

CREDIT COMMITTEE REPORT

Simplifying our members lives, working in their best interest, and helping them achieve their lifetime financial goals are why our lenders love what they do! Alpena Alcona Area Credit Union takes great pride in serving our communities and fulfilling our mission and promise to our member-owners. We made a positive difference in the lives of those within our communities by granting 6,275 loan requests totaling \$153,066,615.50 throughout 2022.

Total loan balances increased by \$54,275,014.85 in 2022 which represents an 18.16% increase in our loan portfolio. We experienced growth in each area of lending – consumer, credit card, mortgages, and business lending – and helped our members while growing our communities!

- 426 homes were financed by your credit union in 2022.
- A total of 300 new autos were purchased and 1,953 used autos were financed by loan proceeds from your credit union in 2022, and nearly 900 of those autos were purchased through AAACU's indirect lending relationships with local dealerships.
- Over 900 recreational vehicles and equipment were financed by your credit union in 2022, with more than 350 of those purchased through AAACU's indirect lending relationship with local RV dealers.
- More than \$56,726,826.79 million in purchases were made using an AAACU VISA credit card in 2022.
- \$7,712,480.08 was invested in your local communities through AAACU's commercial lending relationships with small business owners and entrepreneurs.
- \$238,800.00 in rewards payments were issued to members who utilized AAACU's online and mobile banking platforms to apply for and/or close their consumer or mortgage loans.

Alpena Alcona Area Credit Union believes anyone can be financially successful. We exist to serve our members' financial well-being. We offer financial guidance, education, one-on-one coaching, and financial programs to help you wherever you are in your financial journey. We have 38 certified financial counselors on staff ready, willing, and able to meet your needs. They are here to help members who simply want to take control of their finances, and in 2022 they were able to do just that. Our team of financial counselors and recovery and resolution personnel were able to help members meet their loan obligations and hold our loan delinquency ratio to 0.66% of our total loan balances. A proud feat, given rising inflation and the many economic challenges people faced throughout 2022.

As we look to the future, we will continue to focus on you, our member-owners, your financial well-being and providing you with affordable, convenient, and secure access to credit. It is our responsibility to promote thrift and find loan options that work in your best interest. You are why we do what we do, and we thank you for putting your trust in Alpena Alcona Area Credit Union.

Respectfully Yours,

Dennis Artley, Chairperson

Balance Sheet

December 31, 2022 and December 31, 2021

Assets	2022	2021
Loans to Members, Net of Allowance for Loan Losses	\$351,379,635	\$297,541,803
Cash	2,816,106	2,535,706
Investments	208,490,078	224,197,200
Fixed Assets, Land & Bldgs	5,026,035	5,214,344
Furniture & Equipment, Net	759,718	633,310
Other Assets	6,796,136	5,671,395
TOTAL ASSETS	\$575,267,708	\$535,793,758

Liabilities & Net Worth

Accounts Payable	\$4,032,021	\$4,646,530
Notes Payable	0.00	0.00
Dividend / Interest Payable	502,567	270,601
Member Savings	503,379,418	470,193,837
Statutory Reserves	0.00	4,522,980
Undivided Earnings	67,353,702	56,159,810

TOTAL LIABILITIES & NET WORTH	\$575,267,708	\$535,793,758
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Statement of Income & Expense

December 31, 2022 and December 31, 2021

Income:	2022	2021
Interest on Loans	\$14,598,356	\$12,669,629
Investment Income	3,608,275	1,448,270
Other Income	5,539,740	6,164,843
TOTAL INCOME	\$23,746,371	\$20,282,742

Operating Expenses

Compensation & Benefits	\$7,206,477	\$6,530,533
Travel & Conference	193,213	138,801
Office Occupancy	588,610	563,094
Office Operations	1,382,351	1,317,258
Educational & Promotional	706,928	701,674
Loan Services	1,827,210	1,778,078
Professional Outside Svcs.	1,446,652	1,225,050
Provisions for Loan Loss	1,483,587	315,646
Member Insurance	0.00	0.00
Operating Fees	87,530	85,889
Other Expenses	80,160	34,371

TOTAL OPERATING	\$15,002,718	\$12,690,394
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Other Income (Expense):

Non-Operating Income & Expense	228,975	1,821,269
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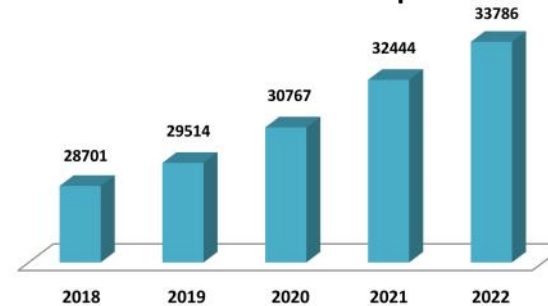
Dividend & Interest Expense

