

SUPERVISORY COMMITTEE REPORT

Your Supervisory Committee is appointed by the Board of Directors in accordance with the Federal Credit Union Act and ensures that your credit union conducts its operations and activities in a safe and sound manner. The Committee, as the members' representative and official auditor, has the responsibility to review and evaluate the overall financial operations and performance of your credit union, including that of its management staff, to ensure that all the regulations, procedures, and policies that govern this institution are properly followed.

The Committee is assisted in carrying out its responsibilities by our Internal Auditors, who performed and/or directed a total of 71 Audits and Reviews during the fiscal year ended September 30, 2014. The credit union is also periodically examined by our regulator, the National Credit Union Administration (NCUA), which completed one annual review during fiscal year 2014. The NCUA review did not indicate any significant findings and our own internal audits confirm that internal controls are in place and effective.

In conformance with NCUA regulations, the Committee contracted the Certified Public Accounting firm of Reinsel Kuntz Leshner LLP to conduct an independent external audit of the credit union's financial statements as of September 30, 2014. The independent auditor found that American Heritage FCU's financial statements present fairly its financial position in conformity with Generally Accepted Accounting Principles. As a result of the aforementioned reviews and audits, it is the pleasant duty of the Supervisory Committee to report to you that the affairs of the American Heritage Federal Credit Union during fiscal year 2014 have been conducted in a most satisfactory manner and in accordance with prescribed standards and accounting practices, and were found to be current, accurate, complete, and in balance.

The sound policies and practices of the Board of Directors contributed to the continuing growth and improvement of services, which has been evident over the past year. We wish to commend the President/CEO and his staff for their efficient, attentive, and courteous service to our members. The cooperation and assistance they have provided this committee is appreciated. We look forward to another year of service to our members, and assure you that you can expect the same high standard of service that you received in 2014.

Respectfully Submitted,
Frank DiDomizio, Chairman
Kenneth Wong, Anthony Kuczowski, Juan Lopez

NOMINATING COMMITTEE REPORT

The Nominating Committee of American Heritage Federal Credit Union respectfully submits the names of the following candidates to serve on the Board of Directors:

James Brownlow, II – 3 Year Term, 2015-2018
Gary Weyhmuller – 3 Year Term, 2015-2018
Dorian Smith – 3 Year Term, 2015-2018
John Tracy – 2 Year Term, 2015-2017

Respectfully submitted,
Frank Di Domizio, Chairperson
Clara Glenn, Jennifer Hannigan

LOAN REVIEW/DELINQUENCY COMMITTEE REPORT

The Loan Review Committee respectfully submits its annual report to our members for the lending activities of American Heritage Federal Credit Union.

For the calendar year 2014, the Loan Review Committee and the Loan Officers approved 16,117 loan applications for \$262.5 million in automobile, credit card, recreation vehicles, lines of credit and home equity lines of credit and loans, as compared to 13,476 and \$157.6 million, respectively, in 2013. In addition, 97 commercial and 418 mortgage loan applications for \$37.4 million and \$71.2 million, respectively, were also approved. The complete team effort, from the branch network to the contact center to the information systems team, enabled us to serve more members in person, via telephone and online while balancing the safety of their accounts. In the end, we were able to grow the loan portfolio by \$29.3 million, or 3.5%, to \$858.3 million at December 31, 2014.

In terms of delinquencies, at year end 2014, we had 930 delinquent loans totaling \$11.1 million, or 1.30% of total loans, as compared to 722 delinquent loans totaling \$11.0 million, or 1.34% of total loans, at year end 2013. The net increase in the number of delinquent loans of 208 consisted primarily of an increase of 98 credit card, 66 federally-guaranteed student loans and 29 signature loans. The net increase in the dollars of delinquent loans of \$0.1 million was due to an increase in home equity loans of \$0.3 million and credit card loans of \$0.1 million, which were partially offset by a decrease in commercial and consumer mortgage loans of \$0.3 million. In 2014, there were approximately \$5.2 million of loans charged off and \$0.3 million of loan recoveries, whereas in 2013, there were approximately \$4.5 million of loans charged off and \$0.3 million of loan recoveries. The increase in charge offs was due to one home equity loan in the amount of approximately \$853,000 upon which we are pursuing legal action to recover the funds charged off. The allowance for loan losses at December 31, 2014 and 2013 of \$4.9 million and \$6.0 million, respectively, was adequately funded based on management's minimum and maximum estimated loss ranges as calculated in accordance with generally accepted accounting principles.

