

# 2009 Annual Report



## **Members Credit Union**

We Invest In Our Members





# 2009 Annual Report

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OUR INSIDE COVER -- On the inside cover of this annual report we have listed all of our growing family of sponsor companies. We wish to take this opportunity to thank each of our sponsors for their support and for allowing us to provide their employees with the services of our credit union. We look forward to a long-lasting and mutually beneficial affiliation.

# Joint Report

As we survey the financial landscape after a volatile 2009, we are pleased to report that Members Credit Union fared quite well. In a year in which over 140 banks failed as well as 28 credit unions, Members Credit Union maintained a strong capital to asset ratio of just under 10%, increased assets by 11% and deposits by 13.1%. Despite an extremely trying time for the nation as a whole and the adversity of the past twelve months in the financial industry, Members Credit Union persevered and is as financially healthy now as ever in our 56-year history.

*... Members Credit Union persevered and is as financially healthy now as ever in our 56-year history.*

How did we avoid the problems that befell so many other financial institutions? Quite simply by remaining true to our core values of investing wisely and securely. Unlike many other financial institutions, we do not try to hit “home runs” with our investments. We believe in a solid investment strategy that provides a steady return. We do not participate in commercial lending or indirect auto lending. We shy away from 30 year fixed rate mortgages that do not require a down payment or any income verification from the applicant. We pass on risky investments such as commercial real estate mortgage backed securities and Collateralized Debt Obligations. These types of investments, while offering the opportunity for a huge return, also carry tremendous risk. When investments such as these tanked, investors were unexpectedly exposed. Members Credit Union with its solid and thoughtful investment strategy did not suffer the huge losses incurred by those institutions that chose to follow a more dangerous investment strategy.

We are proud to be part of an industry that did not request nor receive any federal bailout money from the Troubled Asset Recovery Program (TARP). The credit union industry, as not-for-profit financial cooperatives, solved its own problems without subsidy from taxpayers or the government. As a good corporate citizen, Members

Credit Union paid its fair share to ensure that our corporate credit union system did not fail and that the National Credit Union Share Insurance Fund, the credit union's deposit insurance fund, had adequate reserves. While these unexpected large expenditures negatively impacted the bottom line of the credit union for 2009, and will possibly do so again in 2010, it was necessary to keep the industry, as a whole, healthy. Much like a bone that breaks and heals even stronger, the credit union industry will, in the long run, be stronger for weathering this storm.

*Members also flocked to our high yield Money Market and Super Sixty accounts, resulting in increases in these accounts of 36.5% and 50.2% respectively.*

Despite the turmoil in our economy, Members Credit Union had a very respectable year on our balance sheet. Our asset growth, an 11% increase, was outstanding. Although the stock market rebounded somewhat in 2009, deposits still increased a hefty 13.1%, which is unusual because credit union deposits often suffer when the stock market increases. One catalyst for our deposit growth may have been the increase in the share insurance coverage from \$100,000 to \$250,000, as large depositors felt more comfortable increasing their total account balances in the credit union. Members also flocked to our high yield Money Market and Super Sixty accounts, resulting in increases in these accounts of 36.5% and 50.2% respectively.

Quite understandably our loans outstanding fell slightly during the year as members paid down existing debt and were reluctant to take on additional obligations. Note that our loan decrease cannot be traced to tightened credit standards. We understood the plight of our members and did not make obtaining a loan at the credit union an impossible challenge. We kept our rates very competitive – in fact our auto loan rates remained the same throughout the year – and encouraged members to borrow if they needed a loan.

Our loan delinquency presented quite a challenge as many of our members either lost their jobs or faced reduced work hours. Our Collections Department -- now known as the Financial Solu-

Our loan delinquency presented quite a challenge as many of our members either lost their jobs or faced reduced work hours. Our Collections Department -- now known as the Financial Solu-

tions Department to better reflect its mission of helping members -- worked diligently to provide possible solutions to members' financial problems. We assisted members by easing terms, reducing monthly payments, consolidating loans, and extending payments. By working with us, members were able to maintain their credit rating and avoid bankruptcy or a repossessed vehicle. Fortunately we see signs that unemployment figures have steadied and many of our sponsor companies have slowly begun to rehire laid off workers. We hope these signs of economic recovery will lead to improving loan and delinquency figures in 2010.

*Financial Solutions Department . . . worked diligently to provide possible solutions to members' financial problems.*

In most categories our credit union performed very well. However, the pace of our membership growth was just 2.6% in 2009. Although this exceeded the credit union national average of 2%, our member growth was still disappointing. With so many bank failures in the past twelve months and the extremely negative press that has been heaped upon the huge banking conglomerates, we believe the time to increase membership is now. I have challenged the staff of our credit union to make this a priority in 2010. From the Chairman of our Board to our newest employee we

*The time is ripe for credit unions to increase membership and positively impact the financial lives of even more members.*

all intend to spread the word of the benefits of credit union membership. The public is clearly disenchanted with the fee structure and impersonal service of large financial institutions and the low cost, high service option of credit unions is more attractive than ever. The time is ripe for credit unions to increase membership and positively impact the financial lives of even more members.

The difficult economy of 2009 did not derail our plans to expand in North Carolina. On July 1, Chatham Employee Credit Association in Elkin was merged into Members Credit Union. This merger brought the credit union nearly 700 new members,

over \$2.4 million in loans, and deposits of over \$4.6 million. In addition, the merger extends membership eligibility to anyone who works, lives, worships, or attends school in the Northwest North Carolina counties of Surry, Wilkes, and Yadkin. With the merger we also opened a branch in Elkin, the twentieth office in our extensive network throughout the state.

Not only have we increased our branch network but we have also increased our presence in the latest electronic phenomenon - social media. Last year our “Ask Jack” blog was created as an easy avenue for members to open a dialogue

*In 2009 Members Credit Union awarded 23 members scholarships worth \$22,000.*

with the credit union, make suggestions, or ask questions. In 2009 we waded even deeper into the social media pool by creating an MCU Facebook page and Twitter account. By becoming our friend on Facebook or following us on Twitter, members can get up-to-date information about credit union events and projects, be the first to know about special promotions or rates, and become more interactive with the credit union to increase their financial savvy and confidence.

Our first foray into social media was the blog for our What Are You Saving For? Account. This blog and related account taught members the value of saving and was awarded, in our asset category, the Louise Herring Award at the annual statewide credit union meeting in Pinehurst, NC. This award is given to the credit union that best demonstrates the practical application of the “people helping people” philosophy. The What Are You Saving For? Account also earned honorable mention in the national Louise Herring competition.

