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2018 ANNUAL REPORT





AGENDA

Call to Order
Pledge of Allegiance to the Flag
Introductions
2018 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
Juan Lopez Jr.

SUPERVISORY COMMITTEE

Frank Di Domizio, Chairperson
Anthony Kuczykowski
Kenneth Wong

LOAN REVIEW/DELINQUENCY COMMITTEE

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

CHAIRPERSON'S REPORT

Welcome to American Heritage Credit Union's 70th 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 186,086 members and serve the employees of over 800 sponsor companies.

In 2018, American Heritage launched several new services, including: the overdraft privilege program, the Medical Professional mortgage product, and a high yield savings account. We introduced ePay person-to-person payments, debit card and credit card controls for users, a limited-time no-closing-cost mortgage program, and Smart Pay. We released a new online account opening experience as well as the Smart Office technology. We installed the first drive-up Personal Automated Teller (PAT) unit at our Red Lion Drive Thru. And, we merged Better Homes of American Heritage Federal Realty and Better Homes of First Heritage Financial Realty to become First Heritage Realty Alliance.

We opened two new branches in 2018 to better serve the needs of our members, at CHOP Roberts Center on South Street, and on Moore Road in King of Prussia. Both are strategically located to meet the needs of existing members as well as future opportunities in growing neighborhoods.

This year we added 36 new sponsor companies, and 16,791 new members joined the credit union. Our strong growth is a testament to the growth of our branch network, our workplace partners, and the hard work of both our member-facing and back-office administrative teams. Two local credit unions, Holsey Temple Federal Credit Union and Pannonia Federal Credit Union, merged with us and we welcomed 1,137 new members as a result.

American Heritage Credit Union is the 5th largest credit union in the Commonwealth of Pennsylvania and moved up nine places to become the 106th largest credit union in the nation by assets, and is the 102nd largest credit union based on membership.

In 2018, Forbes recognized American Heritage Credit Union as the #1 Credit Union in Pennsylvania. We won the Philadelphia Business Journal's "Best Places to Work" contest in the extra-large company category. And, the American Heart Association presented the "Silver 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 at both the state and national levels. For the third 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 that reduce congestion and improve air quality through travel demand management. CUNA recognized our Marketing Department with five Diamond Awards for their efforts in brand awareness and product marketing. 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 makes American Heritage different from other financial institutions. In 2018, the Books for Kids program raised a record \$14,000, we collected 235 coats for veterans and their families during our First Annual Coat Drive, and our Adopt-A-Family program raised nearly \$23,000 through donations from our employees and members to brighten the holidays for needy families. We hosted four events at the Ronald McDonald House and donated \$3,740 from the purchase of striped socks/shirts for "Show Your Stripes Day". At our annual blood drive, 56 individuals (employees/members) donated blood, which equates to saving 100 lives according to the American Red Cross.

The Kids-N-Hope Foundation continues to be a primary recipient of our community involvement efforts. Since its formation in 1996, it has raised over \$1.6 million to support the music therapy program at The Children's Hospital of Philadelphia (CHOP), with \$170,000 of that coming in 2018. American Heritage donated a Giraffe OmniBed Carestation to St. Mary's NeoNatal Intensive Care Unit, and purchased a NAO Robot for CHOP for their music and physical therapy programs. 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, and also partnered with a local company to donate various sports supplies to the orphanage.

We partnered with BizKid\$ financial literacy program to offer financial literacy programs in local high schools, as well as financial management seminars for members and non-members at both our sponsor companies and also at our Carriage House branch Community Room.

In addition, the Credit Union awarded twenty-five college-bound students with \$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 Stowe Family Fun Day, Pennridge 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. As part of our 70th Anniversary celebration, we committed to 70 Acts of Kindness throughout the communities we serve. And, our Community Room hosted 270 meetings for various local non-profit groups in 2018.

Our Grand Illumination event was a tremendous success with more than 11,000 people in attendance, and another 4,000 viewing from our first-ever live streaming. We requested that each attendee bring one canned good with them. As a result, we collected 80 pounds of food, which was added to the 1,962 pounds of food donated to our Fourth Annual Food Drive for a total of 2,042 pounds of food.

I wish to express my appreciation to our President & CEO, his management team, and the Credit Union staff for all of their hard work and dedication to our 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.

