

2023 Annual Report





MISSION

We provide customized financial solutions to our members through innovation and personal connections.

VISION

We aspire to be the economic growth engine of the South Puget Sound.

ABOUT ACU

ACU was founded in 1954 as the Fort Lewis Federal Credit Union. It was initially created to serve civilian federal employees and their families who worked at Fort Lewis (now Joint Base Lewis-McChord). Membership was later expanded to Military and eventually civilians in the region. Our original purpose, which still guides us, was to provide a valuable alternative to commercial banks by operating as a cooperative to the benefit of our members.

We are proud of our military heritage and celebrate the fact that veterans still make up a substantial amount of our membership — and we continue to operate according to core military values of dedication, service, and integrity. Today, civilians as well as active, retired, and reservist members of the armed forces across the Northwest are welcome to join ACU.

ACU is a not-for-profit credit union. Unlike traditional banks, we don't issue stock or pay dividends to outside stockholders. Instead, we are owned and operated by our members — and all profits are returned to our membership. This allows us to offer lower loan rates, higher interest returns on deposits, fewer fees, and other benefits to our members. As a financial cooperative, ACU puts your interests first. We focus on helping small businesses thrive, supporting families, and strengthening communities. That's the value of a credit union.

ACU membership is open to any individuals or businesses located in the Pacific Northwest.

Board of Directors

DEBRA HODOUS

Board Chairperson, Retired ACU CFO

BENJAMIN NORBE

Vice President, Kidder Mathews

KENNETH S. LEONARD

Chief Executive Officer, Board Member

WILLIAM HARVEY

Vice Chairperson, Retired US Army Family
Morale & Recreation

CHUCK MCSWAIN

Member, Retired Business Owner, CPA

KYLE LENTZ

Member, President, Neptune Seafood Inc.
President / CEO Chelsea Farms

THAD COLLARD

Member, Brigadier General //US Army
Reserve //Healthcare Administrator, Deputy
Commanding General (Operations), US
Army Medical Command

DICKEY WILSON (EMERITUS)

Member, Retired Organizational Methods
Analyst, JBLM

Executive Staff

PHIL PROTHERO

President, COO

TROY KYLE

Executive VP, CIO

MONIQUE STEVENS

Chief Financial Officer, US Army Veteran

AMY SAKSON

Chief Administrative Officer

PATRICK HORAN

Chief Lending Officer

Supervisory Committee

HERBERT STUMPF

Chairman, Retired Veteran

LARINDA MORSON

Vice Chair, Boeing Software Engineer

NICOLE FRIEDRICK

Secretary, Practicing RN / Attorney

COLLEEN OCZKEWICZ

Member, CFO / CPA



Management Report

As your Chief Executive Officer and representative of the staff and leadership of ACU, I am pleased to report that 2023 was a very good year for your credit union. We saw steady revenue, increased mortgage services and improvements in our information security infrastructure.

Federal Reserve interest rate hikes continued to be a major driving factor for our credit union. These were efforts on their part to slow the rate of inflation. While it did have the effect of slowing the increase, inflated pricing has and continues to affect all of us.

A visit to the grocery store can be a reality bending experience. Packaging is shrinking at the same time that prices are increasing. These forces also have their effect on our products and services. While we have done our best to keep lending rates low, the cost and competitiveness for deposits has driven up all expenses.

I have been in the credit union world since 1979 and I have seen similar rate spikes. They invariably lead to slowdowns in lending activity as monthly payments become unattainable for many people. This should lead to an increase in the overall inventory of houses, which will lead to lowering prices. The same should be true for large ticket items such as autos and building materials.

While it may take some time for all of these adjustments to settle in, I am confident that our staff will continue to work with the membership to find ways to serve them. A good example is our HELOC loan program. In many cases, members are taking advantage of the equity in their homes to make improvements rather than buying new.

At ACU we are passionate about improving our products and services. In 2023, we added the ability

to purchase cryptocurrency. We integrated member texting into more departments. All ATMs received anti-skimming upgrades. We streamlined our wire process, and we invested in Interactive Teller Machines that allows live interactions with ACU staff remotely on an ATM.

Our Mortgage portfolio grew to \$194,143,145, which is an increase of 3% over 2022. Home Equity loans experienced an 8% lift. We are looking forward to increasing our VA loans to add more to our mortgage totals.

