



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, 2015. 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 2015 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 2015.

Respectfully Submitted,
Frank Di Domizio, Chairman
Kenneth Wong, Anthony Kuczykowski, 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:

Frank Di Domizio - 3 Year Term, 2016-2019
Bruce K. Foulke - 3 Year Term, 2016-2019
Cecilia B. Grady - 3 Year Term, 2016-2019

Respectfully submitted,
Gary Weyhmuller, Chairperson
James Brownlow, II, Clara Glenn

LOAN REVIEW/DELINQUENCY COMMITTEE REPORT

For the calendar year 2015, the Loan Review Committee and the Loan Officers approved 14,623 loan applications for \$344.3 million in automobile, credit card, recreation vehicles, lines of credit, home equity lines of credit and loans, and student loans, as compared to 16,117 and \$262.5 million, respectively, in 2014.

Much of the growth in balances was due to originating large balance home equity loans in 2015 as compared to 2014. In addition, 114 commercial and 622 mortgage loan applications for \$63.5 million and \$107.8 million, respectively, were also approved. Overall, the loan portfolio grew by \$89.5 million, or 10.4%, to \$947.9 million at December 31, 2015.

In terms of delinquencies, at year end 2015, we had 951 delinquent loans totaling \$9.8 million, or 1.04% of total loans, as compared to 930 delinquent loans totaling \$11.1 million, or 1.30% of total loans, at year end 2014. The net increase in the number of delinquent loans of 21 consisted primarily of personal loans. The net decrease in the dollars of delinquent loans of \$1.3 million was primarily due to a decrease in delinquent first mortgage loans of \$1.1 million. In 2015, there were approximately \$4.5 million of loans charged off and \$0.5 million of loan recoveries, whereas in 2014, there were approximately \$5.2 million of loans charged off and \$0.3 million of loan recoveries. The decrease in charge offs was due to one home equity loan charged off in December 2014 in the amount of approximately \$853,000 which we are pursuing legal action to recover the funds charged off. The allowance for loan losses at December 31, 2015 and 2014 of \$5.8 million and \$4.9 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
- 2015 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

SUPERVISORY COMMITTEE

- Frank Di Domizio, Chairperson
- Anthony Kuczykowski
- Juan Lopez
- Kenneth Wong

LOAN REVIEW/DELINQUENCY COMMITTEE

- Clara Glenn, Chairperson
- Cecilia B. Grady
- John Demmler



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CHAIRPERSON'S REPORT

Welcome to American Heritage FCU's 2015 Annual Meeting. This marks our 67th year as a credit union and 2015 was another exciting year. We continue to see growth and expansion in many areas and are already looking forward to many more accomplishments during 2016.

Here are a few highlights from 2015:

- Membership grew to 141,603
- Introduced our new Value Proposition, "We offer YOU the RIGHT financial solutions because you're FAMILY"
- Opened Center City Market Street Branch in the Murano Building
- Added 30 new SEG Partners
- Grew to the 127th largest credit union in U.S.
- We received a Five-Star Bauer Award for financial safety and soundness
- 9th consecutive year, "Best Places to Work"; 6th consecutive year we received a "Healthy Workplace Award"
- 1st Place – Greater Valley Forge Environmental Sustainability Award
- Giving Back: Busia Orphanage \$5,518, Books for Kids \$8,007, Adopt-a-Family over \$5,000, Ronald McDonald House \$2,600
- Kids-N-Hope donated \$110,000 to CHOP for the Children's Music Therapy Program (Surpassed \$1,000,000 in total giving)
- Awarded 20 \$1,000 scholarships
- Food Drive – collected and donated 2,750 pounds of food to needy families
- Technology –Upgraded our Mobile Teller App to include one-touch account balances and last five transactions, FICO score, remote deposit and upgraded our Bill Payer product and introduced Apple Pay
- Merged with CAMCO Community FCU; approved a merger with Metropolitan Service FCU
- Opened our 1st Branch in New Jersey
- An outside IT security firm reviewed our network & systems and stated that AMHFCU has "one of the best systems" it has seen
- Grand Illumination – Nearly 10,000 attendees (Biggest Yet!)
- Designed and introduced a Marketing Trailer to create brand awareness at SEGs and during AMHFCU and community events
- Our CEO was selected to spearhead a credit union committee for the Democratic National Convention being held this fall in Philly to raise \$300,000 for the Health & Wellness Garden for CHOP
- We ranked as the #1 credit union in the state of PA for commercial lending

I'm truly thankful for all the members that support AMHFCU and encourage you to spread the word about membership to your friends, family and coworkers. Use your credit for all it's worth. The more you support us, the more it benefits you and every member.

