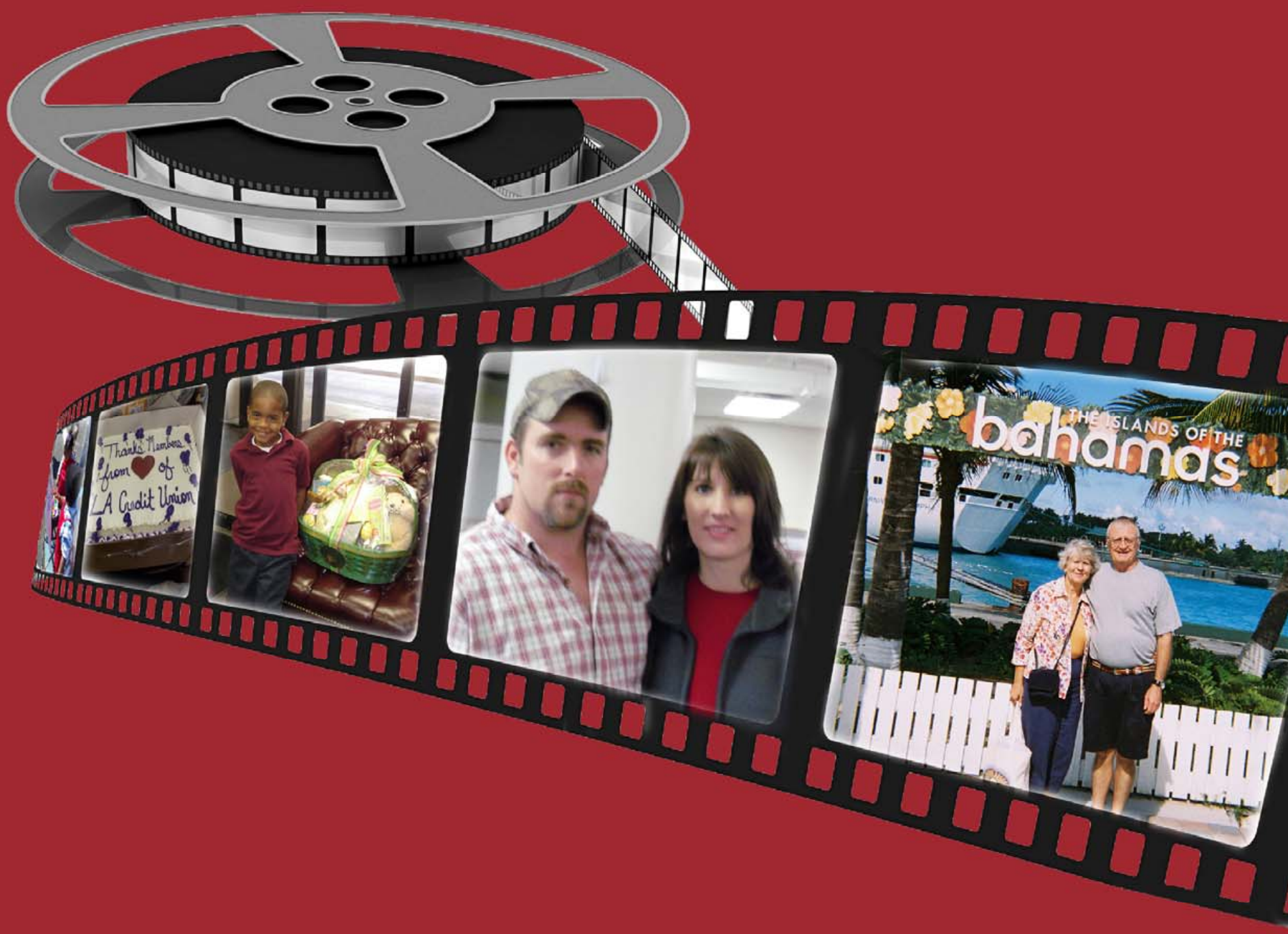
Heart of Louisiana

CREDIT UNION



Annual Report 2009

Mission Statement and
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Mission Statement:
Caring for our members' financial needs.

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Chairman's Report

Dear Shareholder,
We would like to express our appreciation for your membership in Heart of Louisiana Federal Credit Union. As a member of the credit union; your needs for exceptional service, competitive rates, and wide offering of products are our priority. In addition, we strive to ensure that you are treated like family; and our staff works diligently to ensure that we exceed your expectations.

The financial services industry experienced unusual challenges during 2009. Heart of Louisiana's solid capital position enabled our credit union to weather this storm and we continue to position ourselves to ensure that we remain a strong, well-capitalized Institution into the future. Unlike the banks and other institutions, we are proud to state that credit unions did not rely on any government bail out money and have taken care of their own.

