



ANNUAL REPORT $\frac{20}{11}$



PRESIDENT/CEO AND BOARD OF DIRECTORS REPORT

Though the economy improved somewhat in 2011 due to the Federal Reserve's monetary policies and the U.S. Government's fiscal policies, we have yet to see the return of a robust economy. In spite of this ongoing situation, Vermont Federal Credit Union was again able to exceed the financial results of its national peer credit unions by a significant margin.

Total assets this year grew from just over \$300 million to almost \$336 million, an almost 12% increase and well over 2 times the national average for our peer credit unions. Our membership grew by over 2,500 net new members and stands at 32,395 as of December 31, 2011, an 8.5% increase. This is almost 8 times the national average for the growth of our peer credit unions. We experienced our second highest year on record in terms of loan originations of just over \$133 million.

We continue to focus on technology upgrades and product offerings that will enhance the member's experience. We introduced iPhone and Android mobile banking applications, and converted to a new credit card platform resulting in lower rates and better rewards for our members. We continue to expand our business services division to keep up with the entrepreneurial spirit of our membership and to promote our market leading ReWARD Checking product, with approximately 8,500 accounts at the end of 2011. The opening of our new Milton branch in November of 2011 was met with enthusiasm and has filled a void in financial services in that area.



In addition to these notable accomplishments, the strength of the Credit Union is reflected in its staff, volunteers, and our members.

Your President/CEO and Board of Directors remain committed to making a decided difference in the lives of our members.

Curran "Spike" Robinson,
Chair, Board of Directors and
Bernard P. Isabelle, President/CEO

SUPERVISORY COMMITTEE REPORT

The audit for Vermont Federal Credit Union for the period ended March 31, 2011 was conducted by McGladrey & Pullen, LLP, Accountant.

The independent auditor's examination is authorized by the Board of Directors, in compliance with the National Credit Union Administration's Rules and Regulations, regarding the requirement for annual examination.

It is the opinion of the Supervisory Committee that the financial statements presented to you by the Credit Union's management fairly reflect, in all material respects, the financial position of the Credit Union as of December 31, 2010 and 2011. A formal audit is currently pending our fiscal end of year of March 31, 2012.

C. Kirk Clarke, Chairman

VOLUNTEERS

Board of Directors and Committee Members for 2011

Board of Directors

Curran A. Robinson, Chairman
Jeffrey E. McDonough, Vice Chairman
Joseph M. Finnigan, Treasurer
Jean M. Isham, Secretary
Francis Broughton, Director
Douglas E. Fisher, Director
Joan B. Wilson, Director

Supervisory Committee

C. Kirk Clarke, Chairman
Philip K. Albertson
Peter McIntyre
Louise Thabault
Robert A. Willis

FINANCIALS

VERMONT FEDERAL CREDIT UNION
STATEMENT OF FINANCIAL CONDITION
 AS OF DECEMBER 31, 2011 AND 2010
 (Rounded to the nearest thousands)

	2011	2010
	(Unaudited)	(Unaudited)
ASSETS		
Cash and Cash Equivalents	\$ 14,482	\$ 6,693
Investments:		
Available for Sale	106,326	96,705
Other	4,445	5,236
Loans Held for Sale	1,555	2,279
Loans to Members, Net Allowance for		
Loan Losses	194,898	177,104
Property and Equipment	6,588	4,822
Other Assets	7,491	7,608
	<u>\$ 335,785</u>	<u>\$ 300,447</u>
LIABILITIES & MEMBERS' EQUITY		
Members' Shares	\$ 271,052	\$ 241,172
Borrowed Funds	29,500	29,500
Accrued Expenses and Other Liabilities	<u>2,932</u>	<u>2,047</u>
TOTAL LIABILITIES	<u>\$ 303,484</u>	<u>\$ 272,719</u>
MEMBERS' EQUITY		
Retained Earnings,		
Substantially Restricted	<u>\$ 32,301</u>	<u>\$ 27,728</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 335,785</u>	<u>\$ 300,447</u>

VERMONT FEDERAL CREDIT UNION
INCOME STATEMENT
 FOR YEARS ENDED DECEMBER 31, 2011 AND 2010
 (Rounded to the nearest thousands)

	2011	2010
	(Unaudited)	(Unaudited)
INCOME		
Interest on Loans	\$ 11,030	\$ 9,870
Interest on Investments	3,085	2,756
Non-Interest Income	<u>5,889</u>	<u>5,746</u>
TOTAL INCOME	<u>\$ 20,004</u>	<u>\$ 18,372</u>
EXPENSE		
Dividends on Members' Share Accounts	\$ 3,460	\$ 3,626
Interest on Borrowed Funds	1,271	1,271
Provision for Loan Losses	778	987
Compensation & Benefits	5,654	4,842
Office Operations	2,712	2,323
Occupancy	656	601
Other Expense	1,647	1,399
NCUSIF Stabilization Expense	<u>632</u>	<u>554</u>
TOTAL EXPENSE	<u>\$ 16,810</u>	<u>\$ 15,603</u>
NET INCOME	<u>\$ 3,194</u>	<u>\$ 2,769</u>

SUPPORTING OUR COMMUNITIES

Based on the founding principles of all credit unions, we enthusiastically give back to the communities we serve by way of donations, corporate sponsorships, volunteering and employee events.

A few of our 2011 events/sponsorships:

- American Cancer Society - Relay for Life
- Chittenden Emergency Food Shelf - Feed Your Neighbor Campaign
- Festival on the Green - Addison County
- Franklin County Home Health Agency - Blue Jean Ball
- Green Mountain Council, Boy Scouts of America
- Intervale Center - Summervale Concert Series
- King Street Center - Bob Aldrich Memorial Golf Tournament
- Local Motion - Bicycle Vermont
- United Way - Keyperson Training
- Vermont Foodbank - Vermont Restaurant Week
- Vermont Lake Monsters - Monster Student Athlete Program

The second annual Restaurant Week featured over 80 restaurants in 31 towns across Vermont. This week-long event, filled with mini events throughout the week, not only supported the Vermont Foodbank but also local businesses and food purveyors.



In addition, we provided direct financial support to the following organizations:

- Boys & Girls Club of Burlington
- Boys & Girls Club of Greater Vergennes
- Burlington Meals on Wheels
- Committee on Temporary Shelter
- Chittenden Emergency Food Shelf
- EANGUS - Enlisted Association of the National Guard of the United States
- Franklin County Senior Center
- Franklin County Industrial Development Corporation
- Humane Society of Chittenden County
- King Street Center
- Lund Family Center
- Northern Vermont Chapter of the American Red Cross
- Ronald McDonald House
- Sara Holbrook Community Center
- Vermont Children's Aid Society
- Vermont Center for Independent Living



The Monster Student Athlete Program rewards student-athletes for their outstanding work both on the field and in the classroom.



LOCAL VALUES. UNEXPECTED ADVANTAGES.