



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

2020 ANNUAL REPORT



*Paving The Way To
Excel In A New Era*

86TH ANNUAL MEETING

Atlantic Federal Credit Union 85th Annual Meeting Minutes

Tuesday, April 28, 2020

Directors

Present

P. M. Del Sontro—*via phone*
M. Fanelli—*via phone*
R. M. Lear—*via phone*
M. A. Locurcio—*via phone*
P. Murray—*via phone*
R. D. Wilder—*via phone*

Absent

F. B. Beckman

Director Emeritus

R. A. Janish

Supervisory Committee

R. W. Hovland

Executive Staff

F. Carlone
J. Gollinge
S. Hilenski
T. Valenziano

Recording Secretary

M. Small

1. The Annual Meeting was held in-person and virtually from the Atlantic Federal Credit Union, Kenilworth, New Jersey. Mr. Robert Wilder, Chairman, called the meeting to order at 10:13 a.m.

2. Mr. Wilder welcomed everyone to the Credit Union's 85th Annual Meeting. He noted that the Credit Union has faced many challenges during its 85-year history but none so significant and personal as the Covid-19 pandemic. On behalf of the Board, Mr. Wilder extended sympathy and prayers to Joe Spina's family. Joe, who retired from the Atlantic Federal Board in 2018 after serving for 47 years, recently passed due to complications from the disease.

3. Mr. Wilder encouraged everyone to "stay the course" and comply with the state's stay-at-home orders. He said that the Credit Union was following all guidelines to promote the health and safety of members and staff. Regardless of the unique circumstances, Mr. Wilder said all essential business functions at the Credit Union were continuing. He said that many employees, including the call center staff, were working from home.

4. Mr. Wilder said that Members were being encouraged to use the Credit Union's online and mobile services to manage accounts, make remote deposits and apply for loans. The Credit Union will continue to improve upon these delivery channels to provide members with a convenient, frictionless and secure experience.

5. Mr. Wilder introduced the members of the Board of Directors and Supervisory Committee. He called attention to the 2019 Annual Report and noted that the report contained the minutes of the 2019 Annual Meeting, the Credit Union's financial statement, a combined report from the Chairman and CEO/Treasurer and the Supervisory Committee Report.

6. Mr. Wilder reported that on April 1, 2020, the Credit Union Board adopted by resolution the National Credit Union Administration Guidelines on Virtual Meetings and complied with the 7-day advance notification requirements. The bylaws of the Credit Union require a quorum of 15 members at Annual Meetings. The following members were in attendance: Frank Carlone, Peter Del Sontro, Yvana Ellison, Dennis Fabbo, Michael Fanelli, Janet Gollinge, Sandy Hilenski, Russell Hovland, Robert Janish, Dolores Janish, Robert Lear, Michael Locurcio, Patti Murray, Maryann Small, Robert Wilder, Tony Valenziano and Carla White-Garrett. Mr. Wilder verified that a quorum was present.

7. Mr. Del Sontro, Board Secretary, summarized the minutes of the 2019 Annual Meeting. Mr. Robert Lear moved that they be accepted as presented in the Annual Report. Mr. Michael Locurcio seconded the motion and the minutes were approved.

8. Mr. Hovland presented the Supervisory Committee's report as included in the Annual Report. He said that the Supervisory Committee retained the services of The Curchin Group, a CPA firm, to perform a comprehensive yearly audit of the financial statements. He said that Atlantic Federal is confident that it will receive a favorable opinion from this audit since it has not been notified of any material items or adjusting entries to the financials. Mr. Hovland said that the Credit Union also received favorable reports from the examination performed by the National Credit Union Administration.

9. Mr. Hovland said that the Credit Union continued to operate in a safe and sound manner during 2019. Its assets were properly safeguarded, and the books and record were an accurate accounting of the Credit Union's assets, liabilities and capital.

10. Mr. Wilder presented highlights from the joint Treasurer's Report and Chairman's Address. The full report is contained in the 2019 Annual Report.

11. Mr. Wilder said that 2019's results were positive with the Credit Union benefiting 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. He noted that the Credit Union remains financially sound with 14% capital, which is more than double the amount required by the government regulators.

