



2021 Annual Report

Moving Forward with Optimism



87th Annual Meeting



Atlantic Federal Credit Union 86th Annual Meeting Minutes

April 20, 2021

Directors

Present

F. B. Beckman

P. M. Del Sontro

R. M. Lear

M. A. Locurcio

P. Murray

R. D. Wilder

Executive Staff

A. Mero

F. Carlone

S. Hilenski

K. Pakrul

T. Valenziano

Supervisory Committee

R. W. Hovland

Recording Secretary

M. Small

1. The Annual Meeting was held in-person and via video conferencing from the Atlantic Federal Credit Union, Kenilworth, NJ. Mr. Robert Wilder, Chairman, called the meeting to order at 10:14 a.m.

2. Mr. Wilder welcomed everyone to the Credit Union's 86th Annual Meeting. He noted the appropriateness of this year's meeting's theme of "Paving the Way to Excel in a New Era." He said that the Credit Union has responded well to the unique circumstances brought upon it by the pandemic while prioritizing the safety and wellbeing of both Members and staff.

3. Mr. Wilder said that the efforts to expand digital capabilities over the past several years positioned the Credit Union at the onset of the pandemic to provide Members full access to secure products and services focused on their immediate and long-term financial needs. Additional efforts during the past year included a reservation system for Members to make in-person appointments at the branches.

4. Mr. Wilder introduced the members of the Board of Directors and Supervisory Committee. He called attention to the 2020 Annual Report and noted that the report contained the minutes of the 2020 Annual Meeting, the Credit Union's financial statement, a combined report from the Chairman and CEO and the Supervisory Committee Report.

5. Mr. Wilder welcomed the new CEO, Mr. Anthony Mero, a seasoned executive with both credit union and banking experience who started on January 18, 2021. He took over from Mr. Michael Fanelli who retired in December 2020 after 20+ years of service including nine years as CEO. Mr. Wilder noted that Mr. Mero is only the 6th CEO since the Credit Union was founded 86 years ago.

6. Mr. Wilder said 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. This practice was followed for the 2020 Annual Meeting and is being repeated this year.



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7. The bylaws of the Credit Union require a quorum of 15 Members at Annual Meetings. The following Members were in attendance: Fred Beckman, Frank Carlone, Peter Del Sontro, Yvana Ellison, Michael Fanelli, Warren Greenberg, Sandy Hilenski, Russell Hovland, Robert Lear, Michael Locurcio, Anthony Mero, Patti Murray, Kristina Pakrul, Maryann Small, Robert Wilder, Tony Valenziano and Carla White-Garrett. Mr. Wilder verified that a quorum was present.

8. Mr. Del Sontro, Board Secretary, summarized the minutes of the 2020 Annual Meeting. Mr. Lear moved that they be accepted as presented in the Annual Report. Ms. Murray seconded the motion and the minutes were approved.

9. 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 2020 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.

10. Mr. Hovland said that the Credit Union continued to operate in a safe and sound manner during 2020. Its assets were properly safeguarded and the books and record were an accurate accounting of the Credit Union's assets, liabilities and capital.

11. Mr. Mero began his remarks by expressing appreciation to the Board of Directors for his selection as the CEO of Atlantic Federal and to management and staff for their efforts in steering the Credit Union through a turbulent year in serving the Membership in the best way possible while prioritizing health and safety in accordance with Center for Disease Control guidelines.

12. Mr. Mero noted that he follows a line of women and men who have built the Credit Union's solid foundation. In his role as CEO, he pledged to continue that tradition and continue to service both current and future Members in the various ways that a credit union is designed to do – including new products and services, loan offerings, rates on loans and deposits, an array of digital offerings and personalized service.

13. One of the outcomes of the pandemic, Mr. Mero said, was that it forced many businesses, including Atlantic Federal, to adapt and change. Atlantic Federal quickly instituted efforts to help affected Members. Employees personally volunteered time and resources to several local non-profits to help make a difference for our neighbors. Credit Union staff worked tirelessly to ensure Member service by phone and online.

14. Going forward, Mr. Mero said that what was learned and experienced during this time will likely have an impact on the way people live, work, learn, shop and manage their finances in the future. Therefore, continued investments in technology and talent will be needed to meet the evolving needs of Members.



