615,000
Land and building	3,665,000	-
Furniture and equipment less depreciation	738,000	862,000
Share insurance fund	1,872,000	1,786,000
Other assets	3,791,000	3,386,000
<b>Total Assets</b>	<b><u>\$231,549,000</u></b>	<b><u>\$221,794,000</u></b>
<b>Liabilities &amp; Members' Equity</b>		
Shares and other member deposits	\$193,060,000	\$184,524,000
Borrowed funds	5,000,000	5,000,000
Accounts payable and accrued expenses	1,422,000	673,000
Retained earnings, substantially restricted	32,067,000	31,597,000
<b>Total Liabilities &amp; Members' Equity</b>	<b><u>\$231,549,000</u></b>	<b><u>\$221,794,000</u></b>

STATEMENT OF INCOME  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Operating Income</b>		
Income from loans	\$8,705,000	\$7,883,000
Investment income	1,507,000	1,418,000
Other income	2,275,000	2,253,000
<b>Total Income</b>	<b><u>\$12,487,000</u></b>	<b><u>\$11,554,000</u></b>
<b>Operating Expenses</b>		
Compensation and employee benefits	\$4,560,000	\$4,571,000
Office operations	1,344,000	1,622,000
Professional and outside services	1,333,000	1,345,000
Provision for loan losses	1,636,000	1,304,000
Other	1,958,000	1,907,000
<b>Total Operating Expenses</b>	<b><u>\$10,831,000</u></b>	<b><u>\$10,749,000</u></b>
<b>Income from Operations Before Dividends and Interest</b>	<b>\$1,656,000</b>	<b>\$805,000</b>
Dividends paid on member deposits	1,835,000	1,021,000
Interest paid on borrowed funds	123,000	109,000
<b>Net Loss From Operations</b>	<b><u>(\$302,000)</u></b>	<b><u>(\$325,000)</u></b>
<b>Extraordinary Items</b>		
Income from share insurance fund equity distribution	\$38,000	\$181,000
Provision for taxi medallion loan losses	\$270,000	(\$639,000)
<b>Net Loss</b>	<b><u>\$6,000</u></b>	<b><u>(\$783,000)</u></b>



I.N.S.P.I.R.E. Financial Success

2019 ANNUAL REPORT

Working  
Together To Make  
Tomorrow Better

85<sup>TH</sup> ANNUAL MEETING



# Minutes of the 84th Annual Meeting of the Atlantic Federal Credit Union

Tuesday, April 16, 2019

## Directors Present

P. M. Del Sontro  
M. Fanelli  
R. M. Lear  
M. A. Locurcio  
P. Murray  
R. D. Wilder

## Director Emeritus

R. A. Janish

1. The Annual Meeting was held at the Atlantic Federal Credit Union, Kenilworth, New Jersey. Mr. Robert Wilder, Chairman, called the meeting to order at 10:08 a.m. Mr. Wilder welcomed everyone to the Credit Union's 84th Annual Meeting. He introduced the members of the Board of Directors and Supervisory Committee and led the group in the Pledge of Allegiance.

2. Mr. Wilder called members' attention to the 2018 Annual Report that they received upon their arrival at the meeting and noted that the report contained the minutes of the 2018 Annual Meeting, the Credit Union's financial statement, a combined report from the Chairman and CEO/Treasurer and the Supervisory Committee Report.

3. The bylaws of the Credit Union require a quorum of 15 members at Annual Meetings. Mr. Wilder verified that a quorum was present.

4. Mr. Del Sontro, Board Secretary, summarized the minutes of the 2018 Annual Meeting. Ms. Carla White-Garrett moved that they be accepted as presented in the Annual Report. Mr. Joseph Spina seconded the motion and the minutes were approved.

5. Mr. Hovland presented the Supervisory Committee's report as included in the Annual Report.

6. Mr. Fanelli presented the Treasurer's Report. He reported that rising interest rates did not dampen lending as the portfolio had a strong year with 13% growth. He said that aggressive share certificate pricing was not able to stem deposit losses as the portfolio declined 2%. He attributed 40% of the decline to the ongoing challenge of an aging demographic.

7. Mr. Fanelli reported that the Credit Union had an overall net loss for the year of \$783,000 which was largely impacted by an extraordinary charge for estimated losses in taxi medallion loans. Despite the loss from operations, he said that the Credit Union remains financially sound with 15% capital, more than twice the amount required by government regulators.

## Supervisory Committee

R. W. Hovland

8. Mr. Fanelli said that in 2019 the Credit Union is rolling out a new vision statement that reconfirms its purpose and commitment to members. Each employee is committed to "I.N.S.P.I.R.E. Financial Success" with each member during every interaction. He said that along with competitive products and services, "living" the vision statement is the path to building long-term financial relationships and will help ensure that the Credit Union's owner-members recognize Atlantic Federal as their trusted partner.

