

ANNUAL REPORT 2018

ASSETS	2017	2016	DIFFERENCE
Loans to Members	\$93,351,937	\$84,585,042	\$8,766,895
Allowance for Loan Losses	\$(1,078,016)	\$(1,063,353)	\$(14,662)
Cash and Funds Due	\$4,917,318	\$6,654,911	\$(1,737,593)
Investments	\$33,268,874	\$35,617,387	\$(2,348,513)
Property and Equipment	\$4,701,780	\$4,753,897	\$(52,116)
Other Assets	\$3,075,431	\$2,840,404	\$235,028
NCUA Share Insurance Fund	\$1,057,668	\$955,739	\$101,929
Total Assets	\$139,294,993	\$134,344,027	\$4,950,966
LIABILITIES			
Notes Payable	\$-	\$8,000,000	\$(8,000,000)
Accrued Div./Interest	\$176,061	\$126,872	\$49,190
Accounts Payable	\$1,132,288	\$995,051	\$137,237
Other Liabilities	\$405,550	\$791,000	\$(385,449)
Savings to Members	\$111,409,605	\$100,650,359	\$10,759,246
Required Reserves	\$2,246,860	\$2,246,860	\$0
Undivided Earnings	\$23,924,628	\$21,553,885	\$2,390,743
Total Liabilities and Equity	\$139,294,993	\$134,344,027	\$4,950,966
INCOME			
Interest on Loans	\$5,433,806	\$4,574,893	\$858,912
Investment Income	\$683,737	\$604,734	\$79,003
Less Dividend/Interest Expense	\$(754,936)	\$(606,841)	\$(148,095)
Less Provision for Loan Losses	\$(559,416)	\$(376,500)	\$(182,916)
Net Interest Income	\$4,803,190	\$4,196,286	\$606,904
Other Income	\$2,257,215	\$2,009,315	\$247,900
Net Operating Income	\$7,060,405	\$6,205,601	\$854,804
EXPENSES			
Employee Compensation	\$1,734,806	\$1,566,666	\$168,140
Employee Benefits	\$592,792	\$477,276	\$115,517
Travel and Conference	\$33,031	\$32,833	\$198
Office Occupancy	\$224,021	\$210,134	\$13,887
Office Operations	\$1,204,760	\$1,121,756	\$83,005
Educational and Promotional	\$87,212	\$101,262	\$(14,049)
Loan Servicing Expense	\$348,118	\$301,708	\$46,411
Professional and Outside Services	\$302,001	\$257,408	\$44,593
Operation Fees	\$35,202	\$32,751	\$2,451
Other Operating Expenses	\$48,159	\$66,161	\$(18,002)
Interest on Borrowed Funds	\$59,559	\$18,813	\$40,745
Gain or Loss on Investments	\$-	\$-	\$-
Gain or Loss on Disposal of Assets	\$-	\$(5,105)	\$5,105
Total Expenses	\$4,669,662	\$4,181,661	\$488,002
Gain or Loss from Operations	\$2,309,743	\$2,023,940	\$366,803
Net Income	\$2,390,743	\$2,023,940	\$366,803

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AAC CREDIT UNION

NCUA INSURED



Chairman's Report

Another year has come to pass and with it we witnessed the continued growth of AAC Credit Union. Thank you to each and every member who chooses us. We know you have many choices when it comes to banking and we are honored to have earned your continued business.

Again in 2017, AAC Credit Union was named to the list of Top 200 Financially Healthy Credit Unions in the Nation. As stewards of your deposits, we take our financial health very seriously. Loan growth was up 10.8% and deposits grew by 10.6%. Our capital position grew by 10.05%. Return on asset remained strong at 1.75% and we reported a 3.7% asset increase. By every indicator, it was a great year.

Also in 2017, we surpassed 15,000 members. It is amazing what we can do when we are all working together. We are grateful for the many friend and family referrals we receive.

Remaining relevant in an ever changing world is a challenge faced by every business. We keep our members at the heart of all we do, seeking services that will make your lives easier and bring you the greatest return. More and more members are choosing electronic banking. We introduced SnapCheck in 2017 giving qualified members the convenience of taking a picture of a check and depositing via a smartphone. Adoption of this service continues to grow steadily.

