TWENTY EIGHTEEN

Annual Report

Federally insured by NCUA

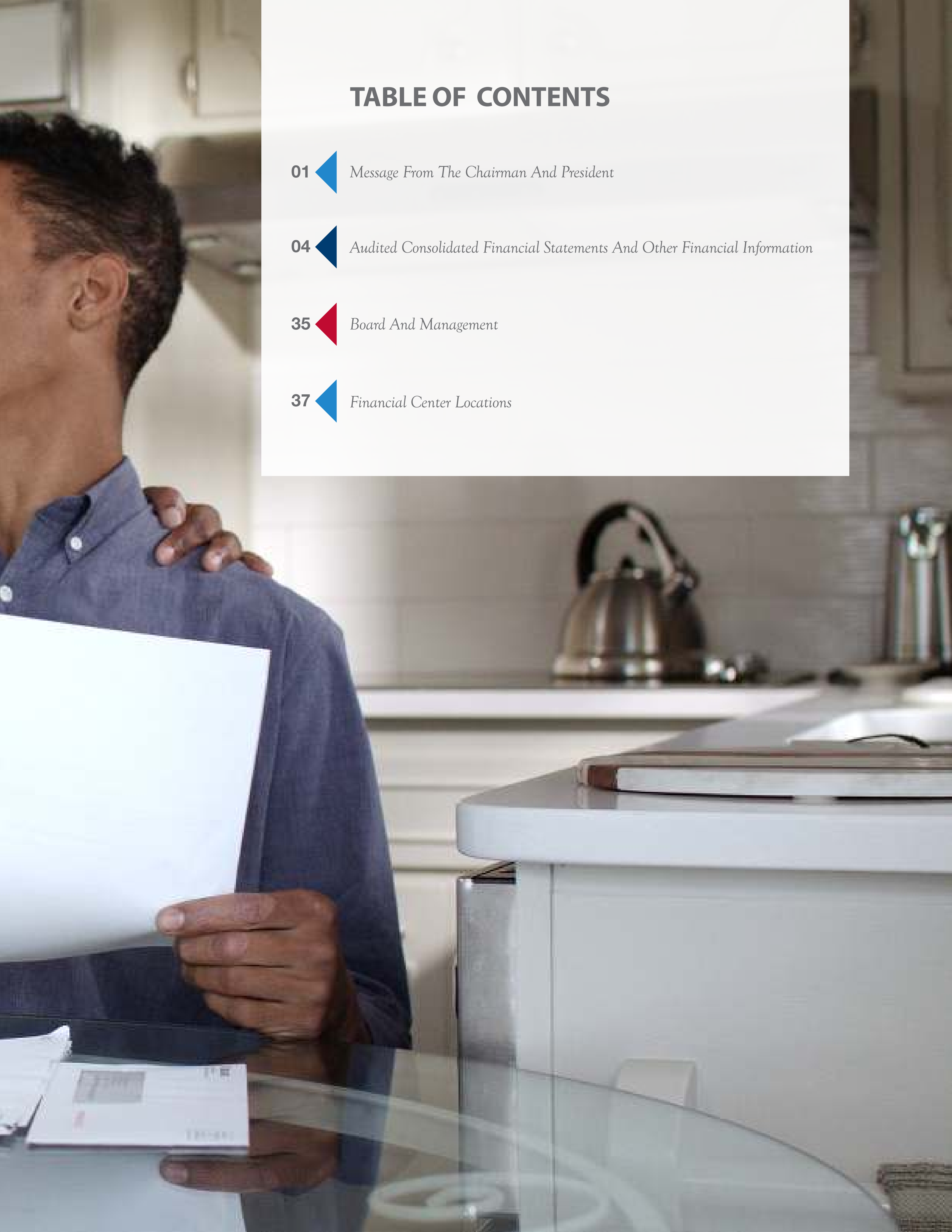

TABLE OF CONTENTS

PRESIDENT'S MESSAGE

As the calendar changes again to a new year, we have been reflecting on our years with AmeriCU. We are particularly struck by how much our credit union has achieved and grown since we were founded over 68 years ago. Even with such a long history serving our members, 2018 stands out as an exceptional year. We achieved two very important milestones as an organization, which places us among the top two hundred credit unions in the country. AmeriCU now boasts over 130,000 members and over $1.5 billion in assets.

What is the secret to our success? Well, it's no secret. Our success is a direct result of our member-first philosophy, which we are not shy about. Our vision, and our reality, is that we exist to provide our members the right financial services to live life, dream big, and achieve financial success. This kind of success does not happen accidentally for the credit union or our members. It is the result of a consistent drive toward our central mission and a resolute focus on what is best for our membership. Over the last several years, AmeriCU has built a strategy and infrastructure that will ensure we continue to serve our members well into the future. Our investments in technology, the restructuring of our Chief Leadership Team, our expansion into new markets, and our constant focus on providing our members the right products all worked together to make 2018 a standout year.

In 2018, we once again saw more people choosing AmeriCU as their financial institution. We added 5,905 net new members across our footprint. That's a 4.63% overall increase in membership year-over-year. Our staff continued to focus their efforts on transforming the member experience and enhancing our member service. In 2018, all employees completed a series of trainings focused exclusively on providing best-in-class member service. We also re-vamped our leadership training series, partnered with a new trainer, and added additional staff training at each and every location. The effect of these efforts on our staff and service is evident to anyone who visits one of our nineteen Financial Centers. While we have always prided ourselves on our member service, this training has helped our staff reach the next level. Our employees are more engaged, more knowledgeable, and more able to serve our members than ever before. In fact, to be sure that we know exactly how satisfied our members are, AmeriCU partners with Deluxe/CSP to measure overall member satisfaction. We benchmark our performance against financial institutions nationwide and hold ourselves to a minimum performance score of 9.40 – highly satisfied. In 2018, we once again met and exceeded our goal, achieving an average score of 9.69, which continues to earn us a place among the top performers in our industry. We are incredibly proud of the work our employees do every day to serve our members. We know that without our exceptional employees, we would not be the credit union we are. They are truly our most important asset.

In addition to our continued emphasis on the member experience in our Financial Centers, we also continued to improve our technology. We are proud to be able to provide superior service and convenience no matter how someone interacts with AmeriCU. In 2018, we introduced instant-issue debit cards at every Financial Center. This means that our staff are able to issue a debit card during a visit to the Financial Center. Now, when a member opens their account, or needs a replacement card, we can give them everything they need to immediately use their account. Getting a new debit card used to take several days, and now takes only a few minutes. Members of AmeriCU can be members for life, even if life takes them far out of state or out of the country. In fact, thousands of our members now live outside of New York State and continue to choose AmeriCU for their financial needs. This is due, in large part, to our investment in technology that is convenient, inclusive, and mobile-first. As we have for many years, AmeriCU participates in the CO-OP Shared Branching Network so our members have access to 5,000+ locations across the country. In 2018 we enhanced our online application system to enable members to apply for a loan or open an account - all without having to come to a Financial Center, mail in paperwork, or even make a phone call. In 2019, we plan to expand our online offerings further, enhance our application systems, and continue to improve our mobile experience. We know that technology is no longer a convenience, but a necessity for our members.

We are proud that, in 2018, AmeriCU reached a milestone that most credit unions never see – growing to over $1.5 billion in assets. This is a staggering achievement. While many other credit unions have closed their doors over the last 20 years, AmeriCU has continued to grow and succeed. Our growth in 2018 alone is comparable to the assets of a moderate sized credit union. Though some credit unions need to merge or acquire another financial institution to achieve these types of results, our results came exclusively through organic, member-focused growth. We are seeing the strategic planning, refocusing, and commitment to our members reflected in our 2018 results.

