

Detroit Metropolitan Credit Union 2010 ANNUAL REPORT

Detroit Metropolitan Credit Union
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MESSAGE FROM THE CHAIRMAN OF THE BOARD

The strong finish to the 2010 fiscal year provides an excellent opportunity to assess the results of the decision making, actions and events that led to the completion of yet another successful fiscal year. Of equal importance is the reassurance that the past year's success gives to the membership and others who share the belief that past performance is an effective indicator of future success.

During the past year, lending policies continued to be reviewed and revised to ensure that loans at competitive interest rates remained available to all credit worthy borrowers.

In addition, investment policies as well as individual investment holdings were continuously reviewed and evaluated to ensure that investment decisions were proactive and responsive to changes affecting financial markets. Membership services were evaluated on an ongoing cost-versus-benefit basis to ensure that membership services not only continued to be worthwhile, but were provided in an efficient and cost effective manner.

At the same time, the credit union maintained a disciplined and conservative investment posture and followed a policy of increasing its position in high-grade high-yield corporate debt with shortened maturities. As a result, the investment portfolio is well positioned to re-price at higher yields as the economy recovers and interest rates rise.

Despite the increase in overall services offered to the membership, cost containment allowed for the payment of an annual percentage yield of 1.82% on all regular and IRA shares on deposit for the entire year and the payment of a 7% interest rebate to borrowers. Overall profitability increased equity to facilitate future growth.

Self-assessment of our achievements is rightfully subject to skepticism. Therefore, it is noteworthy that during the past fiscal year DMCU was awarded the highest (five star) rating by an independent financial institution rating agency. This is significant considering the source of the award is an unbiased independent bank rating agency involved in analyzing and reporting on the U.S. banking industry since 1983.

In conclusion, an assessment of the achievements of this past fiscal year provides a starting point for decision making that will determine the future direction and success of our credit union. The past success and future prosperity of our credit union is only possible through the continued efforts of all members of our credit union. In this regard, I extend my sincere gratitude to each member of the Board of Directors, Committees, Management, Staff as well as each credit union member for their individual efforts that allowed for the success of this past year. I am confident your continued support will ensure our future prosperity.

Richard Caretti, Chairman of the Board

STATEMENTS OF FINANCIAL CONDITION
DETROIT METROPOLITAN CREDIT UNION

	December 31,	
	2010	2009
ASSETS		
Cash, cash equivalents, and federal funds sold	\$ 33,248,839	\$ 32,343,208
Certificates of deposit	45,844,081	38,096,336
Share insurance capitalization deposit	3,412,383	3,022,967
Receivables and prepaid expense	4,932,109	4,014,239
Investment securities - held-to-maturity	298,860,381	269,017,159
Loans receivable - net of loan reserve	44,054,164	41,414,438
Property and equipment - net of allowance for depreciation	7,078,793	6,627,499
Renovations and construction in process	-	597,222
TOTAL ASSETS	\$437,430,750	\$395,133,068
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' savings	\$366,551,799	\$326,669,950
Accounts payable and accrued expense	5,670,600	6,361,585
TOTAL LIABILITIES	372,222,399	333,031,535
MEMBERS' EQUITY		
Members' equity substantially restricted	65,208,351	62,101,533
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$437,430,750	\$395,133,068

See notes to financial statements.

STATEMENTS OF INCOME AND EXPENSE AND CHANGES IN MEMBERS' EQUITY
DETROIT METROPOLITAN CREDIT UNION

	December 31,	
	2010	2009
Interest income		
Interest and fees on loans	\$3,511,261	\$3,333,199
Investment interest	12,676,815	12,912,436
	16,188,076	16,245,635
Interest expense on members' savings	6,165,486	8,245,683
Net interest income	10,022,590	7,999,952
Provision for loan losses	520,000	75,000
Net interest income after provision for loan losses	9,502,590	7,924,952
Operating expense		
General and Administrative		
Compensation and benefits	2,855,932	2,987,031
Occupancy	729,576	519,246
Other (net of reimbursements of \$565,641 in 2010 and \$403,896 in 2009)	1,693,591	1,831,347
	5,279,099	5,337,624
Operating income	4,223,491	2,587,328
Other income (deductions)		
Gain on disposition of assets	-	1,220
Cumulative pension expense adjustment	549,709	-
NCUSIF and TCCUSF insurance premiums	(1,079,819)	(573,445)
Loss on sale of investments	-	(1,823,877)
Loss on impairment on investment	(590,877)	(161,327)
NCUSIF deposit restoration	-	1,763,105
	(1,120,987)	(794,324)
Net income	3,102,504	1,793,004
Other comprehensive income - post retirement employee benefits	4,314	143,556
Total comprehensive income	3,106,818	1,936,560
Members' Equity, beginning of year	62,101,533	60,164,973
Members' Equity, end of year	\$65,208,351	\$62,101,533

See notes to financial statements.

