

Member Packet

April 2024

A Rich History **A BRIGHT FUTURE**



Aberdeen Proving Ground Federal Credit Union

AGENDA

Annual Membership Meeting

April 18, 2024

Broadcast Live via Zoom from APGFCU Edgewood Operations Center

Available for In-Person Viewing at:

APGFCU Edgewood Operations Center, Community Room

Cecil College Technology Center, Room D106

Towson YMCA, Orokawa Matte Room, 600 W. Chesapeake Avenue

6:00 pm	Invocation	Emanuel C. Hatton Board of Directors
	Pledge of Allegiance	Michael L. Dixon, LTC (Ret.) Board of Directors
	Business Meeting	Donald J. Burnett, COL (Ret.) Chairman, Board of Directors
	• Call to Order	
	• Quorum - Attendance Announced	
	• Appointments	
	Recording Secretary	Stephanie Provenza Executive Assistant to the CEO
	• Minutes and Reports	Available Online in Member Packet
	• Introduction of Board of Directors and Interim CEO	Donald J. Burnett, COL (Ret.)
	• Introduction of Executive Staff	Charles E. Kelly, Interim CEO
	• APGFCU Scholarship Awards	Liz M. Monti Financial Education Director
	• Chairman of the Board's Remarks	Donald J. Burnett, COL (Ret.)
	• Treasurer's Report	Cheryl D. Rice Treasurer, Board of Directors
	• Election of Directors	Marjorie E. Warfield Chair, Supervisory Committee
	• Unfinished Business	Donald J. Burnett, COL (Ret.)
	• New Business	Donald J. Burnett, COL (Ret.)
	• Adjournment	

***Door Prize Drawings:** Current volunteers and employees of APGFCU and their immediate families and persons residing in their same households are not eligible to win door prizes. Members must be at least 16 years old to be eligible to win door prizes.

Minutes of the 2023 Annual Meeting
ABERDEEN PROVING GROUND FEDERAL CREDIT UNION
April 20, 2023

1. **OPENING CEREMONIES** – The business portion of the Annual Meeting, held virtually via Zoom, began at 6:00 p.m. on Thursday, April 20, 2023.

E. Hatton delivered the invocation, and D. Burnett delivered the Pledge of Allegiance.

2. **WELCOME** – Chairman Paul Eikenberg welcomed everyone to the Annual Meeting.
3. **CALL TO ORDER** – Chairman Paul Eikenberg announced a quorum of 227 members and 18 guests (total of 245) were registered as of 6:00 p.m.

The Chairman appointed Stephanie Provenza as Recording Secretary. He also introduced Marjorie Warfield, Chair of the Supervisory Committee, who would be announcing the election results later in the meeting.

4. **MINUTES AND REPORTS OF APRIL 21, 2022** – *Motion was made by Melissa Reavis and seconded by John Golding to accept the minutes of the meeting held on April 21, 2022. No objections were raised during the period when objections could be raised prior to the meeting. Motion carried.* The reports of the Treasurer, Supervisory Committee, and Governance Committee were included in the member packet.

5. **INTRODUCTIONS** – Chairman Eikenberg introduced the APGFCU Board of Directors, beginning with the Executive Committee. Introduced were: Paul Eikenberg, Donald Burnett, Antha Edwards, Michael Dixon, Cheryl Rice, B. Daniel DeMarinis, Emanuel Hatton, Wayne Taylor, and Joseph A. Traino. Associate Directors Sherif Eskaros and Timothy Sherwood were also introduced, as well as John Blomquist, Chairman Emeritus.

Chairman Eikenberg then introduced Don W. Lewis, President/CEO. He noted that D. Lewis has served our credit union for 44 years and has been our CEO for 28 years. He

thanked D. Lewis for his leadership, passion for the credit union movement, and his vision for the future.