We remain committed to providing our members some of the lowest loan and highest deposit rates in our market. Last year, we embarked on a large scale effort to review all of our loan and deposit rates to ensure that we were doing just that. We identified areas where we could be giving even more back to our members and made adjustments to our pricing, which continues into 2019. We have lowered loan rates and raised deposit rates. We have especially turned our attention to ensuring that our members are earning as much as possible when they trust their deposits to AmeriCU. These changes enabled us to see rapid deposit growth in 2018 with an increase in share balances across all share types (including checking, savings, money market, and share certificates). By year end, AmeriCU members held a total of over $1.36 billion in shares.

As with deposits, we are constantly reviewing our loan rates and making adjustments to ensure AmeriCU is the best value for our members. We are always analyzing our lending portfolio and the competitive landscape to best ensure stability and continued growth in 2019 and beyond. In 2018, AmeriCU's total loan production was $529,724,795 across consumer loans, home equity loans, mortgage loans, and vehicle loans (auto, motorcycle, RV, and marine).

We know that our members need planning, investing, and insurance products and services in addition to deposits and loans. By offering these services through our wholly owned subsidiaries, AmeriCU Services, LLC and AmeriCU Capital Management, LLC, we are best able to meet all of our members' financial needs. We are glad to be able to offer these services and are continuing to offer more products, expertise, and convenience to our members. In 2018, as AmeriCU grew, our members also continued to choose our subsidiaries. AmeriCU Services, LLC now holds 3,389 consumer insurance policies as well as 405 commercial insurance policies. We continue to help our members achieve financial success by referring them to AmeriCU Capital Management, LLC for their retirement planning needs. In 2018, we referred over 800 AmeriCU members to a Member Financial Advisor for a no-obligation consultation. AmeriCU Capital Management is now serving 422 clients with more than $63.67 million in assets under management. The continued success and strength of both of these subsidiaries is a direct reflection of our members' trust in us.

We know that one of the most important things we can do for our members is to re-invest in our communities. In 2018, we sponsored more events, gave more to charitable causes, and volunteered more hours than ever before. In 2018, we continued our AmeriCU scholarship program – awarding $10,000 to local students, making it easier for them to continue their education. The accomplishments and altruism of our scholarship winners is more impressive every year. Awarding these at our Annual Meeting and meeting the winners is one of the highlights of the year.

In 2018, we expanded our support for students and opened our first in-school banking program at McGraw school district. Our employees visit the school, meet with students, help them make deposits into their account, and teach them important financial wellness lessons. We're very excited about this program and will continue to expand to more schools in 2019.

In our communities, we proudly sponsor many events including the American Heart Association's Heart Run/Walks in Utica, Rome, Syracuse, and Watertown, the Cazenovia Chilly Chili Walk Run, The Honor America Days in Rome, and many other worthy causes. In 2018 AmeriCU donated over $150,000 in donations and sponsorships. We continued our partnership with many local charities including the American Heart Association, Relay for Life, Children's Miracle Network, and Carol M. Baldwin Breast Cancer Research fund. We also continued to sponsor the Salute to the Troops Tribute Concert at MountainFest, a concert and festival for service members and their families at Fort Drum, free of charge to the community. With all of the events and causes we are involved in, we, along with the Board of Directors and Chief Leadership team, are incredibly proud of the ways that our staff give their time to volunteer, serve on boards of directors, and improve and advocate for our communities in large and small ways all throughout the year.

In 2018, we reached 130,000 members and over $1.5 billion in assets. These numbers, along with the credit union's many accomplishments this year, are incredible. We celebrate these successes, but more importantly, we're already looking forward to and planning for the next set of milestones. We will continue to offer better services, products, rates, and experiences to help our 130,000 members live life, dream big, and achieve financial success. As we approach seventy years as a credit union, we have never been content to stand still and will carry on confidently into the future.

John A. Stevenson
Chairman of the Board

Mark Pfisterer
President and CEO
AmeriCU Credit Union

AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

AmeriCU Credit Union and Subsidiaries

DECEMBER 31, 2018 AND 2017

Audited Consolidated Financial Statements:

Other Financial Information:

Firley, Moran, Freer & Eassa, CPA, P.C.
125 East Jefferson Street · Suite 920 · Syracuse, NY 13202
TEL: 315.472.7045 • **FAX:** 315.472.7053 • **www.fmfecpa.com**

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
AmeriCU Credit Union
Rome, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AmeriCU Credit Union and Subsidiaries (the Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, members' equity and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AmeriCU Credit Union and Subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Firley, Moran, Freer & Eassa, CPA, P.C.

Syracuse, New York
February 22, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AmeriCU Credit Union and Subsidiaries

	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 161,597,432	$ 57,082,725
Deposits at corporate credit union	175,194	175,368
Investments–available for sale	119,895,429	21,527,703
Loans to members, net of allowance for loan losses	1,209,258,017	1,313,130,348
Loans held for sale	1,228,738	865,956
Accrued interest receivable	4,162,456	3,864,352
Property and equipment, net	32,309,699	30,438,561
Other assets	49,577,612	54,524,239
Total assets	$ 1,578,204,577	$ 1,481,609,252
Liabilities and members' equity		
Liabilities		
Members' share accounts	$ 1,363,221,185	$ 1,301,412,199
Borrowed funds	50,000,000	20,000,000
Accounts payable and accrued liabilities	15,572,538	15,596,059
Total liabilities	1,428,793,723	1,337,008,258
Members' equity	149,410,854	144,600,994
Total liabilities and members' equity	$ 1,578,204,577	$ 1,481,609,252

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF INCOME

AmeriCU Credit Union and Subsidiaries

	Year ended December 31, 2018	2017
Income:		
Interest on loans	$ 54,392,765	$ 51,255,006
Investment income	1,431,740	3,726,436
	55,824,505	54,981,442
Interest expense:		
Dividends	10,996,304	9,233,569
Borrowed funds	865,091	157,799
	11,861,395	9,391,368
NET INTEREST INCOME	43,963,110	45,590,074
Provision for loan losses	11,785,000	7,055,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	32,178,110	38,535,074
Non-interest income:		
Fees, service charges and other income	21,644,634	20,404,551
Gain on sales of loans	722,127	2,017,289
	22,366,761	22,421,840
Non-interest expense:		
Compensation and benefits	23,708,689	27,251,065
Office occupancy and operations	16,443,695	16,186,775
Professional services	4,926,614	4,929,011
Membership services, promotions and other	3,316,168	2,452,331
	48,395,166	50,819,182
NET INCOME	$ 6,149,705	$ 10,137,732

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AmeriCU Credit Union and Subsidiaries

	Year ended December 31, 2018	2017
Net income	$ 6,149,705	$ 10,137,732
Other comprehensive (loss) income:		
Unrealized holding (losses) gains on investments-available for sale arising during the year, net	(1,197,328)	919,913
Reclassification adjustment for net gains included in net income	(142,517)	(26,692)
Other comprehensive (loss) income	(1,339,845)	893,221
Total comprehensive income	$ 4,809,860	$ 11,030,953

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

AmeriCU Credit Union and Subsidiaries

	Regular Reserve	Appropriated Undivided Earnings	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2016	$ 25,722,824	$ 200,000	$ 107,562,204	$ 85,013	$ 133,570,041
Net income			10,137,732		10,137,732
Other comprehensive income				893,221	893,221
Balances at December 31, 2017	25,722,824	200,000	117,699,936	978,234	144,600,994
Net income			6,149,705		6,149,705
Other comprehensive loss				(1,339,845)	(1,339,845)
Balances at December 31, 2018	$ 25,722,824	$ 200,000	$ 123,849,641	$ (361,611)	$ 149,410,854

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AmeriCU Credit Union and Subsidiaries