The Loan Review/Delinquency Committee would like to express its thanks to the American Heritage Federal Credit Union loan officers and asset recovery teams for providing us with vital information and assistance that enabled us to make fair and just decisions on member applications for credit and modifications. We hope you will continue to take advantage of the services that your credit union offers and we pledge to service your needs in the same progressive manner and friendly atmosphere to which you have become accustomed to over the years.

Respectfully Submitted,
Clara Glenn, Chairperson
Cecilia B. Grady, John Demmler, Chief Lending Officer

AGENDA

Call to Order
Pledge of Allegiance to the Flag
Introductions
2013 Annual Meeting Minutes
Chairperson's Report
President/Treasurer's Report
Loan Review/Delinquency Committee Report
Supervisory Committee Report
Nominating Committee Report
Election Results
Unfinished Business
New Business
Adjournment

BOARD OF DIRECTORS

Cecilia B. Grady, Chairperson
Gary Weyhmuller, Vice-Chairman
Bruce K. Foulke, Treasurer
Jennifer Hannigan, Secretary
James Brownlow II
Frank Di Domizio
Clara Glenn
Dorian Smith
John Tracy

SUPERVISORY COMMITTEE

Frank Di Domizio, Chairperson
Anthony Kuczowski
Juan Lopez
Kenneth Wong

LOAN REVIEW/DELINQUENCY COMMITTEE

Clara Glenn, Chairperson
Cecilia B. Grady
John Demmler

2014 ANNUAL REPORT

April 21, 2015



Federally insured
by NCUA



CHAIRPERSON'S REPORT

Welcome to American Heritage Federal Credit Union's 66th Annual Meeting. We have enjoyed another year of remarkable growth and expansion of services and have experienced high increases in both membership and assets while keeping our commitment to improve service to our members. We now have 133,582 members and serve the employees of over 800 sponsor companies.

In 2014, we once again utilized our Personal Automated Teller (PAT®) technology to open new branches at the Fairless Hills ShopRite and Trevoise branch located in the Neshaminy Interplex, which also houses our CUSOs, First Heritage Financial, Member Business Financial Services (MBFS), American First Abstract, and Better Homes of American Heritage Federal Realty. Utilizing the latest technology allows us to serve our members more efficiently than ever. PAT® machines offer face-to-face teller service remotely via video and we are delighted to report that our members have embraced this convenience with great enthusiasm. PAT® transactions for 2014 reached 140,674 versus 104,436 in 2013--an increase of 36%.

We offered all AMHFCU members a "Platinum Preferred", "Platinum Classic" or "Platinum Secured" credit card and we began issuing the EMV chip cards to provide better security and prevent fraudulent transactions.

We proudly introduced our CUSO, Better Homes of American Heritage Federal Realty, a full service real estate firm where members can earn a 20% rebate of your realtor's commission when you buy or sell a home – that's just a way to say "thank you for letting us help you find your dream home."

During 2014, we added 33 new sponsor companies and 7,681 new members joined the credit union family. We attribute our strong growth to the opening of our new branches combined with the remarkable efforts of our Business Development team. Merging with Zion Baptist FCU gained 315 new members and a merger with CAMCO Community FCU, located in Bellmawr, New Jersey gained 920 new members.

