



**FASNY FEDERAL CREDIT UNION
ANNUAL REPORT
FISCAL YEAR 2011**

CONTENTS

ANNUAL MEETING NOTICE PAGE 2
CHAIRMAN & CHIEF OPERATING OFFICER’S REPORT PAGE 3
BALANCE SHEET & STATEMENT OF INCOME..... PAGE 5
BOARD OF DIRECTORS, SUPERVISORY COMMITTEE MEMBERS & STAFF PAGE 6

**DEDICATED VOLUNTEER,
meet Dedicated Credit Union.**

ANNUAL MEETING NOTICE

DATE: AUGUST 15, 2012
TIME: 8:00 AM
LOCATION: HOLIDAY INN
441 ELECTRONICS PARKWAY
LIVERPOOL NY 13088

MEETING AGENDA

ASCERTAIN A QUORUM IS PRESENT
CALL THE MEETING TO ORDER
ANNUAL MEMBERSHIP REPORT: BOARD CHAIRMAN JOSEPH A FINNEGAN
REPORT OF SUPERVISORY COMMITTEE: CHAIRMAN DAVID CHAPMAN
UNFINISHED BUSINESS
NEW BUSINESS
ELECTIONS
ADJOURNMENT

CHAIRMAN & CHIEF OPERATING OFFICER'S REPORT

Overview

Throughout 2011 we saw the domestic and national economies continue to modestly recover from the recession and your credit union mirrored that progression. This past year presented many challenges as we strived to maintain our mission, to distinguish ourselves through excellence in member service while remaining financially sound for you, our member-owners

As reported to you last year, the board of directors implemented a new strategic plan. In 2011 the plan was updated to reflect the strides made in 2010, but our core values remained unchanged:

- Excellence: Achieve excellence in all aspects of delivering financial services
- Innovation: Cost-effectively embrace innovation to creatively meet the challenges of the changing financial environment.
- Members: Our focus is to provide a compassionate, yet safe and sound, approach to members' financial needs.
- Respect: Recognize the contribution of all through mutual respect and support for individual members, fellow co-workers and the Fire and EMS communities.
- Integrity: Consistently perform with a high level of integrity that demonstrates honesty, responsibility and transparency.
- Dedication: Run *by* volunteer firemen *for* the volunteer fire service

Strategy

As you know, the basic operation of any financial institution is to take in deposits and make loans using those funds. Any funds not loaned out are then invested. Through the first few years of this economic recession we saw a continued increase of our member deposits. We believe this was a direct correlation to your loyalty to both us and the fire service, and your trust in this credit union as a safe and sound financial institution for your hard earned money. And for that loyalty and trust, we thank you.

At the same time as these deposits remained strong, loan demand from the membership fell steeply. In order to combat this shrinking loan-to-share ratio, we made a few strategic decisions:

- We made the difficult decision to slash dividend rates on share and share certificate accounts.
 - At the time of the housing crash in the fall of 2008, our Cost-of-Funds to Average Assets Ratio (a barometer used to calculate the expense associated with funds on deposit) was 23.96% greater than our competitors. At the end of 2011, that difference climbed to 61.29% more than our peers. What this means to you is that despite our decision to cut dividends so drastically, we are still well above our peers in the industry in paying dividends back to the membership.
- We renewed our marketing efforts and focused them solely on our loan products.
 - We hired a new marketing firm whose principal is a graphic designer with volunteer fire experience and a great knowledge of our membership and insight into our markets.
 - We've expanded our reach from just a few publications to using tools like Google Adwords to reach an entirely new audience of volunteer firefighters.
- We developed new loan products for our members.
 - We are now offering multiple types of private student loans.
 - After the devastating weather events in the summer of 2011, we developed the Natural Disaster Recovery Loan to help those affected recover from their losses.

Operations

The aforementioned continued soft loan demand resulted in originations declining from \$2.4 million in 2010 to \$1.875 million in 2011, a decline of 21%. Loan diversification continued to improve and thanks to sound underwriting standards and timely collection efforts, loan delinquencies continued to be well below industry averages.

We also made a few operational changes at your credit union:

- John Tucker, president of the credit union since origination, took on a new role as the Director of Finance for FASNY while maintaining his working relationship with the credit union as its Chief Financial Officer. Todd Stevens now runs the day-to-day operations of the credit union as he was promoted to the role of Manager & Chief Operating Officer.

- We made a significant investment in our ATM/Debit Card Program when we implemented real-time processing for your transactions. In addition to being much more convenient for you, this upgrade allowed us to reduce our exposure to fraud and losses. This opportunity also allowed us the chance to partner with Credit Union 24, a company which manages one of the nation's largest surcharge-free ATM networks. Find a surcharge-free ATM near you by visiting our website.
- Additionally, we continue to research new technologies and conveniences for you:
 - A more robust and real-time internet banking system;
 - Online loan applications; and
 - Mobile banking.

Please understand, however, that these products and services will require significant capital outlays and will be implemented when cost-feasible.

As you can see, 2011 was a year that was a very busy year for us as we worked hard to maintain our vision to be a financial cooperative of excellence, well-recognized as providing the best financial services to the Fire and EMS communities.