	Year ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 6,149,705**	**$ 10,137,732**
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Provision for loan losses	**11,785,000**	**7,055,000**
Depreciation and amortization	**2,781,182**	**2,832,421**
Gain on sales of investments, net	**(142,517)**	**(26,692)**
Investments-available for sale premium amortization, net	**(13,206)**	**-0-**
Gain on sales of loans	**(722,127)**	**(2,017,289)**
(Gain) loss on disposal of property and equipment, net	**(260)**	**45,181**
Loss on sales of other real estate owned, net	**113,559**	**26,053**
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Loans held for sale	**(362,782)**	**2,176,761**
Accrued interest receivable	**(298,104)**	**(114,995)**
Other assets	**3,745,808**	**(826,992)**
Accounts payable and accrued liabilities	**1,574,902**	**(4,792,706)**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 24,611,160**	**$ 14,494,474**

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS--CONTINUED

AmeriCU Credit Union and Subsidiaries

	Year ended December 31, 2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in deposits at corporate credit unions	$ 174	$ 246
Purchases of investments-available for sale	(104,363,678)	(1,907,917)
Proceeds from sales/maturities of investments-available for sale	4,811,830	1,703,377
Loan originations, net of principal collected	(86,858,875)	(172,104,289)
Proceeds from loans sold	23,381,046	51,014,438
Proceeds from loan participations sold	155,383,740	65,925,587
Purchases of loan participations	-0-	(7,846,456)
Purchases of property and equipment	(4,655,028)	(1,586,582)
Proceeds from sales of property and equipment	2,968	4,060
Proceeds from sales of other real estate owned	392,384	517,646
NET CASH USED IN INVESTING ACTIVITIES	(11,905,439)	(64,279,890)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' share accounts	61,808,986	59,950,474
Net increase (decrease) in borrowed funds	30,000,000	(20,000,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	91,808,986	39,950,474
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,514,707	(9,834,942)
Cash and cash equivalents at beginning of year	57,082,725	66,917,667
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 161,597,432	$ 57,082,725
SUPPLEMENTAL DISCLOSURES		
Dividends paid on members' share accounts	$ 10,996,304	$ 9,233,569
Transfer of loans to other real estate owned	$ 903,547	$ 559,407
Interest on borrowed funds	$ 865,091	$ 157,799
NON-CASH INVESTING ACTIVITIES		
Unrealized holding (losses) gains on investments-available for sale arising during the year, net	$ (1,197,328)	$ 919,913

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AmeriCU Credit Union and Subsidiaries
December 31, 2018 and 2017

NOTE A
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business:

AmeriCU Credit Union (AmeriCU or the Credit Union) is a state chartered cooperative association organized in accordance with the provisions of the State of New York and is administratively responsible to the New York State Department of Financial Services. It promotes thrift among, and creates a source of credit for, its members located in the New York State counties of Oneida, Onondaga, Cayuga, Madison, Jefferson, Oswego, Lewis, Herkimer and Cortland.

Principles of Consolidation:

The financial statements include the accounts of AmeriCU and its wholly owned subsidiaries, Hamilton Associates, Inc., AmeriCU Services, LLC and AmeriCU Capital Management, LLC. These subsidiaries are credit union organizations (collectively the CUOs) incorporated and organized for the primary purpose of providing services to AmeriCU's members. These services include electronic tax filing, insurance and investment services. All significant intercompany accounts and transactions have been eliminated in the financial statements.

Significant Accounting Policies:

The Credit Union and its subsidiaries follow the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes accounting principles generally accepted in the United States of America (GAAP) that are followed to ensure consistent reporting of the financial condition, results of operations and cash flows of the Credit Union and its subsidiaries. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (the Codification or FASB ASC).

Use of Estimates:

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For the purpose of the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, certain operating bank account balances and money market funds. Amounts held on deposit with other financial institutions may, at times, exceed federally insured limits.

Investments:

The Credit Union is required to categorize each investment as either held to maturity, available for sale, or trading. At December 31, 2018 and 2017, the Credit Union did not maintain trading or held to maturity investment portfolios. Securities not classified as held to maturity or trading are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported as other comprehensive income or loss.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) the current liquidity and volatility of the market for each of the individual security categories, (4) the projected cash flows from the specific security type, (5) the financial guarantee and financial rating of the issuer, and (6) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. There are no other than temporary impairment losses at December 31, 2018 or 2017. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans to Members:

Loans receivable that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses. Inter-

est on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged-off no later than 120 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Certain direct origination costs are deferred and recognized as an adjustment to interest income using the sum of the years digits method over the weighted average life of the loans.

Allowance for Loan Losses:

The allowance for loan losses is established, as losses are estimated to have occurred, through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Because of uncertainties inherent in the estimation process, management's estimate of loan losses within the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible, if any, cannot be estimated.

The allowance consists of specific, general and unallocated components. Specific allowances for loan losses are established for impaired loans on an individual basis as required by the Codification. The general component is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis as determined by the fair value of the collateral.

Generally, large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual consumer and residential loans for impairment disclosures unless such loans are the subject of a restructuring agreement.

Loan Servicing:

Servicing assets are recognized as separate assets when servicing rights are retained as mortgage loans are sold. When sold, a portion of the basis in the mortgage loan is allocated to the servicing right based on relative fair value. Fair value is based on market prices for comparable loan servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are reported in other assets and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Income is recognized as fees are earned for servicing loans.

The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan and are recorded as income when earned. The amortization of loan servicing rights is netted against loan servicing fee income.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. If the Credit Union later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income.

Troubled Debt Restructurings:

The Credit Union performs a loan-level valuation of those loans identified by the Credit Union as troubled debt restructurings. The Credit Union believes that each loan included in the analysis constitutes a troubled debt restructuring when, prior to the restructuring, the borrower experiences financial difficulty and, in response, the Credit Union grants a concession to the borrower, such as a reduction of interest rate, extension of the loan term or other concession that the Credit Union would not otherwise consider.

The Credit Union estimates the impairment of a troubled debt restructured loan by discounting expected cash flows of the restructured loans at the original interest rate. If applicable, the identified impairment amount would then be reserved for as part of the allowance for loan loss account.

Loans Held for Sale:

Loans held for sale are those mortgage loans the Credit Union has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to non-interest income. Gains and losses on sales of mortgage loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans after allocating cost to servicing rights retained. All sales are made without recourse subject to the customary representations and warrantees.

Foreclosed and Repossessed Assets:

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in non-interest expense.

Property and Equipment:

Land is carried at cost. Buildings, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings, furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

National Credit Union Share Insurance Fund Deposit and Assessments:

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with the National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each federally insured credit union in an amount equal to one percent of insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, if it obtains insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

National Credit Union Share Insurance Fund Insurance Premium:

The Credit Union is required to pay an annual insurance premium equal to one-twelfth of 1 percent of total insured shares, unless the payment is waived or reduced by the NCUA. The Credit Union recognizes NCUSIF premiums when approved by the NCUA. The NCUA Board voted in 2018 and 2017 to waive the annual insurance premium.

Temporary Corporate Credit Union Stabilization Fund Assessments:

Legislation was passed by Congress to permit the NCUA to create a Temporary Corporate Credit Union Stabilization Fund (TCCUSF) to absorb costs and borrowings incurred by the TCCUSF related to the collapse of various corporate credit unions.

In 2017, the NCUA Board closed the TCCUSF and transferred all assets into the NCUSIF. In addition, the NCUA Board also approved an increase in the Normal Operating Level (NOL) of the NCUSIF from a maximum equity ratio of 1.30% to 1.39%. The transfer of assets into the NCUSIF will increase the NOL above the regulatory limit allowing for a distribution to all qualifying credit unions. In July 2018, the Credit Union received a TCCUSF distribution of $845,051. The distribution is recorded in the 2018 Consolidated Statement of Income as non-interest income.

Members' Share Accounts:

Members' share accounts are subordinated to all other liabilities of the Credit Union upon liquidation. However, *in the event of liquidation, their accounts are insured in accordance with NCUA regulations through the NCUSIF. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.*

Members' Equity:

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of undivided earnings, is not available for the payment of dividends. The appropriated undivided earnings was established at the discretion of the Board of Directors and is not available for the payment of dividends.

