



Space Age Federal Credit Union 2013 Annual Report





Agenda

- I. Call Business Meeting to Order
- II. Appoint Parliamentarian
- III. Ascertain that a Quorum is Present
- IV. Reading and Approval of Minutes
 - from Previous Annual Meeting Dated May 11, 2013
- V. Reports
 - i. Chairman's Report
 - ii. President's Report
 - ii. Supervisory Committee Report
 - iii. Treasurer's Report
- VI. Unfinished Business
- VII. Call for New Business
- VIII. Elections
- IX. Adjournment of Business Meeting

2013 Annual Meeting Minutes

61ST Annual Meeting | Saturday, May 11, 2013

Welcome

Chairman LC Williams welcomed the attendees of the 61st Annual Meeting of Space Age Federal Credit Union. He introduced the credit union's special guests: Mr. Scott Earl, Mountain West Credit Union Association; Mr. Bob Wilson, Berenbaum Weinshienk, P.C.; Mr. Benjamin Martin, First Mortgages; Mr. Mike McMahon, First Mortgages; Mr. Rick Steele, Steele's Cycle; Mr. Matthew Morrison, Steele's Cycle; Mr. Todd Dussex, LPL Financial; Mr. Rashad Younger, Liberty Mutual Insurance and TruStage; Mr. Kevin Abbott, CUNA Mutual Group; Mr. Jeff Hayzlett, AutoTrek; Mr. and Mrs. Norm Ruter; Mrs. Alice Sabad; and Mr. Bob Zitnik.

Convened

Space Age Federal Credit Union's 61st Annual Meeting was held at the History Colorado Center, Denver, Colorado on Saturday, May 11, 2013. In accordance with Article 5 of the Bylaws, the Business Meeting was called to order by Chairman LC Williams at 10:00 a.m.

Appointment of Parliamentarian

Chairman LC Williams appointed Mr. Bob Wilson as Parliamentarian for the Annual Meeting.

Ascertainment of Quorum

Chairman LC Williams stated that with 180 people in attendance, a quorum was present.

Approval of Annual Meeting Minutes, May 18, 2012

A motion was made to dispense with the reading of the minutes and to approve them as presented. The motion was seconded and carried.

Reports

Chairman LC Williams thanked all those in attendance at Space Age's 61st Annual Meeting. He began by recognizing Heather Szymanski, Director of Marketing, and the marketing and business development staff for finding such an excellent venue for this year's meeting. He then stated the importance of Space Age's existence for 61 years. He then overviewed the difference between credit unions and banks and asked members how many of them were invited by their bank to attend an annual meeting. No hands were raised. He recognized the staff for their excellent contribution to Space Age's high level of service and execution. He then overviewed the financial highlights and stated that at year end, Space Age's assets were \$102.9 million. He stated that delinquency is well below the industry average at .26% in 2012. He then highlighted the results of the member satisfaction survey and said for the first time Space Age achieved 99% member satisfaction in 2012. He said that the credit union will strive to continue this excellent level of service. He closed by complimenting Management on their commitment and dedication to Space Age. Chairman Williams then introduced John Uchida, President of Space Age Federal Credit Union. Mr. Uchida thanked the Chairman and the members for attending the annual meeting. He said that he was extremely pleased to see



2013 Chairman and President's Report

so many young members in attendance. He said that the future of Space Age is in the next generation of member. He proudly stated that 240 youth savings accounts were opened in 2012. Total deposits by this age group is \$973,000 with an average balance of \$768. He said the average age is 10.94 years old. He then stated that without youth accounts, Space Age's average member is 50 years old. With youth accounts, the average member's age is 47. He then implored all the members to bring in their children and grandchildren, and continue the great job as was done in 2012. He then overviewed the community work that the credit union did in 2012. He stated that Space Age continued its commitment to Lowry Elementary by providing tutoring, Super Savers accounts, and good citizen awards. He also said that the credit union continued to work with the Children's Miracle Network, the AFAFC/DFAS Retirees organization, and the Aurora Credit Union Alliance. He then asked the members in attendance to look at the annual report that illustrates the Volunteers commitment and longevity that was recognized in the report. He stated that countless hours are given to the credit union by these individuals and they serve as volunteers. He thanked the Volunteers for their commitment and dedication and asked them to stand to be recognized. He then stated that nothing could be accomplished without an excellent staff. He applauded them for their high marks in member satisfaction in 2012. He then asked the staff to stand and be recognized. In closing, he said that 2013 should be another exciting year. Space Age is working on new products and services to

deliver to the membership in 2013. He once again thanked the members for their attendance. Chairman Williams thanked the President for his report. He then said that both the Supervisory Committee Report and Treasurer's Report are located within the Annual Report for review. He also mentioned that Space Age received an unqualified opinion from the CPA audit in 2012. He congratulated the accounting staff for their excellent work and said that this excellent report is the standard at Space Age. After which, a motion was made and seconded to accept all the reports as presented.

