



67th Annual Meeting

March 18, 2006



Sally's Retirement



Vance's Welcome



In Memory of our Members who have passed away in 2005

Mission Statement

Family First Credit Union is dedicated to providing a full range of financial services to our members in a prompt, friendly and courteous manner.

Vision Statement

Family First Credit Union will be the preferred financial institution to our members and potential members by offering financial products and services for their lifetime. We will provide outstanding, responsive and professional service to our members. Our commitment is to be actively involved in our community as well as in the credit union movement and we believe in its philosophy.

Core Values

Philosophy - We are a non-profit organization that believes in the credit union philosophy of "Members Helping Members".

Ethical and Legal Behavior - We conduct business in a manner that requires excellence in integrity, trust, privacy, confidentiality, accountability and mutual respect.

Member Service - We provide our valued members the highest level of professional service and respect - our members come first.

Teamwork - We work together to achieve common goals and measure, evaluate and recognize our successes.

Staff Development - We provide guidance and motivation to our staff through education, information, communication and policy development.

Adaptive to Change - We are an ever-learning organization that pursues innovation and change to meet future challenges.

Organizational Growth - We will provide future growth opportunities through performance and planning initiatives.

Community Service - We dedicate our time and resources to causes that make a difference in our community.

<u>Date of Death</u>	<u>Name</u>	<u>Date of Death</u>	<u>Name</u>
01/04/05	Shirley Gwizdala	05/10/05	William Brady
01/06/05	Arlene Schultz	05/15/05	James Jankowiak
01/08/05	Helen Pieszak	05/23/05	Gregory Nass
01/30/05	Margaret Priebe	06/05/05	James Whitney
01/31/05	Bernard Greko	06/15/05	Loretta Engel
02/02/05	Delano Kohlhoff	07/12/05	Ann Dollhopf
02/03/05	Irma Lojek	07/14/05	Ruth Alcorn
02/19/05	Wilbur Heidtke	07/23/05	John Alcorn
03/08/05	William Dey	08/02/05	Warren Hurt
03/11/05	Charles Hudson	08/15/05	Marvon Killingsworth
03/18/05	Harold Prueter	08/28/05	James Ruhl
03/23/05	Billy Ruble	09/11/05	Linda Broxton
04/01/05	Eugene Volk, Sr.	09/26/05	Robert Shelby
04/02/05	Marianne Ewen	10/18/05	Doris Charboneau
04/03/05	David Wettlin	10/22/05	Harold Samuels
04/09/05	Rosa Painter	11/17/05	Mikel McGuire
04/17/05	Vanita Hunt	12/05/05	Betty Carl
04/20/05	Cornella Specht	12/10/05	Johnny Pritchett, Sr.
05/05/05	Rita Reay	12/22/05	Margaret Cronk

They will be sadly missed.

Volunteers Who Serve You

BOARD OF DIRECTORS

David P. Rupp, Chairman
Allan R. Vroman, Vice-Chairman
Cyril Schultz, Jr., Secretary
George G. Kapp, Treasurer
Patrick Crowley, Director
Sally Kohlhoff, Director
Richard Welzein, Director

CREDIT COMMITTEE

Allan Sztuczko, Chairman
Janet Freeland, Secretary
Stephanie Harden
Rick Longoria
Heather Pozenel

SUPERVISORY COMMITTEE

Dennis Browning, Chairman
Janet Dixon, Secretary
Joe Dziuban

STAFF

H. Vance Vargo, President/CEO
Fran M. Gibelyou, Manager- Saginaw Office
Kimberly J. Webber, Manager- Freeland Office
Judy Wolgast, Manager- Marketing
Bridget Windy, Administrative Assistant
John Parker, Member Service Representative Supervisor- Saginaw Office
Judi Corbin, Member Service Representative Supervisor- Freeland Office
Theresa P. Hozeska, Director of Loans- Saginaw Office
Julee Kapp, Loan Officer- Saginaw Office
Connie J. Garstecki, Director of Loans- Freeland Office
Cathy Honeman, Account Services Specialist
Julie A. Pangborn, Card Services Specialist
Tommi Lough, Marketing Specialist
Gwynn Whitmore, Member Service Representative- Saginaw
Amanda Unkel, Member Service Representative- Saginaw
Paula Hudson, Member Service Representative- Freeland
Carey Daubert, Member Service Representative- Freeland
Candice Carlson, Part-Time Member Service Representative
Michelle Zajdlik, Part-Time Member Service Representative
Katie Ruth, Part-Time Member Service Representative
Josephine Salazar, Part-Time Member Service Representative
Vivian Wright-Brewer, Part-Time Member Service Representative
Shelly Johnson, Part-Time Member Service Representative
Karen McGarrity, Part-Time Member Service Representative

Program

Social Time 1:30 – 2:00 P.M.