Realizing that many of our members would once again benefit from the opportunity to skip a loan payment during the holiday season, for a second consecutive year we offered our Holiday Skip-A-Pay program. Unlike other financial institutions that charge a fee, Members Credit Union offered this benefit to our members free of charge because it was the right thing to do, not to make a profit. As a not-for-profit financial cooperative, it is our

job to make the financial lives of our members better. With programs such as Holiday Skip-A-Pay we believe we are helping.

We also have no doubt that our scholarship program, which began in 1996, has helped to make our members' lives better. In 2009 Members Credit Union awarded 23 members scholarships worth \$22,000. In total, we have now granted \$118,000 in scholarships to over 150 members since the program's inception.

In addition to providing members scholarships, the credit union participated in many other charitable causes throughout the year. One of our more successful events was a food drive, held in conjunction with the grand opening of our branch in Elkin in July, to support the needs of the Tri-C Christian Ministry. The Tri-C Christian Ministry provides food and household items to needy families in the three county area of Surry, Yadkin, and Wilkes. Due to the overwhelming generosity of the Elkin community, many who were facing difficult economic times themselves, the credit union donated over 1,000 pounds of food and \$683.

In addition, the credit union raised over \$9,000 in support of the Juvenile Diabetes Research Foundation, again due to the inspiring generosity of our members. Our Newton branch alone raised over \$4,000 in 2009 to assist the local Corner Table Soup Kitchen. We also held a toy drive to benefit Brenners Children's Hospital in Winston-Salem, donated school supplies to the High Point Housing Authority, provided and installed slightly used computers in the Sampson Center in Clinton, NC, gave gifts to the Christmas Bureau in Hickory, and bowled to support Big Brothers and Big Sisters Bowl for Kid's Sake.

In December 2009 we introduced a new Visa Prepaid Debit Card to our membership as an additional way for members to access their money. Because it is a prepaid, reloadable card no one has to be concerned about insufficient funds or high balance fees. The card only allows you to spend the money you have loaded on the card. This card is a great financial literacy tool to teach high school and college aged students the art of budgeting and staying within spending limits.

In our ongoing effort to encourage our members to save we will introduce a Round Up account in the first quarter of 2010. Members who choose to enroll in this program will have all Visa Debit transactions rounded up to the next whole dollar. The difference will go to a special Round Up Savings account.

Our Supervisory Committee, our State Examiner, and an independent professional auditing firm all performed audits within the last year. All examinations confirmed that our records and operating procedures are sound and our financial standing is strong.

2009 is behind us and we look forward to 2010. We see a challenging year ahead as the economy attempts to rebound and people continue to seek work. The road in 2010 may still be rocky at times, yet we are confident that we can continue to improve the financial lives of our members.

Thank you for your membership and support.



***Jack V. Braswell, Jr.***

A handwritten signature in cursive script that reads "Jack V. Braswell, Jr."

Jack V. Braswell, Jr.  
President/CEO



***William A. Tittsworth***

A handwritten signature in cursive script that reads "W. A. Tittsworth".

William A. Tittsworth  
Chairman of the Board

Sincerely

## Independent Auditor's Report

Board of Directors and Members  
Members Credit Union  
Winston-Salem, North Carolina

We have audited the accompanying statements of financial condition of Members Credit Union as of December 31, 2009 and 2008, and the related statements of income, changes in members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Members Credit Union as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



Winston-Salem, North Carolina  
March 26, 2010

## Statements of Financial Condition

### December 31, 2009 and 2008

### Assets

|   | <b>2009</b>                 | <b>2008</b>                 |
|---|-----------------------------|-----------------------------|
| Cash  | \$ 5,117,070                | \$ 4,646,549                |
| Investment securities, available-for-sale             | 42,214,929                  | 20,354,893                  |
| Investment securities, held-to-maturity               | 59,524,882                  | 55,852,982                  |
| Credit Union System Investment<br>Program note        | 75,000,000                  | 0                           |
| Loans receivable, net of allowance for<br>loan losses | 104,912,830                 | 107,078,634                 |
| Accrued interest receivable                           | 1,575,755                   | 1,094,331                   |
| Property and equipment, net                           | 8,680,413                   | 8,627,439                   |
| NCUSIF deposit  | 2,060,042                   | 1,776,090                   |
| Other assets  | <u>1,402,659</u>            | <u>1,388,635</u>            |
| <b><u>TOTAL ASSETS</u></b>                            | <b><u>\$300,488,580</u></b> | <b><u>\$200,819,553</u></b> |

### Liabilities and Members' Equity

|   | <b>2009</b>                 | <b>2008</b>                 |
|---|-----------------------------|-----------------------------|
| Liabilities:  |                             |                             |
| Members' share & savings accounts                   | \$202,505,835               | \$179,156,489               |
| Accrued expenses & other liabilities                | 1,021,927                   | 702,149                     |
| Credit Union System Investment<br>program advance   | <u>75,000,000</u>           | <u>0</u>                    |
| <b><u>TOTAL LIABILITIES</u></b>                     | <b><u>278,527,762</u></b>   | <b><u>179,858,638</u></b>   |
| Members' equity:                                    |                             |                             |
| Regular reserve                                     | 9,842,420                   | 9,642,420                   |
| Undivided earnings                                  | 11,469,513                  | 10,964,688                  |
| Accumulated other comprehensive income              | <u>648,885</u>              | <u>353,807</u>              |
| <b><u>TOTAL MEMBERS' EQUITY</u></b>                 | <b><u>21,960,818</u></b>    | <b><u>20,960,915</u></b>    |
| <b><u>TOTAL LIABILITIES AND MEMBERS' EQUITY</u></b> | <b><u>\$300,488,580</u></b> | <b><u>\$200,819,553</u></b> |