Respectfully submitted,
Cecilia B. Grady, Chairperson

PRESIDENT/TREASURER'S REPORT

I am proud to report that in 2015 we grew assets \$157.2 million, or 10.6%, to \$1.644 billion from \$1.487 billion in 2014. 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 Better Homes of American Heritage Federal Realty providing real estate broker services. Our success can be attributed to strong membership growth of 8,021 members representing a 6.0% increase over 2014, our members' trust in our services, and the dedication of our Board of Directors, management and staff.

The growth in assets of \$157.2 million was primarily from share growth of \$120.3 million, or 10.9%, to \$1.225 billion and secondarily to additional borrowings of \$20.0 million to \$240.0 million. Within shares, most members put their money in highly liquid investments, such as regular shares that grew by \$46.6 million, or 14.4%; and share drafts that grew by \$31.5 million, or 21.9%. During 2015, we offered an attractive 36 month certificate, and 47 and 59 month bump-rate certificates which paid over 2%. Such rates attracted \$18.7 million in net new 36 month certificate balances and \$11.8 and \$39.9 million in net new 47 month and 59 month bump-rate certificates balances, respectively. This was slightly offset by a decrease in money market accounts of \$2.1 million, or 1.0%.

In addition to offering rates that enabled members to invest in longer term certificates, we also borrowed an additional \$20.0 million of long-term debt to offset the interest rate risk of holding our long-term mortgage portfolio. There is now \$240.0 million of borrowings with a weighted average cost of 1.89% matched against \$238.5 million of mortgage loans earning a weighted average rate of 4.32%.

The loan portfolio grew by \$89.6 million, or 10.4%, to \$947.9 million. Most of the loan growth came from commercial loans that grew by \$36.5 million, or 22.5%, to \$198.5 million; automobile loans that grew by \$20.6 million, or 22.9%, to \$110.6 million; real-estate secured home equity loans that grew by \$20.3 million, or 10.7%, to \$211.3 million; and first mortgage loan portfolio that grew by \$11.6 million, or 4.9%. In addition to the growth of loans on the balance sheet, we also sold \$52.7 million of first mortgage loans.

In the relatively current 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.

During 2015, American Heritage Federal Credit Union recorded total income of \$81.4 million derived from interest on loans of \$46.5 million, interest on investments of \$8.1 million, and other operating income of \$26.8 million, while total expenses were \$59.1 million and total dividend and interest expense was \$11.3 million as the overall cost of funds as a percent of average assets decreased to 0.72% in 2015 from 0.75% in 2014. As a result, net income for the year was \$11.0 million, representing a return on average assets of 0.71% as compared to 0.76% for our peers. The decrease was primarily due to recording a provision for losses on loans for one home equity loan in the amount of \$853,000, or 0.05% of average assets. We are pursuing legal action to recoup such loss. Due to net income and a merger, net worth grew to \$150.4 million compared to last year's \$139.1 million, an 8.2% increase. The net worth ratio was 9.15%, well above the minimum 7.00% ratio necessary to be classified as a "well-capitalized" credit union.

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

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 77 Audits and Reviews during the fiscal year ended September 30, 2015. The credit union is also periodically examined by our regulator, the National Credit Union Administration (NCUA), which completed one annual review during fiscal year 2015.

BALANCE SHEET

December 31, 2015
(Unaudited)

Assets	
Loans to Members	\$947,899,043
Allowance for Loan Losses	(5,777,783)
Cash in Bank and on Hand	146,516,723
Investments	470,003,855
Other Assets	85,155,265
Total Assets	<u>\$1,643,797,103</u>
Liabilities and Equity	
Share of Members	\$1,224,971,702
Borrowings	240,000,000
Other Liabilities	31,152,995
Total Liabilities	<u>1,496,124,697</u>
Net Worth	150,410,470
Valuation Reserve	(2,738,064)
Total Equity	<u>147,672,406</u>
Total Liabilities and Equity	<u>\$1,643,797,103</u>

INCOME STATEMENT

For the year ended December 31, 2015
(Unaudited)

Interest on Loans	\$46,488,807
Interest on Investments	8,100,930
Other Operating Income	26,821,592
Total Income	<u>81,411,329</u>
Compensation and Benefits	27,258,099
Provision	4,947,000
Other Expenses	26,849,387
Total Expense	<u>59,054,486</u>
Dividend Expense	6,994,710
Interest Expense	4,313,028
Dividend and Interest Expense	<u>11,307,738</u>
Net Income	<u>\$11,049,105</u>
Return on Average Assets	0.71%