



68th Annual Meeting

March 24, 2007





In Memory of our Members who passed away in 2006

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>
01/13/06	Inez Morgan	06/07/06	Corina Burks
01/19/06	Victor Yrlas Jr.	06/12/06	Richard Felsing
01/22/06	Lucille Beffrey	06/17/06	Alan Kessler
01/24/06	Barbara Atwater	06/17/06	Ruben Miller
01/31/06	Lois Mueller	07/08/06	Joyce Allen
02/02/06	Marguerite Collison	07/21/06	Coreen Klemm
02/05/06	Carolyn Lepeak	07/24/06	Marchell Turner
02/13/06	Viola Dickey	07/29/06	John Stockmeyer
02/13/06	Madge Topliff	08/08/06	Charles Prokop
02/16/06	Joseph Bouchey	08/24/06	Virginia Pritchett
03/03/06	Maryann Ciolek	09/20/06	Marjorie Heath
03/21/06	Theresa Boyd	09/23/06	Zilda Meyer
04/10/06	Aaron Arndt	10/01/06	James Kimbrue
04/12/06	Kenneth Kusowski	10/27/06	Helen Passon
04/14/06	William Troyer	11/04/06	Douglas Cronkright
04/19/06	Gerald Bogar	11/08/06	Myrtle Cox
04/30/06	Cyril Koski	11/15/06	Gregg Laframboise
05/09/06	Arthur Ribble	11/19/06	Margaret Foley
05/10/06	Charlotte Knapp	11/23/06	Barbara Phillips
05/23/06	Homer Schulz	12/06/06	Lois Brown

They will be sadly missed.

VOLUNTEERS WHO SERVE YOU

BOARD OF DIRECTORS

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

CREDIT COMMITTEE

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

SUPERVISORY COMMITTEE

Dennis Browning, Chairman
Janet Dixon, Secretary
Joe Dziuban

STAFF

H. Vance Vargo, President/CEO
Frances M. Gibelyou, Manager- Saginaw Office
Kimberly J. Webber, Manager- Freeland Office
Judy Wolgast, Manager- Marketing & Business Development
Bridget Windy, Administrative Assistant
Danielle Lautner, 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
John Parker, 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



Program

Social Time 1:30 – 2:00 P.M.

Introductions Allan R. Vroman

Elections 2:00 P.M.

Business Meeting

Minutes of the 67th 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

New Business

Report of the Credentials Committee
Presentations of Special Recognition

Adjournment



Membership Services

Convenience Services

ATM/Debit Cards
No Fee ATMs at CO-Op machines
Direct Deposit (Social Security, Pension, Payroll, etc.)
Payroll Deduction & Net Pay Deposit
NetBranch (Free – Online Account Access)
NetBillPay (Free - Online Bill Payment Service)
Teller 24 (Free - 24 hour Telephone Account Access)
Free Notary Service
Money Orders
VISA Gift Cards
Travelers Checks



Savings Options

Checking with Interest Accounts
Individual Retirement Accounts (IRAs)
Money Market Accounts
Certificates of Deposit (CDs)
Christmas & Vacation Clubs

Lending Options

New & Used Car Loans (No down payment)
Real Estate Loans
Home Equity Loans
Home Improvement Loans
Indirect Lending for Automobile Purchases
VISA Credit Cards (No Annual Fee)

Business Account Services

Business Checking with Interest Accounts
Business ATM/Debit Cards

Other Member Services

Community Membership (Saginaw & Bay Counties)
OOPS! (Occasional Overdraft Protection Service)
Group Auto Insurance (AAA & Liberty Mutual)
Budget & Financial Counseling Service
Loan Protection Insurance (member pays)
Intensive Care Insurance (member pays)
Cancer Insurance (member pays)
Long-term Care Insurance (member pays)
Brokerage and Insurance Products (CUNA - Member Connect)

Credit Committee Report

67th ANNUAL MEETING
SATURDAY, MARCH 18, 2006
ANDERSEN ENRICHMENT CENTER

On behalf of the Credit Committee we are pleased to report that during 2006 we approved 3,713 loans to our members totaling \$10,326,641.

