

STATEMENT OF FINANCIAL CONDITION
December 31, 2018 and 2017

	2018	2017
Assets		
Loans to members, less allowance for loan losses	\$159,715,000	\$139,835,000
Investments	41,430,000	57,028,000
Cash and cash equivalents	14,615,000	20,376,000
Share insurance fund	1,786,000	1,860,000
Furniture and equipment less depreciation	862,000	1,216,000
Other assets	3,386,000	743,000
Total Assets	<u>\$221,794,000</u>	<u>\$221,058,000</u>
Liabilities & Members' Equity		
Shares and other member deposits	\$184,524,000	\$188,880,000
Borrowed funds	5,000,000	-
Accounts payable and accrued expenses	673,000	1,257,000
Retained earnings, substantially restricted	31,597,000	30,921,000
Total Liabilities & Members' Equity	<u>\$221,794,000</u>	<u>\$221,058,000</u>

STATEMENT OF INCOME
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Income		
Income from loans	\$7,883,000	\$6,592,000
Investment income	1,418,000	1,616,000
Other income	2,253,000	2,213,000
Total Income	<u>\$11,554,000</u>	<u>\$10,421,000</u>
Operating Expenses		
Compensation and employee benefits	\$4,571,000	\$4,883,000
Office operations	1,622,000	1,532,000
Professional and outside services	1,345,000	1,361,000
Provision for loan losses	1,304,000	740,000
Other	1,907,000	1,924,000
Total Operating Expenses	<u>\$10,749,000</u>	<u>\$10,440,000</u>
Income from Operations Before Dividends and Interest	\$805,000	(\$19,000)
Dividends paid on member deposits	1,021,000	824,000
Interest paid on borrowed funds	109,000	-
Net Loss From Operations	<u>(\$325,000)</u>	<u>(\$843,000)</u>
Extraordinary Items		
Income from share insurance fund equity distribution	\$181,000	-
Provision for taxi medallion loan losses	(\$639,000)	(\$3,684,000)
Net Loss	<u>(\$783,000)</u>	<u>(\$4,527,000)</u>



2018 ANNUAL REPORT



I.N.S.P.I.R.E. Financial Success

84TH ANNUAL MEETING



Minutes Of The 83rd Annual Meeting Of The Atlantic Federal Credit Union

TUESDAY, APRIL 24, 2018

Directors Supervisory Committee

Present

F. B. Beckman
M. Fanelli
R. A. Janish
R. M. Lear
J. P. Spina
R. D. Wilder

R. W. Hovland

1. The Annual Meeting was held at The Kenilworth, Kenilworth, New Jersey. Mr. Robert Wilder, Chairman, called the meeting to order at 10:15 a.m. Mr. Wilder welcomed everyone to the Credit Union's 83rd Annual Meeting. He introduced the members of the Board of Directors and Supervisory Committee and led the group in the Pledge of Allegiance.

2. Mr. Wilder called members' attention to the 2017 Annual Report that contained the minutes of the 2017 Annual Meeting, the Credit Union's financial statements, a message from the Chairman and CEO/Treasurer and the Supervisory Committee Report.

3. The bylaws of the Credit Union require a quorum of 15 members at Annual Meetings. Mr. Wilder verified that a quorum was present.

4. Mr. Janish, Board Secretary, summarized the minutes of the 2017 Annual Meeting. Mr. Lear moved that they be accepted. Ms. Ann MacArthur seconded the motion and the minutes were approved.

5. Mr. Russell Hovland, Supervisory Committee Chairman, presented the Supervisory Committee's report.

6. Mr. Fanelli presented the Treasurer's Report. He said that the Credit Union's assets declined by 3% in 2017, an improvement over the 5% decline in 2016. Deposits decreased by just under 2% which he largely attributed to members moving money into the equity market. He noted that the Credit Union substantially increased Share Certificate and IRA rates in 2018 ahead of the Federal Reserve's rate increase in late March in an effort to generate deposits. Mr. Fanelli reported that the consumer loan portfolio grew by 20% in 2017 with a 7% increase in loan interest income. He attributed the strong gain to the Credit Union's dedicated sales team put in place as part of the long-term growth initiative. He said that the Credit Union's first business loan was granted in 2017.

7. Mr. Fanelli noted that even with a net loss in 2017, the Credit Union remains financially strong with over 15% capital, far exceeding the 7% required by the regulator.

8. In his chairman's address, Mr. Wilder said that Atlantic Federal is on track with implementing its strategic plan that was established in 2016. The three strategic initiatives: Long Term Growth, Technology Utilization and Culture Development are aligned with the organization's operational plan. Measureable results have been realized since the plan's inception, he said, including the consumer loan portfolio growth noted by Mr. Fanelli, a loan yield increase of 100 basis points and a reduction in long-term asset exposure from 75% to 48%.