STATEMENTS OF CASH FLOWS
DETROIT METROPOLITAN CREDIT UNION

	December 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$3,106,818	\$1,936,560
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	396,599	350,935
Amortization of bond discounts	3,411,475	3,049,232
(Increase) decrease in receivables and prepaid expense	(917,870)	129,300
Increase (decrease) in accounts payable and accrued expense	(690,985)	610,744
Net Cash Provided by Operating Activities	5,306,037	6,076,771

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Detroit Metropolitan Credit Union - Detroit, Michigan

We have audited the accompanying statements of financial condition of Detroit Metropolitan Credit Union as of December 31, 2010 and 2009, and the related statements of income and expense and 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 auditing standards generally accepted in the United States of America. 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 Detroit Metropolitan Credit Union as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Detroit, Michigan
March 21, 2011

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CASH FLOWS FROM INVESTING ACTIVITIES

	2010	2009
Net (increase) in certificates of deposit	(7,747,745)	(34,911,487)
(Increase) in share insurance capitalization deposit	(389,416)	(2,334,731)
(Purchase) of U.S. government and agency securities	(25,373,564)	(14,455,603)
Repayment of U.S. government and agency securities	12,615,121	11,344,647
(Purchase) of corporate securities	(66,918,301)	(57,887,702)
Repayment of corporate securities	47,607,997	60,353,167
(Purchase) of state and local bonds	(1,805,950)	(1,995,000)
Repayment of state and local bonds	620,000	1,480,000
(Increase) in loan receivable (exclusive of loan reserve)	(2,639,726)	(7,374,799)
Acquisition of property and equipment	(250,671)	(1,413,122)
(Increase) in renovations and construction in process	-	(597,222)
Net Cash (Used) by Investing Activities	<u>(44,282,255)</u>	<u>(47,791,852)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in members' savings	39,881,849	54,281,022
Net Cash Provided by Financing Activities	<u>39,881,849</u>	<u>54,281,022</u>
Net increase in Cash, Cash equivalents, and Federal Funds Sold	905,631	12,565,941
Cash, Cash Equivalents, and Federal Funds Sold at beginning of year	32,343,208	19,777,267
CASH, CASH EQUIVALENTS, AND FEDERAL FUNDS SOLD AT END OF YEAR	<u>\$33,248,839</u>	<u>\$32,343,208</u>
Supplemental Disclosure - Interest Paid	<u>\$6,165,486</u>	<u>\$8,245,683</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DETROIT METROPOLITAN CREDIT UNION

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events: Management has evaluated subsequent events through March 21, 2011, the date which the financial statements were available to be issued.

Nature of Business: Detroit Metropolitan Credit Union provides a variety of financial services to its membership, which includes employees of the City of Detroit, their families and all residents who live, work or worship in Wayne, Oakland and Macomb Counties. The Credit Union's primary sources of revenue are from investment interest and signature, automobile and real estate loans to members.

Basis of Accounting: The Credit Union maintains its books on an accrual basis of accounting.

Cash Equivalents: For purposes of the statements of cash flows, the Credit Union considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Investment Securities: The Credit Union's investments in securities are classified and accounted for as follows:

Held-to-maturity: It is the general policy of the Credit Union to hold all investments until maturity. This includes all corporate bonds, government and government agency bonds, notes and certificates for which the Credit Union has the positive intent and ability to hold to maturity. All investments are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period of maturity.

Purchase premiums and discounts are recognized in interest income using the interest method over terms of the securities. Declines in the fair value of held-to-maturity securities below their cost that are deemed to be other than temporary are reflected in the earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) 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. In the event that it becomes necessary to sell an investment classified as held-to-maturity, gains and losses on the sale of the 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, or hold any securities classified as available-for-sale.

Loans Receivable and Allowance 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.

