MEMBERS FEDERAL CREDIT UNION

For us. By us. 2010 Annual Report









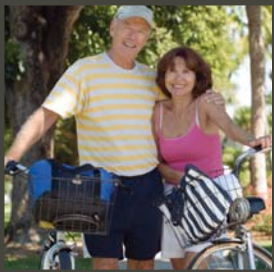













Balance Sheet Unaudited

As of December 31,	2010	2009	Difference	Change
ASSETS				
Loans	37,992,192	39,065,617	(1,073,425)	-2.75%
Less: Allow Loan Loss	(621,696)	(390,557)	(231,139)	59.18%
NET LOANS	37,370,496	38,675,060	(1,304,564)	-3.37%
Cash and Equivalents	7,087,575	6,684,302	403,273	6.03%
SIP Investment Note 1	–	12,820,125	(12,820,125)	-100.00%
Other Investments	23,525,195	22,067,309	1,457,886	6.61%
TOTAL INVESTMENTS	30,612,770	41,571,736	(10,958,966)	-26.36%
Fixed Assets	2,531,109	2,650,395	(119,286)	-4.50%
NCUSIF Deposit	640,493	599,204	41,289	6.89%
All Other Assets	358,125	501,658	(143,533)	-28.61%
TOTAL ASSETS	71,512,993	83,998,053	(12,485,060)	-14.86%
LIABILITIES AND EQUITY				
Accounts Payable	125,736	77,399	48,337	62.45%
SIP Borrowings Note 1	–	12,820,125	(12,820,125)	-100.00%
Other Liabilities	294,957	324,075	(29,118)	-8.98%
TOTAL LIABILITIES	420,693	13,221,599	(12,800,906)	-96.82%
Shares To Members	14,211,137	13,272,771	938,366	7.07%
Other Shares	1,032,443	995,161	37,282	3.75%
Health Savings Accounts	129,847	96,317	33,530	34.81%
Checking Accounts	6,823,751	7,118,130	(294,379)	-4.14%
Money Markets	12,785,063	11,763,347	1,021,716	8.69%
Share Certificates	21,662,541	23,866,606	(2,204,065)	-9.23%
IRA Accounts	7,153,339	6,808,646	344,693	5.06%
TOTAL SHARES	63,798,121	63,920,978	(122,857)	-0.19%
Regular Reserves	1,826,611	1,826,611	–	0.00%
Undivided Earnings	5,465,150	5,049,798	415,352	8.23%
Unrealized Investment Gains/(Losses)	2,418	(20,933)	23,351	111.55%
TOTAL EQUITY	7,294,179	6,855,476	438,703	6.40%
TOTAL LIABILITIES & EQUITY	71,512,993	83,998,053	(12,485,060)	-14.86%

Notes to Balance Sheet

Note 1. System Investment Program (SIP) Participation - The credit union participated in the Temporary Corporate Credit Union Liquidity Guarantee Program adopted by NCUA in 2009. Participation in this program was designed to allow natural person credit unions the ability to borrow funds from the Central Liquidity Fund and then invest them in Corporate Credit Unions under a guarantee adopted by NCUA. The result of participation in this program known as SIP (System Investment Program) was 0.25% net interest income earned by the credit union on all funds borrowed and then invested at Corporate Credit Unions. The program ended in March 2010.

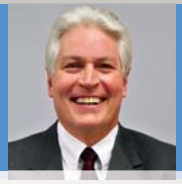
Income Statement Unaudited

For the years ended December 31,	2010	2009	Difference	Change
OPERATING INCOME				
Interest on Loans	2,571,515	2,510,895	60,620	2.41%
Investment Income	468,368	615,480	(147,112)	-23.90%
SIP Investment Income Note 1	7,483	104,140	(96,657)	-92.81%
Non-Interest Income	827,262	809,370	17,892	2.21%
TOTAL OPERATING INCOME	3,874,628	4,039,885	(165,257)	-4.09%
EXPENSES				
Provision for Loan Losses	386,892	249,561	137,331	55.03%
NCUSIF Stabilization Expense Note 2	85,113	89,880	(4,767)	-5.30%
Non-Interest Expenses	2,298,413	2,231,565	66,848	3.00%
TOTAL NON-INTEREST EXPENSES	2,770,418	2,571,006	199,412	7.76%
DIVIDEND & INTEREST EXPENSES				
Share Accounts	28,443	34,220	(5,777)	-16.88%
Money Market Accounts	99,814	118,605	(18,791)	-15.84%
Term Share Certificates	458,506	663,937	(205,431)	-30.94%
IRAs	174,132	205,629	(31,497)	-15.32%
SIP Interest on Borrowed Money Note 1	5,631	74,029	(68,398)	-92.39%
TOTAL DIVIDEND & INTEREST EXPENSES	766,526	1,096,420	(329,894)	-30.09%
Net Operating Income/(Loss)	337,684	372,459	(34,775)	-9.34%
Non-Operating Income/(Loss)	151,187	144,166	7,021	4.87%
Gain (Loss) on Investments Note 2	(65,163)	(229,325)	164,162	-71.58%
Gain (Loss) on Asset Disposition	(8,357)	(425)	(7,932)	1866.35%
NET INCOME/(LOSS)	415,351	286,875	128,476	44.78%

Notes to Statement of Income

Note 1. System Investment Program (SIP) Participation - The credit union participated in the Temporary Corporate Credit Union Liquidity Guarantee Program adopted by NCUA in 2009. Participation in this program was designed to allow natural person credit unions the ability to borrow funds from the Central Liquidity Fund and then invest them in Corporate Credit Unions under a guarantee adopted by NCUA. The result of participation in this program known as SIP (System Investment Program) was 0.25% net interest income earned by the credit union on all funds borrowed and then invested at Corporate Credit Unions. The program ended in March 2010.