We look forward to beginning a new year with you. In 2018, we have plans to update branches infusing them with the AAC brand. We are proud to honor our furniture makers heritage by only using Michigan Made products in our renovations.

Each April, AAC Credit Union celebrates Youth Month. As our membership population ages, it is important that we introduce young members to the credit union to ensure our continued success. We invite you to share the benefits of membership with your children and grandchildren keeping the credit union spirit alive for years to come.

We closed the year with a difficult farewell. After 35 years of service to AAC, Jay Datema retired from our Board of Directors. Through his years of service, Jay saw many changes in the credit union industry and was instrumental in the completion of projects that had a positive impact on the growth of AAC. Board Members are volunteers, who give of their time and energy, devoted to continuing the credit union spirit. We thank Jay for his many years of wise guidance and dedication.



JAY DATEMA

We would also like to thank our volunteers and outstanding team of employees. These folks care about you, our members - and it shows.

Sincerely,

Thane Barden

Supervisory Committee Report

The Financial Standards Group completed the comprehensive annual audit and quarterly audits of various credit union policies, procedures, operations and cash audits. As of June 30, 2017 the audit included examinations of the statement of financial condition, statements of income and changes in equity.

The Department of Insurance and Financial Services, Credit Union Division, Lansing Michigan also conducted an examination of our records as of October 31, 2016.

The number of members as of December 31, 2017 was 15,367.

Credit Committee Report

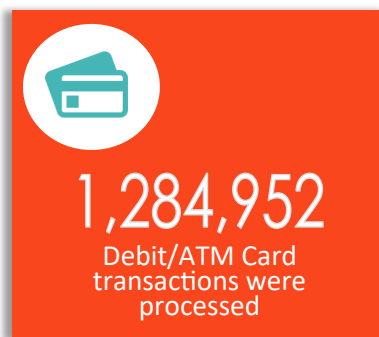
AAC Credit Union approved 3,387 loans for \$49,143,267 We approved 232 mortgages for \$20,003,099. 103 of those mortgages were sold to Freddie Mac for a total of \$14,656,046.

The ratio of delinquent loans outstanding last year was .86% up slightly from 2016 and net charge offs increased to .59% from .27% in 2016.

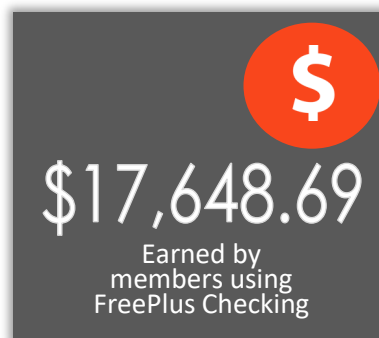
We encourage all members to contact the credit union first when in need of financing whether for an automobile, mortgage, home equity loan or whatever projects you have. We have many different loan products. Give us call to discuss which loan fits your needs. The loan officers can grant loans anytime during office hours.

Respectfully submitted,

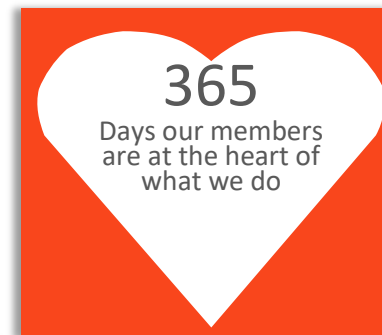
Brook Andrews Chris Cross Nancy Koch



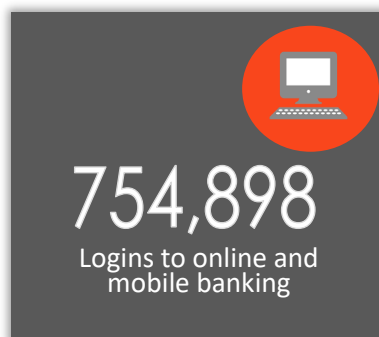
6,723
Members have gone
paperless, now
receiving eStatements



\$193,394.62
Processed in checks sub-
mitted through
the new SnapCheck
Mobile Deposit



12,394,565
ScoreCard Reward
points earned by
Visa cardholders



\$13,500
Awarded in College
Scholarships since 2009

