

## Chairman's Report 2010

On behalf of the Board of Directors, the committees and staff of AAC Credit Union, I am pleased to present this report to you.

Sadly in November 2009, AAC Credit Union lost a long time friend and member of our Board of Directors, Joan Szarowicz. Joan dedicated more than 30 years serving as board secretary. Her impact on the growth of AAC Credit Union is great. Joan was a valuable asset to the credit union. To honor her remarkable contribution to our success, we have named our high school scholarship program the Joan Szarowicz Memorial Scholarship, in her memory.

2009 was a very tough year for financial institutions. Our economy has had to deal with a financial crisis not seen since the 20's and 30's. Increased home foreclosures and escalating loans losses were the theme in 2009. The lowering of asset values made lending a little more difficult, especially when unemployment rates in our area hovered around 15%.

Because of these difficulties, the NCUA (National Credit Union Administration) had to levy large special assessments on all credit unions to cover the cost of a couple large corporate credit unions that failed. This has caused many credit unions to suffer. These assessments are expected to continue for several years until home values start to increase again and values of certain mortgage backed securities start to rise. These securities can then be sold at higher prices, and the NCUA would not have the losses pertaining to these securities. The charge to AAC Credit Union in 2009 was \$150,664 and we are expecting similar costs for 2010.

We have experienced increased delinquencies and charge offs, but they have remained very manageable and are showing signs of decreasing in 2010. Despite these difficulties, we had solid growth and earning in 2009. Our earnings were down year over year, but very much ahead of our industry peers.

This report reflects the strong performance for the year. The following are the results that have been achieved in 2009:

- An increase of Assets of \$6.8 million (13.16%)
- An increase of Capital of \$584k (7.04%)
- An increase of loans to our members of \$2.8 million (9.35%)

Maintaining a strong level of capital and reserves is the main focus of the credit union, as these reflect our ability to withstand the challenges in these difficult times. Currently, the capital ratio is at 15.21 percent. This is well above the 7 percent we are required to keep by regulation. This should provide a nice cushion to get through these turbulent times and enables us to deliver excellent products and services to you at a lower cost.

### Bringing Value to Your Membership

In addition to lower costs on savings, checking and loans, at AAC Credit Union we strive to add value to your membership. We understand the need to help our members save and stretch the family budget. In keeping with this philosophy, we have partnered with companies so that members can enjoy savings on auto and home insurance, eye care, renter's insurance, family entertainment, Sprint mobile service and more. We also partnered with the Invest in America program to bring discounts on GM and Chrysler vehicles.

### Financial Education in the Forefront

In 2009, we saw a growing need to reach out to our members and community by providing financial education presentations. We began an initiative to educate youth on the importance of money management. AAC staff members conducted four financial workshops at the West Michigan Academy of Arts and Academics teaching students the importance of making wise financial choices.

In keeping with our dedication to youth, AAC attended the Teen Expo in Grand Rapids and also began a new Teen Checking account to help members 15 to 17 years learn how to balance and budget their money. Our efforts to reach out to the youth in our community will continue in 2010.

AAC Credit Union also created a Financial Wellness program which offered workplace financial education. We provided nine money management workshops to the employees of various west Michigan companies.

### Our Members...Our Greatest Asset

Generations of members have come to AAC Credit Union for their financial needs. Our success during difficult economic times would not be possible without you, our loyal members and greatest asset. As we enter 2010, we look forward to continuing to serve you and your family's needs.

Sincerely,

Thane Barden  
Chairman of the Board

## Supervisory Committee Report

The Financial Standards Group completed the comprehensive annual audit as of June 30, 2009. The audit included examinations of the statement of financial condition, statements of income and changes in equity.

The Office of Financial and Insurance Services, Credit Union Division, Lansing Michigan also conducted an examination of our records as of June 2009.

In addition to these examinations, the Supervisory Committee performed individual audits of various credit union policies, procedure and operations. We've also conducted cash audits to make sure all cash balanced.

The number of members as December 31, 2009 was 8538. It is the opinion of this committee the published report fairly reports the financial condition of AAC Credit Union.

