

Annual Report



2010



Fort Financial
Credit Union

Unbank your life.



ANNUAL MEETING MINUTES

63rd Annual Meeting | March 6, 2010

Chairman Nahrwold opened the 63rd Annual Meeting of Fort Financial Credit Union, held at Don Hall's Guesthouse in Fort Wayne, Indiana beginning at 11 AM, March 6, 2010.

Chairman Nahrwold requested Secretary Beam to present the invocation.

The James Baker Trio provided easy listening music, which was enjoyed by all.

Chairman Nahrwold welcomed all in attendance. Chairman Nahrwold requested the Board's Secretary to determine if a quorum was present. Secretary Beam verified a quorum was present according to the Federal Credit Union By-Laws, Section 5.

Secretary Beam presented the 62nd Annual Meeting Minutes as printed in the Annual Report. A motion was made and seconded to accept the minutes as presented. Motion carried.

President and Chief Executive Officer Steve Collins presented the Executive Report as printed in the Annual Report.

The Chairman of the Supervisory Committee, Shawn Smith presented the Supervisory Committee Report and introduced Joan Hiemstra, the Board's Internal Auditor.

Treasurer McKinley reviewed the Treasurer's Report as printed.

Chairman Nahrwold introduced and thanked the Fort Financial Credit Union staff responsible for the Annual Meeting preparations.

Chairman Nahrwold presented the Nominating Committee Report. Three candidates were nominated to fill three open positions. Directors were reappointed to three-year terms.

Chairman Nahrwold adjourned the business meeting at 1:00 PM. Door prizes were awarded to members as attendance prizes.



CHAIRMAN'S REPORT

Nick Bond, Board of Directors Chairman

Your credit union has a great 2010 report for the membership. This is a major achievement given the challenges that Fort Financial was facing when starting this past year. The accolades for this superior performance go to the credit union's new President, Mr. Steve Collins, and his executive team comprised of Mrs. Tammy Hartman, and Mr. Mike Stratton, along with a very cohesive working relationship between this executive team and the Fort Financial Board of Directors.

The credit union business has become a much tougher environment since our economy has started to emerge from this recent recession. Financial organizations have faced a huge downward trend on interest rates. These rates continue to stay very low and while this is great for our members on the loan and lending side of the credit union, it also means there is little opportunity for dividends to raise in the short term.

During this time, your credit union has done an excellent job of keeping its expenses very lean; with little growth opportunity in income during 2010 the net earnings for this past year exceeded our budget expectations by 10-fold. This enabled Fort Financial to post a strong 8.31% net worth ratio for the year end

2010. The National Credit Union Administration (NCUA) rated our 2010 performance as a vast improvement and ranked our net-worth strength as "well-capitalized," the highest capital rating available.

This was definitely a year of challenges for the Board of Directors and the CEO. Strong plans were developed early in 2010 to lay out a road map of financial growth for the credit union. This plan involved a thorough review of all the credit unions business, income and expenses. It also, unfortunately, involved the plans to downsize the number of branches that we could support. During 2010, the sale of our South Beloit, IL office was ultimately a success for the employees of Fort Financial as Corner Stone Credit Union took the opportunity to strengthen the services available to its Illinois membership. We also welcomed to our credit union the members of Specialty Credit Union (former Slater Steel Credit Union) and are pleased to be able to provide a wider suite of services to these Fort Wayne residents.

We are pleased to now look forward to a solid financial year for 2011 at Fort Financial Credit Union.



EXECUTIVE REPORT

Steve Collins, President & CEO | Mike Stratton, CFO & VP of Strategic Services
Tammy Hartman, VP of Sales & Service

The year began in the very depth of our modern age depression. Unemployment was 10% nationally, and “experts” were split on the opinion of how much longer it would last. Fort Financial took the aggressive steps to prepare for a prolonged recession by continuing cost-cutting measures and balance sheet management.

2010 ended with a lot of successes. The plans and changes implemented dramatically helped improve the credit union’s financials. In the meanwhile, the economy did not worsen but began to stabilize. Loan delinquency fell during the year from 1.25% down to 1.07% in our portfolio. Continuing the trend of 2009, new loans were harder to attract due to lower economic activity, even with record-low rates. However, the overall quality of the loan portfolio improved. Our actual loan losses were significantly less than the losses we prepared for at the beginning of the year.

While other institutions continued to suffer from a depressed housing market and record high foreclosures, Fort Financial was able to withstand these affects. Overall our mortgage portfolio consists of loans to members in good financial standing. New first mortgage volume in 2010 doubled the volume of the previous year. MMI, our wholly owned mortgage company, continues to serve our membership, our community and other smaller credit unions unable to support their own mortgage department. They provide nearly every mortgage product or service on the market, at great rates.

The Treasurer’s Report will explain the financial results made in the year. We are proud that we were able to accomplish significantly improved financial results in the midst of the economic conditions we were facing.

Like a ship in a storm needing to increase its buoyancy, or a climber contending

to reach the next plateau, excess weight had to be dropped. For Fort Financial this unfortunately meant we had to trim some positions and not replace vacancies, we delayed some expenditures, and carried out the decision to close our branch in South Beloit, Illinois. These changes helped us weather the storm and become more financially strong.