Unfinished Business

Chairman LC Williams stated that the agenda contained no unfinished business.

New Business

Chairman LC Williams called to the membership for any new business. There was none.

Election Results

Chairman LC Williams stated that Richard Koebert, Ann Franklin, and Michael Thompson were each elected for a 3-year term.

Adjournment

There being no further business, the meeting was adjourned at 10:25 a.m.

LC Williams, Chairman

Tom Wittman, Secretary

Thank You

To begin our report, we want to first thank you, our over 14,000 members for giving us the opportunity to serve you. We appreciate your patronage and trust that you have given us to be part of your financial lives. Since 1952, Space Age Federal Credit Union has been a proud member-owned financial institution dedicated to serving our members.

2013 Financial Highlights

2013 was a very successful year for Space Age. Assets ended at \$103.6 million. Our net worth increased from 8.16% to 8.66%. Delinquent loans ended at .31%, and charge offs ended at .41% for 2013. Net income increased over \$175,000 from 2012. As of December 31, 2013, our allowance for loan loss account had over two times the amount of delinquent loans due to the conservative approach in this calculation. Our financial condition was also verified by the National Credit Union Administration and Petersen & Associates, CPA's, our auditing firm who gave an unmodified (unqualified) opinion of our financial statements.

Service to Our Members

In 2013, Space Age continued the practice of asking our members how we are serving them. We are pleased to announce that we achieved a 98% member satisfaction rating, utilizing a third party for the results. We continued to offer numerous educational sessions for our members on topics, such as, understanding credit scores, mortgages, investments and wills and trusts. We also provided the convenience of having an in-house financial planner and first mortgage provider. Additionally, we proudly continued to support our select employee groups by participating in 36 events. In 2013, we also upgraded our phone system to give better service to our members.

Youth—The Future of Space Age

Since 1993, Space Age has been committed to the perpetuation of our credit union through building relationships with our very important youth demographic. In 2013, we performed a youth focus group to obtain their feelings and thoughts on electronic services. We also initiated a Kids Day at Space Age that brought 137 members to our headquarters to learn about Space Age and experience some fun. From these efforts, we opened 226 youth savings accounts and 44 checking accounts with debit cards for our future lifetime members.



**LC
Williams**
Chairman



**John
Uchida**
President

2013 Supervisory Committee Report



Terrie Smigiel
Supervisory
Committee Chairman

Community Focused

Space Age continued its commitment to our many communities. In 2013, we participated at Lowry Elementary, the Interior Business Center, Children's Miracle Network, the AFAC/DFAS Retirees, and the Aurora Credit Union Alliance. We were also recognized at the state level by receiving the Dora Maxwell Award from the Mountain West Credit Union Association for our work in raising funds for Firefly Autism. Many thanks go out to our members, staff and volunteers, in making this event a success.

Recognizing Our Team of Dedicated Professionals

Thanks go out to our incredible volunteers who comprise the Board of Directors and Supervisory Committee. These visionary professionals donate many hours a year to ensure that your credit union is operating at the expected levels. Their leadership and dedication is what makes Space Age a successful financial institution. The staff at Space Age is comprised of extremely talented professionals who work hard every day to provide you the high-level service you deserve. Thank you for your continued excellence in serving our members.

Today and Beyond

2014 is looking to be a great year for Space Age. We are working on systems and products that will assist you in managing your financial challenges and successes. Please let us know if there is anything that we can do better in serving your current and future needs.

*LC Williams, Chairman
John Uchida, President*

Space Age's Supervisory Committee serves as your personal advocate, determined to provide you with the highest quality of member service. The Committee independently evaluates the strength and soundness of Space Age's operations and activities.

With the assistance of the Board of Directors, the President, the Senior Management Team, and independent auditors, the Supervisory Committee ensures that the Credit Union's assets are safeguarded by upholding procedures that comply with Generally Accepted Accounting Principles. In addition, the Committee is responsible for ensuring that Space Age's audited financial statements provide a fair and accurate representation of the financial condition of the Credit Union.

Our independent auditors, the public accounting firm of Petersen & Associates, Certified Public Accountants, conducted a comprehensive opinion audit of Space Age's financial statements for the period ending on September 30, 2013 and the related statements of income, changes in retained earnings, and cash flow for the year. They returned a detailed report to the Board of Directors, which confirmed that the Credit Union's financial statements fairly represent the financial position of Space Age and conform to Generally Accepted Accounting Principles.