Introductions David P. Rupp

Elections 2:00 P.M.

Business Meeting

Minutes of the 66th Annual Meeting
Report of the Board of Directors
Report of the Treasurer (Vance Vargo will present)
Report of the Credit Committee
Report of the Supervisory Committee
Report from the Marketing Department

New Business

Report of the Credentials Committee
Presentation of Special Recognition

Adjournment



Freeland Chamber Business After Hours 2005



Membership Services

ATM Cards

No Fee ATMs

Debit Cards

VISA (no annual fee) - Platinum, Gold, Classic & VISA Gift Cards

Direct Deposit (Social Security, Pension, Payroll, etc.)

Payroll Deduction

Net Pay Deposit

Individual Retirement Accounts

Money Market Accounts

Checking Accounts (no minimum balance)

Christmas & Vacation Clubs

Certificates of Deposit

New & Used Car Loans (no down payment)

Real Estate Loans (80% of appraisal)

Home Equity Loans (75% LTV)

Home Improvement Loans

Money Orders

Travelers Checks (1% fee)

Loan Protection Insurance (member pays)

Credit Disability Insurance (member pays)

Cancer Insurance (member pays)

Intensive Care Insurance (member pays)

Group Auto Insurance (AAA & Liberty Mutual)

Budget & Financial Counseling Service

Community Membership (Saginaw & Bay Counties)

Notary Service (free)

Teller 24 (telephone account access)

NetBranch (online account access)

NetBillPay (online bill payment service)

Indirect Lending for Automobile Purchases

OOPS! (Occasional Overdraft Protection Service)



*Vote Family First
Best of the Best*

Credit Committee Report

66th ANNUAL MEETING
THURSDAY, MARCH 19, 2005
FAMILY FIRST CREDIT UNION - FREELAND OFFICE

The meeting was called to order at 2:00 P.M. by Chairperson, Carol J. Unkel.

Distribution of ballots

Carol welcomed the 76 members and 3 guests that were present. The official family and staff were introduced.

Board of Directors present:

Chairman - Carol J. Unkel
Vice Chairman - David P. Rupp
Secretary - Bevelyn Bradley
Treasurer - Al Vroman
Director - Patrick Crowley
Director - George G. Kapp

Supervisory Committee present:

Dennis Browning
Joe Dziuban

Credit Committee present:

Ricardo Longoria
Stephanie Harden
Janet Freeland
Al Sztuczko

Staff present:

Sally Kohlhoff, Kim Webber, Theresa Hozeska, Connie Garstecki, Cathy Honeman, Julie Pangborn, Judi Corbin, Julee Kapp, Shanna Willis, Vance Vargo, Fran Gibelyou, Paula Hudson, Carey Daubert, Bridget Windy, John Parker, Gwynn Whitmore, Amanda Unkel, and Judy Wolgast.

Carol Recognized three official family members not present:

Alice Bublitz, Mark Babcock, and Greg Sowa

Moment of Silence in honor of members who had passed away during 2004 and those away on active duty.

Minutes:

Carol asked the members to take a few minutes to review the minutes of March 24, 2004 that were contained inside the booklet that was given to each member. She then asked if there were any additions, deletions or questions. Hearing none, a motion was made by David Rupp and supported by Cyril Schultz, Jr. to approve the minutes as printed. The motion carried.