The Credit Union's allowance for credit losses is the sum of various components recognized pursuant to Accounting Standards Codification (ASC) 450 (for pools of loans) and ASC 310 (for individually impaired loans). The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Credit Union's past loan loss experience, known and other risks inherent in the portfolio, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. A significant portion of the Credit Union's allowance is based on historical charge-off experience by collateral risk grade. The Credit Union considers a loan impaired when, based on current information or factors, it is probable that the Credit Union will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history, value of collateral, and changes in the employment of the member. Past due status is determined based on contractual terms. Loans that are delinquent less than two months are generally not considered impaired, unless the member has claimed bankruptcy or the Credit Union has received specific information concerning the loan impairment. Since the Credit Union issues primarily consumer loans, it does not receive updated financial data on its borrowers on an ongoing basis over the life of the loan. Therefore, the Credit Union reviews delinquent loans to determine impaired accounts. The credit union measures impairment on a loan by loan basis by either using the fair value of collateral or the present value of expected cash flows. Substantially all of the Credit Union loans that are identified as impaired have been measured using the fair value of the collateral. Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received.

Property and Equipment: Land is carried at cost. Building, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation. The building, furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

NOTE B - CASH, CASH EQUIVALENTS, AND FEDERAL FUNDS SOLD

Cash, cash equivalents, and federal funds sold consisted of the following as of December 31,

	2010	2009
Cash on hand	\$1,357,126	\$837,662
Cash in banks and credit unions	22,498,380	12,104,704
Travelers express reimbursement fund	-	15,429
Money market funds	9,393,333	14,385,413
Federal funds sold	-	5,000,000
	<u>\$33,248,839</u>	<u>\$32,343,208</u>

NOTE C - RECEIVABLES AND PREPAID EXPENSE

Receivables and prepaid expense consisted of the following as of December 31,

Accrued interest receivable	\$4,127,626	\$3,838,344
Prepaid expense and other receivables	804,483	175,895
	<u>\$4,932,109</u>	<u>\$4,014,239</u>

NCUSIF Deposit: The Deposit in the National Credit Union Share Insurance Fund (NCUSIF) is 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: A credit union is 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.

Members' Share and Savings Accounts: Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts is based on available earnings and is not guaranteed by the Credit Union. Interest 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 interest.

Income Taxes: The Credit Union is exempt by statute from federal and state income taxes.

Fair Values of Financial Instruments: Generally accepted accounting principles (GAAP) requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial condition. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Credit Union.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents: The carrying amounts reported in the statement of financial condition for cash and cash equivalents approximates those assets' fair values.

Investment securities: Fair values of securities are usually based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans to members: The fair value of fixed-rate loans is estimated by discounting the future cash flows for each loan category using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of adjustable-rate loans (primarily real estate) are assumed to approximate their carrying amount.

Accrued interest: The carrying amounts of accrued interest approximate the fair values.

Members' share deposits: The fair value of share drafts, regular savings and individual retirement accounts is the amount payable on demand at the reporting date.

Loan commitments: Commitments to extend credit were evaluated and fair value was determined using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest and the committed rates.

The Credit Union has no financial instruments that are held or issued for trading purposes.

Advertising: The Credit Union expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place.

Retirement Plan: The Credit Union funds annual pension costs, which consists of normal cost and amortization of prior service cost.

Post Retirement Employee Benefits: The Credit Union has adopted ASC 715 effective for the fiscal year ended December 31, 1995. The transition amount is being expensed over a 20 year period (of which 4 years remain).

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management has made estimates based on assumptions for fair value of financial instruments and the assessment of other than temporary impairment on investments. Actual results could differ from those estimates.

NOTE D - INVESTMENT SECURITIES - HELD-TO-MATURITY

The amortized cost and estimated market values of investments in debt securities are as follows:

	Amortized Cost	Gross Unrealized Gains (Losses)	Estimated Market Value
December 31, 2010			
U.S. government and agencies	\$77,024,866	\$2,121,989	\$79,146,855
Corporate securities	218,230,329	5,399,048	223,629,377
State and Municipal	3,605,186	12,082	3,617,268
	<u>\$298,860,381</u>	<u>\$7,533,119</u>	<u>\$306,393,500</u>
December 31, 2009			
U.S. government and agencies	\$64,479,042	\$1,030,341	\$65,509,383
Corporate securities	202,316,883	5,414,309	207,731,192
State and Municipal	2,221,234	13,395	2,234,629
	<u>\$269,017,159</u>	<u>\$6,458,045</u>	<u>\$275,475,204</u>

