



2022 Annual Report

Navigating the Path Forward



88th Annual Meeting

The Atlantic Federal Credit Union

87th Annual Meeting Minutes

April 19, 2022

Directors

Present

P. M. Del Sontro
R. M. Lear
M. A. Locurcio
P. Murray
P. Rosen
C. Rowden
R. D. Wilder

Executive Staff

A. Mero
A. Cadmus
S. Hilenski
K. Pakrul
J. Reed

Supervisory Committee

R. W. Hovland

Recording Secretary

K. Pakrul

1. The Annual Meeting was held in-person and via video conferencing from The Atlantic Federal Credit Union, Springfield, NJ. Mr. Robert Wilder, Chairman, called the meeting to order at 10:16 am.

2. Mr. Wilder welcomed everyone to the Credit Union's 87th Annual Meeting. He noted the appropriateness of this year's theme of "Moving Forward with Optimism."

3. Mr. Wilder said that we are now two years into the pandemic and continue to recognize the unique circumstances presented while providing financial services and prioritizing the safety and wellbeing of our Members and staff. Mr. Wilder noted regardless of these unique circumstances, we are continuing to make sure our Members have access to secure and convenient products and services focused on our Members' immediate and long-term financial needs. The Credit Union continued to be open for business using remote applications, online inquiry/updates and in-person appointments in the branches.

4. Mr. Wilder introduced the members of the Credit Union's Board of Directors and Supervisory Committee. He called attention to the 2021 Annual Report and noted that the Report contained the minutes of the 2021 Annual Meeting, the Credit Union's annual financial statement, a combined report from the Chairman and the CEO, and the Supervisory Committee Report.

5. Mr. Wilder said, "In 2021, AFCU followed the National Credit Union Administration (NCUA) guidelines, which were updated for 2022, and adopted a resolution to hold annual meetings virtually in addition to in-person which we did last year and continue this year in light of the ongoing pandemic."

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

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7. Mr. Del Sontro, Board Secretary, summarized the minutes of the 2021 Annual Meeting. Mr. Locurcio moved that they be accepted as presented in the Annual Report. Mr. Lear 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 2021 financial statements. He said that The Atlantic is confident that it will receive a favorable opinion from this audit since we have not been notified of any material items or adjusting entries to the financials.

9. Mr. Hovland said that the Credit Union continued to operate in a safe and sound manner during 2021. 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. Mero began his remarks that this year's theme for the Credit Union was "Moving Forward with Optimism". He explained that 2021 was another challenging year managing through the pandemic, but the Credit Union was there to help its Members. Credit Union staff worked tirelessly to ensure streamlined Member service throughout the course of the pandemic.

11. Mr. Mero noted that, during 2021, we completed the renovation of the Credit Union's new Headquarters located in Springfield, NJ 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 includes a drive-up window for our Members' convenience.

12. During the move of the Headquarters and Kenilworth locations, Mr. Mero said there was minimal downtime for our Members to conduct online and in-person banking.

13. During 2021, Mr. Mero stated that more Members began 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. During the pandemic, it became apparent that digital banking solutions are a crucial part of our daily lives, and improving the growth of our digital services will continue to be a priority for us moving forward.

14. Mr. Mero thanked the Board of Directors for their continued support over the course of 2021, and their continued guidance into 2022. Mr. Mero also thanked Mr. Fanelli for laying the ground work at the start of the pandemic, which has positioned the Credit Union in the right direction.

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15. In his Chairman Address, Mr. Wilder said that the Credit Union continues to be financially sound and well capitalized, citing its 13.9% net worth ratio, which is significantly above the 7% minimum required by government regulators. 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.

16. Mr. Wilder noted that, during 2021, there were many changes that happened within the organization, including a reorganization realignment that allowed for the Credit Union to end the year with a net income of \$340,000 compared to a net loss in the prior year.

17. For the upcoming year, Mr. Wilder said that the Board will focus on Strategic Plan initiatives and differentiating The Atlantic Federal Credit Union from other financial institutions with technology, innovation, products, flexibility and efficiencies.

18. Mr. Wilder reiterated the completion of the administrative building in Springfield, NJ, in the third quarter of 2021. A total of \$8 million was spent on the purchase and remodeling of the new location.

