

Meet Our Executive Leadership Team



Left to Right:

Nikki Greene, *Vice President, Information Technology*

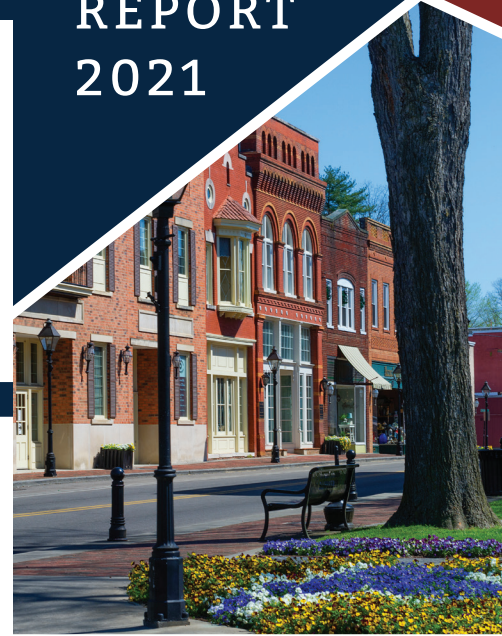
Andrew Mullins, *Chief Lending Officer*

Kelly Smith, *President & CEO*

Vicki Gobble, *Chief Operations Officer/Chief Financial Officer*

Miranda Cooper, *Vice President, Member Experience*

ANNUAL REPORT 2021



LOCATIONS

Gray

5034 Bobby Hicks Hwy, Suite 2
Gray, TN 37615

Johnson City

3101 Peoples Street, Suite 100
Johnson City, TN 37604

Kingsport

1500 East Stone Drive
Kingsport, TN 37660

Norton

1400 Park Ave NW
Norton, VA 24273

Rogersville

1206 West Main Street
Rogersville, TN 37857

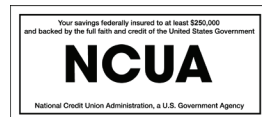
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The Appy Way
is Calling!

**Appalachian**
Community Federal Credit Union

Letter from the Board Chairman, MR. JOE BOGGS



When we started 2021, we all hoped that things would normalize; instead, it turned out to be another difficult year for our country and world. Economic pressures brought on by the continuing pandemic, supply chain disruption and many other factors have tested the resolve of everyone I know. The continuing low-interest rate environment has created a great opportunity for many of our members to refinance or purchase new homes at very low rates. For investors, the story is not as favorable, as the low-rate environment makes it difficult to pay high rates of return on deposit accounts and certificates.

Your ACFCU Board and leadership team have taken proactive steps to best serve you during this time, and we will continue this commitment to serving our

loyal members. Our goal is meeting you where you are, and doing business on your terms. We continue to enhance our package of online services to provide the convenience and ease of transacting with us, from wherever you are. This was a key factor in successfully serving you when we needed to temporarily close down branches due to our own employees' illness or staffing shortages, both of which have impacted operations across every type of business.

Throughout the pandemic we have often heard the term "essential employees," typically referring to healthcare and other frontline workers. We honor and support these heroes. However, it is also important to recognize that our credit union employees are also deemed essential. We did not close, we did not give up. We worked around illness, quarantine and dire family situations to continue providing for our members and serving you. We thank you for your patience during difficult down times and for growing and changing alongside us.

As we enter 2022, we prepare to celebrate 90 years in business – a noteworthy milestone at a time when mergers and branch closures have become a new normal. As we face new competition from large national banks putting down stakes in our communities, we appreciate you and your continued business with ACFCU more than ever. Maintaining our sense of community, while fostering our member relationships is something we take very seriously. We are here to help you, listen to you and solve financial problems with you. As a credit union, our strength comes from our membership. Regardless of what is happening on a national or global scale, it's what WE do TOGETHER that matters and makes our lives better.

Thank you for doing business with ACFCU and for trusting us with your financial needs for 90 years – I look forward to seeing what we will achieve in the next 90!

A handwritten signature in black ink that reads "Joe Boggs".

Joe Boggs
Chairman of the Board of Directors

QUALITY FINANCIAL CONCEPTS

For many people, investing can be confusing and intimidating. That's why Appalachian Community Federal Credit Union partners with Quality Financial Concepts (QFC) to provide members with expert investment advice from Certified Financial Planner Shane Smith.

Smith recently earned the coveted Chartered Financial Analyst (CFA) designation. In order to qualify for a CFA charter, candidates must have obtained a bachelor's degree, pass all three levels of the curriculum and accumulate at least 4,000 hours of qualified work experience. It is one of the highest distinctions in the investment management profession.

With a focus on common sense investment strategies, Smith strives to give professional guidance and develop a strategy best suited to the individual needs of ACFCU members.

QFC solutions include:

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

**For more information or to schedule an appointment,
contact Smith at 423-378-2812 or mssmith@qualityfinancial.com.**

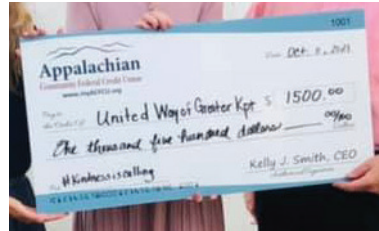
M. Shane Smith, CFP®, Branch Office of and Securities offered through Crown Capital Securities, L.P. Member FINRA & SIPC. Advisory services offered through QFC Advisory LLC. Tax services and insurance offered through QFC Services LLC. QFC Advisory LLC and QFC Services LLC are wholly owned by Quality Financial Concepts LLC (collectively, QFC). CCS and QFC are not affiliated. Not NCUA Insured. No Credit Union Guarantees. May Lose Value.