## Statements of Income

### For the Years Ended December 31, 2009 and 2008

|   | <b>2009</b>               | <b>2008</b>               |
|---|---------------------------|---------------------------|
| Interest income:  |                           |                           |
| Outstanding loans   | \$7,083,095               | \$7,972,046               |
| Investment securities   | 4,032,507                 | 3,507,465                 |
| Credit Union System Investment Program note                       | <u>597,853</u>            | <u>0</u>                  |
| <b><u>TOTAL INTEREST INCOME</u></b>                               | <b><u>11,713,455</u></b>  | <b><u>11,479,511</u></b>  |
| Interest expense  |                           |                           |
| Members' share and savings accounts                               | 4,046,565                 | 4,595,951                 |
| Credit Union System Investment Program advance                    | <u>414,462</u>            | <u>0</u>                  |
| <b><u>TOTAL INTEREST EXPENSE</u></b>                              | <b><u>4,461,027</u></b>   | <b><u>4,595,951</u></b>   |
| <b><u>NET INTEREST INCOME</u></b>                                 | <b><u>7,252,428</u></b>   | <b><u>6,883,560</u></b>   |
| Provision for loan losses   | <u>1,788,589</u>          | <u>1,247,681</u>          |
| <b><u>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</u></b> | <b><u>5,463,839</u></b>   | <b><u>5,635,879</u></b>   |
| Non-interest income:  |                           |                           |
| Gain on sale of property and equipment                            | 2,225                     | 0                         |
| Gain on sale/call of investment securities                        | 47,675                    | 41,009                    |
| Fees and other income, net  | 2,641,018                 | 2,794,034                 |
| Rental income   | <u>364,822</u>            | <u>330,605</u>            |
| <b><u>TOTAL NON-INTEREST INCOME</u></b>                           | <b><u>3,055,740</u></b>   | <b><u>3,165,648</u></b>   |
| Non-interest Expense:   |                           |                           |
| Compensation and benefits   | 4,722,198                 | 4,433,198                 |
| Occupancy   | 841,905                   | 783,014                   |
| Members' account and share insurance                              | 169,194                   | 147,045                   |
| Office operations   | 1,868,799                 | 1,879,504                 |
| Other   | <u>315,826</u>            | <u>392,447</u>            |
| <b><u>TOTAL NON-INTEREST EXPENSE</u></b>                          | <b><u>7,917,922</u></b>   | <b><u>7,635,208</u></b>   |
| <b><u>NET INCOME BEFORE EXTRAORDINARY ITEMS</u></b>               | <b><u>601,657</u></b>     | <b><u>1,166,319</u></b>   |
| Extraordinary Items:  |                           |                           |
| Other-than-temporary impairment charges                           | (1,030,982)               | 0                         |
| NCUSIF Insurance Premium  | <u>(302,474)</u>          | <u>0</u>                  |
| <b><u>NET INCOME (Loss)</u></b>                                   | <b><u>\$(731,799)</u></b> | <b><u>\$1,166,319</u></b> |

## Statements of Changes in Members' Equity For The Years Ended December 31, 2009 and 2008

|   | Regular<br>Reserve        | Undivided<br>Earnings      | Accumulated<br>Other<br>Comprehensive<br>Income | Total                      |
|---|---------------------------|----------------------------|---|----------------------------|
| <b>BALANCE JANUARY 1, 2008</b>  | <b>\$9,535,492</b>        | <b>\$ 9,918,690</b>        | <b>\$ 8,205</b>                                 | <b><u>\$19,462,387</u></b> |
| Comprehensive Income  |                           |                            |   |                            |
| Net Income  | 0                         | 1,166,319                  | 0   | 1,166,319                  |
| Other Comprehensive Income:   |                           |                            |   |                            |
| Unrealized holding gains<br>arising during the period on<br>securities available-for-sale | 0                         | 0                          | 370,602   | 370,602                    |
| Reclassification adjustment for<br>gains included in net income                           | 0                         | 0                          | (25,000)  | <u>(25,000)</u>            |
| <b>TOTAL COMPREHENSIVE INCOME</b>   |                           |                            |   | <u>1,511,921</u>           |
| Acquired in merger  | <u>106,928</u>            | <u>(120,321)</u>           | <u>0</u>  | <u>(13,393)</u>            |
| <b>BALANCE, DECEMBER 31, 2008</b>   | <b>\$9,642,420</b>        | <b>\$10,964,688</b>        | <b>\$ 353,807</b>                               | <b><u>\$20,960,915</u></b> |
| Comprehensive Income (Loss)   |                           |                            |   |                            |
| Net Loss  | \$ 0                      | \$ (731,799)               | \$ 0  | \$ (731,799)               |
| Other Comprehensive Income:   |                           |                            |   |                            |
| Unrealized holding gains<br>arising during the period on<br>securities available-for-sale | 0                         | 0                          | 342,753   | 342,753                    |
| Reclassification adjustment for<br>gains included in net income                           | 0                         | 0                          | (47,675)  | <u>(47,675)</u>            |
| <b>TOTAL COMPREHENSIVE INCOME</b>   |                           |                            |   | <u>(436,721)</u>           |
| Acquired in merger  | <u>200,000</u>            | <u>1,236,624</u>           | <u>0</u>  | <u>1,436,624</u>           |
| <b>BALANCE DECEMBER 31, 2009</b>  | <b><u>\$9,842,420</u></b> | <b><u>\$11,469,513</u></b> | <b><u>\$ 648,885</u></b>                        | <b><u>\$21,960,818</u></b> |

## Statements of Cash Flows

### For The Years Ended December 31, 2009

### 2008

#### OPERATING ACTIVITIES:

|  |                  |                  |
|--|------------------|------------------|
| Net income (loss)  | \$ (731,799)     | \$ 1,166,319     |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |                  |                  |
| Depreciation   | 357,547          | 327,895          |
| Amortization of investment premiums (discounts), net                                     | 190,877          | 2,960            |
| Provision for loan losses  | 1,788,589        | 1,247,681        |
| Gain on disposal of property and equipment   | (2,225)          | 0                |
| Gain on sale/call of investment securities   | (47,675)         | (41,009)         |
| Other-than-temporary impairment charges  | 1,030,982        | 0                |
| Net changes in operating assets and liabilities:   |                  |                  |
| (Increase) decrease in interest receivable   | (403,782)        | (233,302)        |
| (Increase) decrease in other assets  | (2,925)          | (268,614)        |
| Increase (decrease) in accrued expenses & other liabilities                              | 319,117          | (325,439)        |
| <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>   | <u>2,498,706</u> | <u>1,876,491</u> |