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

20. Mr. Cadmus, Chairman of the Nominating Committee, introduced the members of the Nominating Committee: Ms. Kristina Pakrul and Ms. Carla White-Garrett. This year's nominations included Ms. Murray and Mr. Locurcio to the Board for three-year terms, as well as Mr. Rosen and Ms. Rowden to fill two vacancies on the Board for remaining two-year terms.

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

22. Mr. Wilder acknowledged the Credit Union management for their outstanding efforts in continuing to provide all essential banking functions to service our Members throughout this unprecedented period.

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

24. There being no further business to conduct, Mr. Locurcio motioned to adjourn the meeting. This was seconded by Ms. Murray and was passed. The Annual Meeting adjourned at 10:35 am.

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

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

In 2022, we navigated through our emergence from the grip of the pandemic and simultaneously transitioned into a period of historic economic uncertainty.

Record inflation numbers and other economic indicators not seen in 40 years directly impacted our Members through higher costs at the gas pump and grocery store, elevated housing prices, and dramatic volatility in the stock market.

As these challenges emerged, the team at The Atlantic Federal Credit Union worked hard to be a valuable partner and resource for you, our Members, and our communities. Whether it was offering solutions and competitive rates to help you adjust and better manage your finances; expanding our products, services, and options to serve you; or donating our time and efforts to help those in greatest need, The Atlantic stayed true to its 87-year heritage of people helping people. Together, we continue to **navigate the path forward**.

Looking Back: The Credit Union took significant steps over the last two years to position itself for success. Many of those steps were difficult, but those very actions placed it on a path to sustainably support its Members and the communities it serves. Those steps also guided it to be on the path of financial stability – the very tenet of what a financial cooperative is structured to be and what it espouses for its Members.

Where We Are: Those efforts have made it possible for the Credit Union to operate as a financial cooperative meeting the needs of its Members (current and prospective) by providing quality products and services at fair and transparent pricing.

We now offer an array of products to provide Members with a variety of ways to meet their individualized savings and transactional needs, including our Kickstart, Smart and Ultra Savings accounts, as well as our Ultra Checking account making it easy to earn a great dividend rate.



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We have eliminated much of the fine print that can be found at many other financial institutions. We do not rely on gimmicks for “new money”, and we do not ask our Members to jump through hoops or over hurdles to benefit from our services.

Our philosophy of simplicity and transparency guides us. This belief also was the driving force behind the simplification of our fee schedule – clearly evidenced by the reduction of non-sufficient funds fees from \$35 to \$10 amongst many other changes. Our goal remains to improve our Members’ financial well-being.

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 key financial highlights:

2021		2022
13.94%	Net Worth Ratio	14.88%
0.14%	Return on Average Assets	0.82%
79.80%	Loan to Savings Ratio	87.72%
94.58%	Efficiency Ratio	76.86%

Total assets decreased slightly from \$233.9 million to \$231.9 million. This reduction is attributable to the outflow of deposits given the very competitive rate environment.

What Lies Ahead: Credit Union Members should expect digital solutions on par with the many other financial services providers out there today, while having the peace of mind of the utmost data security. To that end, we have taken significant steps to deliver on this expectation.

The Credit Union has been working diligently on our cyber infrastructure and digital tools. Our Members will soon have access to best-in-class digital offerings that provide more access to information that will assist in controlling and optimizing finances. From improved online and mobile banking, to enhanced bill payment features, to free access to your credit score, to Zelle® and much more, there is much to look forward to in 2023.

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The improved deposit products launched last year will also continue to be enhanced this year with additional benefits to meet Members' everyday banking needs. In addition, we are designing solutions to help local small businesses that serve as the backbone of our communities. We look forward to expanding our offerings to small business operators and, in turn, make the communities in which we live and work a better place.

We strive to meet the financial goals and objectives of our Members and the communities we serve today and tomorrow through the embodiment of our values:

- **Integrity:** We do right by our Members, communities and teammates, and we own the outcomes of our efforts.
- **Trust:** We strive for accuracy, operate with transparency, and follow through on our word.
- **Simplicity:** We limit the fine print and ensure our offerings are easy to understand.
- **Security:** We deliver peace of mind by prioritizing cybersecurity, sound policies and procedures, and dependable financial solutions.
- **Stability:** We build on our presence as a pillar in the communities we serve through strong financial performance allowing us to consistently give back to Members and our communities.