Report of the Board of Directors:

Carol reported that in the past the board petitioned the state to become a community chartered credit union. By no longer limiting the Credit Union's membership to the City of Saginaw employees and their families, the Credit Union was able to increase the field of membership to include all of Saginaw and Bay counties. This also made it necessary to expand the Credit Union's facilities. The Freeland Branch was officially opened on October 18, 2004. During this time, the Saginaw office was also remodeled to provide a better working environment for staff as well as our members. This remodel project was finished in January 2005. In summer 2004, our CEO Sally Kohlhoff submitted her intent to retire. Knowing some reorganizing of staff was necessary, and taking into account two offices, the board undertook the difficult task of finding a new CEO to take Family First in the twenty-first century. The transition has not been easy, but the members will notice new and different products and services. Carol asked for a show of hands for everyone who does their banking on-line and visits our web page. She mentioned that we now have the ability to view statements on-line as well as the ability to pay bills through NetBillPay which is a free service. She also stated that risk-based pricing is also now in effect so more members will qualify for loans regardless of their

On behalf of the Credit Committee we are pleased to report that during 2005 we approved 3,722 loans to our members totaling \$12,206,826.

The Credit Committee has the responsibility of granting all types of loans subject to the policies set forth by the Board of Directors, Bylaws and the Office of Financial and Insurance Services, which governs the operation of the Credit Union.

The Credit Committee and Loan Officers continue to ensure that your deposits are being invested in quality loans.



Allan Sztuczko, Chairman

Janet Freeland, Secretary

Stephanie Harden

Ricardo Longoria

Heather Pozenel



Annual PRIDE Christmas Parade 2005

credit score. This will be watched more closely over the next year in order to adjust our tiers accordingly. Carol mentioned that volunteers were needed to fill spots on the Board, Supervisory, and Credit Committees.

Report of the Treasurer

Al Vroman went over the financial & expense reports contained in the booklet. Our loans increased from 2003. Cash on hand has increased from 2003. Corporate Credit Union shares are down from 2003. Our investments are down because at this time, all investments are down. Land and Buildings are up due to the two buildings. Our shares are down. Furniture and fixtures went up and our total assets went up from 2003. Our member shares have decreased. Checking accounts are up from 2003, and Christmas shares are down.

Report of the Credit Committee

Al Sztuczko gave the report of the Credit Committee which is also contained in the booklet.

Report of the Supervisory Committee

Dennis Browning reported that the committee performed surprise cash counts in Saginaw and Freeland and found all teller drawers, travelers checks, vault monies, cash dispense machines and ATMs to be in balance. Our annual audit has been completed by Cindrich, Mahalak & Co. and they have given us an excellent rating showing no problems.

Marketing Report

Judy Wolgast gave a brief report regarding the past and future projects for the credit union. Judy mentioned that we are members of the Saginaw and Freeland Chamber of Commerce which helps to encourage our community involvement.

Elections for 2005

Nominations from the floor for Board of Directors. Hearing none, nominations were closed. Motion carried.

M=Dennis Browning S=Bevelyn Bradley

Nominations from the floor for Credit Committee. Hearing none, nominations were closed. Motion carried.

M=Rick Longoria S=Bevelyn Bradley

Nominations from the floor for Supervisory Committee. Hearing none, nominations were closed. Motion carried.

M=Bevelyn Bradley S=Al Vroman

2:30 P.M. Short recess for Credentials Committee to count ballots. Meeting resumed at 2:45 P.M.

Fran Gibelyou gave a short speech recognizing Sally for her years with Family First and wishing her a happy retirement.

Dave Rupp represented the board by also giving a speech thanking Sally for her years of service.

Patrick Crowley gave a brief introduction and speech regarding the new CEO, Vance Vargo.

Vance Vargo spoke briefly regarding his plans for the Credit Union for the next year. He is eager to start work on May 2nd.

Unfinished Business

None.

New Business

Al Vroman reported there were 70 ballots returned, none were voided, with the following results:

Board of Directors = (2 elected for a 3 year term)

Cyril Schultz Jr., Richard Welzein

Credit Committee = (2 elected for a 3 year term)

Janet Freeland, Heather Pozenel

Supervisory Committee = (1 elected for a 3 year term)

Janet Dixon

Supervisory Committee Report

	<u>2005</u>	<u>2004</u>
Number of Members	5,615	5,055
Loans made during year	\$12,206,826	\$9,153,467
Number of loans since organization	99,945	90,220
Amount of loans since organization	\$248,881,848	\$236,675,022

Each member's account is insured up to \$100,000.00 by the National Credit Union Administration, Washington, D.C.