Advertising Costs:

The Credit Union follows the policy of expensing its advertising costs (including any production costs) as incurred. Advertising expense was approximately $1,621,000 and $1,444,000 for the years ended December 31, 2018 and 2017, respectively.

Income Taxes:

The Credit Union is exempt, by statute, from federal and state income taxes. The Credit Union's subsidiary, Hamilton Associates, Inc., is a C corporation and is subject to federal and state income taxes. Its other CUOs are each limited liability companies and are disregarded as separate tax entities. Operations of the CUOs resulted in immaterial amounts of income tax expense in 2018 and 2017.

The Credit Union is a state-chartered credit union described in Internal Revenue Code (IRC) Section 501(c)(14). As such, the Credit Union is exempt from federal taxation of income derived from the performance of activities that are in furtherance of its exempt purpose. The Credit Union continually assesses its activities for any potential federal or state income tax liability. In the opinion of management, any liability arising from federal or state taxation of activities deemed to be unrelated to its exempt purposes is not expected to have a material effect on the Credit Union's financial position or results of operation. The Credit Union annually files federal and state unrelated business income tax (UBIT) returns. Amounts of UBIT tax from the performance of activities unrelated to the Credit Union's tax exempt function resulted in immaterial amounts of tax expense in 2018 and 2017.

The Credit Union complies with FASB ASC Topic 740-10, "Accounting for Uncertainty in Income Taxes", which clarifies the accounting for uncertainty in income taxes. There was no impact to the accompanying financial statements attributable to this ASC for the years ended December 31, 2018 and 2017.

The Credit Union is potentially subject to income tax examinations for its U.S. federal and state income taxes for the years 2015 through 2018.

Fair Value Measurements:

Guidance under GAAP establishes a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of financial instruments as noted below:

Level 1 - quoted prices in active markets for identical inputs

Level 2 - other significant observable inputs

Level 3 - significant unobservable inputs (including the Credit Union's own assumptions in determining fair value)

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. The fair value of investments–available for sale is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1). If listed prices or quotes are not available, fair value is based upon quoted market prices of comparable instruments or through adjusted discounted cash flow models that use other significant observable inputs (Level 2).

Recent Accounting Pronouncements:

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers". ASU No. 2014-09 replaces most existing revenue recognition guidance in GAAP and creates a single source of revenue guidance for all entities in all industries and is more principles-based than current revenue guidance. This standard provides a five-step model for an entity to recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to receive in exchange for those goods or services. The standard also requires disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for *the Credit Union for the year ending December 31, 2019. The Credit Union is currently evaluating the impact, if any, this ASU will have on the financial statements.*

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". This standard requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than equity investments accounted for under equity method of accounting or those that result in the consolidation of the investee). In addition, this standard eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost on the balance sheet, this provision of the ASU was early adopted by the Credit Union in 2016. This standard is effective for the Credit Union for the year ending December 31, 2019. The Credit Union is currently evaluating the remaining impact, if any, this ASU will have on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases". The guidance in this ASU supersedes the leasing guidance in Topic 840, "Leases". Under the new guidance, a lessee will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than twelve months. Leases will be classified as either finance or operating, with classification affecting only presentation of expenses and cash flows. The accounting guidance for lessors is largely unchanged. This standard is effective for the Credit Union for the year ending December 31, 2020. The Credit Union is currently evaluating the impact this ASU will have on the financial statements.

In June 2016, FASB issued ASU No. 2016-13 "Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments". This standard adds an impairment model, the Current Expected Credit Loss (CECL) model, that is based on expected credit losses rather than incurred losses, which the FASB believes will result in a more timely recognition of such losses. This standard is effective for the Credit Union for the year ending December 31, 2022. The Credit Union is currently evaluating the provisions of this ASU and will be closely monitoring developments and additional guidance to determine the potential impact this standard will have on the financial statements.

Reclassifications:

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

Events Occurring After Reporting Date:

The Credit Union has evaluated events and transactions that occurred between December 31, 2018 and February 22, 2019, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. There were no such events or transactions identified by the Credit Union.

NOTE B
DEPOSITS AT CORPORATE CREDIT UNION

Credit unions that are participating in corporate credit unions acquire membership privileges by maintaining a deposit with a corporate credit union. The Credit Union is a member of, and transacts business with, Alloya Corporate Federal Credit Union (Alloya). Deposits at Alloya consist of the following:

	December 31,	
	2018	2017
PLATEAU AND MONEY MARKET ACCOUNTS	**$ 194**	**$ 368**
PERPETUAL CONTRIBUTED CAPITAL	**175,000**	**175,000**
	$ 175,194	**$ 175,368**

Perpetual Contributed Capital:

The Credit Union maintains a capital deposit with Alloya in a perpetual contributed capital account. The deposit allows the Credit Union to participate as a member of the corporate credit union. The deposit is uninsured and requires approval by the corporate credit union in order to withdraw the funds. The perpetual contributed capital account of a corporate credit union is subordinate to all other liabilities of a corporate credit union.

NOTE C
INVESTMENTS--AVAILABLE FOR SALE

The amortized cost and estimated fair value of investments-available for sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	AT DECEMBER 31, 2018			
Investments under the TBPF Program:				
Common stocks	$ 6,487,818	$ 863,664	$ 584,476	$ 6,767,006
Real estate investment trusts	789,187	90,290	3,854	875,623
Mutual funds	7,598,985	-0-	465,376	7,133,609
Exchange traded funds	6,242,807	-0-	379,287	5,863,520
	21,118,797	953,954	1,432,993	20,639,758
Other Investments:				
Collateral mortgage obligations	10,378	304	-0-	10,682
US treasury notes and bonds	9,936,531	9,834	3,083	9,943,282
Mortgage-backed securities – fixed rate	58,492,521	99,098	59,379	58,532,240
Mortgage-backed securities – variable rate	10,816,534	75,621	-0-	10,892,155
Agency notes and bonds	19,882,279	5,323	10,290	19,877,312
	$ 120,257,040	$ 1,144,134	$ 1,505,745	$ 119,895,429
	AT DECEMBER 31, 2017			
Investments under the TBPF Program:				
Common stocks	$ 5,925,362	$ 1,252,355	$ 98,206	$ 7,079,511
Real estate investment trusts	920,661	124,328	10,415	1,034,574
Mutual funds	7,348,781	7,467	127,734	7,228,514
Exchange traded funds	6,341,166	15,445	185,497	6,171,114
Other Investments:				
Collateral mortgage obligations	13,499	491	-0-	13,990
	$ 20,549,469	$ 1,400,086	$ 421,852	$ 21,527,703

The Credit Union has made certain investments via a Total Benefit Pre-Funding Program (TBPF Program). The investments made via the TBPF Program are primarily made up of assets normally impermissible to the Credit Union, but allowable if the investments are specifically earmarked for the purpose of pre-funding future employee benefit obligations, with the proceeds offsetting general employee benefits expense. The TBPF investments have been classified as investments-available for sale in the accompanying Consolidated Statements of Financial Condition.

The amortized cost and estimated fair value of investments-available for sale by contractual maturity are shown below as of December 31, 2018. Collateralized mortgage obligations (CMOs) and mortgage-backed securities (MBSs) have contractual maturity dates ranging from 2028 through 2047. However, CMOs and MBSs historically have prepayment characteristics that are expected to occur sooner than the contractual maturity dates. As such, CMOs and MBSs have not been grouped by contractual maturity.