Note 2. NCUSIF Expenses and Investment Losses - Costs associated with NCUA's treatment of mortgage backed investments held by Corporate Credit Unions was passed down to Natural Person Credit Unions in the form of NCUSIF Stabilization Expenses and write-offs of capital investments in Corporate Credit Unions



Report of the Board Chairman Mark Stephenson

On behalf of the dedicated volunteers who make up the Board of Directors, I offer this annual report for the year 2010.

It is with a great deal of satisfaction and pride that the staff members and volunteers of your credit union report to you that despite the extremely difficult national financial landscape of the past two years that we maintain the highest level of financial security. Our yearly exams by the federal agency providing credit union oversight continually demonstrate strong fiscal management. This results in safety for our members and a stable organization.

While continuing our profitability and safety, we continued to seek ways to increase our service delivery level in 2010. In response to the increasing threat of fraud and internet security, we implemented new and better security measures. These "Multifactor Authentication" (MFA) processes provide additional protection for our members whether at home or traveling. We also responded to our members' needs by putting into operation better check and wire request services that resulted in quicker wire transfers. A new service, "ZashPay" now allows for a quick way to pay individuals by transferring funds using their email or mobile phone.

We partnered with Automotive Avenues to offer no-haggle pricing at or below market value on certified used automobiles and new vehicles with all the manufacturer incentives while offering very low financing rates for car loans. Our members consistently saved money over the loan rates offered by commercial banks. Our free online bill pay grew in member use and provided 24/7 convenience. We are one of the few financial institutions still offering free checking accounts. We expanded into small business loans and offered very competitive rates on mortgages. Our credit card and debit card ScoreCard Reward program resulted in free airline tickets and merchandize for our members simply by using their cards.

Remember, that our credit union is owned by us, the members. It is a cooperative venture that serves our community by offering a member-owned alternative to commercial banks while providing unparalleled service and security. The Board and Staff would like to thank you, the owner, for the continued growth and success of our credit union!

Meeting Agenda

April 26, 2011

12:30 Business Meeting

- Call to Order (Mark Stephenson, Chairman of the Board)
- Determination of Quorum
- Approval of Minutes (April 20, 2010)
- Report of the Board Chairman (Mark Stephenson)
- Supervisory Committee Report (Kin Shuman)
- Treasurer's Report (Steve Anderson)
- President's Report (Jeff Holler)
- Nominating Committee
  (2011 Candidates Charlie Richardson, Deidre Warner, and Steve Anderson)
- General Business
- Door Prize Drawing
- Adjournment

Key Financial Ratios

	Peers	MFCU	Difference
ROA (Profitability)	0.17%	0.53%	0.36%
Cost of Funds	1.00%	0.99%	-0.01%
Operating Expenses	4.01%	3.07%	-0.94%

2010 Annual Meeting Minutes

April 20, 2010

I. Call to Order

Mark Stephenson, Chairman of the Board, called the meeting to order. A quorum was present.

II. Reading of the Minutes

Minutes from the Annual Meeting held April 16, 2009 were approved as read.

III. Reports

Mark Stephenson presented the Chairman's Report.
Steve Anderson presented the Treasurer's Report.
The Supervisory Committee's Report is included in the Annual Report.
Jeff Holler presented the President's Report.

IV. Election of Officers

The 2010 Nominating Committee met to consider all applicants for the 2010 election. There were no letters of interest received, nor were there any qualified petitions received by the deadline; consequently, there is no requirement for an election by ballot. The following slate of nominees unanimously applied by the 2010 Nominating Committee, will be declared elected by acclamation, as follows: Mark Stephenson and Terry Teske.

V. General Business

Draw for Door Prizes

VI. Adjournment

There being no further business to come before the members, the meeting was adjourned at 6:00 p.m.

Respectfully Submitted,
Mark Stephenson, Chairman   Terry Teske, Secretary

Board of Directors

Front row left to right: Robin Peterson, Steve Anderson, Deidre Warner
Back row left to right: Terry Teske, Mark Stephenson - Chairman, Craig Nash, Charles Richardson

Supervisory Committee

Steve Bobrick, Kin Shuman - Chairman, Bill Huber

Staff

Executive Management Team
Jeff Holler, President
Rick Hassman, EVP/CFO

Accounting Department
Sylvia Fajardo-Horton, Accounting Manager
Robin Holmes, Accounting Clerk
Jessie Whitcher, Staff Accountant

IT Department
Blake Smith, IT Manager

Loan Department
Dan Howell, Loan Officer
David Hyman, Collections Clerk

Marketing Department
Tracy Davis, Marketing Coordinator

Member Services Department
Curtis E. Gardner, Vice President of Member Services
Caylan Pirkle, Lead Teller/Vault Teller
Rhea Alberts, Teller
Emily Clausen, Financial Services Representative
Teresa Conley, Teller
Amanda Decker, Teller
Daisy Figueroa, Member Service Representative
Erica Gordon, Financial Services Representative
Darla Johnson, Teller
Brittney Newton, Receptionist
Meg Young, Teller