D. Lewis thanked the Chairman for his comments and welcomed everyone. He thanked the Board of Directors for their leadership and support and also thanked our excellent staff of over 350 credit unionists. He noted that APGFCU is member owned and member driven. D. Lewis then introduced the executive staff: Chuck Kelly, Executive Vice President; Gene LaCour, Chief Administration Officer; Scott Weaver, Chief Lending Officer; Amber Askew, Chief Financial Officer; Wayne Beall, Chief Information Officer; Joelle Hash, Chief Operations Officer; Robyn Mannone, SVP Consumer Lending; and Brian Wilcox, Chief Marketing Officer.

6. **APGFCU SCHOLARSHIP AWARDS** – D. Lewis introduced Liz Monti, Financial Education Director, to announce the winners of APGFCU’s 2023 annual scholarship competition. L. Monti thanked D. Lewis and noted this is the 26th year for the scholarship program. L. Monti stated the program recognizes exemplary graduating high school seniors, as well as returning students and adults who are continuing their education. She thanked the APGFCU financial education department for the scholarships and the Community Involvement Committee for participating as judges. APGFCU awarded a total of \$72,000 in scholarships to the following 36 students:

Graduating High School Seniors

<u>Student</u>	<u>School</u>
Sarah Beall	Edgewood High School
Anna Callaghan	Rising Sun High School
Candace Cole	Edgewood High School
Mason Darsney	Bohemia Manor High School
Mackenzie Ellinghaus	North Harford High School
Marielle Fitzgerald	Rising Sun High School
Nathaniel Flatau	Aberdeen High School

Student **School**

Alexander Gudavich	Bel Air High School
Elisabeth Holmes	North Harford High School
Avery Lane	Harford Technical High School
Stephen Lewis	Reach Cyber Charter School
Jhadiel Lopez Camacho	North East High School
Mathias Mingle	The John Carroll School
Allison Pierce	North East High School
Sienna Puhalla	C. Milton Wright High School
Paige Racine	Bohemia Manor High School
Christina Rasa	Tome School
Melissa Shipley	Havre de Grace High School
Faith Smeltzer	Edgewood High School
Cambria Stansfield	Harford Technical High School
Natalie Vitak	Perryville High School
Eli Weston	Rising Sun High School

Returning Students / Adult Continuing Education

Student **School**

Mariah Blackwell	Harford Community College
Gerald Brown	Johns Hopkins University
Emma Chaney	University of MD, Baltimore County
Olumayowa Dada	ECPI University
Haley Hardiman	Harford Community College
Anna Harmon	University of Maryland College Park
Marina Kuper	Stevenson University
Megan Martin	Towson University
Emily McElroy	Towson University
Abigail Melick	University of Maryland College Park
Jiana Stamas	University of Delaware
Alaina Taylor	University of MD, Baltimore County
Brooke Walz	University of Maryland
Dylan Whitney	Cecil College

7. **CHAIRMAN OF THE BOARD’S REMARKS** – P. Eikenberg noted the credit union received approval in 2022 from the National Credit Union Administration (NCUA) to expand membership eligibility to those who live, work, worship, attend school or volunteer in Baltimore County and Baltimore City. This has nearly quintupled the number of people who can benefit from membership at APGFCU. With this expansion, APGFCU continues its mission to empower members to use and control their own money to improve their lives, including those at risk of economic and social exclusion.

The growth experienced by the credit union has been tremendous. Assets neared \$2.2 billion, and more than one of every two households in Harford and Cecil counties are members of the credit union. The goal is to

have the same impact in Baltimore County and Baltimore City. To accommodate this growth, major upgrades have been planned for the technology infrastructure. An online and mobile banking upgrade occurred in February 2023, which improves navigation and expands features. An upgrade to the core processing system is planned for May 1, 2023, which will enable more efficient service and allow better customization of products to meet members’ needs.

While APGFCU has grown much larger over time, the cooperative credit union model remains simple. Members entrust their funds to the credit union, where they are kept safe, readily available, and helped to grow. That growth is achieved primarily by lending those funds to members in the same community, allowing them to purchase vehicles and homes, finance an education, and more. Funds circulate throughout the communities in which our members live and work. By growing their savings, members are able to build a nest egg and pursue their goals and dreams. APGFCU has a tremendous impact in the community by providing financial education in schools and community organizations. By partnering with numerous nonprofits that provide a safety net for those in need, resources are leveraged to improve lives in our community.