Interest on Borrowed Money	0.00	0.00
Interest on Deposits	1,615,215	998,465
Dividends on Shares	686,855	624,278

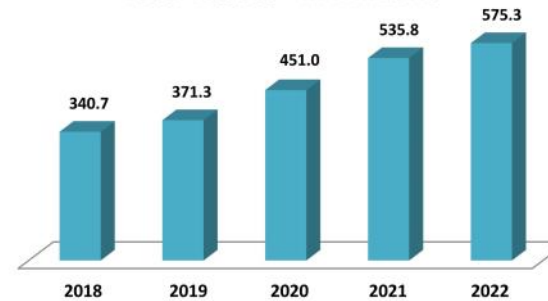
TOTAL DIV/INT EXPENSE	\$2,302,070	\$1,622,743
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NET INCOME	\$6,670,558	\$7,790,874
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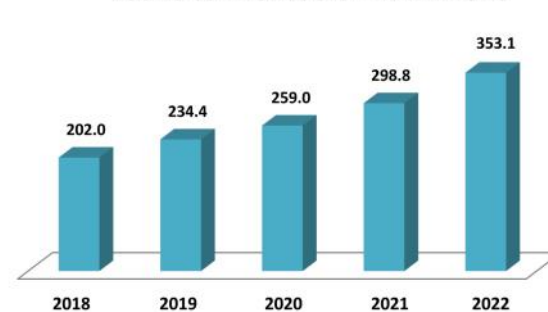
Total Membership



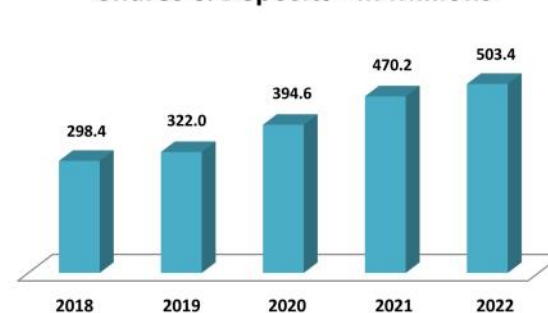
Total Assets - In Millions



Loans to Members - In Millions



Shares & Deposits - In Millions



AAACU 69th Annual Meeting

Board of Directors

Charlie Negro, Chairperson Director of Categorical Funding at Oscoda Area Schools
 Sheila Panknin, Vice Chairperson Retired Ludlow Enterprises
 Brian Shumaker, Secretary Habitat for Humanity
 Terry Nelkie, Treasurer NCWJ, Management Group LLC
 Michelle Cornish Retired Alpena Public Schools
 James McNeil Alpena County Sheriff Department
 Ann Martin Retired Alpena Public Schools

Associate Directors

Mark Devers Retired, United States Air Force and Michigan Air National Guard
 James Gorman Tawas Area Schools

Supervisory Committee

Byron Parr, Chairperson President, Michigan Credit Services
 Sean Pear Oscoda Area Schools
 Mark Devers Retired, United States Air Force and Michigan Air National Guard

Credit Committee

Dennis Artley, Chairperson Retired, IRS
 Lorna Dellar, Secretary AAACU Staff
 Paul Fredenburg Retired, AAACU Staff
 Beth Tessmer AAACU Staff
 Charlene Oliver AAACU Staff
 Staci LeBlanc AAACU Staff
 Ashley Josey AAACU Staff

Security Officers

Donald J. Mills AAACU Staff
 Angie Szatkowski AAACU Staff

President & CEO

Donald J. Mills

AAACU Mission Statement

To be your most trusted and valued financial partner for life

Our Member Promise

- To simplify your life
- Work in your best interest
- Be your advocate to help achieve your lifetime financial goals

CHAIRPERSON'S REPORT

The Board of Directors of Alpena Alcona Area Credit Union (AAACU) consists of seven elected, volunteer Directors and two appointed volunteer Associate Directors. As individuals, each of these member-owners has made a huge time commitment to lead our credit union. But as a board we are **"Better Together,"** working as a team to review the credit union's operations, establish policy, understand the financial needs of our members, and set direction for our not-for profit financial cooperative.

At the same time, we work together to focus on our mission: ***"To be your most trusted and valued financial partner for life"*** and address our *Member Promise*

We Promise to:

- Simply your life
- Work in your best interest
- Be your advocate to help achieve your lifetime financial goals.

Key Highlights of 2022:

September 12, 2022 marked an extremely positive and important milestone for AAACU and Calcite Credit Union (CCU). The membership of CCU voted to merge with AAACU. Through the diligent work, planning, collaboration and cooperation of the management teams, staff, and boards of both credit unions, this process is scheduled to be finalized in March 2023. Both credit unions are well capitalized and in excellent financial condition. Combining forces will allow us to create an even stronger credit union. More products, more services, increased access to locations and technology will only strengthen the Member Value Proposition and Member Experience.... we will be **"Better Together."**

AAACU was named the 2022 Credit Union Difference Maker of the Year – A video story highlights how our credit union is making a difference in the community by helping a young adult achieve financial goals.

