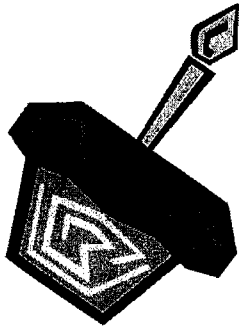


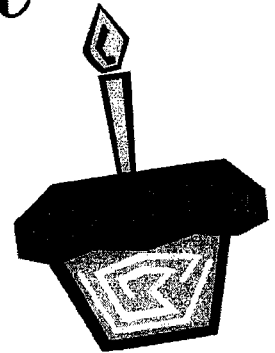
**H & H**

# **Federal Credit Union**



**March 31, 2009**

**45 Years of Service  
and Stability**



**Proud of our Past  
Serving the Present  
Looking forward to the Future**

H & H FEDERAL CREDIT UNION  
SUPERVISORY COMMITTEE REPORT

The basic audit responsibilities of the Supervisory Committee are:

1. To select and hire the auditing firm to perform the audit.
2. To confirm the accuracy and completeness of credit union accounting records.
3. To assess the system of internal controls.
4. To review the existence, ownership, and safety of credit union assets.
5. To determine if members are being educated in the purpose and service of the credit union.

The supervisory committee selected auditors from the firm of McGladrey & Pullen, LLP. They completed the Comprehensive Annual Review for the twelve-month period ending March 31, 2008.

We are continually verifying closed accounts, new accounts, and checking loan files to make sure all the documents and supporting papers comply with state and federal laws.

March 31, 2009

James Cunningham, Chairman  
Phyllis Bennett  
Connie Freriks  
Chester Cunningham

LOAN OFFICER REPORT

The responsibility of the Loan Officers is to evaluate members' loan applications according to the Rules and Regulations of the NCUA (National Credit Union Administration), various state and national laws, and the policies of the Board of Directors of H & H Federal Credit Union. Past credit history, the ratio of expenses to income, length of employment, and value of collateral are all-important aspects of the evaluation process. Loan policies cover these areas, and loans are approved or not approved within the guidelines of these policies. The loan officers are charged with providing a source of credit to our members, while at the same time, protecting the interest of our depositors.

During 2008, 1000 loans were approved for a total of \$10,670,402.00. At year-end we had a total of 298 Regular MasterCard accounts with card balances totaling \$411,459.91, and committed credit lines totaling \$769,952.00. At year-end we had a total of 168 Platinum MasterCard accounts with card balances totaling \$361,001.06, and committed credit lines totaling \$1,384,361.00.

March 31, 2009

Terry Maxwell  
Tina Hunter  
Renea Curry  
Deanna Williams  
Shannan Harrah  
Lisa Shields