P. Eikenberg thanked two long-time Board members who completed their most recent terms with this meeting. J. Blomquist became a volunteer 30 years ago in 1993, when credit union assets totaled \$262 million (compared to nearly \$2.2 billion today). He served 26 years on the Human Resources Committee (with 10 of those years as Chair) and 18 years on the Community Involvement Committee (with two years as Chair). In 1997, he was elected by the membership to the Board of Directors, and repeatedly won re-election, serving a total of 20 years. Fourteen of those years were in Board officer positions: 10 years as Vice Chair, one year as Secretary, and three years as Chair. He served on or chaired numerous committees, including 13 years on the Planning, Budgeting and Asset Liability Management Committee, seven years each on the Credit Appeals Committee and Technology Committee, six years on the

Nominating Committee, and five years each on the Governance Committee and former Delinquent Loan Committee. Since 2018, after deciding not to run for re-election, he continued to serve as our Chair Emeritus.

Antha Edwards became a volunteer 31 years ago, when the credit union had \$244 million in assets. She was elected to her first term on the Board of Directors in 2002, the same year the credit union opened its Edgewood branch and operations center. During her 20 years on the Board, she has served as a Board Officer for seven – six years as Secretary and one year as Assistant Treasurer. She has served on and chaired numerous committees, including nine years on the former Bankruptcy, Charge-Off Delinquency Committee (three years as Chair), eight years on the Community Involvement Committee (four years as Chair), seven years each on the Human Resources Committee and Governance Committee, and five years each on the Credit Appeals Committee and Planning, Budgeting and Asset Liability Management Committee.

On behalf of the Board of Directors, P. Eikenberg thanked J. Blomquist and A. Edwards for their many contributions and years of service to the credit union.

Volunteers are the backbone of our credit union. Members were encouraged to visit our website at apgfcu.com/about-us/volunteers.html if they, or someone they know, would be interested in serving as a volunteer at APGFCU.

8. **FINANCIAL REPORT** – Michael Dixon, Treasurer of the Board, noted that 2022 was a year of financial growth for APGFCU. Our ratio of net worth to total assets of 8.61% remains well capitalized. Total net worth as of year-end was 8.4% higher than the previous year. Our assets primarily consist of loans, investments, cash, buildings and equipment. Our assets increased 6.7% to \$2.2 billion during 2022. APGFCU is currently ranked fourth in size out of federally chartered credit unions in Maryland. Members' shares ended the year at \$1.9 billion, 6.5% higher than 2021. Members earned \$9.9 million in dividends. Membership grew to 155,129 at year-end. Total loans in the credit union increased 18.2%, ending at \$1.6 billion. Net

charge-offs of loans were \$6.2 million. In 2022, \$14.4 million of net income was generated, interest on loans reach \$72.6 million, miscellaneous income equaled \$22.6 million and interest on investments was \$6.4 million. Our accounting firm, CliftonLarsonAllen LLP, issued an unmodified opinion on the financial statements, which means the statements present fairly, in all material respects, the financial position of the credit union as of December 31, 2022, and the results of its operations and cash flows for the year then ended.

9. **ELECTION RESULTS** – Marjorie Warfield, Chair of the Supervisory Committee, thanked the Supervisory Committee members, the Internal Audit staff and the Election Tellers. Members could choose to vote online, by mail or by ballot boxes in the branches. All votes were tallied by our vendor, CU Ballot.

Total ballots received: 2,623
Mail (paper) ballots: 433
Electronic (website) ballots: 2,149
In-branch ballots: 41

65 of the total ballots received were invalidated, leaving 2,558 ballots to be counted for final results.

There were four candidates running for three, three-year terms:

Elected to the Board to serve three-year terms were:

Emanuel Hatton with 1,916 votes
Donald Burnett with 1,674 votes
Timothy Sherwood with 1,406 votes

Not elected was:

Sherif Eskaros with 1,005 votes

10. **UNFINISHED BUSINESS** – There was no unfinished business.
11. **NEW BUSINESS** – P. Eikenberg noted that members had an opportunity to submit questions upon meeting registration. P. Eikenberg advised that Board members would answer submitted questions of broad interest to the majority of the membership.