NOTE D - INVESTMENT SECURITIES (CONTINUED)

The amortized cost and estimated market value of debt securities at December 31, 2010 and 2009, by contractual maturity, are listed below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2010		December 31, 2009	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Due in one year or less	\$66,961,583	\$68,166,116	\$41,730,363	\$41,760,644
Due after one year through five years	154,873,932	159,080,529	162,807,754	168,205,177
Due after five years through ten years	-	-	-	-
	221,835,515	227,246,645	204,538,117	209,965,821
Mortgage-backed securities	77,024,866	79,146,855	64,479,042	65,509,383
	<u>\$298,860,381</u>	<u>\$306,393,500</u>	<u>\$269,017,159</u>	<u>\$275,475,204</u>

NOTE E - LOANS RECEIVABLE

Loans receivable consisted of the following as of December 31,

	2010	2009
Personal loans	\$27,573,254	\$25,471,999
Mortgage loans	8,864,943	7,897,771
Mortgage loans - participation	6,954,334	7,669,843
Mortgage loans in liquidation	77,521	-
Credit card loans	1,472,664	1,120,298
Other real estate owned	1,000	1,000
Less loan reserve	(889,552)	(746,473)
	<u>\$44,054,164</u>	<u>\$41,414,438</u>

A summary of the activity in the loan reserve is as follows:

	2010	2009
Balance at beginning of year	\$746,473	\$966,343
Loans charged off	(614,924)	(566,481)
Recoveries	238,003	271,611
Provision for loan losses	520,000	75,000
Balance at end of year	<u>\$889,552</u>	<u>\$746,473</u>

Included in loans receivable at December 31, 2010 and 2009 are loans of \$624,956 and \$728,564, respectively, which are receivable from executive officers, directors, and committee members of the Credit Union.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31,

	2010	2009
Land	\$1,288,908	\$1,288,908
Building	6,951,620	6,117,322
Furniture and equipment	976,578	962,983
Allowance for depreciation	(2,138,313)	(1,741,714)
	<u>\$7,078,793</u>	<u>\$6,627,499</u>

Depreciation expense amounted to \$396,599 and \$350,935 in 2010 and 2009, respectively.

NOTE G - MEMBERS' SAVINGS

Members' savings accounts were composed of the following as of December 31,

	2010	2009
Regular savings accounts	\$290,768,450	\$260,320,498
Individual retirement accounts	67,752,882	59,039,043
Draft and Christmas Club accounts	8,030,467	7,310,409
	<u>\$366,551,799</u>	<u>\$326,669,950</u>

Interest payments on member accounts are based on the daily balance method and are credited to member accounts at the end of each quarter. The daily balance method applies a daily periodic rate to the principal balance on deposit for each day of the quarter. A single quarterly interest rate is paid on all regular and individual retirement accounts. A separate rate is declared for draft and Christmas Club accounts.

Included in members' savings at December 31, 2010 and 2009 are savings deposits of \$1,315,186 and \$1,385,562, respectively, which are payable to officers, directors and committee members.

Total members' savings in excess of insured limits amounted to \$12,486,927 and \$6,602,727 at December 31, 2010 and 2009.

NOTE H - MEMBERS' EQUITY

Members' equity is substantially restricted by Federal and State regulatory authorities and by policies of the Board of Directors. Such restrictions are summarized below:

	Other Comprehensive Loss		Appropriated Statutory		Unappropriated	Total
	Loss	Statutory	Unappropriated	Total		
Balance, 1-01-09	\$(789,528)	\$19,503,720	\$41,450,781	\$60,164,973		
Transfers, net	-	(8,217,319)	8,217,319	-		
Net income	-	-	1,793,004	1,793,004		
Other comprehensive income	143,556	-	-	143,556		
Balance, 12-31-09	(645,972)	11,286,401	51,461,104	62,101,533		
Net Income	-	-	3,102,504	3,102,504		
Other comprehensive income	4,314	-	-	4,314		
Balance, 12-31-10	<u>\$(641,658)</u>	<u>\$11,286,401</u>	<u>\$54,563,608</u>	<u>\$65,208,351</u>		

NOTE I - NCUSIF AND TCCUSF INSURANCE PREMIUM AND NCUSIF DEPOSIT RESTORATION AND (IMPAIRMENT)

In response to large losses at several corporate credit unions, the NCUA Board took action on January 28, 2009 that resulted in a partial write-down of the credit union insurance deposit equal to .69 percent of insured shares as of December 31, 2008. Based on the fact that the underlying losses in the corporate credit union system occurred prior to December 31, 2008, the credit union restated its financial statements to reflect an impairment of the *National Credit Union Share Insurance Fund* (NCUSIF) deposit in the amount of \$1,763,105 as of December 31, 2008.