The Office of Financial and Insurance Services has performed its examination for Family First Credit Union in the major areas of operation which consists of Capital Adequacy, Asset, Quality, Management, Earnings, and Liquidity and Funds Management.

The \$2,500,000.00 Credit Union Discovery Bond and other insurances carried through Chubb Group of Insurance Companies are protection against any and all losses.



Dennis Browning, Chairman

Janet Dixon, Secretary

Joe A. Dziuban

Income & Expense Report

<u>INCOME</u>	<u>2005</u>	<u>2004</u>
Interest on Loans	\$1,681,366	\$1,537,145
Income from Investments	319,658	282,835
Other Income	332,167	201,065
TOTAL INCOME	\$2,333,191	\$2,021,045
<u>EXPENSES</u>		
Employee Compensation	\$620,531	\$462,773
Employee Benefits	250,811	163,751
Travel & Conference	25,027	16,725
Association Dues	7,158	2,859
Office Occupancy	136,445	56,416
Office Operations	328,111	270,268
Education & Promotional	87,211	102,904
Loan Servicing	129,685	129,072
Professional & Outside Services	186,732	139,742
Provision for Loan Losses	244,874	100,000
Member Insurance	71,248	102,355
Supervision Fee	11,171	11,432
Cash Over/Cash Short	545	330
Annual Meeting	2,131	960
Miscellaneous	12,967	18,072
TOTAL EXPENSES	\$2,114,647	\$1,577,659
NET EARNINGS BEFORE DIVIDENDS	\$218,544	\$443,386
Dividends Expense	528,349	447,577
Non-Operating Gains (Losses)	<u>(69,339)</u>	<u>-</u>
TRANSFER TO UNDIVIDED EARNING	<u>(\$379,144)</u>	<u>(\$4,191)</u>

Dennis Browning mentioned that he would like to revisit the election process. He questioned the chairman about going back to the old way of mailing out ballots. Chairman Unkel reported that on April 23, 1997, there was a special meeting of the membership to allow the Board of Directors to amend the bylaws of the Credit Union. This meeting was attended by eleven members. By ten affirmative votes, the resolution was adopted to allow the Board to amend the bylaws. On May 21, 2003, the Board approved to discontinue mailing ballots to member's homes, instead the ballots would be distributed at the Annual Meeting. This process was done at the Annual Meeting in 2004. A motion must be made by a member to request bylaws be amended to change the voting procedures. This motion was made by Dennis Browning and supported by Mike Simmons. The motion carried. One nay, Al Sztuczko.
M=Dennis Browning S=Mike Simmons

Al Katz inquired the reasoning for changing the voting procedure in the first place. Carol explained that in 2002, the Credit Union spent \$3,100.00 and mailed 3,600 ballots. 706 were returned. In the year 2003, the Credit Union spent \$3,100.00, and mailed 3,650 ballots. 642 were returned. In 2004, it cost \$404.00 to hold elections at the Annual Meeting.

Billy Osborne inquired as to since the new Credit Union branch was opened in Freeland, have we noticed an increase in membership and are there any other Credit Unions in Freeland. Carol explained that there are none presently, but one is being built next to Pat's Food Center. Our membership has grown by an average of forty new members per month from the Freeland Branch.

Adjournment

Carol asked if there was any further business to come before this meeting. There being none it was motioned by Dave Rupp and supported by Cy Schultz, Jr. to adjourn at 3:15 P.M. The motion was carried.

Chairman-Carol Unkel _____

Secretary-Bevelyn B. Bradley _____

Recording Secretary-Sally A. Kohlhoff

Chairman's Report

2005 - Year of Transition and Change

We all dislike change. At Family First Credit Union, 2005 was all about change. A newly-remodeled Michigan office, new and updated policies, new procedures, new regulations, new products and services, a new CEO and three new Board members, and a new old Board Chairman were just some of the changes.

Fierce competition from banks and other credit unions for members, services, loans and your savings were reasons for many of these changes that transpired. We realize that member loyalty has become a thing of the past, and we need to stay competitive in order to retain you as our members.