- *How is the credit union's liquidity? Are we exposed by large deposit holders?* (Response by P. Eikenberg.)

In comparison with recent and highly publicized bank failures caused by liquidity issues, our credit union remains in a strong liquidity position. Liquidity is a measure of a financial institution's ability to maintain cash and short-term investments sufficient to meet its current financial obligations. Per our liquidity policy, the minimum liquidity ratio target for cash and short-term investments to total assets is 5-7%. As of December 31, 2022, the credit union had cash and short-term investments totaling approximately \$203 million, which represents more than 9% of total assets and is above our minimum target range.

As a reminder, APGFCU is federally insured by the National Credit Union Administration, which provides insurance coverage up to \$250,000 per depositor, per ownership category. As of December 31, 2022, only 5% of our members' deposit balances were in excess of insurance limits. This is in stark contrast to the two largest banks that recently failed, which had total uninsured deposits between 90% and 97%. Those banks primarily served businesses, whereas 99% of our members are consumers and 1% are businesses. The composition of our membership, the low percentage of uninsured deposits, and our conservative policies significantly reduce our liquidity risk.

- *What is the credit union's exposure to the bond market and level of risk in the current financial markets?* (Response by D. Burnett.)

Our investment strategy is very conservative. We primarily invest in U.S. Treasury and U.S. Agency securities, and overnight investments. We purchase investment securities with the intention of holding them until maturity. Our strategy includes maintaining a framework of laddered maturities over 36 months to ensure we are able to meet current

financial obligations and ongoing loan demand, or to reinvest at current rates of return, thereby limiting our exposure to interest rate risk.

Our strategy of maintaining at least 5-7% of our total assets in cash and short-term investments allows us to manage our liquidity without a reliance on borrowings. However, in addition to our ability to sell securities in our available-for-sale investment portfolio, the credit union has access to a pre-approved line of credit with the Federal Home Loan Bank. As of December 31, 2022, the unused line of credit under this agreement was approximately \$232 million. If a need were to arise, the credit union may also pledge assets for short-term borrowings from the Federal Reserve discount window and NCUA's central liquidity fund.

As we consider risk, it is also important to note APGFCU is categorized as "well-capitalized" under NCUA's regulatory framework, with a net worth ratio of 8.61% as of December 31, 2022. The minimum net worth ratio required to be categorized as "well-capitalized" is 7%. Net worth acts as our reserves, providing the credit union with the ability to safely weather the impacts of economic downturns.

Our strong liquidity and "well-capitalized" net worth ratio, coupled with access to available lines of credit, position us well to successfully navigate the current economic environment while continuing to serve our members' needs.

- *Other than the scholarships, does APGFCU plan any other charitable giving in 2023?* (Response by M. Dixon.)

Yes, our credit union believes strongly in giving back to the communities it serves. The 2022 annual report lists the names of hundreds of organizations we supported. A Board Committee, the Community Involvement Committee, reviews requests for charitable donations. By policy, this

committee has an annual budget based on the credit union's assets. The more the credit union grows, the more we give. In 2022, for example, the Community Involvement Committee allocated \$201,939 to nonprofit causes in our communities. That's more than a 72% increase over the \$117,151 donated just five years prior in 2017. These contributions benefit a spectrum of people across the communities we serve – from the very youngest to the very oldest, supporting education and health initiatives, assistance programs for those in need, and more.

- *Are there business secured credit card options? Is there a business directory of credit union members?*
(Response by E. Hatton.)

APGFCU offers a cash-secured business Visa credit card. A business can deposit funds into an account with the credit union, and the card's credit limit will be equal to the amount of the deposit. That cash is unavailable to use while the card is open and remains secured by those funds. Regarding a business directory, the credit union protects the privacy of all members, whether they are businesses or consumers; therefore, we do not share any personal information regarding members.

12. **ADJOURNMENT** – Chairman P. Eikenberg thanked everyone who attended the meeting. The business meeting adjourned at 6:45 p.m.