Joseph A. Finnegan
Chairman
Board of Directors



Todd B. Stevens
Chief Operating Officer
FASNY Federal Credit Union

BALANCE SHEET & STATEMENT OF INCOME

Balance Sheet	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	Change
Assets				
Cash & Cash Equivalents	\$ 2,370,250.00	\$ 2,981,698.00	\$ 410,984.00	
Investments	\$ 4,353,058.00	\$ 3,781,000.00	\$ 6,758,861.00	
Loans (Gross)	\$ 6,987,918.00	\$ 6,444,292.00	\$ 5,779,109.00	-10%
Less Participation Sold	\$ (27,575.00)	\$ (368,765.00)	\$ (303,132.00)	
Less Allowance for Loss	\$ (23,598.00)	\$ (38,105.00)	\$ (29,622.00)	
Premises & Equipment (net)	\$ 22,933.00	\$ 22,071.00	\$ 16,446.00	
Other Assets	\$ 182,861.00	\$ 235,225.00	\$ 231,252.00	
Total Assets	<u>\$ 13,865,847.00</u>	<u>\$ 13,057,416.00</u>	<u>\$ 12,863,898.00</u>	-1%
Liabilities				
Deposits				
Checking Accounts	\$ 1,512,254.00	\$ 1,142,949.00	\$ 1,405,161.00	
Savings Accounts	\$ 3,963,212.00	\$ 4,228,151.00	\$ 4,923,837.00	
Certificates of Deposit	\$ 6,859,916.00	\$ 6,535,581.00	\$ 5,263,576.00	
All Other Savings	\$ 393,404.00	\$ 25,608.00	\$ 109,362.00	
Total Deposits	<u>\$ 12,728,786.00</u>	<u>\$ 11,932,289.00</u>	<u>\$ 11,701,936.00</u>	-2%
Other Liabilities	\$ 11,803.00	\$ 28,816.00	\$ 21,869.00	
Total Deposits & Liabilities	<u>\$ 12,740,589.00</u>	<u>\$ 11,961,105.00</u>	<u>\$ 11,723,805.00</u>	-2%
Equity				
Undivided Earnings	\$ 1,125,258.00	\$ 1,096,311.00	\$ 1,140,093.00	4%
Capital To Asset Ratio	8.11%	8.39%	8.86%	Well-Capitalized
Total Liabilities & Equity	<u>\$ 13,865,847.00</u>	<u>\$ 13,057,416.00</u>	<u>\$ 12,863,898.00</u>	-1%
Statement of Income				
Interest Income				
Interest on Loan	\$ 447,965.00	\$ 450,871.00	\$ 390,479.00	-13%
Interest on Investments	\$ 121,580.00	\$ 88,937.00	\$ 60,261.00	-32%
Other Income				
Fee Income	\$ 26,201.00	\$ 24,075.00	\$ 18,470.00	-23%
Other Operating Income	\$ 4,403.00	\$ 4,507.00	\$ 28,867.00	
Total Income	<u>\$ 600,149.00</u>	<u>\$ 568,390.00</u>	<u>\$ 498,077.00</u>	
Interest Expense				
Dividends Paid to Members	\$ 250,764.00	\$ 190,582.00	\$ 129,797.00	-32%
As a percent of income	42%	34%	26%	
Non-Interest Expenses				
Compensation & Benefits	\$ 149,182.00	\$ 145,577.00	\$ 120,698.00	
Travel & Conference	\$ 10,671.00	\$ 11,028.00	\$ 8,913.00	
Office Occupancy	\$ 917.00	\$ 1,440.00	\$ 1,440.00	
Office Operations	\$ 90,158.00	\$ 88,871.00	\$ 111,459.00	
Education & Promotion	\$ 10,682.00	\$ 9,684.00	\$ 5,741.00	
Loan Servicing	\$ 10,611.00	\$ 23,392.00	\$ 23,896.00	
Professional & Outside Services	\$ 9,657.00	\$ 19,112.00	\$ 12,911.00	
Provisions for Loan Loss	\$ 2,185.00	\$ 44,194.00	\$ 3,974.00	
Miscellaneous Operating Expense	\$ 88,760.00	\$ 63,457.00	\$ 35,466.00	
Total Non Interest Expense	<u>\$ 372,823.00</u>	<u>\$ 406,755.00</u>	<u>\$ 324,498.00</u>	-20%
Total Expenses	<u>\$ 623,587.00</u>	<u>\$ 597,337.00</u>	<u>\$ 454,295.00</u>	
Net Income (loss)	<u>\$ (23,438.00)</u>	<u>\$ (28,947.00)</u>	<u>\$ 43,782.00</u>	

BOARD OF DIRECTORS, SUPERVISORY COMMITTEE MEMBERS & STAFF

<u>BOARD OF DIRECTORS</u>	<u>POSITION</u>	<u>SERVING SINCE</u>	<u>TERM</u>
Joseph A Finnegan Madrid, New York	Chairman	Origination	2011
Andrew E Pilecki North Tonawanda, New York	Vice Chairman	August 2005	2011
Heather Schafer Millersville, Maryland	Secretary	August 2011	2012
Roy K Dahlen Merrick, New York	Treasurer	August 2003	2012
Edward A Carpenter, Jr. Sayville, New York	Director	Origination	2012
Edward M Cooke Monticello, New York	Director	Origination	2012
K William Grant Canton, New York	Director	Origination	2012
June L Gunza Highland Falls, New York	Director	April 2007	2011
James W Williams Norwich, New York	Director	Origination	2011
<u>SUPERVISORY COMMITTEE</u>	<u>POSITION</u>	<u>SERVING SINCE</u>	<u>TERM</u>
David A Quinn Castleton-on-Hudson, New York	Chairman	Origination	2011
James A Ryan Walden, New York	Member	2005	2011
Marilyn Farrell Athens, New York	Member	2007	2011
<u>STAFF</u>	<u>POSITION</u>	<u>SERVING SINCE</u>	
Todd B Stevens Colonie, New York	Manager & Chief Operating Officer	April 2007	
John P Tucker Cortland, New York	Chief Financial Officer	Origination	
Geraldine M Piccolo Schenectady, New York	Member Service Representative	April 2004	