

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 87 Audits and Reviews during the fiscal year ended September 30, 2017. The credit union is also periodically examined by our regulator, the National Credit Union Administration (NCUA), which completed one annual review during fiscal year 2017. 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 RKL, LLP to conduct an independent external audit of the credit union's financial statements as of September 30, 2017. 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 Credit Union during fiscal year 2017 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 2017.

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

NOMINATING COMMITTEE REPORT

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

Gary Weyhmuller - 3 Year Term, 2018-2021

James Brownlow, II - 3 Year Term, 2018-2021

Juan Lopez - 3 Year Term, 2018-2021

Daniel Jones - 3 Year Term, 2018-2021

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

LOAN REVIEW/DELINQUENCY COMMITTEE REPORT

For the calendar year 2017, the Loan Review Committee and the Loan Officers approved 27,065 loan applications for \$421.9 million in automobile, credit card, recreation vehicles, lines of credit, home equity lines of credit and loans, and student loans, as compared to 23,808 and \$380.8 million, respectively, in 2016. Much of the growth in volume was due to originating more indirect auto loans in 2017 as compared to 2016. In addition, 136 commercial and 571 mortgage loan applications for \$151.8 million and \$101.5 million, respectively, were also approved. Overall, the loan portfolio grew by \$243.4 million, or 22.3%, to \$1.334 billion at December 31, 2017.

In terms of delinquencies, at year end 2017, we had 939 delinquent loans totaling \$10.8 million, or 0.81% of total loans, as compared to 874 delinquent loans totaling \$10.1 million, or 0.92% of total loans, at year end 2016. The net increase in the number of delinquent loans of 65 consisted primarily of personal loans. The net increase in the dollars of delinquent loans of \$0.7 million was primarily due to an increase in delinquent first mortgage variable rate loans of \$1.1 million. In 2017, there were approximately \$5.4 million of loans charged off and \$0.7 million of loan recoveries, whereas in 2016, there were approximately \$5.0 million of loans charged off and \$0.5 million of loan recoveries. The increase in charge offs was due to used auto loans that increased \$271,000. The allowance for loan losses at December 31, 2017 and 2016 of \$8.0 million and \$6.8 million, respectively, were 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 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
Michael Guntick
Scott McKim, Chief Lending Officer

AGENDA

Call to Order
Pledge of Allegiance to the Flag
Introductions
2017 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
John Fafara
Clara Glenn
Daniel Jones
Anthony Kuczykowski
Juan Lopez Jr.
Kenneth Wong

SUPERVISORY COMMITTEE

Frank Di Domizio, Chairperson
Anthony Kuczykowski
Kenneth Wong

LOAN REVIEW/DELINQUENCY COMMITTEE

Clara Glenn, Chairperson
Cecilia B. Grady
Michael Guntick
Scott McKim

2017 ANNUAL REPORT

April 17, 2018



American Heritage
CREDIT UNION

 WE OFFER *YOU* THE *RIGHT* FINANCIAL SOLUTIONS BECAUSE YOU'RE *FAMILY*.

Federally insured
by NCUA

ESI Excess
Share
Insurance
Provides up to an
additional \$250,000
of IRA Share Insurance



CHAIRPERSON'S REPORT

Welcome to American Heritage Credit Union's 69th 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 167,851 members and serve the employees of over 800 sponsor companies.

In 2017, American Heritage rolled out a new Vision Statement and Mission Statement, created a new youth blog as a communication tool for reaching Millennials, and published the new *Patriot* magazine for our members featuring exciting articles that contain something for every age group. We introduced the Better Lobby Appointment Scheduler which eliminates the wait time for members when meeting with a staff member. We issued a Cash Reward MasterCard that rewards members 3% on gas purchases, 2% for restaurant purchases and 1% on all other purchases. We released five new Youth accounts: Little Patriots, Pat & Lucy's Money Club, Benjamin's Money Club, Independence Account, and the Young Adult Account.