THE APPY WAY IS CALLING!

At ACFCU, we're dedicated to serving you, our members, and our community with **kindness, ownership, and integrity**. That's what we call **"The Appy Way!"** While the pandemic still presented some challenges, we were excited to get back out into the community and show our support. These are just a few of the organizations we were involved with this year:

- Children's Miracle Network
- Christian Medical & Dental Association
- Dawn of Hope
- Foster Care Christmas Fund
- Junior Achievement
- Kiwanis Club
- Rogersville Heritage Association
- Rotary Club
- Ruritan Club
- Salvation Army
- United Way
- Wreaths Across America



Another way we supported our members in 2021 was through financial education. Thanks to our partnership with GreenPath Financial Wellness, we were able to offer members the opportunity to attend free webinars on topics such as building credit, buying a home, repaying student loans, saving money, managing debt, increasing financial awareness, and more!



Supervisory Committee Report, MS. TRISH PATTERSON

The Supervisory Committee is responsible for serving you, our Appalachian Community FCU members. The committee represents the best interests of membership by providing oversight for the Board of Directors and reviewing credit union management practices. It is this committee's responsibility to ensure safe and sound business practices are followed, as well as confirming the validity of internal controls.



To successfully accomplish these responsibilities, the Supervisory Committee communicates regularly with our internal Compliance department on day-to-day operations, as well as engaging an outside audit firm to perform a comprehensive annual audit, as required by our federal regulator, the National Credit Union Association (NCUA).

In 2021, our complete financial audit was performed by Brown & Edwards, LLC, Roanoke, VA, based on the December 31, 2021 financial statement. Upon reviewing the results of this audit, as well as many additional reports and financial updates throughout the year, the Supervisory Committee can confidently state that ACFCU is safe, sound and prepared to continuing serving our members at the highest level.

On behalf of the entire Supervisory Committee, it is a pleasure to serve you. Thank you for your membership and for doing business with ACFCU.

Trish Patterson

Trish Patterson
Chairperson, Supervisory Committee



CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF 12/31/2021

ASSETS	
Cash and cash equivalents	\$22,932,494
Investments available for sale	\$6,356,085
Restricted investments	\$1,153,389
Loans receivable, net of allowance for loan losses	\$133,497,762
Accrued interest receivable	\$411,970
Property and equipment, net	\$3,756,097
Deposit in National Credit Union Share Insurance Fund	\$1,533,238
Foreclosed assets	\$96,614
Other assets	\$2,275,197
TOTAL ASSETS	\$172,012,846

LIABILITIES	
Share and deposit accounts	\$154,117,938
Accrued dividends and interest payable	\$9,184
Accounts payable and accrued liabilities	\$1,642,974
Subordinated debt	\$1,714,286
TOTAL LIABILITIES	\$157,484,382

MEMBERS' EQUITY	
Regular reserve	\$6,171,056
Undivided earnings	\$8,381,830
Accumulated other comprehensive income	(\$24,422)
TOTAL MEMBERS' EQUITY	\$14,528,464
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$172,012,846

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS OF 12/31/21

INCOME	
Net income	\$2,136,410
Unrealized gains on investment securities available for sale	(\$39,832)
COMPREHENSIVE INCOME (LOSS)	\$2,096,578

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY AS OF 12/31/21

	Regular Reserve	Undivided Earnings	AOCI (Loss)	Total
BALANCES, Dec. 31, 2020	\$6,171,056	\$6,245,420	\$15,410	\$12,431,886
Net income	—	\$2,136,410	—	\$2,136,410
Other comprehensive loss	—	—	(\$39,832)	(\$39,832)
BALANCES, Dec. 31, 2021	\$6,171,056	\$8,381,830	(\$24,422)	\$14,528,464

CONSOLIDATED STATEMENT OF OPERATIONS AS OF 12/31/2021

INTEREST INCOME	
Loans	\$7,200,821
Investment securities, net	-
Other interest-earning assets	\$117,338
TOTAL INTEREST INCOME	\$7,318,159

INTEREST EXPENSE	
Dividends and interest on share and deposit accounts	\$2,488,988
Interest on borrowed funds	\$51,454
TOTAL INTEREST EXPENSE	\$2,540,442
NET INTEREST INCOME	\$4,777,717

PROVISION FOR LOAN LOSSES	
	(\$275,000)
Net interest income after provision for loan losses	\$5,052,717

NON-INTEREST INCOME	
Fees and service charges, net	\$3,236,581
Net gain on sales, calls, and maturities on investment securities	-
Net gain on disposal of property and equipment	(\$206,233)
Net gain on foreclosed assets	\$92,514
Rental income	\$66,550
Grant income	\$1,330,500
ERTC	\$1,179,160
Other income, net	\$295,845
TOTAL NON-INTEREST INCOME	\$5,994,917

NON-INTEREST EXPENSES	
Salaries and benefits	\$3,853,414
Office operations	\$2,693,547
Office occupancy	\$1,067,952
Professional and outside services	\$347,152
Loan servicing expense	\$785,522
Educational and promotional	\$86,022
Travel and conference	\$6,156
Other expenses	\$71,459
TOTAL NON-INTEREST EXPENSE	\$8,911,224
NET INCOME	\$2,136,410

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