On June 18, 2009, the NCUA Board took actions to legally obligate a *Temporary Corporate Credit Union Stabilization Fund* (TCCUSF) (created by an amendment to the Federal Credit Union Act) for the costs of stabilizing the corporate system. The NCUA Board also took additional actions that resulted in the restoration of the NCUSIF capitalization deposit in the amount of the previously recorded impairment of \$1,763,105.

These actions further resulted in the assessment by the NCUA Board of an insurance premium equal to .15 percent of insured shares as of June 30, 2009 (consisting of an NCUSIF premium of .1027 percent and TCCUSF premium of .0473 percent). The statement of income and expense for the year ended December 31, 2009 includes an expense of \$573,455 related to these premium assessments.

During 2010, additional assessments by the NCUA Board consisted of a TCCUSF premium of .1340 percent of insured shares as of March 31, 2010 and an NCUSIF premium of .1242 percent of insured shares as of June 30, 2010. The statement of income and expense for the year ended December 31, 2010 includes an expense of \$1,079,819 related to these premium assessments.

NOTE J - LOSS ON IMPAIRMENT OF INVESTMENT

The Credit Union has recorded loss on impairment of investments in the amount of \$590,877 for 2010. The loss consists of an impairment charge of \$78,915 on the Member Capital Share Deposit at Cencorp and an impairment charge of \$511,962 resulting from other-than-temporary declines in the fair value of held-to-maturity investment securities.

The Credit Union has recorded loss on impairment of investments in the amount of \$161,327 for 2009. The loss consists of an impairment charge of \$165,756 on the Member Capital Share Deposit at Cencorp and a \$4,429 adjustment of an impairment charge resulting from other-than-temporary declines in the fair value of held-to-maturity investment securities.

NOTE K - RETIREMENT PLAN

The Credit Union makes contributions to a defined-benefit plan which provides for pension and disability benefits for all full-time employees. Total pension expense was \$360,000 in 2010 and \$360,000 in 2009. Plan benefit information required by ASC 715 as estimated by consulting actuaries for years ending December 31, 2010 and December 31, 2009 are as follows:

	2010	2009
1. Benefit obligation at end of prior year	\$12,563,252	\$12,424,998
2. Service cost (before administrative expenses)	179,831	177,567
3. Interest cost	742,385	711,354
4. Plan participants' contributions	39,495	38,497
5. Amendments	-	-
6. Net actuarial loss / (gain) for the prior year	943,715	(318,826)
7. Benefits Paid	(509,374)	(470,338)
8. Benefit obligation at end of year	<u>\$13,959,304</u>	<u>\$12,563,252</u>

	2010	2009
Change in Plan Assets:		
1. Fair value of plan assets at beginning of year	\$11,559,962	\$11,063,274
2. Actual return on plan assets	562,951	568,529
3. Employer contributions	360,000	360,000
4. Plan participants' contributions	39,495	38,497
5. Benefits paid	(509,374)	(470,338)
6. Estimated plan expenses paid	-	-
7. Fair value of plan assets at end of year	<u>\$12,013,034</u>	<u>\$11,559,962</u>

	2010	2009
Net Amount Recognized:		
1. Funded status	\$(1,946,270)	\$(1,003,290)
2. Unrecognized prior service cost	(225,259)	(268,455)
3. Unrecognized net actuarial loss	2,883,967	1,821,454
4. Prepaid benefit cost	<u>\$712,438</u>	<u>\$549,709</u>

	2010	2009
Benefit Obligation Information:		
1. Projected benefit obligation	\$13,959,304	\$12,563,252
2. Accumulated benefit obligation	\$12,213,334	\$11,342,257
3. Fair value of plan assets	\$12,013,034	\$11,559,962

	2010	2009
Components of Net Periodic Benefit Cost:		
1. Service cost	\$219,326	\$216,064
2. Interest cost	742,385	711,354
3. Expected return on plan assets	(746,289)	(714,642)
4. Amortization of prior service cost	(43,196)	(43,196)
5. Recognized net actuarial loss	64,540	48,713
6. Net Periodic benefit cost	<u>\$236,766</u>	<u>\$218,293</u>

