

**FASNY FEDERAL CREDIT UNION
ANNUAL REPORT
FISCAL YEAR 2010**

CONTENTS

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

ANNUAL MEETING NOTICE

DATE: AUGUST 17, 2011
TIME: 8:00 AM
LOCATION: EDGEWOOD RESORT & CONFERENCE CENTER
22467 EDGEWOOD ROAD
ALEXANDRIA BAY, NY 13607

MEETING AGENDA

ASCERTAIN A QUORUM IS PRESENT
CALL THE MEETING TO ORDER
ANNUAL MEMBERSHIP REPORT: BOARD CHAIRMAN JAMES H WILLIAMS
REPORT OF SUPERVISORY COMMITTEE: CHAIRMAN DAVID A QUINN
UNFINISHED BUSINESS
NEW BUSINESS
ELECTIONS
ADJOURNMENT

CHAIRMAN & CHIEF FINANCIAL OFFICER'S REPORT

As a result of the "Great Recession," fiscal year 2010 was another year of navigating some very rough economic times for the credit union industry and, here at your credit union, things were no different. It was a year of several mixed emotions: Relief that the worst of the economic struggles are hopefully abating; Remorse for the significant financial and evolving regulatory difficulties it has caused us; Regret that our original business model, although well-conceived and productive, was not able to carry us through the economic downturn as well as we had hoped; Resolve to execute our revised strategic plan and restore the credit union to a stronger capital position; Respect and admiration for the Directors and Management for their tireless work to address the numerous challenges presented through the year; and Resurgence that the credit union will continue to provide the highest quality products and services to the volunteer firefighter and EMS providers that we serve.

After years of deposit growth based on a business model that adequately used excess deposits (not used to fund loan demand) as investments, your Board of Directors and Credit Union management emerged from a strategic planning process with a new three-year model which calls for a reduction in our deposit base of approximately 4% per year without sacrificing our core value of service to our members. We challenged ourselves to position the credit union to compete and grow during the delayed economic recovery and continued lower loan demand. Other key financial concepts of the strategic plan include:

- Maintaining delinquency and charge-off ratios below those of our peer group;
- Increasing lending to our members;
- Increasing our Return on Assets ratio;
- Maintaining an Operating Expenses to Assets ratio below credit unions of like size; and
- Increasing our Capital Ratio.

We ended the year with total assets of \$13,057,416 a decrease of 6% from year-end 2009 and consistent with our strategic plan. Much of the asset growth over the past few years can be attributed to a flight to safety and quality, as members moved deposits from high risk investments and banks to the safety and security of the credit union industry with their service to member business model.

Soft loan demand resulted in loan originations declining from \$3.5 million in originations in 2009 to \$2.4 million in 2010 a decline of 31%. Our loan diversification continued to improve and we are currently studying the implementation of student loan products for 2011.

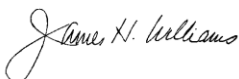
Across the board, FASNY's loan quality continues to be exceptional! Thanks to sound underwriting standards and timely collection efforts, loan delinquencies remained well below those of our peer group at .67% versus 1.74%

Although FASNY did not participate in the sub-prime mortgage crisis that plagued the nation, the ripple effect from that crisis significantly impacted our bottom line again in 2010. Several credit union failures throughout the U.S. prompted the National Credit Union Share Insurance Fund (NCUSIF) as well as the banks' Federal Deposit Insurance Corporation to impose large fee assessments on all financial institutions. FASNY's assessment for 2010 was \$32,151. It should be noted, your deposits continue to be backed by the "full faith and credit" of the U.S. government up to \$250,000 through the NCUSIF.

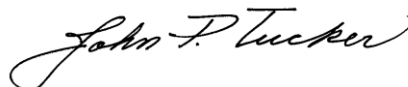
We are confident that FASNY will emerge from the national recession strong and well capitalized; thanks to the many advantages we offer our member-owners and our proven ability to manage risk effectively.

Succession planning is one of the Board's primary responsibilities, and a function which your Board has been engaged in for many years. It became apparent that we were approaching an inflection point and that 2011 would be an important transition year as John Tucker, our founding President, would expand his duties and responsibilities as the Director of Finance for our sponsor, the Firemen's Association of the State of New York. The Board considered their options, and determined that our Chief Operating Officer Todd Stevens, who was originally recruited by John, had all the attributes required to lead your Credit Union. Effective March 7, 2011 Todd assumed the increased duties and responsibilities as Manager of your Credit Union.