9. Mr. Wilder said that the Board is bullish on the Credit Union's future and noted that it is managed well, has strong capitalization, is well diversified and positioned for growth. He noted that the Credit Union remains committed to its mission to positively impact the communities it serves and improve members' financial lives through personal commitment and integrity.

10. Mr. Wilder said that in lieu of attendee gifts this year, the Credit Union is making a \$1,500 donation split between three local charities: the Holy Trinity Episcopal Church in West Orange, where volunteers run a food pantry and hot lunch program for the area's needy; the West Orange Boys & Girls Club and Plainfield's Bianca Flowers Organization that provides food, clothing and parenting education to the area's homeless and families in crisis.

11. Mr. Wilder acknowledged the volunteer Board of Directors and Committee members who give so freely of their time in setting the strategic direction. He thanked the members for their years of loyal support and continued patronage.

12. Mr. Spina, Chairman of the Nominating Committee, introduced the members of the Nominating Committee: Ms. Dorothy Kruza and Ms. Ann MacArthur. They submitted the following candidates for vacancies on the Board of Directors; both for three year terms: Mr. Frederick Beckman and Mr. Michael Fanelli.

13. Since no other names had been filed with the Secretary prior to the Annual Meeting, Mr. Spina asked Mr. Janish to cast one ballot for the slate, which was done. The motion was passed and the nominees were elected.

14. There being no further business to conduct, Ms. Ann MacArthur motioned to adjourn the meeting. This was seconded by Mr. William Darling and was passed. The Annual Meeting adjourned at 10:35 a.m.

Respectfully submitted,
Robert Janish, Secretary

A Message from the Chairman of the Board & the CEO/Treasurer

For 84 years we've served you, our members, with a discerning eye toward the future. As a member-owned financial cooperative, we make decisions based on your needs: investing in processes, products and people that promote a positive impact on your long-term financial health. Our goal is to ensure that Your Financial Future is Here!

Focus on Future: Over the past several years our membership demographics have changed. We recognize financial needs shift as you transition through various life stages. Our strategic initiatives ensure we meet your needs at each of those stages, the success of which lies in our ability to stay connected. In 2019, we'll be introducing various outreach programs that will include personal calls, e-mails or direct mail requests. The objective is to inform you of new products, update you on service enhancements and ask for your feedback among other things. Your participation in these programs will help us better understand and meet your needs.

We continuously strive to improve upon our already robust delivery systems. In 2019, our web site will get a face lift to include a clean, more streamlined look and feel to enhance your experience. We're also evaluating a video banking platform that will provide a personalized experience from the comfort of your home or office.

As the evolution of technologies such as mobile and online banking facilitate access to your accounts, the need for new security requirements are top of mind for our IT team. We are committed to taking a vigilant stance toward protecting your personal information and preventing unauthorized access to your account.

Our Promise: In 2019, we'll be rolling out a revised vision statement that reconfirms our purpose and commitment to you. Each employee is bound to "I.N.S.P.I.R.E financial success" with each member during each interaction. Aside from offering competitive products and services, it is the path to building long term financial relationships and helps ensure that our owner-members recognize Atlantic Federal as their trusted financial partner.

Financial Results: 2018 financial results were mixed. Rising interest rates did not dampen lending as the portfolio had a strong showing with 13% growth. Aggressive share certificate pricing was not able to stem deposit losses as the portfolio declined 2%. It should be noted that 40% of this decline was attributable to an ongoing challenge with our aging demographic. Overall net loss for the year was \$783,000, which was largely impacted by an extraordinary charge for estimated losses in taxi medallion loans. Despite the loss from operations the Credit Union remains financially sound with 15% capital, which is more than twice the amount required by our government regulators.

On behalf of all Atlantic Federal employees and volunteer Board and Committee members, we thank you for your continued support and trust in our organization. We appreciate the opportunity to positively impact the financial lives of the owner-members we serve.

Respectfully submitted,
Robert D. Wilder, Chairman of the Board
Michael Fanelli, Treasurer/Chief Executive Officer

Supervisory Committee Report

Your Supervisory Committee, an independent body of volunteers, is mandated by the Federal Credit Union Act and serves as a watchdog for the members of Atlantic Federal Credit Union.

In order to meet its responsibilities, the Supervisory Committee, with the approval of the Credit Union's Board, has retained the services of The Curchin Group, a CPA firm, to perform a comprehensive yearly audit of Atlantic Federal's financial statements. The results of this audit and the periodic examination of your Credit Union by the National Credit Union Administration together with other supplemental Internal Audits and reviews conducted by the Supervisory Committee are reported to the Board as they are completed. We are confident that we will be getting a clean opinion from Curchin since they have not notified us of any material items or adjusting entries to our financials.

Your Supervisory Committee is pleased to report that these audits and examinations have confirmed the fiscal soundness of the Credit Union. The assets of the Credit Union are properly safeguarded and the books and records are an accurate accounting of its assets, liabilities and capital.

Respectfully submitted,
Russell Hovland, Chairman