Respectfully submitted,

Cecilia B. Grady, Chairperson



PRESIDENT/TREASURER'S REPORT

I am proud to report that our Credit Union grew by nearly 15% in 2018 to reach \$2.4 billion in assets. And, we added 16,791 members, a 10.0% increase over 2017. Our growth is a direct result of our members' trust in our services, and the dedication of our Board of Directors, management and staff.

The growth in assets of \$313.2 million was primarily a result of share growth of \$198.6 million, or 12.9%, to \$1.7 billion, and secondarily a result of additional borrowing growth of \$105.0 million to \$445.0 million. Within shares, our highly-competitive rates and product offerings were led by our 2.00% high-yield savings account, which attracted savings account growth of \$151.8 million, or 33.2%, and more than 500 new members to the Credit Union. We also experienced net share certificate growth of \$73.7 million, or 12.2%, which was partially offset by money market withdrawals of \$24.2 million, or 10.4%. We also borrowed an additional \$105 million of long-term debt to offset the interest rate risk of holding our long-term mortgage and commercial loan portfolios. We now hold \$445.0 million of borrowings with a weighted average cost of 2.31%, matched against \$298.9 million of mortgage loans earning a weighted average rate of 4.17%, and \$424.7 million of commercial loans earning a weighted average rate of 5.19%.

The loan portfolio grew by \$383.6 million, or 28.7%, to \$1.7 billion in the following areas: automobile loans by \$241.8 million, or 87.4%, to \$518.5 million; commercial loans by \$81.8 million, or 23.9%, to \$424.7 million; first mortgage loans by \$35.2 million, or 13.3%, to \$298.9 million; real-estate secured home equity loans by \$16.2 million, or 6.5%, to \$267.2 million; all other loans by \$5.1 million, or 5.4%, to \$98.6 million; and credit card loans by \$3.5 million, or 3.3%, to \$110.0 million. In addition to the growth of loans on the balance sheet, we also sold, or obtained participations in, \$135.1 million of loans.

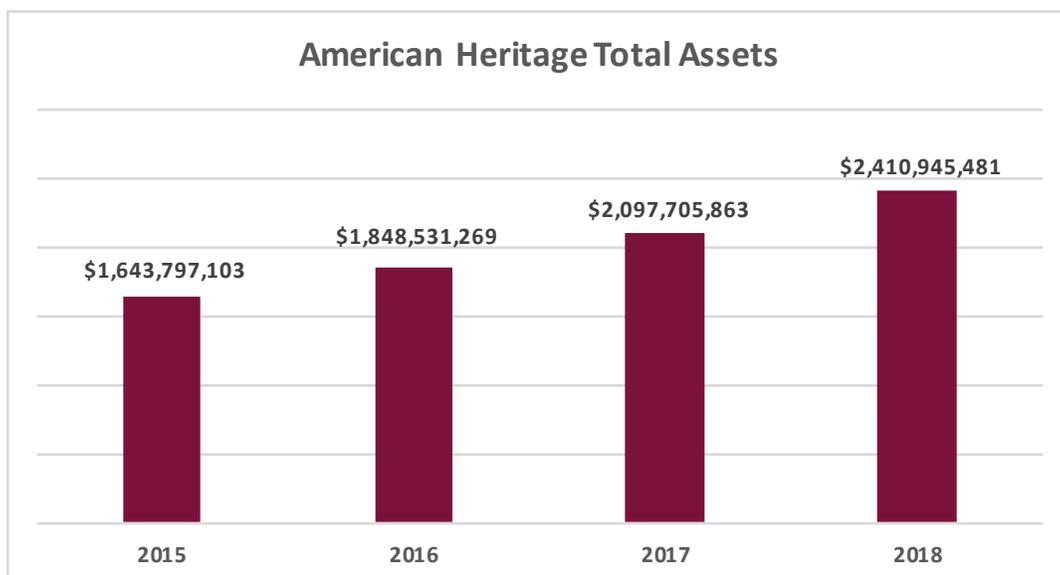
During 2018, American Heritage Credit Union recorded total income of \$125.1 million derived from interest on loans of \$75.6 million, interest on investments of \$12.2 million, and other operating income of \$37.3 million, while total expenses were \$83.5 million, and total dividend and interest expense was \$23.1 million as the overall cost of funds as a percent of average assets increased to 1.02% in 2018 from 0.81% in 2017. As a result, net income for the year was \$18.5 million, representing a return on average assets of 0.82% in 2018. The net worth ratio of 8.81% was well above the minimum 7.00% ratio necessary to be classified as a "well-capitalized" credit union.

