

# 2019 ANNUAL REPORT



## LETTER FROM THE BOARD CHAIRMAN, MR. JOE BOGGS

2019 was a test of the strength and fortitude of your Appalachian Community Federal Credit Union. The news early in 2019 of the death of former President/CEO, Ron Scott, brought speculation within our community, and questions about safety and soundness from some of our members. While we experienced the exit of members of our Executive Team, we were also afforded the opportunity to reconsider our long-term strategy for success. I am pleased to report that ultimately, we are even more safe and secure than ever before. We have a highly skilled new Executive Leadership Team in place, and they stand ready to serve you and provide the best possible experience.

Part of our overarching strategy is getting “back to basics.” This means doing away with activities that take too much time or too many resources away from our total membership. Remember, a credit union is a “not-for-profit financial cooperative.” That means, the more we borrow and save amongst one another, the better off we are as a whole. This underscores the most important part of the credit union movement – one member equals one vote. Every member at the credit union has an equal voice, an equal vote, and we must treat every member exactly the same.

Another test during 2019 was the complete overhaul of our system and online banking platforms. Anytime an organization goes through such a huge change, there is pain. We did our best to prepare for all possible scenarios, but there were some unanticipated surprises. I want to thank all our members for their patience in working with us through this project. Ultimately, our new system and banking platforms are much more state-of-the-art and user friendly which will serve us well into the future.

I have been involved with our credit union for nearly 20 years and I’ve seen many changes along the way. I am proud of our perseverance, our grit, our service to community and our dedication to members. I am hopeful for continued growth, success and a bright future – none of which are possible without YOU – our loyal members.

Respectfully submitted,



**Joe Boggs**  
*Chairman of the Board of Directors*

## SUPERVISORY COMMITTEE REPORT

The Board of Directors appoints the Supervisory Committee, which serves voluntarily and acts independently of the Board. Their responsibility is to oversee the safety and soundness of the credit union, and ensure that member account verifications and internal audit functions are followed. They are also responsible for retaining a qualified CPA firm to conduct an annual audit of credit union financials.

Our credit union audit for the year ended December 31, 2019, was performed by Brown Edwards, CPA, LLC. They have confirmed that the financial statements fairly represent the credit union’s financial position and conform with generally accepted accounting principles.

The Supervisory Committee is pleased to provide this report to our membership and to be of service to you. If you have questions, please contact a member of your credit union’s leadership team, Board of Directors or Supervisory Committee members.



**Trish Patterson**  
*Chairperson, Supervisory Committee*

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF 12/31/19

ASSETS	
Cash and cash equivalents	\$25,020,345
Investments available for sale	\$6,564,850
Restricted investments	\$1,080,038
Loans receivable, net of allowance for loan losses	\$147,349,971
Accrued interest receivable	\$710,613
Property and equipment, net	\$9,453,296
Deposit in National Credit Union Share Insurance Fund	\$1,636,947
Foreclosed assets	\$821,318
Other assets	\$852,489
<b>TOTAL ASSETS</b>	<b>\$193,489,867</b>

LIABILITIES	
Share and deposit accounts	\$178,096,426
Accrued dividends and interest payable	\$26,327
Accounts payable and accrued liabilities	\$709,404
Subordinated debt	\$1,714,286
<b>TOTAL LIABILITIES</b>	<b>\$180,546,443</b>

MEMBERS' EQUITY	
Regular reserve	\$6,171,056
Undivided earnings	\$6,757,915
Accumulated other comprehensive income	\$14,453
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$12,943,424</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$193,489,867</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS OF 12/31/19

INCOME	
Net income	\$314,910
Unrealized gains on investment securities available for sale	\$39,111
<b>COMPREHENSIVE INCOME</b>	<b>\$354,021</b>

## CONSOLIDATED STATEMENT OF MEMBERS' EQUITY AS OF 12/31/19

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<b>BALANCES, December 31, 2018</b>	<b>\$6,171,056</b>	<b>\$6,443,005</b>	<b>(\$24,658)</b>	<b>\$12,589,403</b>
<b>Net income</b>	<b>—</b>	<b>\$314,910</b>	<b>—</b>	<b>\$314,910</b>
<b>Other comprehensive income</b>	<b>—</b>	<b>—</b>	<b>\$39,111</b>	<b>\$39,111</b>
<b>BALANCES, December 31, 2019</b>	<b>\$6,171,056</b>	<b>\$6,757,915</b>	<b>\$14,453</b>	<b>\$12,943,424</b>

## CONSOLIDATED STATEMENT OF OPERATIONS AS OF 12/31/19

INTEREST INCOME	
Loans	\$10,406,176
Investment securities, net	\$117,632
Other interest-earning assets	\$524,150
<b>TOTAL INTEREST INCOME</b>	<b>\$11,047,958</b>

INTEREST EXPENSE	
Dividends and interest on share and deposit accounts	\$3,602,383
Interest on borrowed funds	\$51,429
<b>TOTAL INTEREST EXPENSE</b>	<b>\$3,653,812</b>
<b>NET INTEREST INCOME</b>	<b>\$7,394,146</b>

<b>PROVISION FOR LOAN LOSSES</b>	<b>\$1,057,954</b>
Net interest income after provision for loan losses	\$6,336,192

NON-INTEREST INCOME	
Fees and service charges, net	\$4,146,711
Net gain on sales, calls, and maturities on investment securities	\$1,799
Net gain on disposal of property and equipment	\$200,385
Net loss on sale of foreclosed assets	(\$409,178)
Rental income	\$61,711
Grant income	\$632,254
Other income, net	\$1,383,803
<b>TOTAL NONINTEREST INCOME</b>	<b>\$6,017,485</b>

NON-INTEREST EXPENSES	
Salaries and benefits	\$4,963,033
Office operations	\$4,305,631
Office occupancy	\$922,125
Professional and outside services	\$737,745
Loan servicing expense	\$889,684
Educational and promotional	\$75,547
Travel and conference	\$40,370
Other expenses	\$104,632
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>\$12,038,767</b>
<b>NET INCOME</b>	<b>\$314,910</b>

WE CERTIFY TO THE BEST OF OUR KNOWLEDGE THIS STATEMENT IS TRUE AND PRESENTS FAIRLY THE FINANCIAL POSITION FOR THE PERIOD COVERED.



## QUALITY FINANCIAL CONCEPTS

For many people, investing can be confusing and intimidating. Appalachian Community Federal Credit Union has partnered with Quality Financial Concepts (QFC) to provide members with expert investment advice. With a focus on common sense investment strategies, QFC strives to give professional guidance and develop a strategy best suited for an individual's needs. Products & Services include:

- Retirement Planning
- Risk Management
- Professional Wealth Management
- Long Term Planning
- Insurance Planning
- Estate Planning Strategies
- Tax Advantages
- Portfolio Analysis & Monitoring



## Volunteer Income Tax Assistance Program Update

- Last year, **895** tax returns were prepared for VITA clients.
- Of those, **721** taxpayers received refunds.
- The total refund amount was **\$1,170,042**.
- The average refund for those who received one was **\$1,622**.
- Conservatively, we saved the **895** taxpayers at least **\$180,932** in preparer fees.

**Not NCUA Insured \* No Credit Union Guarantees \* May Lose Value.**

M. Shane Smith, CFP®, Registered Principal. Securities offered through Crown Capital Securities, L.P. Member FINRA & SIPC. Advisory and Tax services offered through QUALITY FINANCIAL CONCEPTS. CCS, ACFCU and QFC are not affiliated.



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### **Rogersville**

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Rogersville, TN 37857

### **Johnson City**

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Johnson City, TN 37604

