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21

Annual Report

AAC CREDIT UNION



Federally Insured by NCUA
Equal Housing Opportunity



DEAR AAC MEMBERS,

2020 was the very definition of the credit union motto, People Helping People. The COVID-19 pandemic quickly changed how we did business; our lobbies were closed temporarily, familiar faces became familiar voices on the phone and e-services became the common mode of banking. But it didn't change our focus on serving our members, team, and community, instead, it sharpened our vision.

Members faced layoffs, remote working, school closures, and a myriad of other challenges. AAC worked diligently to assist in the ways we could; waiving fees, loan assistance, expanded online services, and more.

There was a pride in our work as we acknowledged the importance of keeping the essential wheels of banking moving. Enough cannot be said for our team, who showed up daily, to meet the needs of the ever-changing days.

And despite it all, we ended the year on solid footing, still facing COVID, but surrounded by the members we gladly serve.

This is our second year hosting the annual meeting online. We miss our friends, gathered around the table, sharing a meal and a few laughs. We hope in 2022 we will see you in person once again.

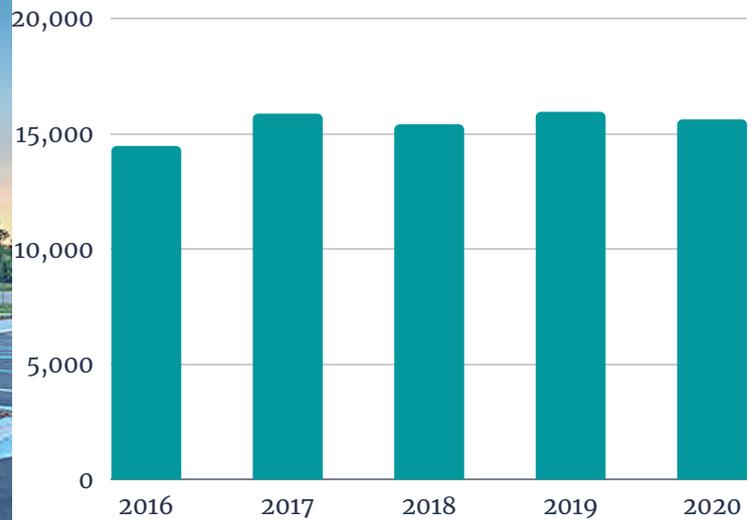
Thane Barden
Board Chairman

| KEY RATIOS | 2019 | 2020 |
|--|--------|--------|
| Net Worth/ Total Assets | 20.89% | 19.37% |
| Delinquent Loans/Total Loans | 0.98% | 0.25% |
| Net Charge Off/ Avg. Loans | 0.69% | 0.48% |
| Return on Average Assets | 1.83% | 2.08% |
| Net Interest Margin/ Average Assets | 3.89% | 3.35% |



*Thank you to our volunteer
Board of Directors:*

*Thane Barden (Chair),
Jim Ondersma, Russ Hower,
Dave Kremm, Gord Jeltema,
Ken Howe, and Dennis Ziomkowski*



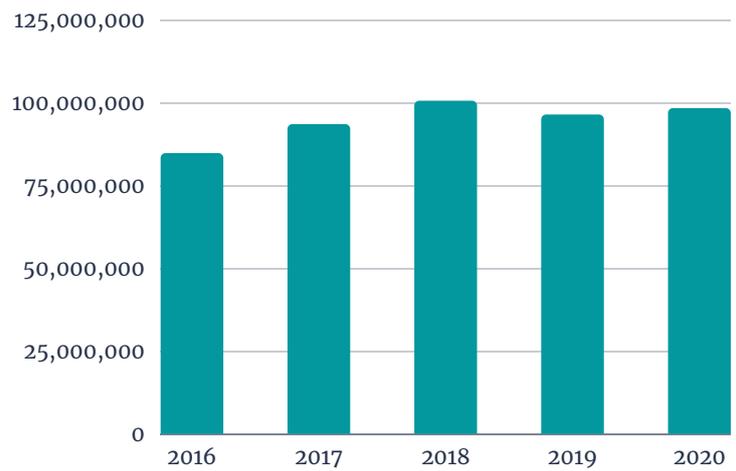
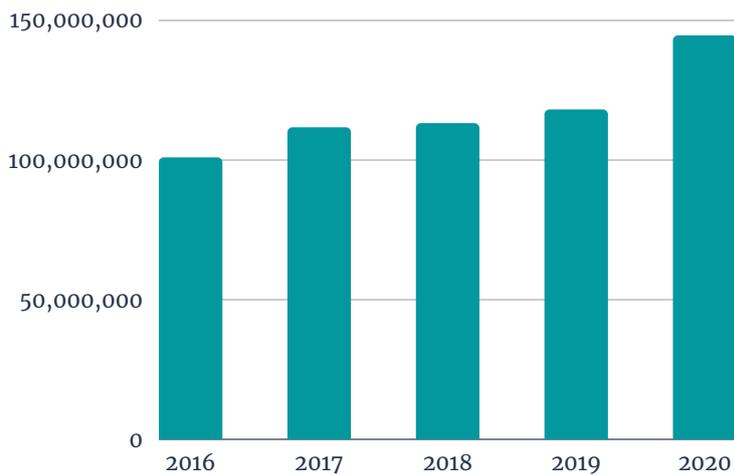
MEMBERSHIP GROWTH

We closed the year with 15,579 members. Net membership was down in 2020. These numbers were negatively impacted by COVID-19 lobby closures and reduced consumer activity.

