



2010

ANNUAL REPORT

 **University**
FEDERAL CREDIT UNION®
75 Years Strong



Thomas J. Ardis

REPORT OF THE Chairman & President



Tony C. Budet

In its 74th year, University Federal Credit Union (UFCU) excelled at meeting the needs of its member-owners and achieved solid financial performance while maintaining high levels of safety and soundness. Thanks to continued confidence placed in this financial cooperative by member-owners and to the strength of Texas' economic climate, assets exceeded \$1.2 billion in 2010, representing annualized growth of 14%. Additionally, audit and examination results were exemplary.

Several 2010 milestones are worthy of mention:

- UFCU expanded service delivery with the opening of a new full-service branch in the growing Cedar Park community at 3200 E. Whitestone Blvd., the opening of a Mortgage Services Center at 1213 RR 620 South in Lakeway, and the implementation of mobile banking services. UFCU's new mobile banking services now are available on iPhone, Android, Blackberry and many other leading mobile devices. Member-owners can check account balances and histories, transfer funds between UFCU accounts, and pay bills.
- We added two experienced and very talented banking professionals to UFCU's senior leadership team: Aaron Persons, Senior Manager-Investments and Insurance, and Tom Grant, Senior Manager-Remote Delivery.
- UFCU was recognized as an exceptional Small Business Administration lender. Our business lending team was awarded the 2010 Rising Star Award by the San Antonio District of the U.S. Small Business Administration.
- UFCU continued to support local universities and the greater community by sponsoring the exhibit *CRONKITE: Eyewitness to a Century* at the LBJ Library in Austin. The exhibit, attended by more than 200,000 visitors, featured artifacts, photographs, historic documents and other archival material representing both the life and times of the iconic journalist and television newsman Walter Cronkite.

- UFCU membership was expanded to include employees of more than a dozen new entities, including the Travis County Medical Society, the Lady Bird Johnson Wildflower Center, the Galveston Area Chamber of Commerce, and Minacs USA of Texas.
- UFCU was designated one of the "100 Best Companies to Work for in Texas." As an employer of choice, UFCU offers staff unique opportunities for personal growth and development.

As UFCU continues to grow and expand services and branch locations, you, our members, remain our only focus. This is your financial cooperative. You own us. We are unique in our structure, unique in our mission, and unique in how we've measured success for 74 years. Thank you for your membership and your business!

Warm regards,

Thomas J. Ardis
Chairman

Tony C. Budet
President/CEO

2010

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

ASSETS	As of December 31,	
	2010	2009
Cash and Cash Equivalents	\$98,575,425	\$118,827,718
Investments	338,504,267	174,906,941
Loans to members (Net of Allowance for Loss)	776,644,437	767,894,118
Property and Equipment	27,814,019	28,225,550
NCUA Insurance Fund Deposit	10,578,861	9,515,903
Other assets	16,329,731	13,130,074
Total assets	\$1,268,446,740	\$1,112,500,304
LIABILITIES AND MEMBERS' EQUITY		
Members' share and savings accounts	\$1,150,527,134	\$1,008,675,312
Borrowed funds	0	557,377
Accrued expenses and other liabilities	20,919,210	16,895,565
Total liabilities	1,171,446,344	1,026,128,254
Members' equity	97,000,396	86,372,050
Total liabilities and members' equity	\$1,268,446,740	\$1,112,500,304

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the years ended December 31,	
	2010	2009
Interest income from loans to members and investments	\$57,269,650	\$55,997,135
Dividend expense paid to members' deposits and interest on borrowed funds	10,607,097	13,742,633
Net interest income	46,662,553	42,254,502
Provision for loan losses	6,738,511	9,063,167
	39,924,042	33,191,335
Non-interest income	27,784,886	25,596,310
Operating expenses	53,114,464	48,772,179
NCUA Corporate Credit Union Stabilization Expense	3,207,586	3,088,649
Net income	\$11,386,878	\$6,926,817



REPORT OF THE

Supervisory Committee

Les W. Carter

The primary responsibility of the Supervisory Committee is to ensure UFCU's financial statements are fair and accurate. To that end, the committee hired certified public accountants Orth, Chakler, Murnane & Co. to audit the financial statements. We are pleased to announce the auditors expressed an unqualified opinion. A "clean" opinion is issued when financial statements are free of material misstatements and are represented fairly in accordance with Generally Accepted Accounting Principles. UFCU's financial condition, position, and results of operations are fairly presented in the financial statements. Copies of the report are available upon request.

The board-appointed, volunteer members of the Supervisory Committee are concerned with all issues of safety and soundness. We regularly review management practices to ensure UFCU's assets are properly protected. We attend board meetings to stay apprised on matters of governance, and meet with members of management to review and discuss risk, regulatory compliance, and UFCU policies. The committee also directs the internal audit activities of Assurance Services, including review and follow-up of all audit issues.

