



PIEDMONT
A **ADVANTAGE**
CREDIT UNION

2016 ANNUAL REPORT

Investing in Our Members

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Piedmont Advantage Credit Union provided exceptional member value that was fueled with our growth in 2016. *'Members Come First'* is our core value and it will always be at the heart of how we do business. Doing the *right thing* for our members will always be the *right thing* for our credit union.

A Year of Growth

During the year, loans grew by 11.41% to over \$265 million, while deposits grew by 4.96% to \$280 million. The average share balance per member grew to \$6,381 and average loan balance per member grew to \$11,383. These positive upward trends tell us that Piedmont Advantage members trusted their credit union for their financial needs more than ever. Over 4,000 people made the decision to join our credit union and experience the difference that happens when members come first.

Building Relationships

At Piedmont Advantage, we exist to make a difference in the lives of our member-owners. Our goal is to build relationships, to earn your trust and to be the advisor you turn to for advice and solutions with your best interests at heart. We are here to build member-centered solutions no matter where you are in life.

During 2016, over 120 current and new members chose **Piedmont Advantage** for their retirement, financial planning and advisory investment solutions, with over \$19 million invested. We expanded our Member Financial Wellness Program to include member education opportunities that included a retirement income planning seminar and the webinar, *10 Steps* to Financial Success. My Profile, a member's guide to considering financial life goals before they meet with our financial advisors, was introduced. The pacuinvestment.com website was expanded with more articles and information our members find valuable, and we added an e-newsletter and blog as additional way to provide valuable industry new for our members.

Business lending solutions were introduced during the summer and we began originating loans with small-to-medium sized businesses. We recognize

that other financial institutions overlook this valuable segment of our economy and developed a program to fill the void left in the market since the economic turndown several years ago. Adding a business lending consultant with deep expertise to our staff provides our members with more options to build their dreams and legacies.

Your credit union completed a credit and debit card conversion, replacing the card(s) of every member with a new EMV chip card. This new technology provides greater protection and security against fraudulent activity for our members during "card-present" transactions.

Social Responsibility

We continue our commitment to social responsibility by partnering with local and national charities in the communities our members call home. We donated \$37,000 to worthy causes like the USO of North Carolina and the Levine Children's Hospital in Charlotte. Through hot dog and bake sales, and a vendor day, our staff and members contributed \$7,000 to Victory Junction Reach.

Thanks to our members, Piedmont Advantage Credit Union was named a **Best Credit Union** nominee in the Winston-Salem Journal Reader's Choice Awards, as well as a **Best Credit Union** nominee in YES! Weekly Magazine. Our CEO, Judy R. Tharp was presented with a **Women in Leadership Award** by the City of Winston-Salem. We are passionate about serving our members and it is humbling to be recognized for what we do every day.

Our Thanks

Thank you to our staff and to our volunteer Board of Directors. It truly is a privilege to serve our members, and these two groups live our core value of *'Members Come First'* always.

Finally, thank you to our more than 43,000 members nationwide for your support and loyalty. Each day you help your credit union grow and become stronger. We promise to continue to enhance the value of your membership for years to come. Thank you for choosing to be a member of Piedmont Advantage Credit Union.

Statement of Financial Condition

For the year ended December 31, 2016

Assets December 31, 2016

| | |
|--|----------------------|
| Cash and Cash Equivalents | \$20,902,600 |
| Investments | |
| Available for sale | \$11,180,482 |
| Other | \$5,372,856 |
| Federal Home Loan Bank (FHLB) stock | \$837,500 |
| Loans receivable, net of allowance for loan losses | \$265,252,305 |
| Accrued interest receivable | \$866,505 |
| Premises and equipment, net | \$12,738,462 |
| National Credit Union Share Insurance Fund deposit | \$2,697,337 |
| Assets acquired in liquidation | \$1,358,197 |
| Goodwill | \$590,931 |
| Other assets | \$6,142,042 |
| Total Assets | \$327,939,217 |

Liabilities and Members' Equity

Liabilities

| | |
|--------------------------------------|----------------------|
| Members' share and savings accounts | \$279,531,542 |
| Borrowed funds | \$12,355,000 |
| Accrued expenses & other liabilities | \$2,333,301 |
| Total Liabilities | \$294,219,843 |