We know the choice of how and where to do your banking is yours. We work hard every day to earn and retain your trust through safe, sound and secure services. As recent events and shutdowns in the banking industry have shown, there are no shortcuts in operating a financial institution.

The Atlantic Federal Credit Union has a history of over 85 years in operating and managing a thriving financial cooperative to meet the needs of its Members. Our longevity can be credited to our sole focus on returning value to our Members by safeguarding and protecting your assets while providing products and services through the lens of a small community financial institution. We look forward to continuing to do so for many years to come.

We sincerely appreciate your Membership with The Atlantic Federal Credit Union. Serving you continues to be our greatest privilege.

Respectfully submitted,

Michael Locurcio
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 annual audit of The Atlantic'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 Internal Audits and reviews conducted by Hamilton & Babitts and supplemental reviews by the Supervisory Committee, are reported to the Board. In addition, your Credit Union added a new position of Director of Compliance and Risk Management to its staff in 2021. Furthermore, in 2022 we contracted with Wolf & Company, P.C. to perform a comprehensive IT Audit and Cybersecurity Risk Assessment. We are confident that we will be getting a clean opinion from Curchin, associated with the 2022 Financial Opinion Audit, since they have not notified us of any material items or adjusting entries to our financials. The Wolf & Company assessment indicated that, overall, the Credit Union has a strong set of controls to manage its Information Technology and Information Systems functions, technology, and hardware.

Your Supervisory Committee is pleased to report that these audits, examinations, and assessments 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, capital, and associated net worth.

Respectfully submitted,

Russell Hovland

Chairman of the Supervisory Committee



New Look – Same Credit Union

In early 2023, The Atlantic Federal Credit Union introduced a new logo in accordance with the facelift across our digital presence. The new logo is presented in this Annual Report.

Our iconic wave remains the focal point of our new logo, with the notable introduction of the color green. This is a meaningful change, as it creates a more seamless association with our role as a provider of financial solutions while also paying homage to the diverse palette of the Atlantic Ocean.

The other significant change is the inclusion of the word "The", which aligns with the registered name of our institution while reflecting our longstanding presence as a pillar in the communities we serve.

We look forward to **navigating the path forward** together under our new banner.



Statement of Financial Condition

December 31, 2022 and 2021

Assets	2022	2021
Loans to Members, less allowance for loan losses	\$172,338,000	\$158,793,000
Investments	26,449,000	19,541,000
Cash and cash equivalents	8,937,000	38,592,000
Land and building	8,202,000	8,390,000
Furniture and equipment less depreciation	964,000	1,062,000
Share insurance fund	1,875,000	2,052,000
Other assets	13,166,000	5,399,000
Total Assets	\$231,931,000	\$233,829,000
Liabilities & Members' Equity		
Shares	\$197,857,000	\$200,209,000
Accounts payable and accrued expenses	1,964,000	1,784,000
Retained earnings, substantially restricted	32,110,000	31,836,000
Total Liabilities & Members' Equity	\$231,931,000	\$233,829,000

Statement of Income

Years Ended December 31, 2022 and 2021

Operating Income	2022	2021
Income from loans	\$8,502,000	\$7,826,000
Investment income	752,000	611,000
Other income	2,495,000	1,883,000
Total Income	\$11,749,000	\$10,320,000
Operating Expenses		
Compensation and employee benefits	\$3,765,000	\$5,007,000
Office operations	1,495,000	1,354,000
Professional and outside services	1,544,000	1,459,000
Provision for loan losses	1,284,000	251,000
Other	1,844,000	2,077,000
Total Operating Expenses	\$9,932,000	\$10,148,000
Income from Operations before Dividends & Interest	\$1,817,000	\$172,000
Dividends paid on Member deposits	\$583,000	\$890,000
Net Income (Loss) from Operations	\$1,234,000	(\$718,000)
Extraordinary Items		
Income from NCUA capital distribution	\$297,000	\$1,203,000
CARES Act employee retention tax credits	601,000	-
Reposessed taxi medallion adjustments	(212,000)	(145,000)
Net Income (Loss)	\$1,920,000	\$340,000