We are looking forward to 2010 and offering new products and services to meet your needs. During the month of March, we are offering a free "Financial Check-Up" for our members as well as the general public. Be sure to take advantage of this free opportunity!

The Board of Directors appreciates the trust you have placed in us to represent you. As always, we welcome your ideas and suggestions so that we may continually improve the quality of our products and services.

Michael B. Taylor
Chairman of the Board
Heart of Louisiana Federal Credit Union

Staff

Administration
Cynthia Beauregard, *President*
Hugh V. McCarty, Jr., *V.P. Administration*
Alana Williams, *Internal Auditor*
Leann Ball, *Administrative Assistant*
Karen Chandler, *Operations Manager*
Valarie Montgomery, *Human Resource Manager*
Michelle Toms, *Marketing Director*
Joshua Stevenson, *IT Manager*
Paul Allbritton, *Collection Manage*
Angela Baker, *Internal Auditor Assistant*

Lending
Cheryl Ray, *VP of Lending*
Trudy A. Ong, *Senior Loan Officer*
Mary Kirk, *Mortgage Loan Officer*
Andrea Roberson, *Loan Officer*
Charolette Harrell, *Loan Officer*
Brandi Stokes, *Loan Officer*
Courtney Landry, *Loan Officer*
Bruce Cotton, *Loan Officer*
Amy Porche, *Title Clerk/Loan Processor*
Angela Clark, *Records Clerk*

Accounting
Linette Guillory, *CFO*
Shelia B. Hopkins, *Accounting Specialist II*
Madeleine Rudd, *Accounting Specialist II*

Member Services
Linda Saucier, *VP of Branches and Mbr. Services*
Charlotte Randall, *Branch Manager*
Melani Swanson, *Member Service Officer*
Lisa Lemmons, *Member Services Officer*
Sheryl Adams, *Member Services Representative*
Holli Rachal, *Member Service Representative*
Karen Signorelli, *Member Service Representative*
Lynn Sefcik, *Member Service Representative*
Alice Glass, *Receptionist/ Operator*
Marilyn Mayeux, *Teller*
Charlotte Martin, *Teller*
Bridget Alexis, *Teller*
Nikki Bourgoyne, *Teller*
Jasmine Douglas, *Teller*
Nancy Williams, *Teller*
Annette Dickens, *Teller*
Emelda Rhodes, *Teller*
Pam Bishop, *Teller*
Shannon Herron, *Teller*
Kristen Scott, *Teller*

MEMBERSHIP ELIGIBILITY

Heart of Louisiana Federal Credit Union was organized in 1955. Its original field of membership consisted of employees of the United States Department of Agriculture working in Louisiana under the supervision of the USDA offices in Alexandria and Pineville. This constituted an "occupational" common bond. Since that time the credit union has taken in additional groups. Most of these are individual employee groups and fall into the occupational common bond category. Those Member Groups are listed in the table below.

In 2005, the credit union gained additional status allowing for an additional field of membership of anyone who lives, works, worships, attends school in, and businesses and other legal entities located in the Greater Alexandria Underserved Area comprised of the following parishes: ***Rapides, Winn, Allen, Natchitoches, Evangeline, Concordia, Catahoula, LaSalle, Avoyelles, Grant***.