12. In his address, Mr. Wilder said that the Board remains bullish and optimistic on the future of Atlantic Federal. He said that the "Working Together to Make Tomorrow Better" theme of the 2019 Annual Report reflects the Credit Union's mission for the past 85 years: *To Positively Impact the Communities We Serve and Improve Members' Financial Lives Through Personal Commitment and Integrity.*

13. Mr. Wilder said that during the past year, the Board validated and updated the Strategic Plan. Key elements in the plan are technology development for online and mobile access and systems, growth in membership and growth in overall deposits and loans.

14. Among the initiatives underway in 2020 are a new checking account suite that was launched in January. Kasasa checking accounts reward members for making everyday purchases through cashback or earning high dividends on account balances. A member survey is currently being conducted to help Credit Union management keep a pulse on members' financial needs. Finally, the Credit Union has purchased a building in Springfield, N.J. that will serve as the administrative office. A search is underway for a new location for the Kenilworth branch. Both are projected to be completed in late spring 2021.

15. In conclusion, Mr. Wilder said that he and the Board are satisfied with the Credit Union's progress and remain committed to working on the behalf of members.

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

17. Mr. Wilder encouraged everyone to take measures to stay safe and healthy during these unprecedented times. He said that Atlantic Federal has maintained financial stability and serviced its members for 85 years. The Credit Union will continue to be there for members during the crisis as they plan their financial futures.

18. Ms. Maryann Small, Chairman of the Nominating Committee, introduced the members of the Nominating Committee: Ms. Carla White-Garrett and Ms. Yvana Ellison. They submitted the following candidates for vacancies on the Board of Directors; all for three-year terms: Mr. Peter Del Sontro, Mr. Robert Lear and Mr. Robert Wilder.

19. Since no other names had been filed with the Secretary prior to the Annual Meeting, Ms. Murray cast one ballot for the slate. The motion was passed and the nominees were elected.

20. There being no further business to conduct, Mr. Lear motioned to adjourn the meeting. This was seconded by Ms. Murray and was passed. The Annual Meeting adjourned at 10:27 a.m.

A Message from the Chairman of the Board & CEO

First and foremost, we hope this message finds you and your loved ones well. The past year has brought forth many challenges from the Coronavirus to economic hardship, to concerns over racial injustice and inequality, to deep political divisions. “Challenging”, “stressful”, and “surreal” are just some of the adjectives we used, and over-used, to characterize a year defined by uncertainty, suffering and loss.

Yet, through all that, words like “caring,” “resilient” and “heroic” can be used to describe what we have seen from our front-line responders, the women and men on the front lines in critical roles, friends, neighbors and colleagues during the past year. As we begin 2021, we hope we can focus on the values we preserved and the positive lessons we learned.

Lead from where you stand. I, Anthony Mero, am humbled to have the opportunity to have been selected as the next CEO of the Atlantic Federal Credit Union. I come after a line of women and men that built a solid financial institution. That leadership steered the Credit Union through a turbulent year and did so by managing in the best way possible to service the membership while prioritizing health and safety.

As we move forward, I am now entrusted to represent the members of the Credit Union, both current and potential. My philosophy of leadership is not about giving orders, but rather about taking responsibility for people and being accountable to those that are served. Our utmost responsibility is to the membership in operating a financially sound organization. An organization that is focused on profitability and works to return that profitability to the membership is the various ways that a Credit Union is designed to do: whether in the form of new products and services, loan offerings, rates on loans and/or deposits, an array of digital offering alternatives and personalized service.

Lend a helping hand. At Atlantic Federal, we quickly instituted efforts to help affected members during the pandemic, as did several financial institutions across our state and nation. On an individual level, our employees realized that our local charitable organizations needed our help more than ever and volunteered their time and resources to several non-profits to help make a difference for our neighbors. These are just two of the efforts that exemplify the ways in which the Credit Union has been able to lend a helping hand to those in need.

New ways to connect and interact. PAVING THE WAY TO EXCEL IN A NEW ERA. One of the most important outcomes of the pandemic has been the way it has forced many businesses to adapt and change in order to provide service. The Credit Union was no different in this regard. While the quarantine restrictions had great impact initially, the Credit Union worked tirelessly to ensure member service. An example is the implementation of a reservation system to provide timely member service. This was quickly deployed to allow us to serve the membership in the best way possible and meet CDC guidelines. In addition, the Credit Union’s continual efforts to expand its digital capabilities over several years allowed us to serve our members in the best and safest way possible during this time.