	AVAILABLE FOR SALE	
	Amortized Cost	**Fair Value**
Due in one year or less	**$ 19,892,579**	**$ 19,880,346**
Due from one to five years	**9,926,231**	**9,940,248**
	29,818,810	**29,820,594**
Common stocks	**6,487,818**	**6,767,006**
Real estate investment trusts	**789,187**	**875,623**
Mutual funds	**7,598,985**	**7,133,609**
Exchange traded funds	**6,242,807**	**5,863,520**
Collateral mortgage obligations	**10,378**	**10,682**
Mortgage backed securities – fixed rate	**58,492,521**	**58,532,240**
Mortgage backed securities – variable rate	**10,816,534**	**10,892,155**
	$ 120,257,040	**$ 119,895,429**

The following table presents the fair value of the Credit Union's investments-available for sale and the related gross unrealized losses aggregated by the length of time the individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
	AT DECEMBER 31, 2018					
Investments under the TBPF Program:						
Common stocks	**$ 2,042,015**	**$ (487,861)**	**$ 358,127**	**$ (96,615)**	**$ 2,400,142**	**$ (584,476)**
Real estate investment trusts	**194,821**	**(3,130)**	**14,713**	**(724)**	**209,534**	**(3,854)**
Mutual funds	**690,198**	**(22,661)**	**6,443,411**	**(442,715)**	**7,133,609**	**(465,376)**
Exchange traded funds	**3,653,008**	**(135,523)**	**2,210,512**	**(243,764)**	**5,863,520**	**(379,287)**
	6,580,042	**(649,175)**	**9,026,763**	**(783,818)**	**15,606,805**	**(1,432,993)**
Other investments:						
US treasury notes and bonds	**4,960,313**	**(3,083)**	**-0-**	**-0-**	**4,960,313**	**(3,083)**
Mortgage backed securities – fixed rate	**30,950,499**	**(59,379)**	**-0-**	**-0-**	**30,950,499**	**(59,379)**
Agency notes and bonds	**16,884,433**	**(10,290)**	**-0-**	**-0-**	**16,884,433**	**(10,290)**
	$ 59,375,287	**$ (721,927)**	**$ 9,026,763**	**$ (783,818)**	**$ 68,402,050**	**$ (1,505,745)**

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	AT DECEMBER 31, 2017					
Investments under the TBPF Program:						
Common stocks	$ 226,386	$ (13,634)	$ 869,861	$ (84,572)	$ 1,096,247	$ (98,206)
Real estate investment trusts	14,482	(954)	118,394	(9,461)	132,876	(10,415)
Mutual funds	-0-	-0-	6,464,827	(127,734)	6,464,827	(127,734)
Exchange traded funds	-0-	-0-	2,694,284	(185,497)	2,694,284	(185,497)
	$ 240,868	$ (14,588)	$ 10,147,366	$ (407,264)	$ 10,388,234	$ (421,852)

Unrealized losses are driven by various economic and financial factors, including overall market demand and the interest rate environment. The Credit Union does not intend to sell the investments and it is not more likely than not that the Credit Union will be required to sell the investments prior to their anticipated recovery of the unrealized losses and, the Credit Union believes the decline in fair value for these securities to be temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment would be reduced and the resulting loss recognized in net income in the period in which the other than temporary impairment is identified.

NOTE D
LOANS TO MEMBERS

Loans to members consist of the following (in 000's):

	December 31,	
	2018	2017
MEMBER BUSINESS LOANS	$ 98,162	$ 68,525
MORTGAGES AND OTHER REAL ESTATE:		
Mortgages	197,018	172,468
Home equity/improvement loans	378,002	394,332
	575,020	566,800
VEHICLES AND OTHER CONSUMER:		
Vehicles	421,749	578,831
Credit cards and other lines of credit	55,738	49,158
Education loans	19,703	19,797
Unsecured signature/personal	49,337	37,228
	546,527	685,014
Less allowance for loan losses	10,451	7,209
	$ 1,209,258	$ 1,313,130

NOTE E
LOAN QUALITY

Management performs a monthly evaluation of the adequacy of the allowance for loan losses (ALL). For the purposes of calculating the ALL, the Credit Union segregates its loan portfolio into the following general segments: member business, mortgages and other real estate and vehicles and other consumer.

The following is an analysis of the allowance for loan losses by segment:

Allowance for Loan Losses

	Member business	Mortgages and other real estate	Vehicles and other consumer	Total
		DECEMBER 31, 2018		
Beginning balance	$ 213,821	$ 1,440,946	$ 5,554,457	$ 7,209,224
Charge-offs	(108,357)	(1,228,096)	(9,050,807)	(10,387,260)
Recoveries	710	154,266	1,688,721	1,843,697
Provision	725,342	1,731,018	9,328,640	11,785,000
Ending balance	$ 831,516	$ 2,098,134	$ 7,521,011	$ 10,450,661
		DECEMBER 31, 2017		
Beginning balance	$ 142,671	$ 1,223,671	$ 4,528,768	$ 5,895,110
Charge-offs	-0-	(947,144)	(6,327,292)	(7,274,436)
Recoveries	656	180,480	1,352,414	1,533,550
Provision	70,494	983,939	6,000,567	7,055,000
Ending balance	$ 213,821	$ 1,440,946	$ 5,554,457	$ 7,209,224

The following presents, by loan segment, loans that were evaluated for the allowance for loan losses individually and those that were evaluated collectively as of December 31, 2018 and 2017:

	Member business	Mortgages and other real estate	Vehicles and other consumer	Total
	DECEMBER 31, 2018			
Allowance for loan losses:				
Ending balance allocated to loans individually evaluated for impairment	$ 52,459	$ 751,936	$ -0-	$ 804,395
Ending balance allocated to loans collectively evaluated for impairment	779,057	1,346,198	7,521,011	9,646,266
Total	$ 831,516	$ 2,098,134	$ 7,521,011	$ 10,450,661
Loans outstanding:				
Ending balance of loans individually evaluated for impairment	$ 2,096,546	$ 6,279,023	$ -0-	$ 8,375,569
Ending balance of loans collectively evaluated for impairment	96,065,910	568,740,413	546,526,786	1,211,333,109
Total	$ 98,162,456	$ 575,019,436	$ 546,526,786	$ 1,219,708,678
	DECEMBER 31, 2017			
Allowance for loan losses:				
Ending balance allocated to loans individually evaluated for impairment	$ -0-	$ 563,744	$ -0-	$ 563,744
Ending balance allocated to loans collectively evaluated for impairment	213,821	877,202	5,554,457	6,645,480
Total	$ 213,821	$ 1,440,946	$ 5,554,457	$ 7,209,224
Loans outstanding:				
Ending balance of loans individually evaluated for impairment	$ -0-	$ 7,394,719	$ 21,843	$ 7,416,562
Ending balance of loans collectively evaluated for impairment	68,524,998	559,405,694	684,992,318	1,312,923,010
Total	$ 68,524,998	$ 566,800,413	$ 685,014,161	$ 1,320,339,572

Past Due Loans:

Loans are considered past due if the required principal and interest payments have not been received within thirty days of the payment due date. An analysis of past due loans, segregated by loan segment, as of December 31, 2018 and 2017, was as follows:

Analysis of Past Due Loans

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
			DECEMBER 31, 2018			
Member business	$ 29,342	$ 49,569	$ 55,893	$ 134,804	$ 98,027,652	$ 98,162,456
Mortgages and other real estate	4,869,877	1,294,503	3,799,475	9,963,855	565,055,581	575,019,436
Vehicles and other consumer	14,939,952	5,127,891	3,966,804	24,034,647	522,492,139	546,526,786
Total	$ 19,839,171	$ 6,471,963	$ 7,822,172	$ 34,133,306	$ 1,185,575,372	$ 1,219,708,678
			DECEMBER 31, 2017			
Member business	$ 49,776	$ -0-	$ -0-	$ 49,776	$ 68,475,222	$ 68,524,998
Mortgages and other real estate	4,560,471	891,896	5,188,401	10,640,768	556,159,645	566,800,413
Vehicles and other consumer	17,081,907	4,454,187	2,475,147	24,011,241	661,002,920	685,014,161
Total	$ 21,692,154	$ 5,346,083	$ 7,663,548	$ 34,701,785	$ 1,285,637,787	$ 1,320,339,572

The following table summarizes troubled debt restructurings:

Modifications as of December 31,

	2018			2017		
	Number of loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructuring:						
Mortgages and other real estate	23	$ 3,375,489	$ 3,770,048	23	$ 3,284,577	$ 3,668,236
Vehicles and other consumer	2	29,236	29,236	4	78,689	78,689

There were no troubled debt restructurings that subsequently defaulted in 2018 and 2017.

