

H & H Federal Credit Union



1963 Assets \$50.00
2009 Assets \$51 Million

Annual Meeting
March 25, 2010

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, 2009.

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 25, 2010

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 2009, 1020 loans were approved for a total of \$12,099,484.00. At year-end we had a total of 291 Regular MasterCard accounts with card balances totaling \$470,040.49, and committed credit lines totaling \$923,698.51. At year-end we had a total of 181 Platinum MasterCard accounts with card balances totaling \$445,468.53, and committed credit lines totaling \$1,745,573.47.

March 25, 2010

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

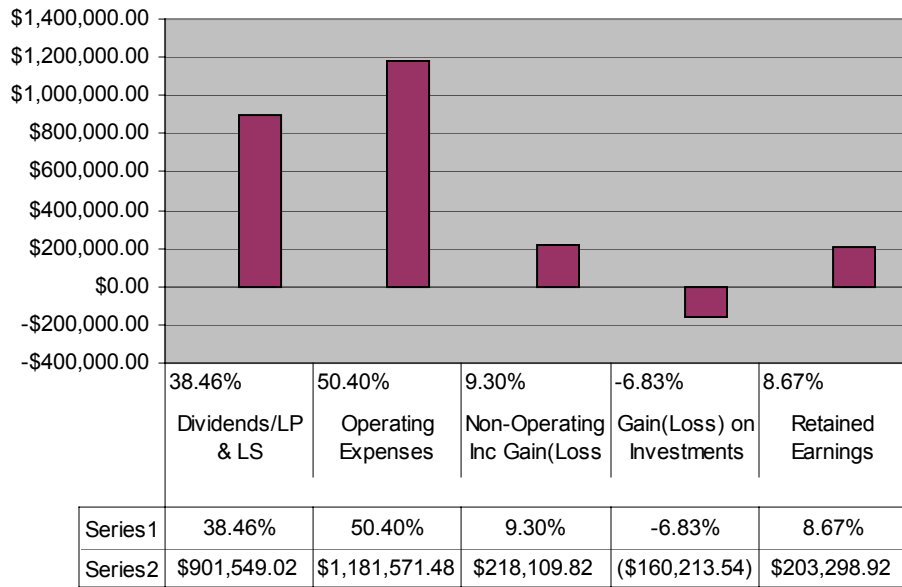
FINANCIAL STATEMENT

ASSETS	2008	2009
<i>Loans</i>	\$20,321,254.80	\$21,509,846.25
<i>Cash Accounts</i>	\$203,758.74	\$107,534.88
<i>Investments</i>	\$23,839,789.61	\$27,576,754.33
<i>Southwest Corporate FCU</i>	\$1,203,388.90	\$1,128,225.09
<i>Prepaid Expenses</i>	\$27,519.72	\$37,490.18
<i>Land and Building</i>	\$87,654.82	\$110,991.78
<i>Furniture and Fixtures</i>	\$181.00	\$1,053.30
<i>Interest Receivable on Investments</i>	\$117,190.35	\$69,160.34
<i>Accrued Interest on Loans</i>	\$59,645.41	\$57,124.52
<i>NCUA Share Insurance Deposit</i>	\$324,239.63	\$417,190.54
<i>Other Assets</i>	\$15,448.60	\$59,898.79
TOTAL	\$46,200,071.58	\$51,075,270.00
LIABILITIES		
<i>Accounts Payable</i>	\$193,525.45	\$171,288.38
<i>Other Liabilities</i>	\$37,807.67	\$33,135.37
<i>Regular Shares</i>	\$1,946,537.27	\$2,353,295.98
<i>Super Shares</i>	\$15,521,213.41	\$18,878,214.47
<i>IRA's</i>	\$4,851,685.61	\$5,687,733.00
<i>Term Share Certificates</i>	\$15,044,634.71	\$14,911,658.07
<i>Christmas Club</i>	\$11,472.52	\$13,649.72
<i>Total Checking Accounts</i>	\$599,994.96	\$858,855.72
TOTAL	\$38,206,871.60	\$42,907,830.71
CAPITAL		
<i>Reserves</i>	\$819,069.99	\$819,069.99
<i>Allowance for Loan Losses</i>	\$111,921.90	\$82,862.29
<i>Undivided Earnings</i>	\$7,062,208.09	\$7,265,507.01
TOTAL	\$7,993,199.98	\$8,167,439.29
 <i>Capital to Asset Ratio</i>	 17.30%	 15.99%
TOTAL LIABILITIES & CAPITAL	\$46,200,071.58	\$51,075,270.00