	2010	2009
Weighted-average Assumptions:		
1. Discount rate:		
a. Net periodic benefit cost	6.00%	6.00%
b. Benefit obligations as of December 31	5.50%	6.00%
2. Expected return on plan assets	6.50%	6.50%
3. Rate of compensation increase:		
a. Net periodic benefit cost	5.00%	5.00%
b. Benefit obligations as of December 31	5.00%	5.00%

The expected rate of return assumption was selected as an estimate of anticipated future long-term rates of return on plan assets as measured on a market value basis. Factors considered in making this selection include (a) historical long-term rates of return for broad asset classes, (b) actual past rates of return achieved by the plan, (c) the general mix of assets held by the plan, and (d) the stated investment policy for the plan. The selected rate of return is net of anticipated investment-related expenses.

Additional Disclosures

1. Estimated contributions for next year: \$360,000 Employer; \$46,025 Employee

	Year End	Benefit Payments
2. Estimated future benefit payments:		
	2011	\$519,453
	2012	542,188
	2013	581,203
	2014	636,990
	2015	695,740
	Year 2016 - 2020	4,342,542

3. The following is the plan's weighted average asset allocation by asset category as of December 31, 2010 and 2009:

	2010	2009
Equity Securities	2%	4%
Bonds	84%	82%
Real Estate & Mortgage Loans	14%	14%

4. It is the Company's intention to allocate contributions to the above categories in a manner that will maximize investment return while limiting to the extent possible investment volatility.

5. The designated investment objectives of the Plan include: maximizing return at a reasonable and prudent level of risk, enabling the payment of benefit obligations when due, and controlling costs to the Plan.

NOTE L - CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

The Credit Union maintains deposits at several financial institutions located in Michigan. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2010 and 2009, the Credit Union's deposits (including demand deposits, certificates of deposit and federal funds sold) exceeded FDIC insured limits in the approximate amounts of \$21,571,033 and \$15,567,000, respectively.

NOTE M - ADVERTISING EXPENSE

Advertising expenses in the amounts of \$197,571 and \$269,192 for the years ended December 31, 2010 and 2009, respectively, are included in the statements of income and expense and changes in members' equity.

NOTE N - CONTINGENCIES

Management, after consultation with legal counsel, believes that there are no lawsuits or claims which will have a material adverse impact on the financial position of the Credit Union.

NOTE O - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amount and fair value amount of financial instruments at December 31, 2010 and 2009. Fair values are based on quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Fair values of cash and cash equivalents and savings and demand deposits approximate their carrying value in the financial statements value because of the short-term maturity and repricing characteristics of these instruments.

	2010		2009	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Cash and cash equivalents	\$33,248,839	\$33,248,839	\$32,343,208	\$32,343,208
Certificates of deposit	45,844,081	45,844,081	38,096,336	38,096,336
Investment securities	298,860,381	306,393,500	269,017,159	275,475,204
Loans	44,054,164	44,054,164	41,414,438	41,414,438
Deposits	366,551,799	366,551,799	326,669,950	326,669,950

NOTE P - FAIR VALUE MEASUREMENTS

The Credit Union did not have any assets or liabilities measured at fair value on a recurring basis as of December 31, 2010 or 2009.

NOTE Q - REGULATORY CAPITAL FOR PURPOSES OF PROMPT CORRECTIVE ACTION (PCA)

The Credit Union is subject to regulatory net worth requirements administered by the NCUA. In addition, the NCUA has also established Risk Based Net Worth (RBNW) requirements for complex credit unions based on risk weighting formulas on specific assets, liabilities, and off-balance sheet items which qualify under the regulations. Failure to meet minimum net worth or RBNW 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.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios of net worth to assets and RBNW ratios. Management believes, as of December 31, 2010, that the Credit Union meets all capital adequacy requirements to which it is subject and no events have occurred since the calculation date which would change the institution's category. As of December 31, 2010 and 2009, the Credit Union's RBNW requirements were 6.89% and 7.03%, respectively.

As of December 31, 2010 and 2009, the Credit Union's net worth is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Credit Union must maintain a minimum net worth ratio of 7%.

December	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2010	\$65,850,009	15.05%	\$26,245,845	6.0%	\$30,620,153	7.0%
2009	\$62,747,504	15.88%	\$23,707,984	6.0%	\$27,659,315	7.0%