

FINANCIAL STATEMENT

ASSETS	2012	2011	DIFFERENCE
Loans to Members	\$48,622,268	\$44,980,353	\$3,641,915
Allowance for Loan Losses	\$(1,050,686)	\$(817,576)	\$(233,110)
Cash and Funds Due	\$513,904	\$484,927	\$28,977
Investments	\$29,652,751	\$27,731,111	\$1,921,640
Property and Equipment	\$1,992,768	\$2,026,190	\$(33,422)
Other Assets	\$906,848	\$853,195	\$53,653
NCUA Share Insurance Fund	\$661,725	\$614,753	\$46,972
Total Assets	\$81,299,578	\$75,872,953	\$5,426,625
LIABILITIES			
Notes Payable	\$ -	\$ -	\$ -
Accrued Div./Interest	\$69,357	\$110,897	\$(41,540)
Accounts Payable	\$296,825	\$271,740	\$25,085
Other Liabilities	\$390,486	\$215,490	\$174,996
Savings to Members	\$67,569,729	\$63,908,433	\$3,661,296
Required Reserves	\$1,653,356	\$1,653,356	\$ -
Undivided Earnings	\$11,319,825	\$9,713,037	\$1,606,788
Total Liabilities and Equity	\$81,299,578	\$75,872,953	\$5,426,625
INCOME			
Interest on Loans	\$3,034,475	\$3,024,563	\$9,912
Investment Income	\$589,074	\$660,006	\$(70,932)
Less Dividend/Interest Expense	\$(437,909)	\$(641,436)	\$203,527
Less Provision for Loan Losses	\$(438,000)	\$(430,500)	\$(7,500)
Net Interest Income	\$2,747,640	\$2,612,633	\$135,007
Other Income	\$1,443,692	\$1,430,531	\$13,161
Net Operating Income	\$4,191,332	\$4,043,164	\$148,168
EXPENSES			
Employee Compensation	\$971,647	\$878,088	\$93,559
Employee Benefits	\$264,903	\$251,494	\$13,409
Travel and Conference	\$34,558	\$36,419	\$(1,861)
Office Occupancy	\$114,139	\$107,846	\$6,293
Office Operations	\$717,938	\$751,601	\$(33,663)
Educational and Promotional	\$67,886	\$54,443	\$13,443
Loan Servicing Expense	\$93,554	\$68,667	\$24,887
Professional and Outside Services	\$178,040	\$156,988	\$21,052
Operation Fees	\$20,586	\$19,509	\$1,077
Other Operating Expenses	\$58,429	\$54,886	\$3,543
Interest on Borrowed Funds	\$ -	\$ -	\$ -
Gain or Loss on Investments	\$ -	\$ -	\$ -
Gain or Loss on Disposal of Assets	\$ -	\$ -	\$ -
Total Expenses	\$2,521,680	\$2,379,941	\$141,739
Gain or Loss from Operations	\$1,669,652	\$1,663,223	\$6,429
<i>Special Charges</i>			
NCUA Special Assessment	\$62,864	\$153,688	\$(90,824)
CenCorp MCSD Reduction	\$ -	\$ -	\$ -
Net Income	\$1,606,788	\$1,509,535	\$97,253



Annual Report

Federally insured by NCUA

CHAIRMAN’S REPORT

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

Thanks in great part to you, our members, 2012 was a successful year. As the local economy continues to improve, and with it consumer confidence, we are seeing and feeling the loosening of the American wallet driving the gears of commerce. Over 630 members visited us for a new or used auto loan, and 147 took advantage of historically low mortgage rates to purchase or refinance a home.

While lending rates are exceptionally good, industry wide, savings rates are marginal. In our current rate environment, it can be difficult to strike a balance between offering competitive savings rates while managing decreasing margins on lower yielding loans. The Federal Reserve has indicated that it will keep funds rates at these historical lows for 2013 and most of 2014. This will keep pressure on savings rates, but will continue to provide borrowing opportunities and incentives.

The financial condition of the credit union has never been stronger. Our capital position has grown to 15.96%, up from 14.98%. Our ROA remain exceptional at 2.04%, our net charge off rate has remained very manageable at .42%. We are pleased to report that our assets have increased 7.15% and loan growth is up 8.10%.

A recurring topic in personal finance is checking accounts and rising fees. As a result of changing margins and Federal regulations, many banks, and some credit unions, are being forced to charge a monthly fee for checking accounts. We are very pleased to be in a position to continue offering a checking account with no minimum balance and no monthly fee. This offers our members a real value in banking.

In keeping with the ever changing demands for online channels, AAC launched several new services in 2012. Text and mobile banking allows members to connect with their finances using smartphone technology. The days of 9-5 banking hours are gone. Members want a 24 hour, 7 day banking experience, and we are committed to bringing these services to you. We also introduced MoneyDesktop, a robust Personal Financial Management platform that allows members to see all of their accounts in one place, and create budgets, track spending and work to reduce debt faster.

Part of our guiding philosophy is to not only bring value to our membership, but to also be a good member of our community. In 2012, we partnered with a local organization to bring an innovative loan program to the employees of twelve West Michigan companies. Through this program, we have helped over 80 Michigan workers overcome financial barriers and maintain their employment. This loan program has gained both state and national attention.

Now in our 76th year of operation, it is so nice to see generations of members. We enjoy seeing the little ones come in to make a deposit into their Kid’s Account, the teen getting their first auto loan, or the newlyweds opening a joint account. We appreciate that our members, young and young-at-heart, are passing on the tradition of AAC Credit Union.

We look forward to 2013 and are working to bring you new checking options, an updated website and the continued value that you have come to expect from AAC.

Thank you for choosing us. We appreciate your business and look forward to many more years of serving our most important asset...our members.

Sincerely,

Thane Barden
Chairman of the Board

CREDIT COMMITTEE REPORT

AAC Credit Union approved 1993 loans for \$25,960,463. We approved 147 mortgages for \$14,496,301. 54 of these mortgages were sold to Fannie Mae for a total of \$7,519,855.00.

The ratio of delinquent loans outstanding last year was 1.12% and net charge offs remained manageable at .42%.

We encourage all members to contact the credit union first when in need of financing. Autos, RVs, mortgages, home equity loans or whatever projects you have, keep us in mind. AAC offers low rates, quick response and helpful service.

Respectfully submitted,
Chris Cross
Kathleen De Void

SUPERVISORY COMMITTEE REPORTS

The Financial Standards Group completed the comprehensive annual audit as of June 30, 2012. 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 October 2011.

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

The number of members as December 31, 2012 was 9554. It is the opinion of this committee the published report fairly reports the financial condition of AAC Credit Union.

Respectfully submitted,

Dennis Ziolkowski
George Sullivan