ACU Business Services saw a slight shrinkage in our lending portfolio as some businesses chose to pay off loans early towards the end of the year. Total business loans stand at \$185,475,068, which represents 36% of our total loan portfolio.

Total assets rose to \$696,626,959, a slight .40% increase from \$693,830,019 in 2022. Total loans performed well but dipped slightly to \$536,653,012, a decrease of 2.16% from last year's \$548,226,269.

Total member shares and deposits declined from \$622,454,831 to \$584,112,267, a 6.56% decrease due to the rising rate environment. Considering the rate headwinds that we faced, 2023 was a very positive year for ACU with total earnings of \$4,158,093.

This year, we are celebrating our 70th anniversary. While we reflect on our humble beginnings in 1954 by a handful of civilian employees in a small space at the Mt. Rainier Ordinance Depot, it is also important to visualize where we are going. We continue to build on our legacy of serving military and civilians in the South Puget Sound through innovation, convenience, communication and member service.

We anticipate that the current economic challenges will continue into 2024. We will meet them with the foundation of pride and performance that has served ACU for the past 70 years. We are excited to continue the next 70 years serving our members.

It is a fantastic feeling to be part of an organization that has been here for our members for 70 years!

We enthusiastically pledge to continue helping our members to improve their financial lives and build our community for another 70 years!

– Ken Leonard



KENNETH S. LEONARD

Chief Executive Officer, Board Member

Service Highlights

EasyCoin

ACU can now offer cryptocurrency transactions within the Online Banking Platform.

Increased ATM Security

Anti-skimming devices have been added to all ATMs.

Ken ChatBot

Continual feature updates, including balance checks, loan payments, and transfers.

Wire Process

The process of sending wires has been streamlined.

Member Texts

Previously introduced, it's now integrated into additional departments for efficient member communication.

ITM Development

An Interactive Teller Machine (ITM) has been purchased, allowing members to interact with an ACU representative directly from the machine. It will be live in the Lacey branch by the end of March.



ACU staff take part in International Credit Union Day

In Remembrance

Long-serving ACU board member Leon Wittner passed away on June 13, 2023. Leon G. Wittner Jr. was born in Denver, Colorado on October 25, 1939. He joined the U.S. Navy after graduating from high school at the age of 17. He served all over the world and returned home



to work at the U.S. Mint in Denver. Not satisfied with his level of education, he attended night school at Denver Metropolitan College. He graduated with a BS in Mechanical Engineering and worked for several companies before settling in with the Army Corps of Engineers, where he spent the majority of his career. When he came to ACU, Leon was General Engineer with the Brigade Coordination Cell at Fort Lewis. He was an advocate and “true believer” in ACU. He would often share how the credit union had “saved his life”, helping him create a foundation that made him a financial success.

Mr. Wittner became a member of the credit union in 1984. Over the years and after getting to know the staff and CEO Ken Leonard, he was asked to serve on the Supervisory Committee. After some time he joined the Board of Directors and eventually served as the Board President as well as other offices off and on for almost 40 years.

Mr. Wittner had a keen interest in investing and money management. He kept the ACU management team on their toes challenging them to innovate and improve services. Always an advocate for members and prudent financial stewardship, he pressed us to be compassionate and competitive. The management team of ACU would like to thank his wife of 62 years Carol, and their family for supporting and sharing Mr. Wittner with ACU for all of those years.



270
ACU VOLUNTEER
HOURS



\$206,248
RAISED FOR CHARITY



\$184,143,145
HOME LOAN BALANCES



\$185,475,068
BUSINESS LOAN BALANCES

Chairperson's Report

2023 was a challenging year for most financial institutions. Rising interest rates, high inflation and diminishing consumer confidence have set the stage for an economic slowdown. The staff and leadership of America's Credit Union has been busy working to keep these forces in balance.

The Board and myself are pleased to report that America's Credit Union is financially fit and continuing to serve our members. 2023 was another successful year with income of almost \$5 million. We did see a bit of a slowdown as economic forces presented themselves in the second half of the year

From 2022 to July of 2023 the Fed increased interest rates 11 times. Since that time, they have held at 5.25%-5.50%. This was a shock to the financial system and put an end to the low cost funds that had been prevalent after Covid. With less money in circulation, deposits have become harder to come by.

As your Board representatives, it has been important for us to understand this situation as we work with the CEO and executive team to chart a path through the turmoil. The strategy has been to hold rates to a reasonable level, provide value where we can and to strike a conservative financial posture.