What we learned and experienced is that COVID-19 will likely have a lasting impact on the way in which we live, work, learn, shop, and manage our finances. Therefore, continued investments in technology and talent will be needed to meet the evolving needs of people and businesses – the very members we serve.

Invest in growth. At Atlantic Federal Credit Union, we are re-envisioning and upgrading to a new headquarters facility. In late 2019, the Credit Union acquired a new Headquarters building in Springfield and has been working on extensive renovations. The facility, once completed, will become our new home after the many years spent here in Kenilworth. As Kenilworth was new to us when we came here over 20 years ago, the Springfield facility will be a new beginning for us when we take occupancy of it. Migrating our Member Care Call Center as part of the move to our headquarters will provide a dedicated area to create and nurture our relationships with our members through interactions by phone and chat. It will also set the groundwork for potential future technologies such as video. In addition, we will also strengthen our cyber security infrastructure to coordinate the Credit Union’s efforts to protect our members from a wide variety of threats. This facility will also enhance the collaboration among various Credit Union operations, security, and information technology staff to protect customer data and ensure resilient operating capabilities.

Highlights. While 2020 proved to be a challenging year, some financial highlights of performance:

- Overall Net worth remains very strong at 13.2%

- Members shares increased over 9.5%, over \$18.3 million

- Total assets increased by over \$13 million (up 5.6%) to \$244.6 million

- Loans to members decreased by \$2.4 million (down 1.5%)

- Land & building increased \$1.7 million; Driven as result of the continued investment of the initiative mentioned earlier

Moving forward. The Credit Union, like management of any business, should be asking important questions. Which of our services, products and solutions will be most relevant to our members in a post-pandemic economy? What is the best business model for delivering our offerings? What investments, especially in people and technology, will we need to write the next chapter for our credit union? And, how should we embrace the larger needs of society – such as economic equality, environmental stewardship, and responsible corporate governance – so we can align our purpose and performance? Well positioned businesses must make plans and begin investing now for the post-pandemic future; it will arrive faster than many think and will be required to ensure long term viability.

Undoubtedly, it is hard to think about investing in growth and change when we still face uncertainties related to the challenges before us. But, for those organizations that are able and willing to invest in the future, 2021 and beyond will be defined by a different set of words – like “creative,” “daring” and “empowered.”

Respectfully submitted,

Robert D. Wilder, Chairman of the Board

Anthony Mero, Chief Executive Officer

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 thereby confirmed the adequacy and effectiveness of internal controls, policies, and procedures 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



STATEMENT OF FINANCIAL CONDITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Loans to members, less allowance for loan losses	\$163,311,000	\$165,798,000
Investments	20,863,000	32,554,000
Cash and cash equivalents	48,858,000	23,131,000
Land and building	5,429,000	3,665,000
Furniture and equipment less depreciation	746,000	738,000
Share insurance fund	1,980,000	1,872,000
Other assets	3,481,000	3,791,000
Total Assets	\$244,668,000	\$231,549,000
Liabilities & Members' Equity		
Shares and other member deposits	\$211,454,000	\$193,060,000
Borrowed funds	-	5,000,000
Accounts payable and accrued expenses	1,929,000	1,422,000
Retained earnings, substantially restricted	31,285,000	32,067,000
Total Liabilities & Members' Equity	\$244,668,000	\$231,549,000

STATEMENT OF INCOME

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Income		
Income from loans	\$8,652,505	\$8,705,000
Investment income	679,000	1,507,000
Other income	1,800,572	2,275,000
Total Income	\$11,132,076	\$12,487,000
Operating Expenses		
Compensation and employee benefits	\$4,427,000	\$4,560,000
Office operations	1,267,000	1,344,000
Professional and outside services	1,335,000	1,333,000
Provision for loan losses	1,386,000	1,636,000
Other	1,814,000	1,958,000
Total Operating Expenses	\$10,229,000	\$10,831,000
Income from Operations Before Dividends and Interest	\$903,000	\$1,656,000
Dividends paid on member deposits	\$1,769,000	\$1,835,000
Interest paid on borrowed funds	12,000	123,000
Net Loss From Operations	(\$878,000)	(\$302,000)
Extraordinary Items		
Repossessed taxi medallion adjustments	(\$210,000)	\$270,000
Income from share insurance fund equity distribution	-	38,000
Net Income (Loss)	(\$1,088,000)	\$6,000