13. **DOOR PRIZE DRAWINGS** – P. Eikenberg stated that everyone who attended today's meeting will receive a complimentary gift from the credit union via U.S. mail. In addition, as we have done in the past, members attending today's annual meeting will be entered into a door prize drawing. He then reviewed the rules of eligibility to win door prizes.

The following individuals were declared winners of the door prize drawings: Elisabeth Holmes, Benjamin Burke, Anna Harmon, Olu Dada, Quinn Burke, Marielle Fitzgerald, Michelle Chung, Michelle Kozak, Gerald Brown, Faith Smeltzer.

Paul D. Eikenberg
Chairman of the Board

Antha W. Edwards
Secretary

Treasurer's Report

Cheryl D. Rice, Treasurer
Annual Membership Meeting
April 18, 2024

2023 was a year of financial growth for your credit union. Our deliberate efforts to increase capital continue to be successful. Net worth represents your credit union's accumulated net earnings over the years. It serves as a "rainy day" fund to help us weather hard times. Our ratio of net worth to total assets of 8.60% remains well capitalized. Total net worth as of year-end was 5.1% higher than the previous year.

When financial experts and regulators refer to the size of a credit union, they typically refer to the amount of its assets. Our assets primarily consist of loans, investments, cash, buildings and equipment. Our assets increased 4.6% to \$2.3 billion during 2023. APGFCU is currently ranked fifth in size out of federally chartered credit unions in Maryland.

Members' shares ended the year at \$2 billion, 4.6% higher than 2022. You and your fellow members earned \$24.2 million in dividends.

The variety and quality of the services we offer prompted 14,160 people to join the credit union and become owners of their own financial institution. Overall membership stood at 157,184 at year-end.

Total loans in the credit union increased 9%, ending at \$1.8 billion. Net charge-offs of loans were \$10.9 million.

The interest on loans to members is our primary source of income, followed by miscellaneous income and interest on investments. These three sources together make up gross income. Gross income pays for your dividends, NCUA share insurance, provision for loan losses, the cost of running the credit union and increases in our reserves. Interest on loans reached \$92.3 million, while miscellaneous income amounted to \$24 million. Interest on investments was \$12.4 million. In 2023, our credit union was able to generate \$9.5 million of net income, which was used to increase our net worth.

Your credit union received its annual audit by our accounting firm CliftonLarsonAllen LLP. I am proud to report our auditor has issued an unmodified opinion on the financial statements, which means the statements present fairly, in all material respects, the financial position of the credit union as of December 31, 2023, and the results of its operations and cash flows for the year then ended.

The financial statements in your annual report spell out in more detail the financial condition of our credit union.

Respectfully submitted,

Cheryl D. Rice
Treasurer

Supervisory Committee's Report

Marjorie E. Warfield, Chair
Annual Membership Meeting
April 18, 2024

The 2023 Supervisory Committee:

Marjorie E. Warfield, Chair
Charles C. Gibson, Secretary
Barry D. Decker, CSM (Ret.)
Antha W. Edwards
Louise Leon-Guerrero

The primary responsibilities of the Supervisory Committee are to ensure the effectiveness of internal checks and balances, for example, the system of internal controls, and adherence to established policies and procedures, which contribute to the overall safety and soundness of your credit union. In accordance with NCUA's Rules and Regulations, the Supervisory Committee is responsible for:

- The annual financial statement audit
- The review and verification of member accounts

Further duties and responsibilities of the committee are:

- Verification of newly opened accounts, closed accounts, and charged-off loans
- Examination of accounting records and transactions, loan documentation, and meeting minutes of your Board of Directors
- Ensure effective internal controls are established and maintained
- Ensure all departments are carrying out the policies and procedures for which they are responsible

In addition to these regulatory duties and responsibilities, the Board of Directors has delegated the responsibility to oversee the Annual Election process, ensure the ballots are counted by an independent third party

according to the predetermined time schedule, and report the results to the Board Chairman prior to the Annual Meeting.