I would like to commend the membership as well as the staff for keeping the provision for loan loss very low. This means that the credit union was making good loans and that members made their payments consistently and on-time.

I am extremely proud of our Accounting Department. They have faced many complex regulatory changes that have led to long hours. They have met every challenge, providing crucial information to

leadership. This is all presented to the board logically and with patience.

In the 30 plus years that I have been involved with ACU, I have seen so many changes. Life on JBLM was invigorating and the sense of community was heartening. As ACU grew, we ran out of space on post, so it made sense to move to the headquarters in DuPont when we had the opportunity. We were able to grow our civilian membership and we started business and mortgage divisions that have blossomed wonderfully. But I missed our every-day presence on JBLM. That is why I am so pleased that we have committed a staff member to be a constant presence working with the military and the JBLM family. Tommy Carson has taken on the role of Military Relations Liaison and has been representing ACU everywhere.

The Board would also like to acknowledge our grief in the passing of Leon Wittner. He served ACU for many years on the board including as Board Chair. Many of us worked with him for over twenty years. We miss his perspective, tenacity and irascible wit. We appreciate all that he gave ACU.



DEBRA HODOUS
Board Chairperson

As I reach the end of my tenure as your Board Chairperson, I am confident in your future, the standards and ethics that we hold together and the friends and family that I have made over the years. I know that they will miss me as much as I will miss them. It has been an amazing journey.



ACU had the honor of hosting the Mayor of DuPont, Ron Frederick and his wife Suzette at the 4th of July Parade.

Supervisory Committee Report

The Supervisory Committee of ACU is responsible for independently ensuring management is operating the credit union in a safe and sound manner and effectively managing risk.

We ensure the board of directors are acting in a manner that is beneficial to the membership. We monitor compliance with all local, state, and federal laws and regulations. Working with an independent audit firm, we ensure the financial statements are reliable and accurately represent our financial condition and that management and the board of directors maintain a system of controls that safeguard member and credit union assets. An annual member verification, as required by regulation, is also conducted by the independent firm. The Committee works with various audit firms and internal resources to conduct a variety of audits across the enterprise to validate the effectiveness of the established control environment. The Committee is also responsible for follow up and monitoring of all NCUA examinations and any member complaints received.

The Supervisory Committee has confidence that ACU continues to maintain a high level of financial stability. The Committee is dedicated to protecting and safeguarding our members' interests, ensuring continued vigilant oversight of operations, helping you achieve your financial goals and providing you with exceptional member service.

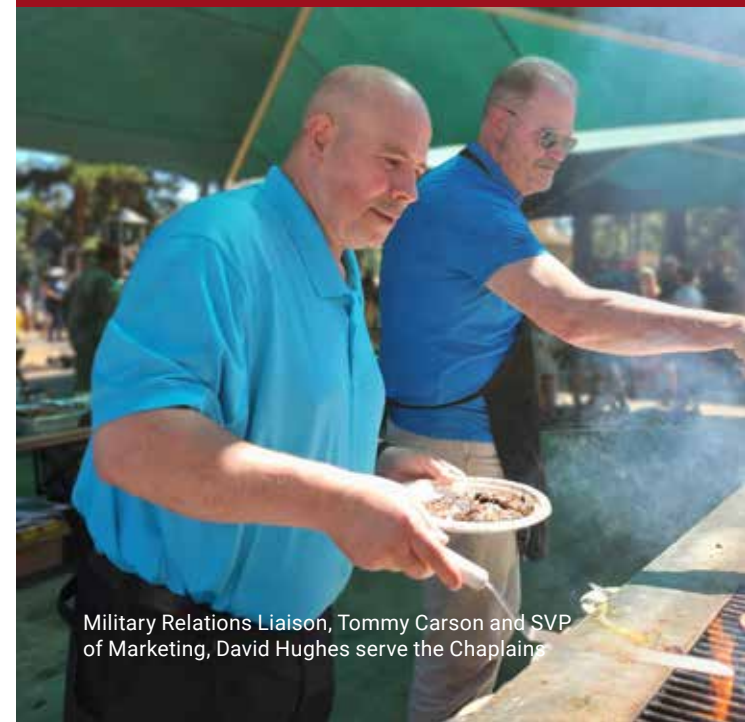
The Supervisory Committee consists of four volunteer members who meet regularly and also on an as needed basis. The Committee thanks the attentive staff, experienced management team and committed Board of Directors for their contribution to the accomplishments over the past year.