In addition to our independent auditors, Space Age retained the Texas Credit Union League Resources Department, CU

Resources, to perform three internal reviews throughout the year. These are ongoing reviews to ensure that the Credit Union's policies and procedures are being followed and quality internal controls are in place. After each review, CU Resources provides a detailed report to the Supervisory Committee, the Board of Directors, and the Senior Management Team.

Finally, the National Credit Union Administration (NCUA), which is the regulatory agency for all federally-chartered credit unions nationwide, performs periodic supervisory examinations. The last examination performed was as of June 30, 2013. Based on this examination, they provided a report confirming that Space Age is prudently managed and is a financially sound institution.

Based on the result, of the opinion audit, the internal reviews, and the NCUA supervisory examination, as well as the internal control work that the Committee performs on a regular basis, it is the opinion of the Supervisory Committee that Space Age Federal Credit Union continues to be financially strong and well-managed, with sound policies and programs. Space Age Federal Credit Union is in compliance with the Credit Union's bylaws and applicable federal laws and regulations.

We are proud to offer you a safe and sound environment to conduct your financial business. We look forward to continuing to serve you in the future.

Terrie Smigiel, Supervisory Committee Chairman

2013 Treasurer's Report



Carl S. Miller
Treasurer

We are pleased to report that despite the current challenging economic environment, Space Age continues to remain a safe and sound financial institution, and we are thankful for your continued trust and belief in the Credit Union.

Total assets exceeded \$103 million for 2013. As a result of strong member relationships, increased operational efficiencies, and a strong net worth, Space Age continued to strengthen reserves while providing the innovative products and services that our members needed.

Space Age ended the year with a net income of \$570,259, which further helped to strengthen the credit union's retained capital and overall financial position. Space Age's delinquent loan ratio ended the year at 0.31%, far less than the peer average of similar sized credit unions. Additionally, Space Age was very successful in keeping operating costs low, while maintaining competitive loan and deposit rates for our members.

In 2013, net worth improved by 50 basis points, ending the year at 8.66%. Net worth is a key measure of financial safety and soundness for credit unions, and a ratio of 7.00% or higher identifies a credit union as well-capitalized. The increase in Space Age's net worth ratio was due to strong

earnings on the loan portfolio, and a strong asset liability management program.

With interest rates at historically low levels, gross income still exceeded \$5.2 million. Our independent auditors, Petersen & Associates, Certified Public Accountants, also issued another "unqualified" or clean audit opinion of Space Age in 2013. The National Credit Union Administration reviewed our financial condition and found it sound as well.

The Space Age Board of Directors and Management Team remain optimistic as we look forward to continuing to take on the challenges and opportunities of 2014. As we look to the future, Space Age will continue to implement ways to meet the needs of our members while staying focused on growing net worth and improving overall operational efficiencies. This will allow us to continue to strengthen our solid foundation, and ensure we are here for our members for years to come.

We thank you, our member-owners, for your continued loyalty to YOUR Credit Union. Your trust in Space Age as your primary financial institution is vital to our continued growth and success. Please do not hesitate to let us know how we can better meet your saving and borrowing needs.

Carl S. Miller, Treasurer

2013 Financial Report

Balance Sheet (Unaudited)

Assets

Loans to Members	\$76,739,812
Less: Allowance for Loan Losses	(\$482,203)
Cash	\$543,347
Investments	\$23,902,833
Accrued Income Receivable	\$326,835
Other Receivables	\$30,357
Prepaid Expenses	\$153,771
NCUA Insurance Fund Deposit	\$907,171
Furniture and Equipment (Net of Depreciation)	\$785,100
Leasehold Improvements (Net)	\$63,450
Other Assets	\$587,449
Total Assets	\$103,557,922

December 31, 2013

Liabilities and Members' Equity

Liabilities

Accounts and Taxes Payable	\$58,363
Accrued Expenses and Other Liabilities	\$466,902

Members' Equity

Share Accounts	\$31,513,002
Share Draft Accounts	\$17,510,789
Holiday Club Accounts	\$132,370
Share Certificate and IRA Accounts	\$26,370,923
Money Market Accounts	\$18,536,498
Undivided Earnings	\$7,274,307
Regular Reserve	\$1,694,768

Total Liabilities and Members' Equity **\$103,557,922**

The accompanying notes are an integral part of these financial statements.