Members' Equity

| | |
|--------------------------------------|---------------------|
| Regular reserve | \$5,561,337 |
| Undivided earnings | \$27,791,088 |
| Accumulated other comprehensive loss | (\$32,080) |
| Equity acquired in merger | \$399,029 |
| Total Members' Equity | \$33,719,374 |

Total Liabilities and Members' Equity \$327,939,217

Statement of Income For The Year Ended December 31, 2016

Interest Income

| | |
|------------------------------|---------------------|
| Interest on loans receivable | \$11,892,578 |
| Interest on investments | \$396,844 |
| Interest income | \$12,289,422 |

Interest Expense

| | |
|---|------------------|
| Dividend on members' share and savings accounts | \$694,186 |
| Interest on Borrowed Funds | \$229,952 |
| Interest Expense | \$924,138 |

| | |
|----------------------------------|---------------------|
| Net Interest Income | \$11,365,284 |
| Provision for Loan Losses | \$2,520,801 |

Net Interest Income After Provision for Loan Losses \$8,844,483

Non-interest Income

| | |
|----------------------------------|--------------------|
| Fees and Service charges | \$4,830,544 |
| Other non-interest income | \$2,500,538 |
| Gain on sale of investments, net | \$36,285 |
| Non-interest income | \$7,367,367 |

Non-interest Expense

| | |
|------------------------------------|---------------------|
| Compensation and employee benefits | \$5,323,283 |
| Operations | \$3,633,166 |
| Professional and outside services | \$2,686,157 |
| Loan servicing | \$1,747,584 |
| Occupancy | \$995,000 |
| Education and promotion | \$327,077 |
| Goodwill amortization | \$82,453 |
| Loss on disposition of assets, net | \$4,797 |
| Non-interest expense | \$14,799,517 |

Net Income \$1,412,333



2016
Growth by the
Numbers



4.96%
Deposit Growth



11.41%
Loan Growth



4.87%
Asset Growth

Supervisory Committee's Report

The Piedmont Advantage Credit Union's Board of Directors, as required by the bylaws, appoints a Supervisory Committee each year. The committee is responsible for the completion of the annual audit of the credit union's financial statements. The committee represents the membership by reviewing the credit union's records and activities to promote safety and soundness.

The committee hired Nearman, Maynard, Vallez, CPAs, to perform the annual audit and to review our conformity with generally accepted accounting principles. The audit was for financials for the year ended December 31, 2016.

In addition to their audit of the credit union's financial statements, Nearman, Maynard, Vallez, CPAs also performed the annual verification of members' accounts and an analysis of the credit union's policies and procedures. During

the year, the Credit Union Division of the North Carolina Department of Commerce, jointly with the National Credit Union Administration (NCUA), examined the credit union to ensure our compliance with all applicable laws, rules and regulations established for credit unions in our state.

Finally, the committee engaged the audit services of The Legge Group to conduct a series of audits of the credit union's internal controls, policies, and procedures. Nearman, Maynard, Vallez, CPAs also performed the credit union's 401k audit. First Carolina Corporate Credit Union performed an ACH Audit, and CSI performed an IT Security and Risk Audit.

Respectfully Submitted,
David Lance, Chairman
Darren Cranfill
Justine Lerch

Board of Directors

Jim Taylor
Chairman

George Price
Vice Chairman

Tom Mekis
Secretary

John Reece
Treasurer

David Lance
Director

Ramon Hoots
Director

Gene Sharp
Director

Justine Lerch
Director

Steve Gilliland
Director

Darren Cranfill
Associate Director

Mark Saunders
Associate Director

Supervisory Committee

David Lance
Supervisory Committee,
Chairman

Darren Cranfill
Supervisory Committee

Justine Lerch
Supervisory Committee



Members Come First
800-433-PACU (7228)
www.pacu.com



This credit union is federally insured by the National Credit Union Administration and is an Equal Opportunity Housing Lender.



2016
By the
Numbers


43,804
Member/Owners


Assets:
\$327,939,217


Deposits:
\$279,531,542


Loans:
\$265,252,305