INCOME STATEMENT

	2008	2009
<i>INCOME</i>		
<i>Interest on Loans</i>	\$1,264,390.33	\$1,229,983.46
<i>Income from Investments</i>	\$950,787.78	\$949,912.62
<i>Fee Income</i>	\$34,941.21	\$29,520.90
<i>Misc. Income</i>	\$18,648.35	\$19,106.16
TOTAL	\$2,268,767.67	\$2,228,523.14
 <i>OPERATING EXPENSES</i>		
<i>Salaries</i>	\$379,782.18	\$405,506.77
<i>Employee Benefits</i>	\$112,290.74	\$122,853.53
<i>Travel & Conferences</i>	\$31,015.41	\$8,980.00
<i>Association Dues</i>	\$11,905.81	\$12,377.53
<i>Office Occupancy</i>	\$28,227.03	\$29,825.09
<i>Office Operations</i>	\$211,553.96	\$214,326.89
<i>Education and Promotions</i>	\$35,040.91	\$25,910.70
<i>Loan Servicing Expenses</i>	\$8,270.16	\$9,742.95
<i>Professional & Outside Services</i>	\$58,149.66	\$48,251.81
<i>Provision for Loan Losses</i>	(\$14,000.00)	\$4,000.00
<i>NCUA Share Insurance Premium</i>	\$0.00	\$280,688.40
<i>Life Insurance on Regular Shares</i>	\$0.00	\$0.00
<i>Loan Protection (Credit Life) Ins</i>	\$21,543.47	\$6,621.68
<i>Federal Supv/Exam Fee</i>	\$9,081.92	\$10,972.21
<i>Cash Over & Short</i>	(\$40.00)	\$180.00
<i>Interest on Borrowed Money</i>	\$0.00	\$5.60
<i>Annual Meeting</i>	\$7,200.00	\$7,950.00
<i>Miscellaneous Operating Expenses</i>	\$0.00	\$0.00
TOTAL	\$900,021.25	\$1,188,193.16
 <i>Expense to Income Ratio</i>	 39.67%	 53.32%
 <i>NON-OPERATING INC GAIN(LOSS)</i>	 \$0.00	 \$218,109.82
 <i>GAIN ON INVESTMENTS</i>	 \$0.00	 (\$160,213.54)
 <i>GAIN ON DISPOSITION OF ASSETS</i>	 \$0.00	 \$0.00
 <i>BALANCE</i>	 \$1,368,746.42	 \$1,098,226.26
 <i>DISTRIBUTION OF BALANCE</i>		
 <i>Dividends Paid to Members</i>	 \$1,102,300.99	 \$894,927.34
 <i>Regular Reserve</i>	 \$0.00	 \$0.00
 <i>Undivided Earnings</i>	 \$266,445.43	 \$203,298.92

Distribution of Income



Net Worth grew by 2.18%
 Net Worth grew \$174,239.31
 Net Worth ratio is 15.85%

Income decreased by 1.77%
 Income decreased \$40,244.53

Deposits increased by 12.3%
 Deposits increased by \$4,700,959.11

Loans increased by 5.8%
 Loans increased \$1,188,591.45

Number of members increased by .9%
 Number of members increased 46 during 2009
 Total membership is 4918

Assets increased by 10.5%
 Assets increased \$4,875,198.42