#### INVESTING ACTIVITIES:

|   |                     |                    |
|---|---------------------|--------------------|
| Proceeds from maturities of investment securities, held-to-maturity   | 16,077,836          | 18,537,323         |
| Proceeds from call of investment securities, held-to-maturity         | 4,000,000           | 4,012,130          |
| Purchases of investment securities, held-to-maturity                  | (22,450,447)        | (25,124,669)       |
| Proceeds from maturities of investment securities, available-for-sale | 31,947,660          | 25,654,473         |
| Proceeds from sale/call of investment securities, available-for-sale  | 2,530,004           | 4,026,000          |
| Purchases of investment securities, available-for-sale                | (56,217,683)        | (35,176,226)       |
| Purchases of Credit Union System Investment Program note              | (75,000,000)        | 0                  |
| Proceeds from sale of property and equipment                          | 2,225               | 0                  |
| Net decrease in loans to members                                      | 2,793,625           | 2,487,649          |
| Capital expenditures  | (410,521)           | (218,443)          |
| (Increase) decrease in NCUSIF deposit                                 | (240,400)           | 59                 |
| Cash acquired in merger   | 1,231,685           | 416,457            |
| <u>NET CASH USED IN INVESTING ACTIVITIES</u>                          | <u>(95,736,016)</u> | <u>(5,385,247)</u> |

#### FINANCING ACTIVITIES:

|   |                   |                  |
|---|-------------------|------------------|
| Net change in members' share and savings accounts | 18,707,831        | 3,622,961        |
| Credit Union System Investment Program advance    | 75,000,000        | 0                |
| <u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u>  | <u>93,707,831</u> | <u>3,622,961</u> |

#### **INCREASE IN CASH**

|                 |                     |                     |
|-----------------|---------------------|---------------------|
| Cash, Beginning | <u>4,646,549</u>    | <u>4,532,344</u>    |
| Cash, Ending    | <u>\$ 5,117,070</u> | <u>\$ 4,646,549</u> |

#### SUPPLEMENTAL DISCLOSURES

|   |                     |                     |
|---|---------------------|---------------------|
| Cash paid during the year for interest                                    | <u>\$ 4,265,982</u> | <u>\$ 4,598,381</u> |
| Increase in unrealized gains on investment securities, available-for-sale | <u>\$ 295,078</u>   | <u>\$ 345,602</u>   |

See accompanying notes to financial statements.

## Note A: Organization

**Organization** - Members Credit Union is a member-owned, nonprofit cooperative organized under the laws of the State of North Carolina. Its members are principally employees of sponsor companies affiliated with the credit union.

## Note B: Summary of Significant Accounting Policies

The accounting and reporting policies of the Credit Union conform to U.S. generally accepted accounting principles. A brief description of significant policies is presented below.

**Cash** - Cash includes amounts on deposit with commercial banks. These accounts at times may exceed federally insured limits. The credit union has not experienced any losses in these accounts and management does not believe it is exposed to any significant credit risk.

**Investment Securities and Mortgage-Backed Securities** - The credit union's investments in securities are classified and accounted for as follows:

**Held-to-Maturity:** Investments securities and mortgage-backed securities which the credit union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method.

**Available-for-Sale:** Investment securities and mortgage-backed securities are classified as available-for-sale when the credit union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. 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 held-to-maturity and 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 the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and 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. Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

The credit union does not maintain a trading portfolio.

**Loans Receivable and Allowances for Loan Losses** - Loans receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loan fees and certain direct loan origination costs are not deferred, since the effect of deferral and amortization as an adjustment of loan yield is not material

## **Note B: Summary of Significant Accounting Policies (Continued)**

to the financial statements of the credit union.

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 uncollectibility 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 periodic review of the collectibility 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, estimated value of any underlying collateral, and prevailing economic conditions. The loan portfolio is evaluated by category for impairment. Accordingly, the credit union does not separately identify individual loans for impairment. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Accrual of interest on loans is discontinued when management believes, after considering economics, business conditions, and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful.

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

**NCUSIF Insurance Premiums** - Credit unions are required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board. The NCUA Board waived the 2008 insurance premium. In 2009, the NCUA Board approved a 0.15% premium assessment. A portion of the 2009 premium, 0.1027%, was assessed to return the NCUSIF's equity to 1.30%, with the remaining 0.0474% assessed to repay a portion of the Temporary Corporate Credit Union Stabilization Fund. The result of the assessment was a \$302,474 premium payment made by the Credit Union for the year ending December 31, 2009. This premium assessment, since unusual and infrequent in nature, has been presented as an extraordinary item in the accompanying financial statements.

**Property and Equipment** - Land is carried at cost. Office buildings, furniture, fixtures, equipment, and leasehold improvements 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, generally 40 years for buildings and 3 to 20 years for equipment and furniture. The cost of leasehold improvements is amortized using the straight-line method over terms ranging from 3 to 10 years.

**Members' Share and Savings Accounts** - Members' shares are subordinated to all other liabilities of the credit union upon liquidation. Dividends on members' share and savings accounts are based on available earnings at the end

## Note B: Summary of Significant Accounting Policies (Continued)

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 retained earnings, is not available for the payment of dividends.

**Income Taxes** - The credit union is exempt, by statute, from federal and state income taxes.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events** - The credit union has evaluated its subsequent events (events occurring after December 31, 2009) through the date of this report, which represents the date the financial statement were available to be issued and determined that all significant events and disclosures are included in the financial statements.

**New Accounting Pronouncements** - Effective July 1, 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. The FASB Codification is the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP) and is effective for financial statements that cover annual periods, ending after September 15, 2009. Other than resolving certain minor inconsistencies in current GAAP, it is not intended to change GAAP, but rather to make it easier to review and research GAAP applicable to a particular transaction or specific accounting issue.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), was issued in 2006 and clarifies the accounting for the recognition and measurement of uncertainties in income taxes for entities. The FASB deferred the effective date of FIN 48 until fiscal years beginning after December 15, 2008. The credit union's policy is to evaluate the likelihood that any uncertain tax positions will prevail upon examination based on the extent to which these positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the credit union has no significant uncertain tax positions that would be subject to change upon examination. The adoption of FIN 48 did not have a material impact on the credit union's financial statements.