Field of Membership
Member Groups

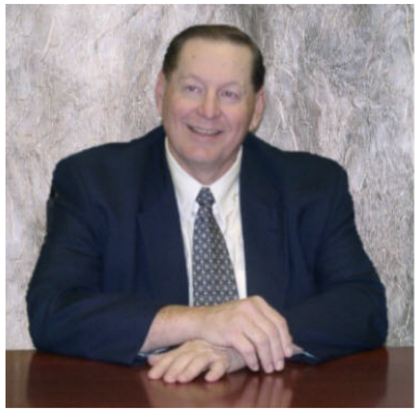
USDA, State of Louisiana	Local #247 Union	Northwest Airlink
Procter & Gamble Mfg. Company	The Oil X-Change, Inc.	Industrial Rubber and Gasket Company
Meyer, Meyer, LaCroix & Hixson, Inc.	Crossroads Plumbing & Air Conditioning	Rapides Parish Council on Aging, Inc.
CLECO Corporation	Sentry Drug	First Fidelity Mtg. Dba Southern Funding
Holiday Village Volunteer Fire Assn.	Annie Mae Matthews Memorial	Southern Air
Hixon Brothers, Inc.	O.L.S. Community Homes, Inc.	ACA Corporation
Water Works District No. 3	St. Mary's Residential Training School	Rapides Child Development Center, Inc.
Rent-It Company	Shipley Donuts	Louisiana Container Company, Inc.
Colfax Volunteer Fire Dept. Inc.	A & A Western Store	Crest Industries, LLC
White and Hathorn Dental Corp.	Long's Preferred Products	Bug Blasters Pest Control
Easley, Lester and Wells, CPAs	Accurate Industries of Louisiana, Inc.	Family Care Services, Inc.
Crossroads Rehabilitation Assoc., Inc.	Brown's Borden Milk Distributors, Inc.	TeamStaff, Inc.
AFCO Industries, Inc.	Fine Print	Smoker's Paradise
Corley Plumbing & Heating Co., Inc.	LADD (LaSalle Assoc. for Dev. Delayed)	Cane River National Historical Park
Caplan's Inc.	Baker Manufacturing Co., Inc.	First Assembly of God
Louisiana Community Care, Inc.	Adams Pest Control, Inc.	Turning Point Solutions Group
Roy O. Martin Lumber Co., Inc.	Sooter and Savoie, Attorneys at Law	Cenla Beverage Company, Inc.
MHC Properties, Inc.	Woodland Presbyterian Church USA	Angel Lovin' Care, Inc.
Martco Partnership	Alexandria Chapter/La. Engineering Society	StarTek, Inc
Job Mate	Alexandria Bar Association	Hardtner Medical Center
Pepsi Cola Bottling of New Orleans	Louisiana Fountain Supply	Peacher Plumbing, Heating & Cooling Inc.
Alpine Volunteer Fire Dept.	Walker Honda	Rehabilitation Center of Rapides Parish
Home Assistance Services, Inc.	Burlington Coat Factory	Ruby Kolin VFD
Industrial Zeolite Limited	Renegade Harley-Davidson	TOP Medical Transportation
Rapides Sheriff's Department	Rabalais Small Engine, Inc	Rehability Center
Acme Refrigeration of Alexandria	Sicily Island Medical Center	Louisiana Fountain Supply
Beef O'Brady's	Schenker Logistics	Nolan's QLC
Alexandria Hampton Inn & Suites	Catahoula Parish Sheriff's Office/CCC	Holsum Bread
Louisiana Hardwood Products	Oak Grove Baptist Church	Catahoula Mfc/ Fish Net Company

YOUR BOARD OF DIRECTORS

According to the Federal Credit Union Act, "The management of a Federal credit union shall be by a board of directors (that) shall consist of an odd number of directors, at least five in number, to be elected annually by and from the members as the bylaws provide." It further states "The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the Federal credit union."

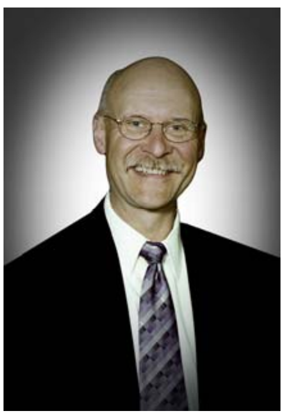
We, as member-directors, appreciate the opportunity you have given us to represent and serve you in this capacity. Our purpose is to assure that Heart of Louisiana Credit Union meets the needs of its membership by ensuring its financial strength and stability, and by continuously evaluating its products, services, terms and pricing to maximize member benefits while minimizing costs.

Michael B. Taylor, Chairman
Executive Director, Louisiana Land Trust



Wayne E. Staton, Vice Chairman
CLECO , Retired

Nellanne E. Davis, Sec./Treasurer
Nellanne's Hallmark, Owner



Robert A. Pulaski, Director
CLECO, Internal Audit Department Manager

Fren Allen, Director
USDA/Farm Services Agency, Retired

Mary Jane Close, Director
USDA/United States Forest Service, Retired

Nominating Committee
Debbie Redfearn, Chariman
Sherry Sibley
Brenda Hinkston
Debbie Collins
Ann Brewer

YOUR SUPERVISORY COMMITTEE

Unlike credit union directors, supervisory committee members are not elected by the credit union's general membership. Rather they are selected by the board of directors in compliance with the Federal Credit Union Act: "The supervisory committee shall be appointed by the board of directors and shall consist of not less than three members nor more than five members"

The supervisory committee is to "make or cause to be made an annual audit" and to report its findings to the board of directors and the members at the next annual meeting of the credit union. We take our responsibilities seriously; we are confident in the findings of the 2009 annual audit; and we are gratified to contribute to our credit union in this capacity.