Technology is an expensive, yet vitally necessary area to keep up-to-date. In 2010, we added free mobile-banking to our line of services. This allows members to TEXT the credit union to instantly make transfers, or check balances and history. We added back-office improvements, including electronic check-clearing, improving the availability of funds and fraud detection of checks written to our members.

The credit union's biggest technology commitment in 2010 was the decision to convert to a new data processing

system. The process has already begun and will be completed by mid-year 2011. The first change our members will see is the greatly reduced reliance on paper. The credit union's copies are all kept digitally secure, everything from teller receipts to loan documents. There will also be the ability to add enhanced services and products. We look forward to taking advantage of the new abilities and improve the service to our membership.

Although our climb out of the economic conditions around us is not complete, Fort Financial continues to add to the positive momentum. With the right tools, the right training and the right people, Fort Financial continues its climb. We look forward to helping you Unbank Your Life!





TREASURER'S REPORT

Eric McKinley, Treasurer | Greg Copeland, Asst. Treasurer

Strategically, the credit union focused on balance sheet improvements, and achieved excellent results ahead of schedule and better than our planned budget. Nearly all financial ratios improved and the credit union ended the year more profitable and more stable than the year prior.

Net Worth Ratio, or capital compared to our total assets is one of the key ratios of financial stability. Our capital ratio improved to over 8%. Our return on assets, or net income compared to total assets was .6%. These are both considered very strong financial ratios in our industry.

The credit union did not pursue growth objectives, but chose to allow higher cost certificates to run off. This provided less dividend expense, and strategically reduced total assets. The closing of South Beloit also caused anticipated migration of deposits. Assets were decreased 6%

in 2010. As long as lending demand is low, demand for excess deposits will be low. Rates are not attractive to depositors. However, these record-low rates remain very attractive to those needing to borrow.

The National Credit Union Administration (NCUA) continued their special assessments on healthy credit unions to help fund the corporate credit union bail-out and to assure a stable insurance fund. Fort Financial's share was \$431,828 toward this special assessment. This assessment has to be paid from our current earnings.

We look forward to adding to these improvements. Fort Financial has weathered the storm and is positioned for an excellent future.



SUPERVISORY COMMITTEE REPORT

Shawn Smith, Chairman | Joan Hiemstra, Internal Auditor
Katia Jentgen | Francine Good

The Supervisory Committee is responsible for the continual review of all credit union activities. The assessment of internal controls and accuracy of financial information is accomplished through various audits.

We have contracted the CPA firm, Clifton & Gunderson to perform the annual audit. The date of the fiscal year end was changed from September 30th to December 31st and as a result, the 2010 audit is currently in progress.

The members of the Supervisory Committee along with our Internal Auditor, Joan Hiemstra pledge to remain current on credit union issues and respond to any questions in 2011. We wish to thank the membership for their continued support and involvement throughout the year.



OPERATING STATEMENT

Income	2010	2009	2008
Interest on Credit Card	176,738	151,259	129,392
Interest on Other Loans	9,198,237	10,531,430	10,062,970
Income on Investments	96,636	(37,247)	211,547
Miscellaneous Income	4,473,141	4,272,914	4,320,318
Other Gains or Losses	(148,657)	(201,021)	242,139
Total Income	13,796,095	14,717,335	14,996,366
Expenses			
Salaries (wages)	3,588,003	3,734,176	3,498,429
Benefits	1,385,201	1,445,885	1,506,993
Travel & Conference	117,215	104,348	135,176
Association Dues	29,450	28,974	33,532
Office Occupancy	817,959	766,408	729,638
Office Operations	2,461,433	2,368,272	2,366,729
Loan Servicing	507,467	788,203	927,781
Outside Services	921,574	839,335	871,997
Operating Fee (NCUA)	584,759	41,719	36,669
Miscellaneous	6,779	4,249	17,064
Total Operating Expenses	10,419,840	10,121,569	10,124,008
Distribution of Income			
Dividends (All Accounts)	1,624,425	2,670,671	3,093,542
Provisions for Loan Losses	718,696	1,957,892	2,952,008
Interest on Borrowed Money	1,008	6,637	9,464
Net Income to Undistributed Earnings	1,032,126	(39,434)	(1,212,656)

FINANCIAL STATEMENT

Assets	2010	2009	2008
Credit Card Loans	2,723,466	2,890,040	2,363,891
Real Estate Loans	30,593,795	29,272,958	34,817,719
All Other Loans	100,168,954	119,757,516	127,814,106
Allowance for Loan Loss	(2,018,780)	(2,200,634)	(2,602,199)
Cash on Hand	4,519,024	4,999,445	6,435,351
Investments	23,422,135	19,009,341	6,316,712
Land & Building	5,081,865	4,177,697	3,995,890
Other Assets	3,265,588	1,211,579	1,823,669
Total Assets	167,756,047	179,117,942	180,965,139
Liabilities			
Certificates	31,222,950	49,999,576	58,878,072
Share Drafts	22,816,577	23,537,898	20,376,423
IRAs	17,827,945	17,741,161	15,399,774
All Other Deposits	82,778,801	76,350,199	66,618,913
Total Deposits	154,646,273	167,628,834	161,273,182
Other Liabilities	1,223,509	859,846	6,334,919
Equity Capital	11,886,265	10,629,262	13,357,038
Total Equity and Liabilities	167,756,047	179,117,942	180,965,139