HERBERT STUMPF
Supervisory Committee Chair

ACU MILITARY SPECIFIC SUPPORT

- Provided support for military families at the Fisher House
- Supported the Madigan Army Medical Command
- Partnered with The USO to provide a free lunch for soldiers and families
- Recognized Excellence in Leadership at the NCO Academy
- MWR events related activities and Newcomers
- Suicide prevention support
- Partners of US Army Recruiting Command and the PaYS program
- South Sound Military Communities Partnership
- Turkey Shoot Golf Tournament
- Veterans Day Farrelli's Pizza Giveaway
- Giving Tuesday for Military
- Supported WA State Dept of Veterans Affairs Veteran Service Officer
- Supported Chaplains, Adjutant General Corps and the Warrant Officers Association, and the Sergeants Major Association
- Veteran emergency support



Military Relations Liaison, Tommy Carson and SVP of Marketing, David Hughes serve the Chaplains



ACU hands out Halloween candy

**STATEMENT OF FINANCIAL CONDITION - UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Assets	2023	2022	Change
Cash and cash equivalents	\$32,258,150	\$15,956,547	\$16,301,603
Investments	78,211,101	79,043,225	(832,124)
Loans to members	536,653,012	548,226,269	(11,573,257)
Allowance for loan losses	(5,538,148)	(6,123,480)	585,332
Premises and equipment	21,009,562	21,006,990	2,572
Other Assets	34,033,282	35,720,468	(1,687,186)
Total Assets	\$696,626,959	\$693,830,019	\$2,796,940
Liabilities & Capital			
Borrowings and other liabilities	\$50,971,681	\$17,366,434	\$33,605,247
Total shares and deposits	584,112,267	622,454,831	(38,342,564)
Total liabilities	635,083,948	639,821,265	(4,737,317)
Members' equity	61,543,011	54,008,754	7,534,257
Total Liabilities and Members' Equity	\$696,626,959	\$693,830,019	\$2,796,940

**STATEMENT OF INCOME - UNAUDITED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022	Change
Interest on loans	\$26,582,468	\$21,963,866	\$4,618,602
Investment & Other Interest Income	2,748,684	1,918,644	830,040
Total interest income	29,331,152	23,882,510	5,448,642
Dividend expense	6,228,213	2,203,971	4,024,242
Interest on borrowings	943,547	157,162	786,385
Total dividend and interest expense	7,171,760	2,361,133	4,810,627
Net interest income	22,159,392	21,521,377	638,015
Total fee and other non-interest income	11,100,494	10,652,668	447,826
Compensation and employee benefits	16,046,923	13,899,078	2,147,845
Operating expenses	10,845,991	9,721,269	1,124,722
Office occupancy	1,918,944	2,090,077	(171,133)
Total operating expense	28,811,858	25,710,424	3,101,434
Provision for Loan Loss	289,935	558,010	(268,075)
Net Income/(Loss)	\$4,158,093	\$5,905,611	\$(1,747,518)

ACU Foundation Report

In 2023, the ACU Foundation had a somewhat transformative year. We expanded our reach and impact by providing support and resources to more families and communities in need.

Through our dedicated board of directors and volunteers we initiated several partnerships that aim to address the mental health struggles of service members and veterans.

All in all, 2023 was a successful year for the ACU Foundation. Our fundraising efforts and the generosity of our members and community allowed us to supply beds and bedding to veterans working with local organizations to manage their mental health. We provided funds to these organizations to pay for mental health providers for our service members in

need. Over \$60K was spent on making sure that our service members and their families are supported and healthy.

The ACU Foundation is poised to continue making lasting impacts and advocating for our service members and their families in 2024.



ACU President Phil Prothero with Turkey Shoot participant



The ACU Foundation Board Supports the Spouses Club of Lewis-McChord



ACU Foundation - By the Numbers

\$206,248 Total Contributions to the ACU Foundation

- DuPont Relief Fund In partnership with the DuPont Community
- DuPont Feeding Families - A year round food pantry for the DuPont Community
- DuPont Relief Fund In partnership with the DuPont Community
- General Fund- Support for our community members in need
- Turkey Shoot- Annual Fundraiser for Military support
- ACS Food Basket Program- Provides dinners to Holidays
- Leaving the sideline- Reduce military suicide
- Lewis Community Spouses Club- Scholarships for military children

\$160,881 Total Distributions





youracu.org

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