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15. Mr. Mero said that a priority for Atlantic Federal in the coming period is to ask and answer some important questions. What services, products and solutions will be most relevant to Members in a post-pandemic economy? What is the best business model for delivering those offerings? What investments, especially in people and technology will be needed to write the next chapter for the Credit Union? How should the Credit Union embrace the larger needs of society such as economic equality, environmental stewardship and responsible corporate governance?

16. While it may be hard to think about investing in growth and change with uncertainties still ahead, Mr. Mero said that those organizations that are able and willing to invest in the future will be defined by a different set of words – like “creative,” “daring” and “empowered.”

17. In his Chairman’s address, Mr. Wilder said that the Credit Union continues to be financially sound and well capitalized, citing its 13.2% net worth ratio which is significantly above the 7% minimum required by government regulators. During 2020, deposits increased by 9.5%, the loan return rate was 5.2% and assets grew by 5.7%.

18. Mr. Wilder said that under the new leadership of Mr. Mero, the Credit Union will continue its mission of the last 86 years to positively impact the communities we serve and improve Members’ financial lives through personal commitment and integrity.

19. For the upcoming year, Mr. Wilder said that the Board will focus on Strategic Plan initiatives and differentiating Atlantic Federal from other financial institutions with technology, innovation, products, flexibility and efficiencies. Key elements in the plan are ongoing improvements to mobile and online access and systems, growth in Membership and growth in overall deposits and loans.

20. Mr. Wilder said that the renovation of the Credit Union’s new administrative building in Springfield, N.J. is in progress and scheduled for completion during the third quarter of 2021. \$9 million has been allocated for the purchase and remodeling of which \$6 million has been spent to date. A search for a new Kenilworth branch location is underway.

21. Migrating the Call Center to the new headquarters, he said, will provide a dedicated area to create and nurture relationships with Members through interactions by phone and chat. It will provide the facilities to set the groundwork for potential future technologies such as video. Cyber security infrastructure will be strengthened to protect Members from a wide variety of threats. The design of the interior space will enhance the collaboration among various Credit Union operations, security and information technology staff to protect consumer data and ensure resilient operating capabilities.



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22. In conclusion, Mr. Wilder said that the Board is satisfied with Atlantic Federal's progress and remains committed to the future by ensuring that the Credit Union's strategic goals are aligned with its mission, vision and values.

23. Ms. Maryann Small, Chairman of the Nominating Committee, introduced the members of the Nominating Committee: Ms. Carla White-Garrett and Ms. Yvana Ellison. One candidate, Mr. Beckman, was nominated to the Board for a three-year term.

24. Since no other names had been filed with the Secretary prior to the Annual Meeting, Mr. Del Sontro cast one ballot for the slate. The motion was passed and the nominee was elected.

25. Mr. Wilder acknowledged the Credit Union management for its outstanding efforts in continuing to provide all essential banking functions to Members throughout this unprecedented period. Hopefully by this time next year, he said, this will be a memory and Credit Union operations will be back to normal.

26. Mr. Wilder thanked the volunteer Board of Directors and Committee Members who give so freely of their time in developing the strategic vision focusing on the long-term success of the Credit Union. He thanked Members for their years of loyal support and continued patronage.

27. There being no further business to conduct, Mr. Del Sontro motioned to adjourn the meeting. This was seconded by Mr. Locurcio and was passed. The Annual Meeting adjourned at 10:35 a.m.





A Message from the Chairman of the Board and the Chief Executive Officer

We hope this message finds you and your loved ones well.

While 2022 got off to a challenging start with continued pandemic-related hardships and restrictions throughout the nation, we are filled with a growing sense of optimism as these early months have passed. This optimism generates from the significant accomplishments we were able to achieve over 2021 and the momentum behind our drive to promote the economic and social wellbeing of the communities we serve.

Looking back: During the year, we completed the renovations on the Credit Union's new Headquarters and relocated to the new facility. In addition, as part of the move, we relocated our Kenilworth branch office to our new full-service branch location in Union, which boasts an open and welcoming layout, as well as the additional amenity of a drive-up window. If you have not yet had the chance to visit the new Union branch, we hope you will stop by when you are in the area so we can say hello.

These moves would have been no small feat to coordinate under normal conditions and are even more remarkable during a pandemic. Throughout these transitions, our team members worked diligently to provide uninterrupted service at the high level our Members deserve and expect. We genuinely appreciate your patience and understanding as we worked through these circumstances so that the team could fully support your needs. With that, we must acknowledge the Credit Union team members who have worked diligently to maintain our service standards. We are immensely proud of our team and the dedication they bring to their jobs daily. They are what makes our thriving financial cooperative possible.