## Note C: Investment Securities

Investment securities have been classified in the statement of financial condition according to management's intent. The carrying amount of securities and their approximate fair values at December 31, 2009, and 2008, are as follows:

|   | Amortized<br>Cost   | Gross<br>Unrealized<br>Gains | Gross<br>Unrealized<br>Losses | Fair<br>Value       |
|---|---------------------|------------------------------|-------------------------------|---------------------|
| <b>Securities available-for-sale</b>              |                     |                              |                               |                     |
| December 31, 2009:                                |                     |                              |                               |                     |
| U. S. Government and<br>federal agency securities | \$27,961,599        | \$ 462,701                   | \$ (16,122)                   | \$28,408,178        |
| Deposits in other<br>financial institutions       | 7,971,508           | 0                            | 0                             | 7,971,508           |
| Mortgage-backed securities                        | 5,632,937           | 202,306                      | 0                             | 5,835,243           |
|   | <u>\$41,566,044</u> | <u>\$ 665,007</u>            | <u>\$ (16,122)</u>            | <u>\$42,214,929</u> |
| December 31, 2008:                                |                     |                              |                               |                     |
| U. S. Government and<br>federal agency securities | \$ 9,930,916        | \$ 258,178                   | \$ 0                          | \$10,189,094        |
| Deposits in other<br>financial institutions       | 3,395,888           | 0                            | 0                             | 3,395,888           |
| Mortgage-backed securities                        | 6,674,282           | 125,824                      | (30,195)                      | 6,769,911           |
|   | <u>\$20,001,086</u> | <u>\$ 384,002</u>            | <u>\$ (30,195)</u>            | <u>\$20,354,893</u> |
| <b>Securities held-to-maturity</b>                |                     |                              |                               |                     |
| December 31, 2009:                                |                     |                              |                               |                     |
| U. S. Government and<br>federal agency securities | \$27,618,677        | \$ 886,303                   | \$ (9,167)                    | \$28,495,813        |
| Deposits in other<br>financial institutions       | 3,605,978           | 0                            | 0                             | 3,605,978           |
| Mortgage-backed securities                        | 28,300,227          | 981,590                      | 0                             | \$29,281,817        |
|   | <u>\$59,524,882</u> | <u>\$1,867,893</u>           | <u>\$ (9,167)</u>             | <u>\$61,383,608</u> |
| December 31, 2008:                                |                     |                              |                               |                     |
| U. S. Government and<br>federal agency securities | \$13,828,586        | \$ 493,632                   | \$ 0                          | \$14,322,218        |
| Deposits in other<br>financial institutions       | 6,026,048           | 0                            | 0                             | 6,026,048           |
| Mortgage-backed securities                        | 35,998,348          | 439,357                      | (177,618)                     | 36,260,087          |
|   | <u>\$55,852,982</u> | <u>\$ 932,989</u>            | <u>\$(177,618)</u>            | <u>\$56,608,353</u> |

## Note C: Investment Securities (Continued)

The scheduled maturities of held-to-maturity and available-for-sale securities at December 31, 2009, were as follows:

|                            | Securities held-to-maturity |                     | Securities available-for-sale |                     |
|----------------------------|-----------------------------|---------------------|-------------------------------|---------------------|
|                            | Amortized Cost              | Fair Value          | Amortized Cost                | Fair Value          |
| Due in one year or less    | \$12,016,758                | \$12,027,245        | \$17,358,907                  | \$17,378,978        |
| Due from one to five years | 19,207,897                  | 20,074,546          | 12,543,044                    | 12,951,918          |
| Due from five to ten years | 0                           | 0                   | 6,031,156                     | 6,048,790           |
|                            | <u>31,224,655</u>           | <u>32,101,791</u>   | <u>35,933,107</u>             | <u>36,379,686</u>   |
| Mortgage-backed securities | <u>28,300,227</u>           | <u>29,281,817</u>   | <u>5,632,937</u>              | <u>5,835,243</u>    |
|                            | <u>\$59,524,882</u>         | <u>\$61,383,608</u> | <u>\$41,566,044</u>           | <u>\$42,214,929</u> |

Included in the above mortgage-backed securities, the credit union has mortgage-related derivatives in the form of collateralized mortgage obligations. At December 31, 2009, the amortized cost of those collateralized mortgage obligations was \$26,219,363 and the estimated market value was \$27,051,068.

Information pertaining to securities with gross unrealized losses at December 31, 2009, aggregated by investment category and length of time that individual securities have been in a continuous loss position are as follows:

|   | Less Than Twelve Months |                    | Over Twelve Months      |             |
|---|-------------------------|--------------------|-------------------------|-------------|
|   | Gross Unrealized Losses | Fair Value         | Gross Unrealized Losses | Fair Value  |
| <b>Securities available-for-sale:</b>         |                         |                    |                         |             |
| U.S. government and federal agency securities | \$16,122                | \$6,055,330        | \$ 0                    | \$ 0        |
| Mortgaged-backed-securities                   | 0                       | 0                  | 0                       | 0           |
|   | <u>\$16,122</u>         | <u>\$6,055,330</u> | <u>\$ 0</u>             | <u>\$ 0</u> |
| <b>Securities held-to-maturity:</b>           |                         |                    |                         |             |
| U.S. government and federal agency securities | \$ 9,167                | \$3,977,500        | \$ 0                    | \$ 0        |
| Mortgaged-backed securities                   | 0                       | 0                  | 0                       | 0           |
|   | <u>\$ 9,167</u>         | <u>\$3,977,500</u> | <u>\$ 0</u>             | <u>\$ 0</u> |

## Note C: Investment Securities (Continued)

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and 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.

The credit union incurred a \$1,030,982 other-than-temporary impairment (OTTI) loss in 2009. The loss was a result of unprecedented OTTI charges within the corporate credit union network that began at the wholesale corporate credit union level, progressing down to local corporate credit unions, and ultimately to natural person credit unions, including Members Credit Union. Specifically, the credit union's capital investments in First Carolina Corporate Credit Union (FCCCU) were depleted to restore retained earnings deficits incurred by FCCCU during the year as a result of OTTI charges recorded by FCCCU to write down its capital investments in U.S. Central Federal Credit Union. The OTTI loss, since unusual and infrequent in nature, has been presented as an extraordinary item in the accompanying financial statements.

The credit union had five debt securities with unrealized losses at December 31, 2009. All of these securities were either guaranteed by the U.S. Government or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuers' financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuers' financial condition. As the credit union has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

## Note D: Credit Union System Investment Program

In January, 2009, in order to help stabilize the corporate credit union system, the National Credit Union Administration (NCUA) initiated the Credit Union System Investment Program (CU SIP). Under the CU SIP, eligible credit unions could earn 25 basis points on monies invested and help improve liquidity in the credit union system. Under the program, the Central Liquidity Facility (CLF) made secured, one year advances (CLF Advances) to participating creditworthy credit unions at a determined CLF Advance Rate and concurrently invested the proceeds in a fixed-rate, matched term, guaranteed CU SIP Note (SIP Note) issued by a participating corporate credit union. The SIP Note bore the CLF Advance Rate plus 25 basis points. The SIP Notes were guaranteed by the National Credit Union Share Insurance Fund.