We are honored to continue to serve our members as elected officials of Alpena Alcona Area Credit Union. The decisions of the Board of Directors are guided by our Mission Statement and Member Promise, with the intent that **"Everything we do we do for you."**

Thank you for being a member of AAACU! We appreciate you and believe we ARE **"Better Together."**

Sincerely,

Charlie Negro, Chairperson

SUPERVISORY COMMITTEE REPORT

The purpose of the Supervisory Committee is to maintain quality systems of checks and balances, ensure the accumulation and retention of accurate records and protect members' funds. The committee is comprised of a team of volunteer credit union members who are appointed annually by the Board of Directors.

The Supervisory Committee is assisted in carrying out its responsibilities by the Internal Auditor. The Internal Auditor is tasked with conducting audits and performing testing to ensure established policies and procedures are followed, operational and financial standards are met, and resources are used economically and efficiently. In addition, the Supervisory Committee oversees the integrity of the Credit Union's financial statements through an external audit of the financial statements and verification of members' accounts.

The Supervisory Committee as well as the Internal Audit Department has found the credit union's overall procedures and controls to be in good condition. The credit union records have been found to be maintained properly, honestly and accurately. Policies established by law and by the Board of Directors are carried out faithfully, and with certainty, members' assets are safeguarded and used according to the purposes of the credit union. We commend the Staff and Management Team for their dedication and service!

As part of this committee, Mark Devers, Sean Pear and I remain committed to you, our members, and the mission, vision and values that form the foundation of Alpena Alcona Area Credit Union.

Respectfully submitted,

Byron Parr, Chairperson

TREASURER'S REPORT

Welcome to the 69th Annual Meeting of your Alpena Alcona Area Credit Union. The Credit Union enjoyed another outstanding year of growth in the year 2022 considering the challenges facing our economy due to rising inflation and market interest rates. I would like to take this opportunity to highlight several key growth areas that led to our credit union's solid financial performance over the past year.

Our Credit Union continues to grow membership, ending the year providing financial services to 33,786 members. We successfully increased membership by 1,342 members or 4.14% in 2022 and continue to strive *"To be your most trusted and valued financial partner for life"*. We are projecting even stronger membership growth in 2023 with the completion of our merger with Calcite Credit Union on March 18, 2023. Expanding further into northern Michigan coupled with marketing our member value proposition that includes member cash rewards for joining will help us achieve this growth. I encourage you to invite your friends and family members that reside in Michigan to join our Credit Union.

Thank you to our entire Lending Team which processed and closed 6,275 member loans in 2022. Total member loan

balances outstanding increased 18.16% or \$54,275,014.85 in 2022 and closed the year at \$353,087,750.79. This is a tremendous accomplishment considering the rise in market interest rates we experienced over the year.

The Commercial Lending Team also had a remarkable year. The commercial loan portfolio grew 37.84% or by \$7,712,480.08 during the year and is now comprised of 223 commercial loans with balances equal to \$28,093,926.57. We are projecting similar growth in our commercial portfolio in 2023 and look forward to the new growth opportunities with our upcoming merger with Calcite Credit Union.

Total member shares and deposits climbed \$33,185,581.57 in 2022 to end the year at \$503,379,418.51. This equates to market share growth of 7.06% which came in above our strategic performance goal for the year 2022.

The Credit Union generated net income equal to \$6,670,558.21 in 2022 which is a decline of 14.38% as compared to 2021 when net income was equal to \$7,790,873.96. Several economic factors caused this reduction in net income with the largest factor being rising market interest rates. The credit union's return on assets ratio ended the year at a strong 1.20%.

In 2021 Neighborhood Mortgage Solutions LLC, our mortgage CUSO (Credit Union Service Organization) of which we are a one-third owner had net income of \$5,817,790.27 as compared to 2022 net income of \$911,061.76 which lowered our credit union's net income by \$1,635,576.17.

Even with the decline we experienced in mortgage CUSO income, our net worth to total assets ratio or capital ratio strengthened in 2022 ending the year at a solid 11.71%. This is an increase from 11.33% at the end of 2021. When compared to our PEER group, which is comprised of all federally insured credit unions with assets greater than \$500 million, our credit union's net worth ratio is 1.17% or 117 basis points higher than our PEER group with an average net worth ratio of 10.54%.

As we look forward to continued growth in 2023 and beyond, AAACU continues to be a strong financial cooperative delivering innovative products and services to our diverse membership. We thank you for your business and look forward to serving you, your family and friends in the years to come.

It has been my privilege and honor to serve as your Treasurer this past year.

Respectfully yours,

Terry J. Nelkie, Treasurer



Alpena
Alcona
Area
Credit Union

ANNUAL
REPORT

2022

Better Together