Reflecting on where we are now: The significant efforts by our team members over the past year brought forth performance results the Credit Union has not seen in several years. We are proud to share some of the highlights:

2020		2021
13.18%	Net Worth Ratio	13.94%
(0.46%)	Return on Average Assets	0.14%
77.8%	Loan to Savings Ratio	79.8%
95.19%	Efficiency Ratio	94.58%
(0.58%)	Provision for Loan & Deposit Losses	(0.10%)



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Total assets decreased slightly from \$244.7 million to \$233.9 million. This reduction is attributable to the outflow of deposits from federal stimulus funds.

In terms of service adoption, we continue to have more Members leveraging our digital banking tools. Nearly 70% of Members now actively use Online Banking, and more than 40% of Members are using the Mobile App. It became more and more apparent through the pandemic that digital banking solutions are a crucial part of our daily lives, and improving the breadth and speed of our digital services will continue to be a priority for us moving forward.

Focusing on the future: At the Atlantic Federal Credit Union, we constantly work to evaluate how to best serve our Members – current and future. In the coming months, you can expect to see more ways to connect with us, including seamless video sessions offering personal service from any location; streamlined access to new deposit and loan services; a simplified suite of account options offering clarity and more transparency; and up-and-coming payments technology. We also continue to focus on optimizing our cyber infrastructure and resiliency, which are crucial to the security and functionality we are proud to offer to our Membership.

In conclusion, the uncertainty of the past several years has taught us that being prepared for the unexpected is more important than ever. It has also given us the opportunity to reflect, to appreciate our successes, and to treasure new aspects of life. Focusing on the positive fuels optimism. Optimism is the belief that the future can be better, and we all have the capacity to be optimistic.

**We choose to
move forward
with optimism.**

As we emerge from these challenges, as a community and as individuals, we all can decide how we want to move forward. On behalf of the Atlantic Federal Credit Union, we choose to move forward with optimism.

We thank you for allowing us to serve as your financial institution. We sincerely appreciate your patience and commitment to the Atlantic Federal Credit Union over the last year. Serving you has continued to be our greatest privilege.

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 the 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. In addition, your Credit Union has added a new position to their staff in 2021 as Director of Compliance and Risk Management to further ensure the safeguarding of your assets. 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, 2021 and 2020

Assets	2021	2020
Loans to Members, less allowance for loan losses	\$158,793,000	\$163,311,000
Investments	19,541,000	20,863,000
Cash and cash equivalents	38,592,000	48,858,000
Land and building	8,390,000	5,429,000
Furniture and equipment less depreciation	1,062,000	746,000
Share insurance fund	2,052,000	1,980,000
Other assets	5,399,000	3,481,000
Total Assets	\$233,829,000	\$244,668,000
Liabilities & Members' Equity		
Shares and other Member deposits	\$200,209,000	\$211,454,000
Accounts payable and accrued expenses	1,784,000	1,929,000
Retained earnings, substantially restricted	31,836,000	31,285,000
Total Liabilities & Members' Equity	\$233,829,000	\$244,668,000

Statement of Income

Years Ended December 31, 2021 and 2020

Operating Income	2021	2020
Income from loans	\$7,826,000	\$8,653,000
Investment income	611,000	679,000
Other income	1,883,000	1,800,000
Total Income	\$10,320,000	\$11,132,000
Operating Expenses		
Compensation and employee benefits	\$5,007,000	\$4,427,000
Office operations	1,354,000	1,267,000
Professional and outside services	1,459,000	1,335,000
Provision for loan losses	251,000	1,386,000
Other	2,077,000	1,814,000
Total Operating Expenses	\$10,148,000	\$10,229,000
Income from Operations before Dividends & Interest	\$172,000	\$903,000
Dividends paid on Member deposits	\$890,000	\$1,769,000
Interest paid on borrowed funds	-	12,000
Net Loss from Operations	(\$718,000)	(\$878,000)
Extraordinary Items		
Income from NCUA capital distribution	\$1,203,000	-
Reposessed taxi medallion adjustments	(145,000)	(210,000)
Net Income (Loss)	\$340,000	(\$1,088,000)