In January, 2009, the credit union obtained a CLF Advance and corresponding SIP Note in the amount of \$75,000,000, both still held at December 31, 2009, and both matured on January 8, 2010. The CLF Advance rate was 0.565% and the SIP Note rate was 0.815% for a net return of 0.25%.

## Note E: Loans Receivable

The composition of loans to members at December 31 is as follows:

|                                | <b>2009</b>          | <b>2008</b>          |
|--------------------------------|----------------------|----------------------|
| Automobile                     | \$ 69,898,768        | \$ 73,236,431        |
| Mortgage                       | 11,600,078           | 10,036,399           |
| Unsecured                      | 20,714,863           | 22,278,443           |
| Share secured                  | 2,898,751            | 2,059,461            |
| Other                          | 336,088              | 268,944              |
|                                | <u>105,448,548</u>   | <u>107,879,678</u>   |
| Less allowance for loan losses | <u>(535,718)</u>     | <u>(801,044)</u>     |
|                                | <u>\$104,912,830</u> | <u>\$107,078,634</u> |

A summary of the activity in the allowance for loan losses is as follows:

|                                 | <b>2009</b>       | <b>2008</b>       |
|---------------------------------|-------------------|-------------------|
| Balance, beginning of year      | \$ 801,044        | \$ 597,325        |
| Provision charged to operations | 1,788,589         | 1,247,681         |
| Loans charged off               | (2,160,133)       | (1,150,707)       |
| Recoveries                      | 81,186            | 106,745           |
| Merger                          | 25,032            | 0                 |
| Balance, end of year            | <u>\$ 535,718</u> | <u>\$ 801,044</u> |

Included in loans receivable at December 31, 2009, are loans of \$1,186,681 to directors and officers of the credit union.

## Note F: Property and Equipment

Property and equipment at December 31 is summarized as follows:

|   | <b>2009</b>        | <b>2008</b>        |
|---|--------------------|--------------------|
| Land  | \$3,641,984        | \$3,526,500        |
| Buildings   | 4,960,889          | 4,798,312          |
| Computer equipment                                | 1,669,953          | 1,557,942          |
| Furniture and office equipment                    | 1,424,621          | 1,381,284          |
| Leasehold improvements                            | 225,699            | 220,124            |
|   | <u>11,923,146</u>  | <u>11,484,162</u>  |
| Less accumulated depreciation<br>and amortization | <u>(3,242,733)</u> | <u>(2,856,723)</u> |
|   | <u>\$8,680,413</u> | <u>\$8,627,439</u> |

Depreciation expense totaled \$357,547 and \$327,895 in 2009 and 2008, respectively.

## Note G: Line of Credit

The credit union has available \$124,500,000 in multiple lines of credit with various financial institutions, collateralized by certain of the credit union's assets. There were no outstanding balances at December 31, 2009 or 2008.

## Note H: Members' Share and Savings Accounts

Members' share and savings accounts at December 31 are summarized as follows:

|                           | 2009          | 2008          |
|---------------------------|---------------|---------------|
| Checking                  | \$ 23,958,139 | \$ 21,232,665 |
| Money market              | 14,741,826    | 10,799,638    |
| Super 60                  | 32,979,291    | 16,571,863    |
| Share savings             | 47,680,890    | 47,773,446    |
| IRA Share                 | 6,338,385     | 4,948,307     |
|                           | 125,698,531   | 101,325,919   |
| Share and IRA Certificate | 76,807,304    | 77,830,570    |
|                           | \$202,505,835 | \$179,156,489 |

At December 31, 2009 and 2008, the aggregate amounts of members' share and savings accounts over \$250,000 was \$1,206,760 and \$1,262,023, respectively.

At December 31, 2009, scheduled maturities of share and IRA certificates are as follows:

|      |               |
|------|---------------|
| 2010 | \$ 38,900,437 |
| 2011 | 30,548,037    |
| 2012 | 5,687,778     |
| 2013 | 1,105,829     |
| 2014 | 565,223       |
|      | \$ 76,807,304 |

Interest expense on members' share and savings accounts for the years ended December 31, 2009 and 2008 is summarized as follows:

|                             | 2009        | 2008        |
|-----------------------------|-------------|-------------|
| Checking                    | \$ 42,401   | \$ 103,871  |
| Money market                | 157,060     | 200,915     |
| Super 60                    | 447,405     | 345,318     |
| Share savings               | 242,149     | 462,490     |
| Share certificates and IRAs | 3,157,550   | 3,483,357   |
|                             | \$4,046,565 | \$4,595,951 |

## Note I: Commitments and Contingent Liabilities

The principal commitments of the credit union are as follows:

**Lease Commitments** - At December 31, 2009, the credit union was obligated under noncancelable operating leases at fifteen branch locations. Net rent expense under operating leases, included in occupancy expenses, was \$226,854 and \$202,274 in 2009 and 2008, respectively.

The required minimum rental payments under the terms of the leases at December 31, 2009, are as follows:

|            |                  |
|------------|------------------|
| 2010       | \$157,268        |
| 2011       | 118,553          |
| 2012       | 74,244           |
| 2013       | 46,766           |
| 2014       | 41,100           |
| Thereafter | 15,300           |
|            | <u>\$453,231</u> |

**Loan Commitments** - At December 31, 2009, the credit union had outstanding commitments for variable rate unused lines of credit that are not reflected in the accompanying financial statement as follows:

|                                |                     |
|--------------------------------|---------------------|
| Total approved lines of credit | \$17,511,519        |
| Amounts borrowed               | <u>(8,396,124)</u>  |
| Unused lines of credit         | <u>\$ 9,115,395</u> |

**Financial Instruments With Off-Balance-Sheet Risk** - The credit union does not write options, offer standby letters of credit and financial guarantees, write interest rate caps or floors, or secure interest rate swaps or forward or futures contracts. Consequently, the credit union does not have exposure to credit loss in the event of non-performance by another party to such financial instruments.

## Note J: Retirement Plan

The credit union sponsors a 401(k) retirement plan. Employees with more than 90 days of service who work more than 1,000 hours annually and have attained the age of 21 are eligible to participate. The credit union will contribute a dollar for dollar match up to four percent (4%) of regular pay. Additionally, the credit union contributes two and one-half percent (2.5%) of regular pay, regardless of participation by the employee. Retirement plan expense totaled \$198,785 for 2009 and \$188,573 for 2008.

