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2010

Annual Report

FEDERAL CREDIT UNION
VANTRIA

60 YEARS
FAIRFAX COUNTY'S
BANKING ALTERNATIVE.
**AGE
DOES
MATTER.**



CEO/Treasurer's Report

The impacts of the worst recession in 70 years, unfortunately for financial institutions, continued into 2010. Loan losses continued to escalate at a time when demand for new loans was at a very low level. High unemployment, unprecedented home foreclosures, and failures in the corporate credit union banking structure combined with historically low interest rates to result in a loss of reserved capital by year-end.

Despite these financial reverses, we have continued to increase our value to members in the areas of electronic service delivery, new products, and improved staff competency. We offer all the major services of our competitors, including mobile phone access to home banking members who use smart phones. We plan to enhance our mobile service delivery in 2011 to include other phone service providers.

The accompanying financial reports reflect a negative return on assets for 2010. The majority of the loss was due to loan defaults, while the remainder was a result of an extraordinary assessment by our regulator, the National Credit Union Administration, for losses in the credit union corporate network system. Loss in investment revenue held to historically low rates by the Federal Reserve to control inflation and loss of loan income due to low loan demand also contributed to our negative bottom line. The fact that we were well-capitalized as a result of earnings reserved in more favorable economic periods enabled us to absorb these losses. As of year-end 2010, Vantria remains above the regulator-defined net worth ratio defined as "well-capitalized". Once again, it is a credit to our past management of funds that we are able to weather the current downward spiral without significant impact to our rates and services.

Our growth numbers were affected by the economic environment. Loans declined by 15% during 2010, a reflection of both loan losses and depressed loan demand. Shares continued to grow by 2% as members recognized the safety of investments in credit unions compared to other investment options. This was a positive sign considering the depth of our recession. Loan losses were the primary reason for our income performance, but we have attempted to offset these losses to some degree by decreasing operating expenses. We reduced our net operating expense to average asset ratio to 3.21% (less than the 2009 level of 3.36%), making us more efficient than our peers who averaged 4.01% in this measure. An indicator of the value we deliver to members relative to our competition is our fee income/average assets ratio of .81% compared to a peer average of 1.28%. We are hopeful that with the utilization of outside collection and legal resources, we will be able to stem the tide of rising loan delinquencies and return to profitability by the end of 2011.

We pledge to continue to move into the coming year with the goal of using a combination of technology and knowledgeable staff to continually improve service to the membership.

Patricia Malatesta
CEO/Treasurer



Supervisory Committee Report

The Supervisory Committee is responsible for ensuring that the credit union is operated in a safe and sound manner in accordance with the bylaws, regulations, and internal policies of Vantria Federal Credit Union. The committee is appointed by the Board of Directors and is tasked with selecting the independent auditors that perform the annual audit and render a certified opinion of the financial statements.

During 2002, the Supervisory Committee first engaged the services of Schreiner Legge & Company to conduct this annual audit. As of July 1, 2008, Schreiner Legge merged with the firm of Larson Allen.

The results of the audit by Larson Allen for 2010 accompany this report. No material exceptions were noted during the audit period. Larson Allen also conducted a verification of member accounts as of September 30, 2010, in accordance with U.S. generally accepted auditing standards. No errors were noted as a result of the verification procedures.

The committee concludes, as supported by the annual audit and the annual examination by our regulator, the National Credit Union Administration, that Vantria FCU is financially sound and well-positioned to service the banking needs of its membership.

Stephanie Whalen
Chair, Supervisory Committee

INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
Vantria Federal Credit Union
Springfield, Virginia

We have audited the accompanying statements of financial condition of Vantria Federal Credit Union as of December 31, 2010 and 2009, and the related statements of operations, members' equity (not presented herein), and cash flows (not presented herein) for the year then ended; and in our report dated March 15, 2011, we expressed an unqualified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived. However, the reader of these condensed financial statements should note that this presentation does not constitute a complete set of financial statements as required to be presented in conformity with U.S. generally accepted accounting principles.