BOARD OF DIRECTORS



OFFICERS (TOP L-R)
Nick Bond, Chairman
Scott Beam, Vice Chairman
Eric McKinley, Treasurer
Greg Copeland, Asst. Treasurer
Korrie Wilhelm, Secretary
DIRECTORS (BOTTOM L-R)
Bob Martin, Richard Nahrwold,
George Eldridge

ASSOCIATE DIRECTOR
Francine Good

SUPERVISORY COMMITTEE
Shawn Smith, Chairman
Joan Hiemstra, Internal Auditor
Katia Jentgen
Francine Good



SUPERVISORS & BRANCH MANAGERS

CORPORATE

Accounting — JoAnne Abbott
Administrative Assistant — Amber Lapacek
Business Development — Brian Conroy
Card Services — Dawn Glover
Collections — Don Detter
Corporate Branch Manager — Dennis Shaffer
Human Resources — Steve Holloway
Underwriting — Diane Kallmyer
Information Systems — Penny Haggard
Internal Auditor — Joan Hiemstra
Marketing — Stacy Hanna
MMI Mortgage — Deb Bolton
MEMBERS Financial Services® — Paul Gregory
Training Officer — Dennis Shaffer

INDIANA

Angola Branch Manager — Susie Ray
Auburn Branch Manager — Cathy Boehme
Churubusco Branch Manager — Karen Platt
Meijer - Marion — Amber Jordan
Meijer - Illinois Rd, Fort Wayne — Debbie Proulx
Meijer - Lima Rd, Fort Wayne — Marcia Shaefer
Meijer - SR 37, Fort Wayne — Robert Koehl
Syracuse Branch Manager — Peggy Guyas

MISSISSIPPI

Corinth Branch Manger — Cindy Jobe

NORTH CAROLINA

Gastonia Branch Manager — Doug Kush
Morganton Branch Manager — Gail Carswell

OFFICE DIRECTORY

Coporate Office

3102 Spring St., Fort Wayne, IN 46808
260-432-1561 • ATM available
Mon - Fri Lobby 9-5;
Mon - Wed Drive Thru 8:30-5
Thu Drive Thru 8:30-6
Fri Drive Thru 7-6

Indiana

Fort Wayne Meijer - NW
6309 Lima Rd. Fort Wayne, IN 46818
260-497-8682 • ATM available
Mon - Sat 10-7; Sun 11 -5

Fort Wayne Meijer - SW
5909 Illinois Rd. Fort Wayne, IN 46804
260-459-1898 • ATM available
Mon - Sat 10-7; Sun 11 -5

Fort Wayne Meijer - NE
10301 SR 37 / Maysville Rd.
Fort Wayne, IN 46835
260-969-0805 • ATM available
Mon - Sat 10-7; Sun 11 -5

Marion Meijer
3820 S. Western Ave.
Marion, IN 46953
765-674-3728 • ATM available
Mon - Sat 10-7; Sun 11 -5

Angola Office
603 Harcourt Rd. Angola, IN 46703
260-665-7466 • ATM available
Mon-Fri Lobby 9-5
Mon-Wed Drive Thru 8:30-5
Thu Drive Thru 8:30-6
Fri Drive Thru 7-6

Auburn Office
1302 S. Grandstaff Auburn, IN 46706
260-925-3756 • ATM available
Mon-Fri Lobby 9-5
Mon-Wed Drive Thru 8:30-5
Thu Drive Thru 8:30-6
Fri Drive Thru 7-6

Churubusco Office

702 State Road 205
Churubusco, IN 46723
260-693-6394 • ATM available
Mon-Fri Lobby 9-5
Mon-Wed Drive Thru 8:30-5
Thu Drive Thru 8:30-6
Fri Drive Thru 7-6

Syracuse Office

1401 S. Huntington
Syracuse, IN 46567
574-457-5140 • ATM available
Mon-Fri Lobby 9-5
Mon-Wed Drive Thru 8:30-5
Thu Drive Thru 8:30-6
Fri Drive Thru 7-6

Mississippi

Corinth Office

1808 Fulton Dr. Corinth, MS 38834
662-287-8814 • ATM available
Mon-Fri Lobby 9-5
Mon-Wed Drive Thru 8:30-5
Thu Drive Thru 8:30-6
Fri Drive Thru 7-6

North Carolina

Gastonia Office

1475 N. New Hope Rd.
Gastonia, NC 28054
704-864-4892 • ATM available
Mon-Fri Lobby 9-5
Mon-Wed Drive Thru 8:30-5
Thu Drive Thru 8:30-6
Fri Drive Thru 7-6

2010



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