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

Heather Pozenel, Secretary

Stephanie Harden

Ricardo Longoria

Janet Freeland

The meeting was called to order at 2:27 P.M. by Chairman, Dave Rupp.

DISTRIBUTION OF BALLOTS:

Dave welcomed the 51 members that were present. The official family and staff were introduced.

BOARD OF DIRECTORS PRESENT:

Chairman - Dave Rupp
Vice-Chairman - Al Vroman
Secretary - Cy Schultz
Treasurer - George Kapp
Director - Sally Kohlhoff
Director - Patrick Crowley
Director - Rick Welzein

SUPERVISORY COMMITTEE PRESENT:

Chairman - Dennis Browning

CREDIT COMMITTEE PRESENT:

Chairman - Al Sztuczko
Secretary - Janet Freeland
Member - Ricardo Longoria
Member - Stephanie Harden
Member - Heather Pozenel

STAFF PRESENT:

Vance Vargo, Fran Gibelyou, Kim Webber, Judy Wolgast, Bridget Windy, Theresa Hozeska, Connie Garstecki, Julee Kapp, Cathy Honeman, Julie Pangborn, Judi Corbin, Carey Daubert, Tommi Lough, Katie Ruth

ELECTIONS FOR 2006:

Dave began by announcing the nominees for the Board. They were as follows: David Rupp, Tony Coppelino, Gary Lawton, and Kevin Quinlan. He then called for nominations from the floor for the Board of Directors. Hearing none, nominations were closed. Dennis Browning moved to close the nomination.

Adopted unanimously

Dave announced the one nominee for the Credit Committee-Al Sztuczko. He then called for nominations from the floor for the Credit Committee. Hearing none, nominations were closed. Cy Schultz moved to close the nominations.

Adopted unanimously

Dave announced the one nominee for the Supervisory Committee-Joe Dziuban. He then called for nominations from the floor for the Supervisory Committee. Hearing none, nominations were closed. Dennis Browning moved to close the nominations.

Adopted unanimously

There was a short recess while ballots were collected.

BUSINESS MEETING:

MINUTES OF THE 66TH ANNUAL MEETING:

Dave asked the members and staff to take a few moments to review the minutes of March 19, 2005 that were contained inside the booklet that was given to each member. He then asked if there were any changes necessary. Hearing none, Rick Welzein moved to approve the minutes as printed.

Adopted unanimously

REPORT OF THE BOARD OF DIRECTORS:

Dave reported that 2005 was a year of tremendous change and activity for the credit union. The new CEO, H. Vance Vargo, was hired and started working in May, and both Fran and Kim were promoted to Manager. A new Strategic Business Plan was developed and implemented, and the staff has been responsible for implementing the strategic objectives that are documented in this plan. Several new products and services were also introduced during 2005. Mortgage Loan programs were expanded; more competitive CD rates and terms were introduced, and Money Market Deposit Accounts were established in early 2006, just to name a few. Additional products and services will be introduced in 2006. All of these new products and services will enable the credit union to continue growing and competing in this very competitive market. It is also anticipated that the new products and services will improve the profitability of the credit union. Judy Wolgast and Vance plan to spend more time in Freeland in an effort to increase membership there. Now that a majority of the administrative work has been completed, there will be more time to focus on the additional products and services that are planned for 2006.

REPORT OF THE TREASURER:

Vance gave a brief slide presentation highlighting the 2005 financial performance of the credit union. He explained that in order to continue growing, the credit union must remain competitive. He also explained that the credit union was one of only a few credit unions that reported asset growth in 2005 in this area. He indicated that loan growth was a robust 15% in 2005. However, investments declined by nearly 10% due to the fact that investments were sold to fund the impressive growth in the loan portfolio. Land and Building declined slightly due to the depreciation reported on both buildings. Total assets increased from \$41.5 million in 2004 to \$44.4 million in 2005, which was over a 7% increase. Total deposits increased by over 9% in 2005. Regular Shares declined by nearly \$5 million due to the continued increases in interest rates throughout the year. It was noted that the majority of this decline was due to members purchasing higher-yielding Certificates of Deposit. Total Member's Equity also decreased due to the net loss that was reported for the year. Total Operating Expenses increased significantly. This increase was primarily attributed to hiring the new staff that was needed to operate the new Freeland office. The Provision for Loan Losses more than doubled in 2005 due to the significant increase in bankruptcy filings.