We opened two new branches in 2017 to better serve the needs of our members: Newtown Square and the Stowe branch.

We added 48 new sponsor companies this year and 14,868 new members joined the credit union in 2017. We attribute our strong growth to the opening of our new branches to the efforts of our Business Development team. We merged with Tri-Ag FCU, First Baptist Church of Darby FCU, S M FCU, Apex FCU and gained 5,080 new members.

American Heritage Credit Union is now the 5th largest credit union in the Commonwealth of Pennsylvania and moved up six places to become the 115th largest credit union in the nation, and is now the 97th largest credit union based on membership.

For the 11th consecutive year, American Heritage Credit Union was a finalist in the Philadelphia Business Journal's "Best Places to Work" contest. The American Heart Association presented the "Gold Level" Fit-Friendly and the "Bronze Level" Workplace Health Achievement awards to the credit union for providing quality employee health programs in the workplace environment. We won the first-place Dora Maxwell Social Responsibility Community Service Award on the state and national levels. For the second year in a row, American Heritage was awarded the Bucks County Commissioner's Award for all the work we have done with the Veteran's Discount Program. Our Green Team was named a Gold Level Winner through Greater Valley Forge Transportation and the Sustainable Awards program for developing programs and initiatives that help reduce congestion and improve air quality through travel demand management. CUNA recognized our Marketing Department with four Diamond Awards for various marketing campaigns, and our Investment & Retirement Center is ranked #3 in the country and ranked #1 in the managed program.

Giving back to the community is just one of the things that make American Heritage different from other financial institutions. Our commitment to the communities we serve continued in 2017, during which the Books for Kids program raised a record \$12,194 and our Adopt-A-Family program raised close to \$17,000 through donations from our employees and members to brighten the holidays for needy families. The

Kids-N-Hope Foundation continues to be a primary recipient of our community involvement efforts. Since its formation in 1996, we have raised over \$1,400,000 through the Foundation to support the music therapy program at The Children's Hospital of Philadelphia (CHOP)—and \$217,000 of that total came in 2017.

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 \$2,407 including a local company's donation of various sports supplies.

We continue to offer financial literacy programs in high schools, as well as financial management seminars for members and non-members at our sponsor companies and at our Carriage House branch Community Room. Our Community Room hosted 297 meetings in 2017. In addition, twenty 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 our commitment to community. If you attended Penridge Community Day, Quakertown Community Day, New Britain's July 4th Parade, Fox Chase Paws for Cause or Trunk or Treat at Limerick and Quakertown, and any one of a number of other community celebrations, you probably saw us there, staffing an information table or sponsoring an event.

Our Grand Illumination event was a tremendous success with more than 15,000 people in attendance. We requested everyone bring one canned good with them and we collected 62 pounds of food from the event, which was added to the 3,641 pounds of food donated to our Fourth Annual Food Drive for a total of 3,703 pounds of food. We hosted five events at the Ronald McDonald House and donated \$4,070 from the purchase of striped socks/shirts for "Show Your Stripes Day". American Heritage graciously donated \$9,500 to the American Red Cross for Hurricane Relief with the staff raising \$2,754, that included a \$5,000 match from the Board and \$1,746 from our disaster relief fund. At our annual blood drive, 33 individuals (employees/members) donated blood, which equates to saving 99 lives according to the American Red Cross.

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 Credit Union. Most of all I want to thank our members who have made American Heritage Credit Union the financial success that it is today. I encourage everyone to join us as we celebrate our 70th Anniversary next year. Keep an eye out for our 70th Anniversary Sweepstakes and 70 Acts of Celebration within our membership family and communities we serve. Be sure to join in the fun all year long.