Risk Rating:

In addition to monitoring the performance status of the loan portfolio, the Credit Union also utilizes a risk rating system to evaluate loan asset quality. This methodology is primarily used for loans that are reviewed individually (typically member business loans) for ALL as described previously and are not part of a homogeneous loan pool. The risk rating system considers factors such as financial condition, earnings, collateral, management and industry outlook.

The Credit Union's internally assigned classifications are as follows:

- *Superior-substantially risk free;*
- *Excellent-minimal risk;*
- *Good-modest risk;*
- *Acceptable-average risk;*
- *Acceptable with caution/watch-developing risk;*
- *Special mention-currently protected but potentially weak, considerable risk;*
- *Substandard-high and well defined risk of default;*
- *Doubtful-extremely high risk of loss; and*
- *Loss-loans classified as loss are considered non-collectible.*

Risk Rating by Internally Assigned Classifications for its Member Business Loan Portfolio:

	December 31,	
	2018	2017
Superior	**$ 13,338**	**$ -0-**
Excellent	**2,915,948**	**3,586,064**
Good	**35,418,148**	**28,716,876**
Acceptable	**51,484,331**	**33,376,751**
Acceptable with caution/watch	**5,902,487**	**2,030,230**
Special mention	**331,658**	**815,077**
Substandard	**2,046,977**	**-0-**
Doubtful	**49,569**	**-0-**
Loss	**-0-**	**-0-**
Total	**$ 98,162,456**	**$ 68,524,998**

For loans that are not rated under this system, the Credit Union evaluates credit quality based on the aging status of the loan (previously presented) and the performing status. The following table presents the performance status on selected loans:

	Mortgages and other real estate	Vehicles and other consumer	Total
		DECEMBER 31, 2018	
Performing	$ 571,219,961	$ 542,559,982	$ 1,113,779,943
Non-performing (nonaccrual)	3,799,475	3,966,804	7,766,279
Total	$ 575,019,436	$ 546,526,786	$ 1,121,546,222
		DECEMBER 31, 2017	
Performing	$ 561,612,012	$ 682,539,014	$ 1,244,151,026
Non-performing (nonaccrual)	5,188,401	2,475,147	7,663,548
Total	$ 566,800,413	$ 685,014,161	$ 1,251,814,574

If interest on non-performing loans had been accrued, such income would have approximated $292,600 and $222,900 for the years ended December 31, 2018 and 2017, respectively.

NOTE F
OTHER ASSETS

Other assets consist of (in 000's):

	December 31,	
	2018	2017
National Credit Union Share Insurance Fund deposit	$ 12,479	$ 12,201
Dealer reserves	3,655	6,604
Accounts receivable and miscellaneous clearing accounts	1,701	2,833
Loan collateral in process of liquidation	-0-	985
Mortgage servicing rights	571	847
SERP related investments and life insurance annuity	21,830	23,432
Other real estate owned	755	357
Prepaid and deferred expenses	3,737	3,892
Investments in unconsolidated credit union service organizations	1,363	1,361
FHLB of New York stock	3,037	1,662
NCB Community Investment Fund	250	250
Investor Secondary Capital Fund	200	100
	$ 49,578	$ 54,524

Federal Home Loan Bank of New York Stock:

The Credit Union's investment in the Federal Home Loan Bank (FHLB) of New York stock was purchased to allow the Credit Union access to the services provided by the FHLB of New York. The stock is considered restricted, as it may only be resold back to the FHLB of New York at cost. To maintain a line of credit with the FHLB of New York, the Credit Union may be required to invest in additional amounts of FHLB of New York stock.

NOTE G
PROPERTY, EQUIPMENT AND LEASE OBLIGATIONS

Property and equipment is comprised of the following (in 000's):

	December 31, 2018	December 31, 2017
Land	**$ 4,410**	**$ 4,410**
Buildings	**27,249**	**24,176**
Furniture, fixtures and equipment	**22,206**	**21,038**
Automatic teller machines and kiosks	**6,901**	**6,490**
Leasehold improvements	**4,169**	**4,169**
	64,935	**60,283**
Accumulated depreciation and amortization	**(32,625)**	**(29,844)**
	$ 32,310	**$ 30,439**

Depreciation and amortization expense amounted to $2,781,182 and $2,832,421 in 2018 and 2017, respectively.

The Credit Union is obligated under noncancelable operating leases for branch and office facilities. Net rent expense under these operating leases amounted to approximately $378,000 and $514,000 in 2018 and 2017, respectively. Certain leases contain renewal options.

The approximate required minimum rental payments under the terms of the leases are as follows (in 000's):

Years ending December 31,	
2019	**$ 242**
2020	**144**
2021	**114**
	$ 500

NOTE H
MEMBERS' SHARE ACCOUNTS

The aggregate amount of members' share accounts over $250,000 was approximately $102,034,000 at December 31, 2018.

At December 31, 2018, scheduled maturities of share certificates, including IRA certificate accounts, are as follows (in 000's):

Years ending December 31,	
2019	$ 298,234
2020	83,548
2021	59,617
2022	36,172
2023	41,111
Thereafter	1,339
	$ 520,021

NOTE I
FINANCING ARRANGEMENTS

Alloya Line of Credit:

The Credit Union has an $8.75 million dollar line of credit agreement with Alloya secured by the assets of the Credit Union. The interest rate is determined by Alloya at the time of borrowing and is established based on current market rates. There were no outstanding borrowings under this facility as of December 31, 2018 and 2017.

FHLB of New York Advance Agreement:

The Credit Union has an advance, collateral and security agreement with the FHLB of New York. This agreement provides the Credit Union with a credit line having $80,497,343 of availability at December 31, 2018. The Credit Union is required to pledge eligible mortgage loans as collateral, with $130,497,343 of mortgages currently eligible to be pledged as collateral. The interest rate is determined by the FHLB of New York at the time of borrowing and is established based on the term of the loan selected by the Credit Union and current market rates. The Credit Union has $50,000,000 (3.12% annual interest, maturing on July 26, 2021) in outstanding borrowings as of December 31, 2018. The outstanding balance at December 31, 2017, $20,000,000, matured on January 17, 2018; it carried an interest rate of 1.56%.

Federal Reserve Bank of New York Advance Agreement:

The Credit Union has an advance, collateral and security agreement with the Federal Reserve Bank of New York which provides the Credit Union with a line of credit. The Credit Union is required to pledge eligible indirect auto loans as collateral. The interest rate is determined at the time of borrowing and is established based on a 90-day term set by the Federal Reserve Bank of New York at prevailing market rates. There were no outstanding borrowings under this facility as of December 31, 2018 and 2017.

NOTE J
401(K) PENSION PLAN

The Credit Union maintains a 401(k) pension plan covering substantially all employees. The Plan allows employees, immediately upon date of hire, to defer a portion of their salary through contributions to the Plan. After one year of service the Credit Union makes matching contributions to the Plan based on elected compensation deferrals. The Credit Union's matching contribution is based on 100% of the elected deferral for the first 3% of compensation and 50% of the elected deferral for the next 2% of compensation. Expense for the years ended December 31, 2018 and 2017 amounted to approximately $591,000 and $646,000, respectively.

NOTE K
COMMITMENTS

Financial Instruments with Off-Balance Sheet Risk:

The Credit Union enters into commitments to extend credit in the normal course of meeting the financial needs of its members. Commitments to extend credit, which generally have fixed expiration dates or other termination clauses, are legally binding agreements to lend to a member (as long as there is no violation of any condition established in the contract). These commitments involve, to varying degrees, elements of credit, interest rate or liquidity risk in excess of the amount recognized in the consolidated statements of financial condition.