American Heritage Federal Credit Union is now the 6th largest credit union in the Commonwealth of Pennsylvania and moved up four places to become the 132nd largest credit union in the nation. We can also be proud that in 2014 we received a Five-Star rating from Bauer Financial. To top it off, our comprehensive member survey reported that 96.6% of our members are very satisfied or satisfied with AMHFCU, an 11% increase from the 2011 survey results.

For the eighth consecutive year, American Heritage Federal Credit Union was a finalist in the Philadelphia Business Journal's "Best Places to Work" contest and for the fifth consecutive year received a "Healthy Workplace Award" from the Philadelphia Business Journal and United Healthcare. Our Green Team helped us reduce paper use, participated in "Adopt-A-Highway" clean-up programs, and facilitated the continuation of our beautiful community gardens located at several of our branch locations.

Giving back to the community is just one of the things that make American Heritage different from other financial institutions. That commitment to the communities we serve continued in 2014, as we donated 4,375 books to local hospitals and Boys' and Girls' Clubs through the Books for Kids program

and raised over \$7,000 to brighten the holidays for needy families through our Adopt-A-Family program. Of course, American Heritage's Kids-N-Hope Foundation continues to be a primary focus of our community involvement efforts. Since its formation in 1996, we have raised over \$1,000,000 through the Foundation to support the music therapy program at Children's Hospital of Philadelphia—and \$100,000 of that total came in 2014.

American Heritage has also adopted the Busia Compassionate Care orphanage in Kenya, which provides a home for children who have lost their parents to AIDS. Our Busia Committee, run entirely by our employees, conducted a number of fundraisers which this year raised over \$6,480. We hosted 21 visitors from Kenya to view our operations to learn how to increase their membership.

We continue to offer financial literacy programs in high schools, financial management seminars for members and non-members at our sponsor companies. In addition, twenty-one college-bound students were awarded \$1,000 scholarships. Finally, as part of a strategic initiative to be more involved in the communities around our branch areas, American Heritage supported events and initiatives that demonstrate that our commitment to community is real. If you attended Quakertown Community Day, Fox Chase Paws for Cause, the New Britain 4th of July Parade, or any other community celebrations, you probably saw us there, staffing an information table or sponsoring an event.

I wish to express my appreciation to the President/CEO, his management team, and the staff for all of their hard work and dedication to the credit union and the membership. I cannot say enough about the work of our Board of Directors which is wholly comprised of volunteers. The total emphasis of our Board is service to the membership while keeping the credit union financially strong. Special thanks to our Supervisory, Loan Review, and Delinquency Committees for all of their time and dedication. I also want to thank our sponsor companies for their belief in and support of American Heritage Federal Credit Union. Most of all I want to thank our members who have made American Heritage Federal Credit Union the financial success that it is today.

Respectfully submitted,
Cecilia B. Grady, Chairperson

PRESIDENT/TREASURER'S REPORT

I am proud to report that in 2014 we grew assets \$121.1 million, or 8.9%, to \$1.487 billion from \$1.365 billion in 2013. It was another spectacular year for American Heritage Federal Credit Union and its majority-owned subsidiaries, First Heritage Financial LLC providing mortgage loans, American First Abstract LLC providing abstract services, and new in 2014, Better Homes of American Heritage Federal Realty LLC providing real estate broker services. Our success can be attributed to strong membership growth of 7,681 members representing a 6.1% increase over 2013, our members' trust in our services, and the dedication of our Board of Directors, management and staff.

The growth in assets of \$121.1 million was primarily from share growth of \$62.4 million, or 6.0%, to \$1.105 billion and secondarily to additional borrowings of \$40.0 million to

\$220.0 million. Within shares, most members put their money in highly liquid investments, such as regular shares that grew by \$36.6 million, or 12.8%; share drafts that grew by \$20.8 million, or 16.9%; money market accounts that grew by \$6.2 million, or 3.0%; and secondarily, to longer term Individual Retirement Accounts (IRAs) that grew by \$4.1 million, or 3.6%. Certificates declined by \$5.2 million, or 1.7%, to \$306.5 million, however, there were members that increased their earnings by investing \$24.4 million in our 60 month certificate of deposit product which now has \$138.0 million. We also introduced a 47 month and 59 month bump-rate certificate towards the end of the year which we expect will grow in 2015.