## Note K: Capital Requirements

The credit union is subject to various regulatory capital requirements administered by the NCUA, as well as similar state 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 generally accepted accounting principles. The credit union's capital amounts and net worth classification are also subjected 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 (set forth in the table below) of net worth to total assets. Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the credit union will be considered "complex" under the regulatory framework. To qualify as complex, a credit union must have more than 10 million in assets and a RBNW ratio greater than 6%. A complex credit union will be considered under capitalized if its net worth ratio does not exceed RBNW ratio. The credit union's RBNW ratio as of December 31, 2009, and 2008, was 6.0% and 5.70%, respectively. The credit union meets all capital adequacy requirements as of December 31, 2009 and 2008.

As of December 31, 2009, the most recent call reporting period, NCUA categorized the credit union 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 RBNWR. There are no conditions or events since that notification that management believes have changed the credit union's category.

The credit union's actual capital amounts and ratios at December 31, 2009, and 2008, are as follows:

|                          | Actual       |        | To Be Adequately Capitalized Under Prompt Corrective Action Provisions |       | To Be Well Capitalized Under Prompt Corrective Action Provisions |       |
|--------------------------|--------------|--------|--|-------|--|-------|
|                          | Amount       | Ratio  | Amount   | Ratio | Amount   | Ratio |
| <b>December 31, 2009</b> |              |        |  |       |  |       |
| Net Worth                | \$21,311,933 | 7.09%  | \$18,029,315   | 6.0%  | \$21,034,201   | 7.0%  |
| Risk-Based Net Worth     | \$16,382,233 | 5.45%  | N/A  | N/A   | N/A  | N/A   |
| <b>December 31, 2008</b> |              |        |  |       |  |       |
| Net Worth                | \$20,607,108 | 10.26% | \$12,049,173   | 6.0%  | \$14,057,369   | 7.0%  |
| Risk-Based Net Worth     | \$11,466,715 | 5.70%  | N/A  | N/A   | N/A  | N/A   |

Because of RBNWR is less than the net worth ratio, the credit union continues to be categorized as well capitalized. Further, in performing its calculation of total assets, the credit union used the quarter-end balance option, as permitted by regulation.

## Note L: Fair Values of Financial Instruments

The fair values of the credit union's financial instruments, including cash, available-for-sale investment securities, accrued interest, loans receivable, and members' share and savings accounts approximate the carrying amounts reflected in the accompanying financial statements. The fair value of held-to-maturity investment securities at December 31, 2009 exceeds fair value by \$1,858,726.

## Note M: Fair Value Measurements

Financial Accounting Standards Board Accounting Standards Codification Topic 820-10, *Fair Value Measurements* (Topic 820) defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Topic 820 also establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the credit union has the ability to access.
- Level 2 Inputs of the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The credit union uses fair value accounting to report available-for-sale investment securities. These securities are valued based on quoted market prices, when available, or on market prices, provided by recognized broker dealers.

## Note M: Fair Value Measurements (Continued)

The fair value methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the credit union believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the credit union's assets at fair value measured on a recurring basis as of December 31, 2009:

|   | Assets at Fair Value as December 31, 2009 |                     |             |                     |
|---|---|---------------------|-------------|---------------------|
|   | Level 1                                   | Level 2             | Level 3     | Total               |
| <u>Securities available-for-sale</u>          |   |                     |             |                     |
| U.S. Government and federal agency securities | \$ 0                                      | \$28,408,178        | \$ 0        | \$28,408,178        |
| Mortgage-backed securities                    | 0   | 7,971,508           | 0           | 7,971,508           |
| Deposits in other financial institutions      | <u>5,835,243</u>                          | <u>0</u>            | <u>0</u>    | <u>5,835,243</u>    |
| Total assets at fair value                    | <u>\$5,835,243</u>                        | <u>\$36,379,686</u> | <u>\$ 0</u> | <u>\$42,214,929</u> |

## Note N: Extraordinary Items

In November, 2009 the credit union was assessed a premium by the NCUA of 0.15% of its insured shares as of June 30, 2009. The result of the assessment was a \$302,474 premium payment made by the credit union for the year ending December 31, 2009. The details of this transaction are discussed in Note B of the financial statements.

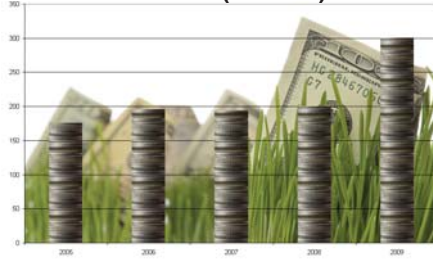
The credit union incurred a \$1,030,982 other-than-temporary impairment loss in 2009 on capital investment held with another financial institution. The details of this loss are discussed in Note C of the financial statements.

# Graphs

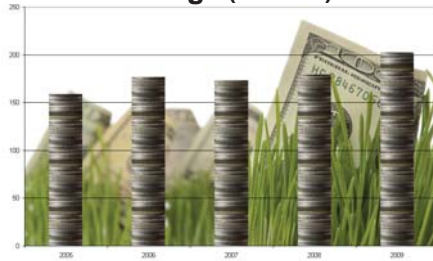
### Membership (Thousands)



### Assets (Millions)



### Savings (Millions)



### Loans (Millions)



# What is "The Credit Union Difference?"

New federal laws and regulations are changing the structure and face of the financial services industry. In this time of accelerating change, it is important to truly understand how credit unions are unique and different, and why we remain a necessary and extremely popular financial alternative for more than 87 million Americans.

