

# FINANCIAL SUMMARY

## Assets

	2010	2009	2008
Loans to Members	\$122,504,247	\$119,470,015	\$111,420,303
Cash & Due from Banks	\$ 2,184,973	\$ 3,424,843	\$ 6,712,692
Investments	\$ 25,445,097	\$ 44,026,317	\$ 24,149,303
Land	\$ 1,410,428	\$ 1,416,972	\$ 1,419,753
Fixed Assets-Net	\$ 6,899,924	\$ 7,195,984	\$ 5,954,354
Other Assets	\$ 3,633,782	\$ 2,054,777	\$ 2,329,200
NCUSIF Deposit	\$ 1,333,765	\$ 1,319,115	\$ 1,169,094
<b>Total Assets</b>	<b>\$ 163,412,217</b>	<b>\$ 178,908,023</b>	<b>\$ 153,154,699</b>

## Liabilities & Equity

Accounts Payable	\$ 6,616,431	\$ 25,685,279	\$ 9,970,278
Other Liabilities	\$ 118,547	\$ 109,409	\$ 85,532
Deposits	\$134,430,045	\$131,145,590	\$120,716,022
Reserves (Equity)	\$ 22,247,194	\$ 21,967,745	\$ 22,382,867
<b>Total Liabilities &amp; Equity</b>	<b>\$ 163,412,217</b>	<b>\$ 178,908,023</b>	<b>\$ 153,154,699</b>

## Income

Interest on Loans	\$ 7,477,802	\$ 7,485,413	\$ 7,615,052
Investment Income	\$ 686,382	\$ 904,624	\$ 1,137,688
Fees & Charges	\$ 1,800,291	\$ 1,691,317	\$ 1,808,011
Misc. Operating Income	\$ 245,360	\$ 215,529	\$ 284,669
<b>Total Operating Income</b>	<b>\$ 10,209,830</b>	<b>\$ 10,296,883</b>	<b>\$ 10,845,420</b>

## Expenses

Operating Expenses	\$ 7,326,306	\$ 7,144,102	\$ 7,062,728
Cost of Funds	\$ 1,900,923	\$ 2,670,653	\$ 3,214,694
<b>Operating Net Income</b>	<b>\$ 982,605</b>	<b>\$ 482,128</b>	<b>\$ 567,998</b>
Non-Operating Gain/Loss	\$ (781,737)*	\$ (1,232,188)*	\$ 78,634
<b>Net Income</b>	<b>\$ 200,868</b>	<b>\$ (750,060)</b>	<b>\$ 646,632</b>

### Independent Auditors Report

We have audited the statements of financial condition of Heritage Credit Union as of December 21, 2008 and 2009, and the related statements of income, member's equity, and cash flows for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heritage Credit Union at December 31, 2008 and 2009, and the results of its cash flows for the years that ended in conformity with generally accepted accounting principles.

Homer, Wilson and Company, LTD  
 Certified Public Accountants  
 Munster, Indiana

\*This number reflects a charge from National regulators to spread losses within the credit union system.

# 2010 ANNUAL REPORT



**HERITAGE**  
 credit union



A Message From  
Chairman of the Board  
Richard J. McGrath

The last couple of years have really challenged the financial services industry in an unprecedented way. The “ripple” effect of high unemployment; falling home prices; and a struggling economy have touched most Americans in a negative way. Our members, of course, were not excluded from this very difficult time. And as our members fare, so does Heritage. During this time, the credit union experienced higher than normal loan losses; a decline in loan demand; and a general softening of business.

The good news is that Heritage has weathered another storm. We entered the recession with very strong reserves and sound loan portfolio, and we continue to be financially strong. This stability has not only permitted us to roll out new member services but has allowed us to maintain our very competitive pricing. In addition, our financial strength has helped fuel our growth during a time when most other financials have been shrinking.

The best news this year, however, is that we partnered with A-B Credit Union in Milwaukee and combined our resources. With A-B’s contribution of about \$45 million in assets, Heritage has grown to over \$200 million – a new record. The merger is effective January 31, 2011, although Heritage has been providing management support to A-B since November 2010. We strongly feel that our coming together is good for both memberships, which now totals more than 26,000.

I am happy to say that the 2011 forecast is brighter than the past couple of years, however it still will not be business as usual. While we see unemployment as a continuing concern, we also see important sectors of the economy now recovering. After a couple of dark years, there now is a light at the end of the tunnel. We are optimistic moving ahead and expect to accelerate our overall growth and add to our reserves in 2011, which are now at an all time high.

On behalf of your Board of Directors, I wish to thank you, our members for your loyalty and continued commitment to Heritage. Heritage’s success is measured only by the support of our members. With that, I must say that we have the privilege of serving the best members around. I personally wish you good health and prosperity in 2011 and encourage you to visit our website at [www.heritagecu.org](http://www.heritagecu.org) for exciting news throughout the year.

Finally, I wish to express my gratitude to the staff at Heritage. Their skill and dedication to our purpose make our job easier at the board level. Remember, Heritage exists to help members make their dreams come true. These words are part of our Mission Statement and we not only recite them, we live by them.

Richard J. McGrath



A Message From  
Chief Executive Officer  
Robert F. Lestina

I’m pleased to report that Heritage made great strides in 2010. The emphasis was on restoring Heritage to profitability and protecting our high level of reserves. We accomplished both.

If you recall in my report last year, Heritage, along with the entire credit union industry was caught off guard by losses in the corporate central network, a group of organizations that provide wholesale banking services to 8,000 credit unions nationwide. Unfortunately, their losses needed to be covered by Heritage and others. In addition, the national insurance agency, the NCUSIF, required additional funds to maintain its statutory level in order to guarantee member deposits. The cost to us in 2009 was an unexpected \$1.2+ million. It turned an operating profit of \$482,000 into a net loss of \$750,000. While it hurt, our very strong reserves protected Heritage and allowed us to operate in a seamless way to our members.

In 2010, we saw more losses trickle down from corporate centrals and the NCUSIF amounting to \$780,000 but our fiscal efforts resulted in a net profit of \$200,000 for the year. In fact, Heritage’s operating profit for the year was \$982,000, a 104% improvement over 2009. But more importantly, we were able to make this impressive turnaround take place without raising member fees. In other words, we successfully managed through some very difficult times.

As Mr. McGrath stated, we see 2011 as a better year. Our merger with A-B Credit Union should provide an instant boost to earnings and ultimately, our reserves. While the merger resulted in a small dilution of our net worth (reserve) ratio, Heritage continues to exceed its peer group in financial strength. Maintaining a strong reserve position is important to the board and staff at Heritage and our projections show that we will get even stronger as the year ensues. Furthermore, the \$430,000 charge Heritage took in 2010 as a result of lingering corporate central losses will not repeat in 2011.

Given that the economy is still in its recovery stage, we don’t anticipate much growth this year. We will be busy with the A-B / Heritage alliance and making sure that our new A-B members are made aware of the great services Heritage has to offer. The combination of slower growth and improved profitability will make Heritage stronger than ever.

We are truly excited about our current path and have our members to thank for making this happen. Our members have made Heritage a great place to bank and a great place to work.

Robert F. Lestina