Respectfully submitted,

Jim Ondersma  
Dennis Ziomkowski  
George Sullivan

## Credit Committee Report

AAC Credit Union approved 1283 loans for \$17,199,550.42. We approved 90 mortgages for \$9,5133,330. Of these mortgages, 28 were sold to Fannie Mae for a total of \$3,479,482.

The ratio of delinquent loans outstanding was a little lower than last year at 0.93% and net charge offs were 1.13%.

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 a call to discuss which loan fits your needs. The loan officers can grant loans anytime during office hours.

Respectfully submitted,

Fred Kauppila, Chairman  
Russ Hower  
Chris Cross

## Financial Statement

<b>Assets</b>	<b>2009</b>	<b>2008</b>	<b>Difference</b>
Loans to Members	\$33,258,085	\$30,413,008	\$2,845,077
Allowance for Loan Losses	(\$405,797)	(\$394,762)	(\$11,035)
Cash and Funds Due	\$774,491	\$2,508,411	(\$1,733,920)
Investments	\$21,465,714	\$15,638,464	\$5,827,250
Property and Equipment	\$2,133,984	\$2,200,816	(\$68,832)
Other Assets	\$723,680	\$860,106	(\$136,426)
NCUA Share Insurance Fund	\$434,228	\$368,841	\$65,387
<b>Total Assets</b>	<b>\$58,384,385</b>	<b>\$51,594,884</b>	<b>\$6,789,501</b>
<b>Liabilities</b>			
Notes Payable	\$1,796,313	\$2,536,558	(\$740,245)
Accrued Div./Interest	\$84,621	\$107,683	(\$23,062)
Accounts Payable	\$399,248	\$440,129	(\$40,881)
Other Liabilities	\$239,916	\$70,459	\$169,457
Savings to Members	\$46,982,762	\$40,142,620	\$6,840,142
Required Reserves	\$1,653,356	\$1,633,732	\$19,624
Undivided Earnings	\$7,228,169	\$6,663,703	\$564,466
<b>Total Liabilities and Equity</b>	<b>\$58,384,385</b>	<b>\$51,594,884</b>	<b>\$6,789,501</b>
<b>Income</b>			
Interest on Loans	\$2,365,301	\$2,285,568	\$79,733
Investment Income	\$747,270	\$718,510	\$28,760
Less Dividend/Interest Expense	(\$890,419)	(\$1,032,106)	\$141,687
Less Provision for Loan Losses	(377,500)	(\$250,000)	(\$127,500)
<b>Net Interest Income</b>	<b>\$1,844,652</b>	<b>\$1,721,972</b>	<b>\$122,680</b>
Other Income	\$951,922	\$913,014	\$38,908
<b>Net Operating Income</b>	<b>\$2,796,574</b>	<b>\$2,634,986</b>	<b>\$161,588</b>
<b>Expenses</b>			
Employee Compensation	\$753,004	\$713,719	\$39,285
Employee Benefits	\$195,220	\$216,675	(\$21,455)
Travel and Conference	\$33,165	\$32,225	\$940
Office Occupancy	\$115,387	\$129,477	(\$14,090)
Office Operations	\$659,490	\$622,623	\$36,867
Educational and Promotional	\$46,147	\$41,660	\$4,487
Loan Servicing Expense	\$37,103	\$37,022	(\$81)
Professional and Outside Services	\$122,904	\$117,711	\$5,193
Operation Fees	\$14,400	\$14,400	-
Other Operating Expenses	\$91,909	\$67,783	\$24,126
Interest on Borrowed Funds	-	\$31,513	(\$31,513)
Gain or Loss on Investments	\$1092	-	\$1,092
Gain or Loss on Disposal of Assets	\$11,623	-	\$11,623
<b>Total Expenses</b>	<b>\$2,081,444</b>	<b>\$2,030,808</b>	<b>\$50,636</b>
Gain or Loss from Operations	\$715,130	\$604,178	\$110,952
<b>Special Charges</b>			
NCUA Special Assessment	\$65,134	-	\$65,134
CenCorp MCSD Reduction	\$85,530	-	\$85,530
<b>Net Income</b>	<b>\$564,466</b>	<b>\$604,178</b>	<b>(\$39,712)</b>

# 2010 ANNUAL REPORT



**aac**  
credit union

Everyday People  
Helping People Everyday