As a member of Family First Credit Union, we want to make you aware of the following significant events that occurred during 2005:


- New President/CEO - the most significant change was hiring H. Vance Vargo as President/CEO to plan and oversee our future. Fran and Kim, our most experienced employees, were promoted to Manager to manage the daily operations of our two offices. Vance started in May and successfully completed all of the major goals that the Board had established and then some. His knowledge and expertise have been very valuable to the Board and staff in implementing the changes that were necessary to move our credit union forward.
- Developed a Strategic Business Plan - our most important goal was to develop a three-year Business Plan for the credit union. We can no longer allow the future to happen; we need to plan for it and make it happen. During the summer, the Board and staff developed the Plan and it has been implemented. Like any plan, it needs to be monitored and continually updated as things change. Therefore the Plan is being reviewed and revised every month. That's how quickly things are constantly changing.
- Expanded Mortgage Loan Program - we have partnered with a third-party vendor to be able to offer 30-year fixed rate mortgages, no down payment mortgages and other types of mortgages that were too risky for the credit union to book in the past. Loans that are processed through the third-party vendor will be funded by them and loan payments and collections will be managed by them. Our members now have greater access to many more mortgage loans at competitive loan rates.
- Expanded Certificate of Deposit Program - with the CD rate war that started last fall, we lowered our minimum for deposits and expanded our 1, 2 and 3-year certificates to include 3-month, our very popular 4-month, 6-month and 18-month certificates as well as 4 & 5-year certificates in order to be competitive. Our CD rates are currently some of the highest in the area. We recently introduced our new Money Market Account for those members who do not want to tie up their funds in certificates.
- Success in Freeland - 2005 was the first full year of operation of our Freeland office. The Board knew it would take a couple of years to absorb the additional costs of a new branch and a deficit was projected for the year. Freeland now has 561 members since opening in October 2004, which is ten percent (10%) of our total membership. We plan to spend much more time and allocate more resources in Freeland this year as we continue to market our credit union and our products and services.
- Bankruptcy Losses - like most financial institutions, we suffered loan losses from our members filing for Chapter 7 Bankruptcy in anticipation of the change in bankruptcy law in mid-October, 2005. Our actual loan losses totaled \$144,874. In addition, the Board approved reserving an additional \$100,000 for loan losses from those members who have already filed for bankruptcy, but whose loans have not yet been discharged by the courts.
- 2005 Net Loss - the Net Loss in the amount of \$379,144 can be attributed to three factors: loan losses from bankruptcies (65%); higher dividends paid on certificates of deposit; and the Freeland office operations. Fortunately, the credit union has \$6 million in capital that has accumulated over 65 years of operations. Plans have been developed to grow the credit union out of the current deficit starting in 2007. The Board will be monitoring the situation closely to insure that revenue and growth projections are met or revised accordingly.

Last, but most important, I want to thank Vance, Fran, Kim, the entire staff and my fellow Board members for their hard work and commitment during the past year. It has been a year unlike any other. Many changes needed to be implemented so that we could become more competitive and more changes are inevitable. Positive results from our efforts are starting to be reflected every month. You can be proud of the progress that has been made so far. Thank you all for an extraordinary job!

The goal of Family First Credit Union is to be our member's primary financial institution. Our staff and the financial products and services that we offer are what separate us from the competition. We encourage you to continue to be a part of our future.

It has been my pleasure to serve as Board Chairman during this Year of Transition and Change.

Respectfully submitted,


David P. Rupp
Board Chairman

Financial Statement

ASSETS

	2005	2004
Loans	\$30,221,391	\$26,279,523
Allowance for Loan Losses	(201,204)	(81,129)
Cash on Hand & In Banks	762,432	571,591
Corporate Credit Union Shares	5,165,691	4,013,248
Other Investments	4,972,274	7,187,011
N.C.U.A. Share Insurance	308,323	305,414
Land & Building	2,627,951	2,636,133
Furniture & Fixtures	402,333	462,544
Other Assets	193,091	138,094
TOTAL ASSETS	\$44,452,282	\$41,512,429

LIABILITIES

Member Shares	\$20,625,702	\$25,401,642
Certificates of Deposit	13,312,702	5,649,289
Checking Accounts	1,859,847	1,562,690
Christmas Clubs	55,029	57,558
Accounts Payable	-	-
Share Drafts Payable	97,848	91,574
IRA Accounts	1,934,026	1,982,687
All Other Liabilities	502,354	359,178
Members Equity	6,064,774	6,407,811
TOTAL LIABILITIES & EQUITY	\$44,452,282	\$41,512,429