REPORT OF THE CREDIT COMMITTEE:

Al Sztuczko gave the report of the Credit Committee, which is also contained in the booklet. He stated that in 2005, the Credit Committee approved 3,722 loans for a total of \$12,206,826.

REPORT OF THE SUPERVISORY COMMITTEE:

Dennis Browning reported that the committee performed surprise cash counts at both the Saginaw and Freeland offices and reported that all teller drawers, travelers checks, vault monies, cash dispense machines and ATMs to be in balance. The annual audit has been completed by Cindrich, Mahalak & Co., and they have given the credit union an excellent rating that reported no material findings. This year, the Supervisory Committee will perform account verifications as of June 30, 2006.

REPORT FROM THE MARKETING DEPARTMENT:

Judy Wolgast gave a brief slide presentation regarding the new Mission Statement that was revised during the strategic planning sessions. She also stated that a Vision Statement had also been created. She then presented the eight Core Values of the credit union that had been developed during these sessions as well. She concluded by stating that we are a credit union that dedicates

Supervisory Committee Report

	<u>2006</u>	<u>2005</u>
Number of Members	6,259	5,615
Loans made during year	\$10,326,641	\$12,206,826
Number of loans since organization	97,658	93,945
Amount of loans since organization	\$259,208,490	\$248,881,848

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 & Expenses Report

<u>INCOME</u>	<u>2006</u>	<u>2005</u>
Interest on Loans	\$1,956,496	\$1,681,366
Income from Investments	414,192	319,658
Other Income	501,359	332,167
TOTAL INCOME	\$2,872,047	\$2,333,191
<u>EXPENSES</u>		
Employee Compensation	\$627,746	\$620,531
Employee Benefits	174,076	250,811
Travel & Conference	23,011	25,027
Association Dues	10,883	7,158
Office Occupancy	150,433	136,445
Office Operations	373,657	328,111
Education & Promotional	105,257	87,211
Loan Servicing	135,368	129,685
Professional & Outside Services	231,076	186,732
Provision for Loan Losses	294,800	244,874
Member Insurance	41,683	71,248
Supervision Fee	11,612	11,171
Cash Over/Cash Short	1,066	545
Annual Meeting	3,119	2,131
Miscellaneous	21,418	12,967
TOTAL EXPENSES	\$2,205,205	\$2,114,647
NET EARNINGS BEFORE DIVIDENDS	\$666,842	\$218,544
Dividends Expense	907,411	528,349
Non-Operating Gains (Losses)	-	(69,339)
TRANSFER TO UNDIVIDED EARNING	(\$240,569)	(\$379,144)

time and resources to the community and its development.

NEW BUSINESS:

REPORT OF THE CREDENTIALS COMMITTEE:

Cy Schultz reported that there were 221 ballots returned, and one was voided, with the following results:

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

David P. Rupp
Gary Lawton

Credit Committee - (1 elected for a 3 year term)

Al Sztuczko

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

Joe Dziuban

Dennis Browning motioned to accept the results of the election.

Adopted unanimously

PRESENTATION OF SPECIAL RECOGNITION:

Dave recognized and presented awards to George Kapp and Bevelyn Bradley for their years of service on the Board.

ADJOURNMENT:

Dave asked if there was any further business to come before this meeting. There being none, Cy Schultz moved to approve adjournment at 3:05 P.M.

Adopted unanimously

Chairman-David P. Rupp

Secretary-Cyril A. Schultz, Jr.

Recording Secretary-Bridget A. Windy



CHAIRMAN'S REPORT

Family First Credit Union has been very busy for the past year and has continually strived to make this Credit Union the primary financial institution for every member and their families. The Credit Union has been working very diligently to make every service available to all members and to add the personal touch, which every member expects and deserves.

There have been several changes over the past year. Some of these changes the Credit Union had no control over, but many of them were implemented to improve how we transact business for our members while still remaining competitive.