Credit risk is the possibility that loss may occur from the counterpart's failure to perform according to the terms of the contract. Interest rate risk is due to fluctuations in interest rates that may decrease the market value of a financial instrument. Liquidity risk is the risk that the Credit Union will not be able to meet its contractual obligations as they come due.

The Credit Union uses the same credit policies in making commitments as it does for on-balance sheet instruments. The Credit Union controls the credit risk of commitments to extend credit through credit approvals, credit limits, monitoring procedures, and management's evaluation of each member's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the member.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amounts of the commitments. A summary of the contract amounts of the Credit Union's commitments to extend credit at December 31, 2018 is as follows (in 000's):

Unused credit card lines	**$ 111,937**
Unused lines of credit	**39,975**
Overdraft protection program commitments	**30,585**
Loans approved not yet disbursed	**5,900**
Unused residential construction loans	**1,314**
Unfunded business loan commitments	**16,971**
Other unfunded commitments	**7,374**
	$ 214,056

Since portions of the above commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements.

Financial Instruments with Concentrations of Credit Risk:

The Credit Union has identified certain credit risk concentrations in relation to its on and off balance sheet financial instruments. A credit risk concentration is defined as a significant credit exposure to an individual or a group engaged in similar activities or affected similarly by economic conditions.

The Credit Union, at times, maintains deposits with depository financial institutions that exceed federally insured limits.

The Credit Union originates residential real estate loans throughout Central and Northern New York. These loans are underwritten to comply with secondary market standards and are secured by the underlying collateral. The Credit Union also grants various secured and unsecured consumer type loans to members in these regions.

NOTE L
RELATED PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit to directors, supervisory committee members, executive officers and employees. The aggregate loans at December 31, 2018 and 2017 are approximately $12,778,000 and $12,655,000, respectively. Shares from these related parties at December 31, 2018 and 2017 amounted to approximately $18,373,000 and $17,818,000, respectively. It is the Credit Union's policy that all such transactions are on substantially the same terms as those for comparable transactions with its members.

NOTE M
REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements.

Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off balance sheet items as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios of net worth to total assets.

Credit unions are also required to calculate a Risk-Based Net Worth (RBNW) requirement which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. A RBNW ratio of 6.0% or greater would cause the Credit Union to be considered complex. If complex, the net worth ratio must be greater than the RBNW ratio or the Credit Union will be classified as undercapitalized. The Credit Union's RBNW ratio as of December 31, 2018 and 2017 was 5.7% and 5.9%, respectively. Management believes that, as of December 31, 2018 and 2017, the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2018, the most recent call reporting period, the Credit Union was categorized as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Credit Union must maintain a minimum net worth ratio of 7.0% of assets and meet any applicable RBNW requirement. Management believes there are no conditions or events that have occurred since that notification that would have changed the Credit Union's category.

The Credit Union's actual capital amounts and ratios at December 31, 2018 and 2017 are presented in the following table (in 000's):

	Actual		To be Well Capitalized Under Prompt Corrective Action Provisions		To be Adequately Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2018						
Net Worth	**$ 149,772**	**9.5%**	**$ 110,510**	**7.0%**	**$ 94,722**	**6.0%**
Risk-Based Net Worth Requirement	**90,618**	**5.7%**	**N/A**	**N/A**	**N/A**	**N/A**
December 31, 2017						
Net Worth	**$ 143,623**	**9.7%**	**$ 103,746**	**7.0%**	**$ 88,926**	**6.0%**
Risk-Based Net Worth Requirement	**87,147**	**5.9%**	**N/A**	**N/A**	**N/A**	**N/A**

Actual net worth amounts in the preceding table do not include accumulated other comprehensive income or (loss). In performing its calculation of total assets, the Credit Union used the quarter-end balance option, at December 31, 2018 ($1,578,708,066) and December 31, 2017 ($1,482,092,315), as permitted by regulation.

Because the RBNW requirement is less than the net worth ratio, the Credit Union retains its original category.

Firley, Moran, Freer & Eassa, CPA, P.C.
125 East Jefferson Street · Suite 920 · Syracuse, NY 13202
TEL: 315.472.7045 • **FAX:** 315.472.7053 • **www.fmfecpa.com**

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

To the Supervisory Committee
and Board of Directors
AmeriCU Credit Union
Rome, New York

We have audited the financial statements of AmeriCU Credit Union and Subsidiaries as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon, dated February 22, 2019, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to February 22, 2019.

The accompanying other financial information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Firley, Moran, Freer & Eassa, CPA, P.C.

Syracuse, New York
February 22, 2019

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AmeriCU Credit Union And Subsidiaries
December 31, 2018

	AmeriCU Credit Union	Hamilton Associates, Inc.	AmeriCU Services, LLC	AmeriCU Capital Management, LLC	Eliminations	Consolidated
Assets						
Cash and cash equivalents	$ 161,597,432	$ 101,917	$ 1,295,247	$ 2,455,898	$ 3,853,062	$ 161,597,432
Deposits at corporate credit union	175,194					175,194
Investments-available for sale	119,895,429					119,895,429
Loans to members, net of allowance for loan losses	1,209,258,017					1,209,258,017
Loans held for sale	1,228,738					1,228,738
Accrued interest receivable	4,162,456					4,162,456
Property and equipment, net	32,299,533		7,996	2,170		32,309,699
Other assets	53,368,630		271,442	3,914	4,066,374	49,577,612
Total assets	$ 1,581,985,429	$ 101,917	$ 1,574,685	$ 2,461,982	$ 7,919,436	$ 1,578,204,577
Liabilities and members' equity						
Liabilities						
Members' share accounts	$ 1,367,074,247				$ 3,853,062	$ 1,363,221,185
Borrowed funds	50,000,000					50,000,000
Accounts payable and accrued liabilities	15,500,328		$ 42,226	$ 29,984		15,572,538
Total liabilities	1,432,574,575		42,226	29,984	3,853,062	1,428,793,723
Members' equity	149,410,854	$ 101,917	1,532,459	2,431,998	4,066,374	149,410,854
Total liabilities and members' equity	$ 1,581,985,429	$ 101,917	$ 1,574,685	$ 2,461,982	$ 7,919,436	$ 1,578,204,577


AmeriCU
www.americu.org | 800.388.2000

DETAILS OF CONSOLIDATED STATEMENT OF INCOME

AmeriCU Credit Union and Subsidiaries
Year ended December 31, 2018

	AmeriCU Credit Union	Hamilton Associates, Inc.	AmeriCU Services, LLC	AmeriCU Capital Management, LLC	Eliminations	Consolidated
Income:						
Interest on loans	$ 54,392,765					$ 54,392,765
Investment income	1,134,192	$ 656	$ 12,263	$ 16,276	$ (268,353)	1,431,740
	55,526,957	656	12,263	16,276	(268,353)	55,824,505
Interest expense:						
Dividends	11,025,499				29,195	10,996,304
Borrowed funds	865,091					865,091
	11,890,590				29,195	11,861,395
NET INTEREST INCOME	43,636,367	656	12,263	16,276	(297,548)	43,963,110
Provision for loan losses	11,785,000					11,785,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	31,851,367	656	12,263	16,276	(297,548)	32,178,110
Non-interest income:						
Fees, service charges and other income	19,480,934	1,954	1,201,366	965,630	5,250	21,644,634
Gain on sales of loans	722,127					722,127
	20,203,061	1,954	1,201,366	965,630	5,250	22,366,761
Non-interest expense:						
Compensation and benefits	21,961,001		1,098,087	649,601		23,708,689
Office occupancy and operations	15,700,940	4,569	431,199	312,237	5,250	16,443,695
Professional services	4,926,614					4,926,614
Membership services, promotions and other	3,316,168					3,316,168
	45,904,723	4,569	1,529,286	961,838	5,250	48,395,166
NET INCOME (LOSS)	$ 6,149,705	$ (1,959)	$ (315,657)	$ 20,068	$ (297,548)	$ 6,149,705