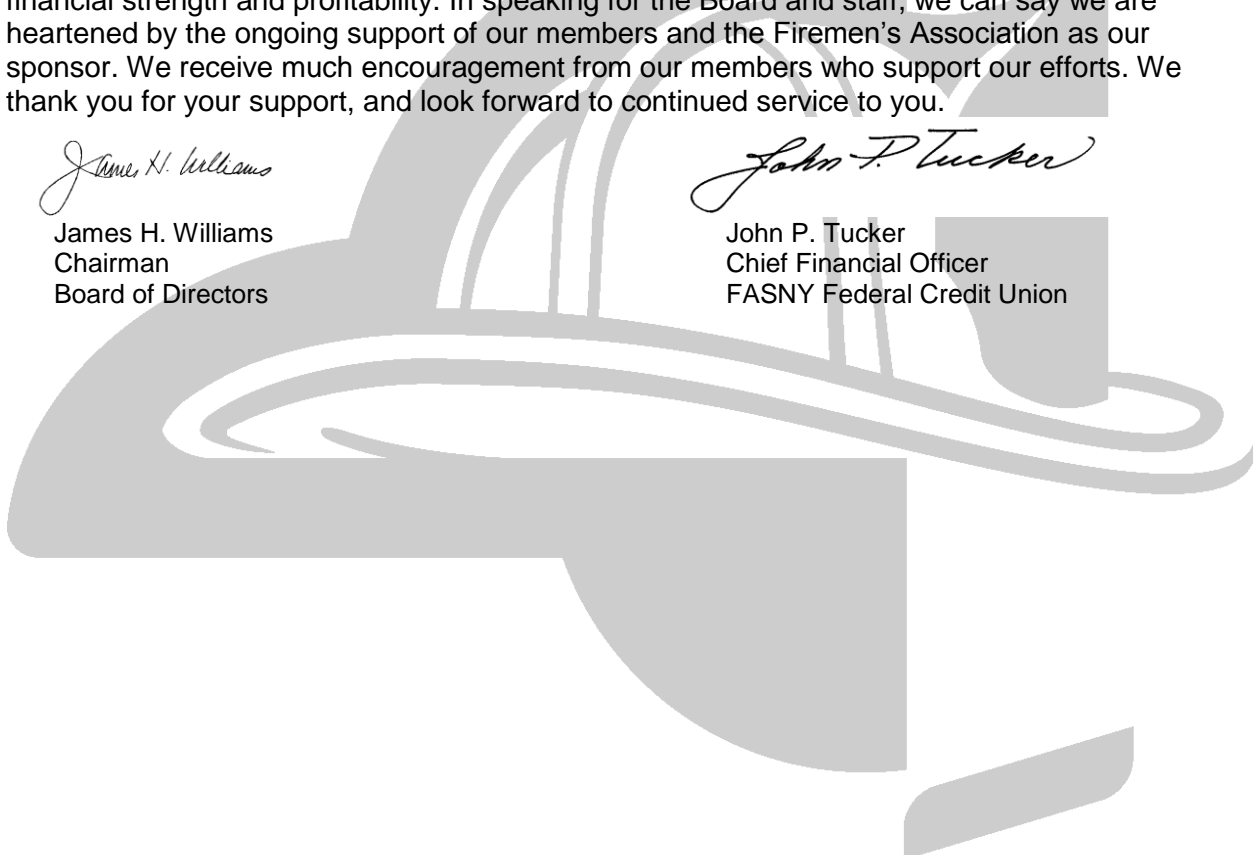
In closing, your Credit Union has adopted a plan to emerge from this most difficult economic period stronger and re-vitalized. We are encouraged by what we see as a bright future of service to the volunteer firefighters and EMS providers that should, over time, translate into financial strength and profitability. In speaking for the Board and staff, we can say we are heartened by the ongoing support of our members and the Firemen's Association as our sponsor. We receive much encouragement from our members who support our efforts. We thank you for your support, and look forward to continued service to you.