LarsonAllen LLP
Arlington, Virginia
March 15, 2011



VANTRIA FEDERAL CREDIT UNION STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2010 AND 2009

| ASSETS | 2010 | 2009 |
|--|-------------------------|-------------------------|
| Cash and Cash Equivalents | \$ 11,991,406 | \$ 13,754,587 |
| Deposits in Other Financial Institutions | 16,054,828 | 15,528,075 |
| Securities - Available for Sale | 18,455,327 | 16,965,868 |
| Loans, Net | 25,915,476 | 30,839,118 |
| Accrued Interest Receivable | 199,278 | 273,392 |
| Property and Equipment, Net | 1,980,852 | 1,996,867 |
| NCUSIF Deposit | 711,928 | 690,320 |
| Other Assets | <u>3,833,595</u> | <u>4,251,897</u> |
| TOTAL ASSETS | \$ 79,142,690 | \$ 84,300,124 |
| LIABILITIES AND MEMBERS' EQUITY | | |
| LIABILITIES | | |
| Members' Share and Savings Accounts | 73,364,838 | 71,919,386 |
| Borrowed Funds | - | 5,000,000 |
| Accrued Expenses and Other Liabilities | <u>387,860</u> | <u>452,291</u> |
| TOTAL LIABILITIES | \$ 73,752,698 | \$ 77,371,677 |
| COMMITMENTS AND CONTINGENT LIABILITIES | | |
| MEMBERS' EQUITY | | |
| Regular Reserves | 707,752 | 707,752 |
| Appropriated Undivided Earnings | 1,507,013 | 1,507,013 |
| Undivided Earnings | 3,163,755 | 4,532,134 |
| Accumulated Other Comprehensive Income | <u>11,472</u> | <u>181,548</u> |
| TOTAL MEMBERS' EQUITY | <u>5,389,992</u> | <u>6,928,447</u> |
| TOTAL LIABILITIES AND MEMBERS' EQUITY | \$ 79,142,690 | \$ 84,300,124 |

VANTRIA FEDERAL CREDIT UNION STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

| | 2010 | 2009 |
|---|-----------------------|-----------------------|
| INTEREST INCOME | | |
| Loans | \$ 1,681,422 | \$ 1,868,633 |
| Securities and Interest Bearing Deposits | <u>879,272</u> | <u>1,120,843</u> |
| Total Interest Income | 2,560,694 | 2,989,476 |
| INTEREST EXPENSE | | |
| Members' Share and Savings Accounts | <u>981,263</u> | <u>1,246,512</u> |
| Net Interest Income | 1,579,431 | 1,742,964 |
| PROVISION FOR LOAN LOSSES | <u>856,779</u> | <u>861,444</u> |
| Net Interest Income after Provision for Loan Losses | 682,652 | 881,520 |
| NON-INTEREST INCOME | | |
| Service Charges and Fees | 442,914 | 465,984 |
| Other Non-Interest Income | <u>132,353</u> | <u>106,151</u> |
| Total Non-Interest Income | 575,267 | 572,135 |
| NON-INTEREST EXPENSE | | |
| General and Administrative Employee Compensation and Benefits | 1,093,046 | 1,097,139 |
| Office Occupancy and Operations | 655,587 | 761,901 |
| Other Operating Expenses | <u>877,665</u> | <u>782,585</u> |
| Total Non-Interest Expense | 2,626,298 | 2,641,625 |
| Net Loss Before NCUSIF Corporate Credit Union Costs | (1,368,379) | (1,187,970) |
| NCUSIF AND CORPORATE CREDIT UNION COSTS | | |
| NCUSIF Share Insurance Premium | - | (69,590) |
| CCUSF Passback Recovery Income | - | (398,218) |
| Impairment of Equity Deposits at Corporate Credit Union | - | 370,700 |
| Total NCUSIF and Corporate Credit Union Costs | <u>-</u> | <u>(97,108)</u> |
| NET INCOME (LOSS) | \$ (1,368,379) | \$ (1,090,862) |

The condensed financial statements presented hereto do not constitute a complete set. The complete set, including the statements of changes in members' equity, cash flows and notes to the financial statements, is available in the credit union office.

Notes