In addition to offering rates that enabled members to invest in longer term certificates, we also borrowed an additional \$40.0 million of long-term debt to offset the interest rate risk of holding our long-term mortgage portfolio. There is now \$220.0 million of borrowings with a weighted average cost of 1.87% matched against \$234.8 million of mortgage loans earning a weighted average rate of 4.64%.

The loan portfolio grew by \$29.3 million, or 3.5%, to \$858.3 million. Most of the loan growth came from real-estate secured home equity loans that grew by \$24.9 million, or 15.0%, to \$190.9 million; automobile loans that grew by \$19.0 million, or 26.8%, to \$90.0 million; commercial loans that grew by \$15.7 million, or 10.7%, to \$162.0 million; credit card loans that grew by \$12.0 million, or 11.5%; and unsecured/other loans that grew by \$6.1 million, or 10.5%. However, the first mortgage loan portfolio declined \$48.4 million, or 17.1%, due to selling \$32.0 million in January and February of 2014 of 15 and 30 year fixed rate loans as well as most originations made throughout 2014. In the current relatively low interest rate environment, we were and are concerned about positioning the balance sheet for when rates begin to rise. This strategy will lessen the impact of a potential rise in interest rates.

As a result of the member activity and management actions, some of which are noted above, American Heritage Federal Credit Union recorded net income for the year of \$12.2 million, enabling net worth to grow to \$139.1 million compared to last year's \$126.9 million, a 9.6% increase. The net worth ratio also increased to 9.35% from 9.29% and was well above the minimum 7.00% ratio necessary to be classified as a "well-capitalized" credit union. The net income of \$12.2 million represented a return on average assets of 0.86% as compared to 0.84% for our peers.

Total income of \$76.0 million was derived from interest on loans of \$43.2 million, interest on investments of \$7.7 million, and other operating income of \$25.1 million, while total expenses were \$53.0 million and total dividend and interest expense \$10.8 million as the overall cost of funds as a percent of average assets decreased to 0.75% in 2014 from 0.83% in 2013.

I extend a special thanks to the Board of Directors, management and staff for their support, dedication and vision. I also wish to express sincere appreciation to the members who place not only their money, but also their confidence in American Heritage Federal Credit Union. At American Heritage, we pledge to continue to work to provide products that meet your needs as "We Offer **You The Right** Financial Solutions Because You're **Family**."

Respectfully submitted,
Bruce K. Foulke, Treasurer, President

BALANCE SHEET December 31, 2014 (Unaudited)

Assets	
Loans to Members	\$858,320,797
Allowance for Loan Losses	(4,870,872)
Cash in Bank and on Hand	131,519,718
Investments	422,427,059
Other Assets	79,156,812
Total Assets	<u>\$1,486,553,514</u>
Liabilities and Equity	
Share of Members	\$1,104,663,196
Borrowings	220,000,000
Other Liabilities	24,175,817
Total Liabilities	<u>1,348,839,013</u>
Net Worth	139,057,948
Valuation Reserve	(1,343,447)
Total Equity	<u>137,714,501</u>
Total Liabilities and Equity	<u>\$1,486,553,514</u>

INCOME STATEMENT For the year ended December 31, 2014 (Unaudited)

Interest on Loans	\$43,201,456
Interest on Investments	7,683,671
Other Operating Income	25,084,032
Total Income	<u>75,969,159</u>
Compensation and Benefits	24,237,139
Provision	3,740,000
Other Expenses	25,031,682
Total Expense	<u>53,008,821</u>
Dividend Expense	6,669,957
Interest Expense	4,088,758
Dividend and Interest Expense	<u>10,758,715</u>
Net Income	<u>\$12,201,623</u>