James H. Williams
Chairman
Board of Directors



John P. Tucker
Chief Financial Officer
FASNY Federal Credit Union



BALANCE SHEET & STATEMENT OF INCOME

Balance Sheet

Assets	12/31/2008	12/31/2009	12/31/2010	Change
Cash & Cash Equivalents	\$979,980	\$2,370,250	\$2,981,698	
Investments	\$4,372,500	\$4,353,058	\$3,781,000	
Loans			\$6,444,292	
Less Participation Sold			\$368,765	
Less Allowance for Loss			\$38,105	
Net Loans	\$6,083,025	\$6,936,745	\$6,037,422	-13%
Premises & Equipment (net)	\$57,662	\$22,933	\$22,071	
Other Assets	\$126,593	\$182,861	\$235,225	
Total Assets	\$11,619,760	\$13,865,847	\$13,057,416	-6%
Liabilities				
Deposits				
Checking Accounts	\$1,179,739	\$1,512,254	\$1,142,949	
Savings Accounts	\$4,360,870	\$3,963,212	\$4,228,151	
Certificates of Deposit	\$4,518,227	\$6,859,916	\$6,535,581	
All Other Savings	\$387,802	\$393,404	\$25,608	
Total Deposits	\$10,446,638	\$12,728,786	\$11,932,289	-6%
Other Liabilities	\$21,426	\$11,803	\$28,816	
Total Deposits & Liabilities	\$10,468,064	\$12,740,589	\$11,961,104	-6%
Equity				
Undivided Earnings	\$1,151,696	\$1,125,258	\$1,096,311	-3%
Capital to Asset Ratio	9.91%	8.11%	8.39%	Well-Capitalized
Total Liabilities & Equity	\$11,619,760	\$13,865,847	\$13,057,416	-6%

Statement of Income

Interest Income				
Interest on Loans	\$412,740	\$447,965	\$450,871	1%
Interest on Investments	\$130,213	\$121,580	\$88,937	-27%
Other Income				
Fee Income	\$26,350	\$26,201	\$24,075	-8%
Other Operating Income	\$3,447	\$4,403	\$4,507	
Non-Operating Income	\$100,000	-	-	
Total Income	\$672,750	\$600,149	\$568,390	
Interest Expense				
Dividends Paid to Members	\$230,363	\$250,764	\$190,582	-24%
Non-Interest Expenses				
Compensation & Benefits	\$177,258	\$149,182	\$145,577	
Travel & Conference	\$9,170	\$10,671	\$11,028	
Office Occupancy	\$1,486	\$917	\$1,440	
Office Operations	\$96,276	\$90,158	\$88,871	
Education & Promotion	\$16,810	\$10,682	\$9,684	
Loan Servicing	\$12,508	\$10,611	\$23,392	
Professional & Outside Services	\$585	\$9,657	\$19,112	
Provision for Loan Loss	\$1,289	\$2,185	\$44,194	
Miscellaneous Operating Expense	\$3,037	\$88,760	\$66,457	
Total Non-Interest Expenses	\$318,419	\$372,823	\$406,755	9%
Total Expenses	\$548,782	\$623,587	\$597,337	
Net Income (loss)	\$123,968	\$(23,438)	\$(28,947)	

BOARD OF DIRECTORS, SUPERVISORY COMMITTEE MEMBERS & STAFF

BOARD OF DIRECTORS

	<u>POSITION</u>	<u>SERVING SINCE</u>	<u>TERM</u>
JAMES H WILLIAMS NORWICH, NEW YORK	CHAIRMAN	ORIGINATION	2009
JOSEPH A FINNEGAN MADRID, NEW YORK	VICE CHAIRMAN	ORIGINATION	2009
EDWARD A CARPENTER, JR. SAYVILLE, NEW YORK	SECRETARY	ORIGINATION	2010
ROY K DAHLEN MERRICK, NEW YORK	TREASURER	AUGUST 2003	2010
EDWARD M COOKE MONTICELLO, NEW YORK	DIRECTOR	ORIGINATION	2010
K WILLIAM GRANT CANTON, NEW YORK	DIRECTOR	ORIGINATION	2010
ANTHONY J BOSCO, JR. OSSINING, NEW YORK	DIRECTOR	AUGUST 2003	2010
ANDREW E PILECKI NORTH TONAWANDA, NEW YORK	DIRECTOR	AUGUST 2005	2009
JUNE L GUNZA HIGHLAND FALLS, NEW YORK	DIRECTOR	APRIL 2007	2009

SUPERVISORY COMMITTEE

	<u>POSITION</u>	<u>SERVING SINCE</u>	<u>TERM</u>
DAVID A QUINN CASTLETON-ON-HUDSON, NEW YORK	CHAIRMAN	ORIGINATION	2009
JAMES A RYAN WALDEN, NEW YORK	MEMBER	2005	2009
MARILYN FARRELL ATHENS, NEW YORK	MEMBER	2007	2009

STAFF

	<u>POSITION</u>	<u>SERVING SINCE</u>
JOHN P TUCKER CORTLAND, NEW YORK	CHIEF FINANCIAL OFFICER	ORIGINATION
TODD B STEVENS COLONIE, NEW YORK	CHIEF OPERATING OFFICER	APRIL 2007
GERALDINE M PICCOLO SCHENECTADY, NEW YORK	MEMBER SERVICE REPRESENTATIVE	APRIL 2004