Here are just some of the important changes that have occurred in 2006, which have directly impacted the operation of the Credit Union:

- Loans – We have continually sought to improve our loan program by offering all of our members the ability to receive the assistance they need to obtain a loan in a more efficient manner. The new Home Equity Loan is one improvement that was received with great success.
- Expanding Internet Capabilities – Multi-Factor Authentication has been implemented in our NetBranch service as required by the FFIEC and our Examiners. This creates an additional layer of security for your Internet transactions. We have also been providing E-Statements to our members who utilize NetBranch. This mitigates the possibility of identity theft. Regulation D is a Federal regulation that limits the amount of pre-authorized transactions that can be transferred from your Share Account electronically. However, it does not apply to Phone Teller 24 or to ATM transactions. We have been required to address this issue at an internal level so that most changes will be completely unnoticed by the member. We have also obtained IT Reciprocal Agreements with COPOCO Credit Union in Bay City and Saginaw Medical Federal Credit Union in Saginaw, which enables us to utilize their branch offices and their servers in the rare case that our branches become unable to transact business. Information Technology has come a long way during the past year, and we are continually reviewing strategies to enhance technology to improve our Website and our operations at both branch offices.
- Business Accounts – Family First introduced Business Accounts and established a relationship with Magic-Wrighter in order to provide additional electronic services to our members. This will also enable our business members to process checks, their payroll and numerous other electronic services that are required to successfully manage a small business.
- Certificates of Deposit – Family First has developed CD terms from 3 months to 60 months, with a lot of flexibility in between. One of the competitive advantages that we offer our members is that several of the CDs only require a minimum investment of \$500.00 to open an account. I urge each and every member to take advantage of our very competitive CD rates.
- Checking with Interest – One of the most significant changes this past year was that we enhanced our Checking Account product. We decided to return to our old ways and reinstated our Checking with Interest Account program. With no minimum balance fees, the more you deposit in your Checking with Interest Account, the higher the interest rate that is paid to you by the Credit Union.
- Deposits – We are very proud of the fact that our Total Assets have increased from \$44,452,281 to \$47,174,359 over the past year. This was primarily due to the Credit Union offering a wide variety of very competitive CD products and the introduction of our new Money Market Accounts.
- Miscellaneous – We have continued to be a family oriented organization by having our Johnson's Pumpkin Farm day in the fall, as well as a visit by Santa Claus to our two branch offices in December. We have also actively volunteered and invested in Pride's Friday Night Live Series over the past three years. Our new electronic signs have increased our membership and have enabled us to continually exhibit our monthly special product promotions. Visa Gift Cards have become very popular and allow members to purchase them as gifts in almost any denomination, with no restrictions, for any reason.

I would sincerely like to thank our entire staff and all of our volunteers for their commitment and dedication during this difficult and challenging year. I want each and every one of them to know how much they are appreciated. Finally, I would also like to thank our loyal members who have made Family First Credit Union the successful organization that it is today, and we promise them that we are committed to keeping them as members.

Respectfully submitted,

Allan R. Vroman
Allan R. Vroman
Chairman of the Board

FINANCIAL STATEMENT

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Loans	\$32,199,365	\$30,221,391
Allowance for Loan Losses	(237,998)	(201,204)
Cash on Hand & In Banks	827,694	762,432
Corporate Credit Union Shares	3,656,038	5,165,691
Other Investments	7,145,691	4,972,274
N.C.U.A. Share Insurance	324,194	308,323
Land & Building	2,582,906	2,627,951
Furniture & Fixtures	348,535	402,333
Other Assets	327,934	193,091
TOTAL ASSETS	\$47,174,359	\$44,452,282
 <u>LIABILITIES</u>		
Member Shares	\$16,558,132	\$20,625,702
Christmas Clubs	50,163	55,029
Checking Accounts	2,371,136	1,859,847
IRA Accounts	1,935,788	1,934,026
Money Market Accounts	2,496,393	-
Certificate of Deposits	17,172,727	13,312,702
Accounts Payable	-	-
Share Drafts Payable	85,145	97,848
All Other Liabilities	682,011	502,354
Members Equity	5,822,864	6,064,774
TOTAL LIABILITIES & EQUITY	\$47,174,359	\$44,452,282