BOARD AND MANAGEMENT

Board of Directors

John A. Stevenson
CHAIRMAN

George C. Bauer, III
VICE CHAIRMAN

Ryan Kuhns
RECORDING OFFICER

Terri Tulowiecki
CHIEF FINANCIAL OFFICER

Joseph J. Turczyn
DIRECTOR

Jennifer Stowell
DIRECTOR

Nicola Fabrizio
DIRECTOR

Supervisory Committee

Robert J. Angelhow
CHAIRMAN

Luis M. Marina
MEMBER

Glenn Gaslin
MEMBER

Chief Leadership Team

Mark A. Pfisterer
PRESIDENT & CHIEF EXECUTIVE OFFICER

Sonya E. Ezell
EXECUTIVE ASSISTANT

Ronald Belle
CHIEF EXPERIENCE OFFICER

Channing Harwood III
CHIEF FINANCIAL OFFICER

Mark J. Livesey
CHIEF RISK OFFICER

James T. Lombardo, CPCU, AAI, AIM
CHIEF OPERATING MANAGER

Lisa Malone
CHIEF LENDING OFFICER

Vincent Schoonmaker
CHIEF INFORMATION OFFICER

Marissa Carollo
EXECUTIVE ASSISTANT

Management Team

Fred Agerter
FINANCIAL CENTER MANAGER, CAZENOVIA

John Arnold
ASSISTANT VICE PRESIDENT, LENDING SALES

Leslee Bango
MANAGER, RESIDENTIAL MORTGAGES

Rebecca Barish
SUPERVISOR, LOAN WORKOUT AND RECOVERY

Kathryn M. Cashel
MANAGER, CONSUMER LOANS AND ASSET QUALITY

Jeff Canarelli
ASSISTANT VICE PRESIDENT, FACILITIES AND CONSTRUCTION

Benjamin Cassano
CHIEF AUDIT EXECUTIVE

Mike Cook
FINANCIAL CENTER MANAGER, HERKIMER

Ryne Cornacchia
MANAGER, RISK SERVICES

Nicholas Cray
VICE PRESIDENT, MEMBER RELATIONS & MARKETING

Jacqueline M. Emma
FINANCIAL CENTER MANAGER, GRIFFISS

Stephanie M. Fisher
MANAGER, ATM-DEBIT CARD SERVICES

Michael Francisco
MANAGER, SECONDARY MARKET

Michele Garcia
VICE PRESIDENT, HUMAN RESOURCES

Alexander Gerson
FINANCIAL CENTER MANAGER, CAMILLUS

Jin Gwak
ASSISTANT VICE PRESIDENT, MEMBER TECHNOLOGY SOLUTIONS

Kyle Halpin
FINANCIAL CENTER MANAGER, ONONDAGA COMMUNITY COLLEGE

Danielle R. Hatashita
FINANCIAL CENTER MANAGER, CICERO

Dyana Herrig-O'Neill
VICE PRESIDENT, FINANCIAL CENTER OPERATIONS

Linda A. Hoff
MANAGER, COMPLIANCE OFFICER

Dora Iles
PROJECT MANAGEMENT OFFICER

Ted Kelly
RESIDENTIAL MORTGAGE ORIGINATION MANAGER

Tina Lanier
FINANCIAL CENTER MANAGER, FORT DRUM

Jason Lewin
MANAGER, MEMBER TECHNOLOGY INFRASTRUCTURE

Rebecca Mabry
FINANCIAL CENTER MANAGER, WATERTOWN

Janice Mancuse
TRAINING SUPERVISOR

Michael J. Manuele
ASSISTANT VICE PRESIDENT, FINANCIAL CENTER OPERATIONS

JoAnne Marco
TECHNICAL SUPPORT SUPERVISOR

Vaune A. Morat
MANAGER, MEMBER SERVICE CENTER

Mary Lemoniades
FINANCIAL CENTER MANAGER, LIVERPOOL

Linda Murphy
MANAGER, PROCESS IMPROVEMENT

William Orr
MANAGER, LOAN WORKOUT AND RECOVERY

Jeffrey Paino
DIGITAL MARKETING MANAGER

Rindy L. Pallas
MANAGER, ACCOUNTING AND ELECTRONIC SERVICES

James Rafte
FINANCIAL CENTER MANAGER, NORTH UTICA

Candace Reeves
FINANCIAL CENTER MANAGER, AUBURN

Tab Rightmyre
MANAGER, OUTREACH & EDUCATION

Connie Schoff
MANAGER, CORE PROCESSING

Barbara H. Schram, SPHR
MANAGER, HUMAN RESOURCES

Rachel Siderine
FINANCIAL CENTER MANAGER, ONEIDA

Michael Smith
ASSISTANT VICE PRESIDENT, FINANCIAL CENTER OPERATIONS

Todd Stiles
FINANCIAL CENTER MANAGER, ARMORY SQUARE

Tina Thornton
ASSISTANT VICE PRESIDENT, FINANCIAL CENTER OPERATIONS

Ellen M. Traub
FINANCIAL CENTER MANAGER, YORKVILLE

Kelly Trepasso
ASSISTANT VICE PRESIDENT, COMMERCIAL & RESIDENTIAL REAL ESTATE CREDIT RISK

Eric Tupper
FINANCIAL CENTER MANAGER, LOWVILLE

Anthony Voce
MANAGER, PAYMENT OPERATIONS

Harris Weisman
MANAGER, INFORMATION SECURITY

Rosita Williams
FINANCIAL CENTER MANAGER, SYRACUSE

Heather Wilson
FINANCIAL CENTER MANAGER, ROME

Kaleb Wilson
FINANCIAL CENTER MANAGER, CORTLAND

Tim S. Witter
MANAGER, FINANCIAL ANALYSIS AND REPORTING

Christopher A. Wood
RELATIONSHIP MANAGER, INDIRECT LENDING

Heather Wood
FINANCIAL CENTER MANAGER, FAYETTEVILLE

19 CONVENIENT FINANCIAL CENTER LOCATIONS

ARMORY SQUARE
200 Walton St.
Syracuse, NY 13202

AUBURN
295 Grant Ave.
Auburn, NY 13021

CAMILLUS
5212 W. Genesee St.
Camillus, NY 13031

CAZENOVIA
82 Albany St.
Cazenovia, NY 13035

CICERO
6414 State Route 31
Cicero, NY 13039

CORTLAND
3944 NY RT 281 Suite 15
Cortland, NY 13045

FAYETTEVILLE
5439 N. Burdick St.
Fayetteville, NY 13066

FORT DRUM
10750 Enduring Freedom Dr.
Fort Drum, NY 13602

GRIFFISS PARK
231 Hill Rd.
Rome, NY 13441

HERKIMER
EFK Plaza 326 E. State St.
Herkimer, NY 13350

LIVERPOOL
7474 Oswego Rd.
Liverpool, NY 13090

LOWVILLE
7394 Utica Blvd.
Lowville, NY 13367

NORTH UTICA
224 N. Genesee St.
Utica, NY 13502

ONONDAGA COMMUNITY COLLEGE
Whitney Center for Applied Technology
4585 W. Seneca St.
Syracuse, NY 13215

ONEIDA
280 Genesee St.
Oneida, NY 13421

ROME
1916 Black River Blvd.
Rome, NY 13440

SYRACUSE
6303 Thompson Rd.
Syracuse, NY 13206

WATERTOWN
871 Arsenal Street
Watertown, NY 13601

YORKVILLE
4957 Commercial Dr.
Yorkville, NY 13495


ROME FIRE
MOTOROLA

NOTES

NOTES

TWENTY EIGHTEEN

Annual Report

AmeriCU
1916 Black River Blvd., Rome, NY 13440 | www.americu.org | 800.388.2000