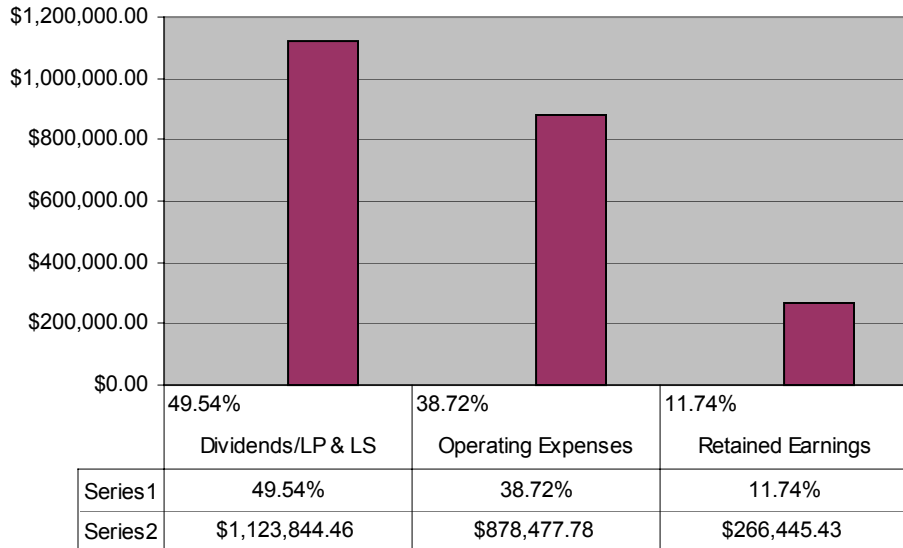
## FINANCIAL STATEMENT

ASSETS	2007	2008
<i>Loans</i>	\$20,074,039.76	\$20,321,254.80
<i>Cash Accounts</i>	\$140,913.15	\$203,758.74
<i>Investments</i>	\$18,474,360.93	\$23,839,789.61
<i>Southwest Corporate FCU</i>	\$1,498,071.03	\$1,203,388.90
<i>Prepaid Expenses</i>	\$30,842.82	\$27,519.72
<i>Land and Building</i>	\$94,457.86	\$87,654.82
<i>Furniture and Fixtures</i>	\$2,522.63	\$181.00
<i>Interest Receivable on Investments</i>	\$128,978.93	\$117,190.35
<i>Accrued Interest on Loans</i>	\$60,775.73	\$59,645.41
<i>NCUA Share Insurance Deposit</i>	\$317,022.09	\$324,239.63
<i>Other Assets</i>	\$24,621.66	\$15,448.60
<b>TOTAL</b>	<b>\$40,846,606.59</b>	<b>\$46,200,071.58</b>
LIABILITIES		
<i>Accounts Payable</i>	\$320,602.00	\$193,525.45
<i>Other Liabilities</i>	\$25,224.36	\$37,807.67
<i>Regular Shares</i>	\$2,151,100.12	\$1,946,537.27
<i>Super Shares</i>	\$13,395,836.54	\$15,521,213.41
<i>IRA's</i>	\$4,246,339.97	\$4,851,685.61
<i>Term Share Certificates</i>	\$12,394,593.37	\$15,044,634.71
<i>Christmas Club</i>	\$15,343.78	\$11,472.52
<i>Total Checking Accounts</i>	\$567,693.06	\$599,994.96
<b>TOTAL</b>	<b>\$33,116,733.20</b>	<b>\$38,206,871.60</b>
CAPITAL		
<i>Reserves</i>	\$819,069.99	\$819,069.99
<i>Allowance for Loan Losses</i>	\$115,040.74	\$111,921.90
<i>Undivided Earnings</i>	\$6,795,762.66	\$7,062,208.09
<b>TOTAL</b>	<b>\$7,729,873.39</b>	<b>\$7,993,199.98</b>
 <i>Capital to Asset Ratio</i>	 18.92%	 17.30%
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>\$40,846,606.59</b>	<b>\$46,200,071.58</b>

## INCOME STATEMENT

	2007	2008
<i>INCOME</i>		
<i>Interest on Loans</i>	\$1,236,620.23	\$1,264,390.33
<i>Income from Investments</i>	\$915,025.27	\$950,787.78
<i>Fee Income</i>	\$43,554.52	\$34,941.21
<i>Misc. Income</i>	\$18,654.69	\$18,648.35
<b>TOTAL</b>	<b>\$2,213,854.71</b>	<b>\$2,268,767.67</b>
 <i>OPERATING EXPENSES</i>		
<i>Salaries</i>	\$344,049.33	\$379,782.18
<i>Employee Benefits</i>	\$100,510.37	\$112,290.74
<i>Travel &amp; Conferences</i>	\$20,817.94	\$31,015.41
<i>Association Dues</i>	\$11,115.97	\$11,905.81
<i>Office Occupancy</i>	\$33,204.27	\$28,227.03
<i>Office Operations</i>	\$199,978.39	\$211,553.96
<i>Education and Promotions</i>	\$25,957.40	\$35,040.91
<i>Loan Servicing Expenses</i>	\$7,862.02	\$8,270.16
<i>Professional &amp; Outside Services</i>	\$41,274.38	\$58,149.66
<i>Provision for Loan Losses</i>	\$11,000.00	(\$14,000.00)
<i>Life Insurance on Regular Shares</i>	\$2,264.12	\$0.00
<i>Loan Protection (Credit Life) Ins</i>	\$37,008.10	\$21,543.47
<i>Federal Supv/Exam Fee</i>	\$8,023.36	\$9,081.92
<i>Cash Over &amp; Short</i>	\$175.00	(\$40.00)
<i>Interest on Borrowed Money</i>	\$161.01	\$0.00
<i>Annual Meeting</i>	\$4,200.00	\$7,200.00
<i>Miscellaneous Operating Expenses</i>	\$950.97	\$0.00
<b>TOTAL</b>	<b>\$848,552.63</b>	<b>\$900,021.25</b>
 <i>Expense to Income Ratio</i>	 38.33%	 39.67%
 <i>GAIN ON INVESTMENTS</i>	 \$0.00	 \$0.00
 <i>GAIN ON DISPOSITION OF ASSETS</i>	 (\$11,901.59)	 \$0.00
 <i>BALANCE</i>	 \$1,353,400.49	 \$1,368,746.42
 <i>DISTRIBUTION OF BALANCE</i>		
 <i>Dividends Paid to Members</i>	 \$1,145,797.74	 \$1,102,300.99
 <i>Regular Reserve</i>	 \$0.00	 \$0.00
 <i>Undivided Earnings</i>	 \$207,602.75	 \$266,445.43

### ***Distribution of Income***



Net Worth grew by 3.4%  
 Net Worth grew \$263,326.59  
 Net Worth ratio is 17.10%

Income increased by 2.5%  
 Income increased \$54,912.96

Deposits increased by 15.4%  
 Deposits increased by \$5,090,138.40

Loans increased by 1.2%  
 Loans increased \$247,215.04

Number of members increased by .5%  
 Number of members increased 23 during 2008  
 Total membership is 4872

Assets increased by 13.1%  
 Assets increased \$5,353,464.99