Our affiliates - American Heritage Realty, which provides real estate broker solutions; First Heritage Financial, which provides mortgage loan underwriting and servicing solutions; Member Settlement Solutions which provides title solutions; and Member Business Financial Services which provides commercial loan underwriting and servicing solutions - are each leaders in their respective credit union movement verticals and we are proud to have them as part of our family.

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 Credit Union members who place not only their money, but also their confidence in American Heritage. 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 the 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 89 Audits and Reviews during the fiscal year ended September 30, 2018. The credit union is also periodically examined by our regulator, the National Credit Union Administration (NCUA), which completed one annual review during fiscal year 2018. 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, 2018. The independent auditor found that American Heritage Credit Union'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 2018 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 2018.

Respectfully Submitted,

Frank DiDomizio, Chairman,

Kenneth Wong,

Anthony Kuczykowski



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, 2019-2022

Bruce Foulke - 3 Year Term, 2019-2022

Kenneth Wong - 3 Year Term, 2019-2022

Respectfully submitted,

James Brownlow, II, Chairperson

Jennifer Hannigan,

Juan Lopez



LOAN REVIEW/DELINQUENCY COMMITTEE REPORT

For the calendar year 2018, the Loan Review Committee and the Loan Officers approved 31,742 loan applications for \$561.5 million in automobile, credit card, recreation vehicles, lines of credit, home equity lines of credit and loans, as compared to 27,065 and \$421.9 million, respectively, in 2017. Much of the growth in volume was within indirect auto loans. In addition to the Loan Review Committee, in 2018 we originated 208 commercial and 703 mortgage loans for \$187.3 million and \$126.6 million, respectively. Overall, the loan portfolio grew by \$383.6 million, or 28.7%, to \$1.7 billion as of December 31, 2018.

In terms of delinquencies, at year end 2018, we had 863 delinquent loans totaling \$9.2 million, or 0.54% of total loans, as compared to 939 delinquent loans totaling \$10.8 million, or 0.81% of total loans, at year end 2017. The net decrease in the number of delinquent loans of 76 consisted primarily of personal loans. The net decrease in the dollars of delinquent loans of \$1.6 million was due primarily to a reduction in personal loan delinquencies by \$1.3 million.

In 2018, there were \$6.4 million of loans charged off and \$0.7 million of loan recoveries, whereas in 2017, there were \$5.4 million of loans charged off and \$0.7 million of loan recoveries. The increase in charge offs were due to personal loans that increased \$0.5 million to \$2.3 million and used automobiles that increased \$0.4 million to \$1.1 million. The allowance for loan losses at December 31, 2018 and 2017 of \$9.0 million and \$8.0 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 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 serve 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



Financial Statements (Unaudited)

BALANCE SHEET

	December 31,	
	2018	2017
Assets		
Loans to Members	\$1,717,609,311	\$1,334,393,678
Allowance for Loan Losses	(9,025,604)	(8,008,424)
Cash in Bank and on Hand	163,136,295	184,507,078
Investments	420,164,131	482,864,846
Other Assets	119,061,348	103,948,685
Total Assets	\$2,410,945,481	\$2,097,705,863
Liabilities and Equity		
Share of Members	\$1,739,749,260	\$1,541,139,172
Borrowings	445,000,000	340,000,000
Other Liabilities	33,051,957	39,175,253
Total Liabilities	2,217,801,217	1,920,314,425
Net Worth	205,024,977	182,095,034
Valuation Reserve/Other	(11,880,713)	(4,703,596)
Total Equity	193,144,264	177,391,438
Total Liabilities and Equity	\$2,410,945,481	\$2,097,705,863

INCOME STATEMENT

	For the year ended December 31,	
	2018	2017
Interest on Loans	\$75,614,088	\$60,796,780
Interest on Investments	12,178,500	11,474,128
Other Operating Income	37,304,163	33,151,380
Total Income	125,096,751	105,422,288
Compensation and Benefits	40,832,108	35,369,552
Provision	6,720,000	5,915,000
Other Expenses	35,908,595	32,078,260
Total Expense	83,460,703	73,362,812
Dividend Expense	14,338,984	10,140,954
Interest Expense	8,761,906	5,914,538
Dividend and Interest Expense	23,100,890	16,055,492
Net Income	\$18,535,158	\$16,003,984
Return on Average Assets	0.82%	0.81%



We offer **YOU** the **RIGHT** financial solutions because you're **FAMILY**.

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Federally Insured
by NCUA

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