2013 Financial Report

Statement of Income and Changes in Undivided Earnings (Unaudited)

Income for the Year End	December 31, 2013
Income	
Interest on Loans	\$3,853,750
Interest on Investments	\$67,737
Miscellaneous Operating Income	\$1,341,593
Total Income	\$5,263,080
Expenses	
Employee Compensation	\$1,819,007
Employee Benefits	\$597,839
Travel and Conferences	\$72,251
Association Dues	\$28,454
Office Occupancy	\$318,793
Office Operations	\$698,524
Education and Promotion	\$130,743
Loan Servicing	\$192,532
Professional and Outside Services	\$653,891
Share Insurance	\$72,574
Members' Insurance	\$24,000
Federal Supervision Fees	\$23,279
Annual Meeting Expense	\$11,940
Miscellaneous Operating Expense	\$106,350
Total Operating Expenses	\$4,750,177
Provision for Loan Losses	\$24,000
Other Loss (Gain)	(\$327,602)
Income (Loss) from Operations	\$816,505
Dividends Paid to Members	\$246,246
Interest on Borrowed Funds	\$0
Net Income (Loss)	\$570,259
Changes in Undivided Earnings	
Balance January 1, 2013	\$6,704,048
Net Income (Loss)	\$570,259
Balance December 31, 2013	\$7,274,307

The accompanying notes are an integral part of these financial statements.

2013 Financial Report

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Loans to Members and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when Management and the Board believe that the collectability of the principal is unlikely. The allowance is an amount that Management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on the pooling method of evaluation that utilizes a 24 month rolling average of specific loan pools and losses associated with each pool. The accrual of interest on loans is discontinued when payments become two months delinquent.

Investments

Investments are stated at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income on investments. Gains and losses on disposition are based on the net proceeds and the adjusted carrying amount of the investments sold, using the specific identification method. The majority of investments are in United States Treasury Bills, United States Government Agency Securities, or certificates of deposit at federally insured financial institutions.

Furniture and Equipment

Furniture and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Dividends

Dividends to members on various types of share accounts are paid at various rates and are shown as a reduction to net income. Dividend rates are set by the Board of Directors and the Asset Liability Committee, based on an evaluation of current and future market conditions and available earnings.

Note 2. Income Taxes

The Credit Union is exempt from Federal taxes under the provisions of the Federal Credit Union Act.

Note 3. Pension Plan

The Credit Union has a 401(k) retirement plan which covers all eligible employees. The Credit Union funds pension costs on a current basis.

2013 Financial Report

Notes to Financial Statements

Note 4. Share Insurance

The National Credit Union Administration (NCUA) insures Credit Union accounts up to \$250,000. Certain retirement accounts are separately insured up to \$250,000. The NCUA Share Insurance Fund requires the Credit Union to maintain a deposit with the NCUA.

Note 5. Lease

The Credit Union is committed to a lease on the main office building in Aurora, Colorado. The lease expires on January 31, 2016. The lease is appropriately accounted for as an operating lease. The lease contains clauses whereby the Credit Union is responsible for common area maintenance and other related expenses.

Note 6. Line of Credit

The Credit Union has a \$7,800,000 line of credit agreement with Corporate America Credit Union. No borrowings were outstanding at December 31, 2013.

Note 7. Loans to Members

The composition of loans to members is as follows:

Year Ended December 31, 2013

Automobile	\$61,274,661
Mortgage	\$7,434,686
Unsecured	\$7,783,606
Share and Certificate Secured	\$246,859
Total Loans	\$76,739,812
Less: Allowance for Loan Losses	(\$482,203)
Net Loans	\$76,257,609

A Summary of Changes in the Allowance for Loan Losses is as follows:

Year Ended December 31, 2013

Balance: Beginning of Year	\$781,656
Provision Charged to Operations	\$24,000
Loans Charged Off	(\$410,800)
Recoveries	\$87,347
Balance: End of Year	\$482,203

2013 Board of Directors



LC Williams
Chairman
13 Years of Service



Jason White
Vice Chairman
4 Years of Service



Ann Franklin
Secretary
9 Years of Service



Carl S. Miller
Treasurer
12 Years of Service



Tom Wittman
Assistant Secretary
19 Years of Service



Deborah Los
Assistant Treasurer
13 Years of Service

2013 Board of Directors



Richard Koebert
Director
22 Years of Service



Michael Thompson
Director
14 Years of Service



Samuel Doutrich III
Director
7 Years of Service



Sam Searcy
Associate Director
2 Years of Service

2013 Supervisory Committee



Terrie Smigiel
Chairman
6 Years of Service



Vickie Mahlberg
Committee Member
9 Years of Service



Lois Tilley
Committee Member
3 Years of Service



Michael Smigiel
Committee Member
2 Years of Service

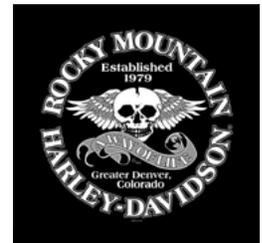


Richard Sall
Committee Member
1 Year of Service

Thank You to the Following Space Age Partners



BERENBAUM WEINSHIENK PC
ATTORNEYS AT LAW



HARRY L. SIMON, P.C.
ATTORNEYS AND COUNSELORS AT LAW