- **Not-for-profit.** Credit unions are not-for-profit financial cooperatives. We exist to serve our members, not to make a profit. Unlike most other financial institutions, credit unions do not issue stock or pay dividends to outside stockholders. Instead, earnings are returned to members in the form of lower loan rates, higher interest rates on deposits, and lower & fewer fees.
- **Taxation.** Credit unions do pay taxes - payroll taxes, sales taxes and property taxes. Congress exempts credit unions from federal income taxes. The exemption was established in 1937, affirmed by statute in 1951, and re-affirmed in 1998 in H.R. 1151, the Credit Union Membership Access Act, which states:

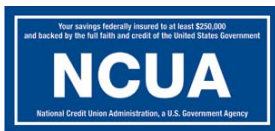
*"Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because credit unions are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because they have the specified mission of meeting the credit and savings needs of consumers, especially those of modest means."*

- **Ownership.** Credit unions are an economic democracy. Each credit union member has equal ownership and one vote - regardless of how much money a member has on deposit. At a credit union, every customer is both a member and an owner.
- **Volunteer Boards.** Each credit union is governed by a board of directors, elected by and from the credit union's membership. Board members serve voluntarily.
- **Membership Eligibility.** By current federal statute, credit unions cannot serve the general public. People qualify for a credit union membership through their employer, organizational affiliations like churches or social groups, or a community-chartered credit union.
- **Financial Education for Members.** Credit unions assist members to become better-educated consumers of financial services. Additionally, CUNA is partnering with the National Endowment for Education, a not-for-profit foundation, to expand financial education among high school students. A national study shows that just ten hours of personal finance education can positively affect student's spending and savings habits for a lifetime.
- **Social Purpose: People Helping People.** Credit unions exist to help people, not make a profit. Our goal is to serve all of our members well, including those of modest means - every member counts. Our members are fiercely loyal for this reason. They know their credit union will be there for them in bad times, as well as good. The same people-first philosophy causes credit unions and our employees to get involved in community charitable activities and worthwhile causes - just ask us.

The Credit Union Difference – Just Ask Your Credit Union!



AMERICA'S  
CREDIT UNIONS™  
*Where people are worth more than money.™*



## Services

### SAVINGS SERVICES

- Savings Accounts
- Round-up Savings Accounts
- Reloadable Visa Cards
- Life Savings Insurance
- Checking Accounts
- Visa *Debit* Cards
- MCU Cash Card
- Christmas/Vacation Club
- Share Certificates
- Money Market Accounts
- Custodian Accounts
- Trust Accounts
- Individual Retirement Accounts (IRAs) Regular, Roth, Educational
- Super 60 Savings
- Student Checking
- MCU Youth Accounts

### LOAN SERVICES

- New Car Loans
- Used Car Loans
- Auto Refinancing
- Debt Consolidation
- First Mortgage Loans
- *FAST* Equity Loans
- Home Equity Loans
- Equity Access Loans
- Visa Credit Cards
- Signature Loans
- Recreational Vehicle Loans
- Line of Credit Loans
- Loan Protection Insurance
- Christmas Loans
- Vacation Loans
- Personal Computer Loans
- *PhoneLOAN*



## Miscellaneous

- Payroll Deduction
- Net Pay Deposit
- TELL-COM
- CASH CARD
- Direct Deposit
- MEMBERS Financial Services
- *eStatement@MCU*
- Online Check Imaging
- Family Membership
- MEMCU Insurance
- *MCU@Home -- FREE Home Banking*
- *eBill@MCU -- FREE Bill Paying*



Visit our website -- [www.memcu.com](http://www.memcu.com)

## Branch Locations

### Clinton

100 Fayetteville Street  
Clinton, NC 28328  
(910) 590-3222 or (877) 590-3222

### Durham

101 City Hall Plaza  
Durham, NC 27701  
(919) 560-4177 or (866) 560-4177

### Elkin

827 N. Bridge Street  
Elkin, NC 28621  
(336) 526-0373 or (888) 526-0373

### Fayetteville

458 Whitfield Street  
Fayetteville, NC 28306  
(910) 609-0608

### Greensboro

4160 Piedmont Parkway, Suite 150  
Greensboro, NC 27410  
(336) 852-1424 or (800) 960-1426

### Hickory

2412 12th Avenue, NE  
Hickory, NC 28601  
(828) 327-3232 or (800) 960-3232

### High Point

Westchester Commons  
1677 Westchester Drive, Suite 144  
High Point, NC 27262  
(336) 886-4415 or (800) 738-4415

### Hope Mills

5466 Trade Street  
Hope Mills, NC 28348  
(910) 425-6806 or (800) 738-6806

### Kernersville

1407 Highway 66 S, Suite A  
Kernersville, NC 27284  
(336) 993-3059 or (877) 993-3059

### Lenoir

1501-A Norwood Street, SW  
Lenoir, NC 28645  
(828) 757-3299 or (800) 280-3299

### Lincolnton

1822 N. Aspen Street  
Lincolnton, NC 28092  
(704) 732-2980 or (888) 326-2980

### Lumberton

4344 Fayetteville Road  
Lumberton, NC 28358  
(910) 738-2100 or (877) 738-2100

### Morganton

106 East Fleming Drive  
Morganton, NC 28655  
(828) 438-0070 or (800) 738-0070

### Morganton

113 Industrial Boulevard  
Morganton, NC 28655  
(828) 584-2117 or (877) 974-3013

### Newton

2475 Northwest Boulevard  
Newton, NC 28658  
(828) 464-0333 or (866) 654-6961

### Raleigh

Raleigh Oaks Shopping Center  
2720 Lake Wheeler Road, Suite 110  
Raleigh, NC 27603  
(919) 821-0999 or (888) 417-0999

### Thomasville

100 Lines Street  
Thomasville, NC 27360  
(336) 475-5922 or (800) 310-5922

### Valdese

835 Main Street, West  
Valdese, NC 28690  
(828) 874-3900 or (888) 874-3900

### Winston-Salem

Oak Summit Shopping Center  
446 E. Hanes Mill Road  
Winston-Salem, NC 27105  
(336) 377-2336 or (888) 774-1289

## Board of Directors

Ben D. Borugian  
Jack V. Braswell, Jr.  
Jerry T. Church  
Robert C. Donley  
Karen K. Keller  
John R. Loftin  
Nelson Lowe  
William C. Parton  
Cindy J. Stiff  
William A. Tittsworth  
Richard L. Trotter  
Durham C. White, Jr.  
Robert H. Stevenson - Director Emeritus

## Officers

William A. Tittsworth - Chairman of the Board  
Richard L. Trotter - Vice Chairman of the Board  
Jack V. Braswell, Jr. - President/CEO  
Robert C. Donley - Exec. Vice President, Admin./Lending  
Paul A. Sluder - Vice President, Financial Solutions  
Eric D. Stiff - Vice President, Marketing  
Kristy M. Shell - Membership Officer  
Robert E. Semar - Security Officer

## Members Credit Union

2098 Frontis Plaza Boulevard/Winston-Salem, NC 27103  
P.O. Box 5297/Winston-Salem, NC 27113-5297  
(336) 748-4800 or 800-951-8000  
TELL-COM (336) 748-4808 or 800-951-4808  
PhoneLOAN (336) 748-4828 or 800-951-LOAN (5626)  
[www.memcu.com](http://www.memcu.com)