We did see an increase in the number of new members joining AAC online. New members can complete the entire process from the safety of home.



Our mission is to help people grow financially; our members, team, and community. When we can do that, we all succeed.



DEPOSIT GROWTH

We saw a distinct increase in member deposits. Due to our national circumstances, spending slowed and prudent household budgeting became the norm. Checking and savings account balances grew. Savings rates held steady during the early part of 2020 bolstering deposits even more.

During the Black Friday CD Special alone, we grew net CD deposits by \$2 Million.

LOAN GROWTH

While we did not reach the highest volume set in 2018, loans increased 2% over 2019. The lowering of home interest rates skyrocketed the mortgagee business. We saw a 172% increase in home loans, primarily refinancing.

By Q3 2020, we began to see the consumer effects of COVID-19 ease and members desire for new vehicles and loans picked up, once again.

NEW IN 2020

- 25TH STREET BRANCH RENOVATION**
 The branch located in Holland's southside received a beautiful update. It was in need of modernization and a drive-thru window.
- MOBILE WALLETS**
 Members can enjoy the convenience of no-touch debit card transactions using Apple, Google, or Samsung Mobile Wallets.
- MOBILE APP 4.0**
 We launched an updated version of the app to give members more on-the-go banking options and features, including card controls.

| ASSETS | 2020 | 2019 | DIFFERENCE |
|---------------------------|----------------------|----------------------|---------------------|
| Loans to Members | \$98,193,028 | \$96,257,235 | \$1,935,793 |
| Allowance for Loan Losses | \$(1,080,603) | \$(800,170) | \$(280,433) |
| Cash & Funds Due | \$22,873,914 | \$7,731,475 | \$15,142,439 |
| Investments | \$51,730,484 | \$38,942,281 | \$12,788,203 |
| Property & Equipment | \$5,015,578 | \$4,749,899 | \$265,679 |
| Other Assets | \$3,007,165 | \$2,792,432 | \$214,732 |
| NCUA Share Insurance Fund | \$1,280,957 | \$1,164,717 | \$116,240 |
| Total Assets | \$181,020,523 | \$150,837,869 | \$30,182,653 |

LIABILITIES

| | | | |
|---------------------------------------|----------------------|----------------------|---------------------|
| Notes Payable | - | - | - |
| Accrued Div/Interest | \$215,690 | \$263,664 | \$(47,974) |
| Accounts Payable | \$803,968 | \$685,018 | \$118,949 |
| Other Liabilities | \$612,573 | \$576,989 | \$35,584 |
| Savings to Members | \$144,330,452 | \$117,802,522 | \$26,527,930 |
| Required Reserves | \$2,246,860 | \$2,246,860 | - |
| Undivided Earnings | \$32,810,979 | \$29,262,815 | \$3,548,164 |
| Total Liabilities & Equity | \$181,020,523 | \$150,837,869 | \$30,182,653 |

INCOME

| | | | |
|--------------------------------|--------------------|--------------------|------------------|
| interest on Loans | \$5,630,730 | \$5,973,241 | \$(342,511) |
| Investment Income | \$1,182,829 | \$1,062,153 | \$120,676 |
| Less Dividend/Interest Expense | \$(1,247,057) | \$(1,317,007) | \$69,949 |
| Less Provision for Loan Losses | \$(768,000) | \$(612,018) | \$(155,982) |
| Net Interest Income | \$4,798,502 | \$5,106,369 | \$(307,867) |
| Other Income | \$3,682,342 | \$2,658,979 | \$1,023,363 |
| Net Operating Income | \$8,480,844 | \$7,765,348 | \$715,496 |

EXPENSES

| | | | |
|------------------------------------|--------------------|--------------------|-------------------|
| Employee Compensation | \$2,111,622 | \$2,055,279 | \$56,343 |
| Employee Benefits | \$591,922 | \$636,483 | \$(44,561) |
| Travel & Conference | \$32,303 | \$38,924 | \$(6,621) |
| Office Occupancy | \$228,521 | \$238,319 | \$(9,798) |
| Office Operations | \$1,309,481 | \$1,321,096 | \$(11,615) |
| Educational & Promotional | \$117,974 | \$105,752 | \$12,222 |
| Loan Servicing Expense | \$192,118 | \$163,751 | \$28,366 |
| Professional & Outside Services | \$335,639 | \$357,584 | \$(21,945) |
| Operation Fees | \$27,454 | \$36,000 | \$(8,546) |
| Other Operating Expenses | \$85,976 | \$114,877 | \$(28,901) |
| Interest on Borrowed Funds | - | - | - |
| Gain or Loss on Investments | - | - | - |
| Gain or Loss on Disposal of Assets | \$1,368 | \$913 | \$455 |
| Total Expenses | \$5,034,377 | \$5,068,979 | \$(34,602) |
| Gain or Loss from Operations | \$3,446,467 | \$2,696,370 | \$750,098 |
| Net Income | \$3,446,467 | \$2,696,370 | \$750,098 |