Respectfully submitted,

Cecilia B. Grady, Chairperson

PRESIDENT/TREASURER'S REPORT

I am proud to report that in 2017 we surpassed \$2 billion in assets for the first time in our history. Our success can be attributed to our 167,851 members' trust in our services, our strong membership growth of 14,868 new members, representing a 9.7% increase over 2016, and the dedication of our Board of Directors, management and staff of American Heritage Credit Union and its majority-owned subsidiaries, First Heritage Financial, LLC providing mortgage loans and Better Homes of American Heritage Federal Realty, LLC providing real estate broker services.

The growth in assets of \$249.2 million was primarily from share growth of \$194.0 million, or 14.4%, to \$1.541 billion and secondarily to additional borrowings of \$35.0 million to \$340.0 million. Within shares, our highly-competitive rates attracted net share certificate balances of \$93.8 million, or growth of 18.4%, while the remainder of our growth was in highly liquid investments, such as share drafts that grew by \$48.6 million, or 24.3%; savings accounts that grew by \$39.6 million, or 9.5%, and money market accounts that grew by \$11.9 million, or 5.4%.

In addition to offering rates that enabled members to invest in longer term certificates, we also borrowed an additional \$35.0 million of long-term debt to offset the interest rate risk of holding our long-term mortgage and commercial loan portfolios. There is now \$340.0 million of borrowings with a weighted average cost of 1.87% matched against \$263.8 million of mortgage loans earning a weighted average rate of 3.96% and \$342.9 million of commercial loans earning a weighted average rate of 4.88%.

The loan portfolio grew by \$243.4 million, or 22.3%, to \$1.334 billion. Most of the loan growth came from automobile loans that grew by \$123.0 million, or 80.0%, to \$276.8 million; commercial loans that grew by \$105.5 million, or 44.4%, to \$342.9 million; real-estate secured home equity loans that grew by \$22.7 million, or 9.9%, to \$251.0 million; all other loans that grew by \$13.4 million, or 16.7%; and credit card loans that grew by \$2.1 million, or 2.0%, to \$106.5 million, while the first mortgage loan portfolio declined by \$23.2 million, or 8.1%, due to selling \$78.8 million of first mortgage loans.

During 2017, American Heritage Credit Union recorded total income of \$105.4 million derived from interest on loans of \$60.8 million, interest on investments of \$11.5 million, and other operating income of \$33.2 million, while total expenses were \$73.4 million and total dividend and interest expense was \$16.1 million as the overall cost of funds as a percent of average assets increased to 0.81% in 2017 from 0.76% in 2016. As a result, net income for the year was \$16.0 million, representing a return on average assets of 0.81% in 2017 as compared to 0.75% in 2016. Due to net income and an acquisition of Apex FCU, net worth grew to \$182.1 million compared to last year's \$163.8 million, an 11.2% increase. The net worth ratio of 8.68% was 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 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, 2017

(Unaudited)

Assets	
Loans to Members	\$1,334,393,678
Allowance for Loan Losses	(8,008,424)
Cash in Bank and on Hand	184,507,078
Investments	482,864,846
Other Assets	103,948,685
Total Assets	<u>\$2,097,705,863</u>
Liabilities and Equity	
Share of Members	\$1,541,139,172
Borrowings	340,000,000
Other Liabilities	39,175,253
Total Liabilities	<u>1,920,314,425</u>
Net Worth	182,095,034
Valuation Reserve/Other	(4,703,596)
Total Equity	<u>177,391,438</u>
Total Liabilities and Equity	<u>\$2,097,705,863</u>

INCOME STATEMENT

For the year ended December 31, 2017

(Unaudited)

Interest on Loans	\$60,796,780
Interest on Investments	11,474,128
Other Operating Income	33,151,380
Total Income	<u>105,422,288</u>
Compensation and Benefits	35,369,552
Provision	5,915,000
Other Expenses	32,078,260
Total Expense	<u>73,362,812</u>
Dividend Expense	10,140,954
Interest Expense	5,914,538
Dividend and Interest Expense	<u>16,055,492</u>
Net Income	<u>\$16,003,984</u>
Return on Average Assets	0.81%