The Supervisory Committee ensures the credit union is healthy in all areas for which it has responsibility. An annual audit and all the work associated with it was conducted by our accounting firm, CliftonLarsonAllen LLP. CliftonLarsonAllen LLP has issued an unmodified opinion on the financial statements, which means the financial statements present fairly, in all material respects, the financial position of the credit union as of December 31, 2023, and the results of its operations and cash flows for the year then ended. The financial report as printed in the annual report is extracted from the audited financial statements. A complimentary copy of the audited financial statements is available by calling (410) 272-4000 and asking for the Internal Audit Department.

All members of the Supervisory Committee are currently enrolled in or have completed a volunteers' training course. Additional training is scheduled throughout the coming year to ensure all committee members are kept up-to-date on regulations and procedures.

The next year promises to be busy for the Supervisory Committee. A plan has been drafted for the committee's activities for the coming year; regular cash counts, the annual audit, and many other activities are scheduled to help ensure your credit union continues to be healthy and sound.

In closing, the Supervisory Committee can be contacted at P.O. Box 335, Churchville, MD 21028-0335 or SupervisoryGroup@apgfcu.com.

Respectfully submitted,

Marjorie E. Warfield
Chair

Governance Committee's Report

Cheryl D. Rice, Chair

Annual Membership Meeting

April 18, 2024

Our election was conducted during the period January 3, 2024, to March 24, 2024. While ballots were mailed to all primary members, electronic voting was offered as an enhancement to the voting process, and ballot boxes were available in the branches. Special measures were established to ensure the integrity and security of the voting process and the protection of member information. The Supervisory Committee has been charged with the responsibility of ensuring that the election is carried out according to Board policy.

The Board of Directors is pleased that the availability of electronic voting, combined with mail ballots, has given members greater opportunity to participate in the selection of those who will direct their credit union. The results of the election balloting are presented by the Supervisory Committee at the Annual Meeting.

The 2023 Governance Committee was comprised of:

Cheryl D. Rice, Chair
Michael L. Dixon, LTC (Ret.)
Paul D. Eikenberg
Timothy A. Sherwood
Wayne G. Taylor

According to Board policy, the committee was charged to nominate a minimum of four candidates to fill three, three-year terms.

The Governance Committee considered all current credit union volunteers as potential candidates for nomination. Criteria considered included the qualifications as set forth in the Board's Volunteer Participation Policy, as well as performance in their current volunteer positions, willingness and ability to serve.

The committee determined that the following four individuals were fully qualified and nominated them to comprise the official 2024 slate of candidates running for the three positions on the Board of Directors:

Paul D. Eikenberg
Sherif Eskaros
Cheryl D. Rice
Wayne G. Taylor

C. Rice, P. Eikenberg and W. Taylor recused themselves from the vote. The Governance Committee, upon recusal of those members of the Governance Committee eligible to be nominated, at its duly called meeting with the participation of the Board Chair ex-officio, reported the slate of nominees to the Board's Secretary as required by the APGFCU bylaws.

Respectfully submitted,

Cheryl D. Rice
Chair

APGFCU Scholarship Awards

Annual Membership Meeting

April 18, 2024

The winners of the 2024 APGFCU annual scholarship competition are:

Graduating High School Seniors

Student

Kaitlyn Calland
Jasmine Flowers
Sara Ford
Leah Holman
Omo Imode
Odella Kolbon
Maya Millsape
Abigail Richard
Larkin Stojka

School

North Harford High School
Sidwell Friends School
North Harford High School
C. Milton Wright High School
Havre de Grace High School
Harford Technical High School
John Carroll School
Fallston High School
C. Milton Wright High School

Returning Students/Adult Continuing Education

Anna Breneman
Gerald Brown
Jhadiel Lopez Camacho
Mason Darsney
Ian Doherty
Marielle Fitzgerald
Nathaniel Hornberger
Angelique Lee
Abigail Melick
Ryan Messer
Christopher Oh
Kylie Street
Dylan Whitney

Towson University
Johns Hopkins University
University of Lynchburg
State University of New York
Michigan State University
York College of Pennsylvania
Cedarville University
Bryn Mawr College
University of Maryland
Harford Community College
University of Maryland
Coastal Carolina University
Cecil College

Congratulations to the Scholarship Class of 2024!