The committee receives and answers member letters of complaint sent to the federal regulator, the National Credit Union Administration (NCUA), to ensure issues are addressed fairly. Committee members also attend educational conferences and stay abreast of industry news through professional publications.

The Supervisory Committee is grateful to the board of directors for its support and the exemplary working relationship the two groups have established. We commend management for its responsiveness and commitment to all audit and NCUA examination issues, as well as network and information security, member privacy and employee safety.

For their time, efforts, and devotion to committee goals, I personally thank fellow committee members: Chris A. Plonsky, Dr. Ned H. Burns, Dr. Marilla Svinicki, and C. Brian Cassidy, Esq.

Warm regards,

Les W. Carter

Supervisory Committee
Chairman



REPORT OF THE

Treasurer

Mary A. Seng

Despite the challenges of the past three years, some of the most difficult in recent history, UFCU's prudent lending and financial management practices helped us continue a strong and financially sound credit union that can well serve its membership. In 2010, UFCU recorded exceptional financial performance due to member-owners' continuing support for our cooperative, and to UFCU's unwavering commitment to deliver quality, competitive products and services to meet members' financial needs.

Excluding educational loans, which were discontinued as a result of new U.S. Department of Education legislation, 2010 loan disbursements to members totaled \$686 million, boosting total loans outstanding to \$781 million, an increase of \$72 million, or 10%. Members' deposits recorded growth of \$142 million, or 14%, bringing the year-end total to \$1.15 billion. Total assets ended the year at \$1.27 billion, representing annual growth of 14%. On total revenue of \$85 million, UFCU generated net income of \$11 million, representing a return on average assets of .96%, boosting members' equity by 12% to \$97 million.

UFCU is fortunate to have exceptional volunteers who actively lead and influence the cooperative's financial performance and decision-making through actions of the Asset Liability Management/Budget Committee. This committee is chaired by the board-appointed treasurer and composed of five volunteer directors. It meets monthly to review national and local economic conditions, develop and recommend financial policies to the board of directors, determine long-term financial objectives and annual financial plans, and monitor ongoing financial performance relative to those objectives.

I am proud to report that, despite an extremely challenging economic environment, UFCU remains financially strong and fully committed to further expanding and enhancing its products and services to meet the evolving financial needs of its 136,000 members.

Warm regards,

Mary A. Seng

Treasurer

Board of

DIRECTORS

Thomas J. Ardis, Chairman

D. Michael Harris, Ph.D., CPA, CITP, Vice Chairman

Cynthia A. Leach, Secretary

Mary A. Seng, Treasurer

Neal E. Armstrong, Ph.D.

Gerald (Jerry) L. Davis

John R. Durbin, Ph.D.

Carl E. Hansen, Ph.D.

John A. Martin

William T. Guy, Jr., Ph.D., Director Emeritus

George K. Herbert, Ph.D., J.D., Director Emeritus

Frank J. Peters, Director Emeritus

Supervisory Committee

Les W. Carter, D.B.A., Chairman

Chris A. Plonsky, Secretary

Ned H. Burns, Ph.D.

C. Brian Cassidy, J.D.

Marilla Svinicki, Ph.D.

Principal Officers

Tony C. Budet, President/CEO

Steve M. Ewers, VP Information Technology/CIO

Steve E. Kubala, SVP Operations/COO

Becky M. LeBlanc, VP Leadership

James A. Nastars, SVP Lending/Collections

Laurie A. Roberts, VP Real Estate

Yung V. Tran, CPA, SVP Finance/CFO

Sheila J. Wojcik, Ph.D., VP Membership

Branch & Mortgage Services

CENTERS

BEN WHITE BRANCH
130 E Ben White Blvd
Austin, TX

BRODIE BRANCH
9925 Brodie Ln
Austin, TX

DOWNTOWN BRANCH
702 Colorado St
Austin, TX

GALVESTON BRANCH
428 Postoffice St
Galveston, TX

HIGHWAY 79 BRANCH
201 West Palm Valley Blvd
Round Rock, TX

LAKELINE BRANCH
13860 North US Hwy 183
Austin, TX

LAKEWAY MORTGAGE SERVICES
1213 Ranch Road 620 South
Lakeway, TX

NORTH GUADALUPE BRANCH
4611 Guadalupe St
Austin, TX

SHOAL CREEK MORTGAGE SERVICES
8100 Shoal Creek Blvd
Austin, TX

SOUTH MoPAC BRANCH
5033 US Hwy 290 W at MoPac
Austin, TX

STECK BRANCH
3305 Steck Ave
Austin, TX

TAYLOR BRANCH
407 N Main St
Taylor, TX

UNIVERSITY BRANCH
2244 Guadalupe St
Austin, TX

WHITESTONE BRANCH
3200 E Whitestone Blvd
Cedar Park, TX

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(800) 252-8311 – US Toll-free
(512) 421-7477 – TDD

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