9. In his chairman's address, Mr. Wilder reported that the state of the Credit Union is financially sound and that it is well managed and well capitalized. He said that management makes appropriate risk and return decisions for the organization.

10. Mr. Wilder said that during 2019 the Credit Union will review and update the strategic plan that was established five years ago and contains three strategic initiatives: Long Term Growth, Technology Utilization and Culture Development. He said that membership growth and retention will continue to be key areas of focus along with technology utilization.

11. In addressing the Culture Development initiative, Mr. Wilder noted that the Credit Union's adoption of the new vision statement to "I.N.S.P.I.R.E. Financial Success" positions it to positively impact the communities it serves and improve members' financial lives through staff members' personal commitment and integrity.

12. Mr. Wilder acknowledged the volunteer Board of Directors and Committee Members who give so freely of their time in setting the strategic direction. He thanked the members for their years of loyal support and continued patronage.

13. Mr. Lear, Chairman of the Nominating Committee, introduced the members of the Nominating Committee: Ms. Carla White-Garrett and Ms. Maryann Small. They submitted the following candidates for vacancies on the Board of Directors; both for three year terms: Mr. Michael Locurcio and Ms. Patti Murray.

14. Since no other names had been filed with the Secretary prior to the Annual Meeting, Mr. Lear asked Mr. Del Sontro to cast one ballot for the slate, which was done. The motion was passed and the nominees were elected.

15. There being no further business to conduct, Ms. Dorothy Kruza motioned to adjourn the meeting. This was seconded by Ms. Ann MacArthur and was passed. The Annual Meeting adjourned at 10:26 a.m.

Respectfully submitted,  
**Peter M. Del Sontro, Secretary**

## A Message from the Chairman of the Board & the CEO/Treasurer

Over our 85-year history we've overcome many challenges--economic, sponsor transition --but none more significant or personal than the recent outbreak of the Coronavirus. We are in uncharted waters in combating this outbreak and when we come out of it, it will forever change how we interact with each other. The focus of the board, management and staff during this crisis is to serve you, our members, in a safe and efficient manner.

We are well positioned to serve our membership as we've developed a robust and integrated digital platform over the years. Using our Online and Mobile channels members are able to perform activities such as opening an account, applying for a loan, transacting within accounts, making deposits remotely and so on from the safety and comfort of their homes. Our focus is to continue to improve upon these delivery channels to provide our members with a convenient, frictionless and secure member experience.

It is this approach that has helped us to be a trusted partner with you for these many years. It is a focal point of your volunteer board and management team in setting our future direction. It is a focal point of our valued staff in nurturing the long-term financial relationship of you our members. As member-owners, your personal financial well-being ensures our organizational success now and in the future.

While we're working our way through the crisis, we are and have moved forward with initiatives to continue to better serve you. For example, during the first half of 2020 we will be asking you to participate in a member survey which will help us keep our pulse on your financial needs. Also, beginning in January 2020 we launched a new checking account suite. Our Kasasa checking accounts reward members for making everyday purchases through cashback or earning high dividends on account balances. Finally, we have purchased a building in Springfield that will serve as our administrative building and are looking to relocate our Kenilworth branch. Both are projected to be completed in late spring 2021.

2019's financial results were positive as we benefited from the longest running economic expansion in U.S. history. Some highlights include asset growth of 4.4%, loan growth of 2.3% and member deposit growth of 4.6%. Net income was \$6,000, which was a significant improvement over 2018's net loss of \$780,000. Your Credit Union remains financially sound with 14% capital, which is more than double the amount required by our government regulators.

While we are unsure what financial impact the crisis will have on all of us in 2020, know that your Atlantic Federal employees and volunteer Board will continue to work on your behalf to ensure uninterrupted service to you, our members. Thank you for your continued support and trust. We appreciate the opportunity to positively impact your financial lives, the owner-members we serve.

Respectfully submitted,  
**Robert D. Wilder, Chairman of the Board**  
**Michael Fanelli, Treasurer/Chief Executive Officer**

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## Supervisory Committee Report

Your Supervisory Committee, an independent body of volunteers, is mandated by the Federal Credit Union Act and serves as a watchdog for the members of Atlantic Federal Credit Union.

In order to meet its responsibilities, the Supervisory Committee, with the approval of the Credit Union's Board, has retained the services of The Curchin Group, a CPA firm, to perform a comprehensive yearly audit of Atlantic Federal's financial statements. The results of this audit and the periodic examination of your Credit Union by the National Credit Union Administration together with other supplemental Internal Audits and reviews conducted by the Supervisory Committee are reported to the Board as they are completed. We are confident that we will be getting a clean opinion from Curchin since they have not notified us of any material items or adjusting entries to our financials.

Your Supervisory Committee is pleased to report that these audits and examinations have confirmed the fiscal soundness of the Credit Union. The assets of the Credit Union are properly safeguarded and the books and records are an accurate accounting of its assets, liabilities and capital.

Respectfully submitted,  
**Russell Hovland, Chairman**