Ronnie L. Venson, Member
USDA/NRCS, Retired

Glen D. Adams, Member
Production Planner
Proctor and Gamble Manufacturing Company

Danny H. Magee, Sr., Chairman
State Rural Utilities Service Program Director,
USDA Rural Development, Retired

SUPERVIORY COMMITTEE
Chairman's Report

The Supervisory Committee is responsible for making certain that members' funds and interests are protected, as well as the interests of the credit union's officials. The Board of Directors appoints the committee from among the members of the credit union. Federal credit union regulations require the Supervisory Committee to:

- complete annual audits to determine that the accounting records and reports accurately reflect operations and actual results;
- periodically verify that members' accounts are valid and correct;
- regularly examine accounting records and transactions, loan documentation, and review the actions of the Board of Directors; and
- determine whether management and staff and other volunteer committees are carrying out the plans, policies, and procedures for which they are responsible.

To assist in completing the audit for the year ended December 31, 2009, the Supervisory Committee engaged the services of the independent auditing firm, Griffin & Company, LLC. The Supervisory Committee directed our auditors to perform an opinion audit, which requires that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In their opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Louisiana Federal Credit Union as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Conclusions reached in the 2009 audit corresponded with those of recent years. Furthermore, the credit union's 2009 examination by its federal regulatory agency, the National Credit Union Administration, was equally gratifying in its findings and assessment of its operations and condition.

We appreciate the opportunity to serve as volunteers for you our members and welcome your comments and suggestions for improving the services of the Supervisory Committee.

Danny H. Magee, Sr.
Chairman

GRIFFIN & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Stephen M. Griffin, CPA
Robert J. Furman, CPA

Independent Auditors' Report

To the Board of Directors & Supervisory Committee
Heart of Louisiana Federal Credit Union
Pineville, Louisiana

We have audited the accompanying statement of financial condition of Heart of Louisiana Federal Credit Union as of December 31, 2009, and the related statements of operations, changes in members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Louisiana Federal Credit Union as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Griffin & Company, LLC

March 1, 2010

POST OFFICE BOX 983 • MANDEVILLE, LA 70470
1433 WEST CAUSEWAY APPROACH • MANDEVILLE, LA 70471
PHONE: (985) 727-9924 FAX: (985) 727-9975
WWW.GRIFFINANDCO.COM

HEART OF LOUISIANA FEDERAL CREDIT UNION

Statements of Financial Condition

December 31, 2009 and 2008

Assets

		2009	Unaudited 2008
Cash and cash equivalents	$	4,978,567	6,039,277
Investment securities:			
Securities - held-to-maturity		8,038,221	8,806,732
Other		542,847	952,005
Loans receivable, net of allowance for loan losses		56,716,547	55,709,681
Accrued interest receivable		244,068	297,250
Property and equipment, net		2,501,946	2,578,121
Foreclosed property		87,620	40,000
NCUSIF deposit		655,029	632,209
Prepaid expenses and other assets		751,992	611,748
	$	74,516,837	75,667,023

Liabilities and Members' Equity

		2009	Unaudited 2008
Liabilities:			
Members' share and savings accounts	$	63,649,827	64,049,781
Notes payable		1,476,000	1,476,000
Accounts payable and other liabilities		427,395	193,307
Total liabilities		65,553,222	65,719,088
Members' equity, substantially restricted:			
Appropriated regular reserve		2,838,937	2,838,937
Unappropriated earnings		6,124,678	7,108,998
Total members' equity, substantially restricted		8,963,615	9,947,935
	$	74,516,837	75,667,023

See accompanying notes to the financial statements.

HEART OF LOUISIANA FEDERAL CREDIT UNION

Statements of Operations

For the Years Ended December 31, 2009 and 2008

	2009	Unaudited 2008
Interest Income:		
Loans receivable	$ 4,125,881	3,844,339
Cash & investments	348,286	482,660
Total interest income	4,474,167	4,326,999
Interest expense:		
Members' share and savings accounts	738,526	1,152,608
Borrowed funds	50,794	48,122
Total interest expense	789,320	1,200,730
Net interest income	3,684,847	3,126,269
Provision for loan losses	1,537,732	341,179
Net interest income after provision for loan losses	2,147,115	2,785,090
Non-interest income:		
Fees	1,280,253	1,227,879
Other	153,091	102,046
Total non-interest income	1,433,344	1,329,925
Non-interest expense:		
General and administrative:		
Advertising	85,682	108,784
Compensation and benefits	1,688,253	1,684,283
Depreciation & amortization	312,605	341,583
Legal and professional	484,013	472,924
Loan & share insurance	50,482	46,089
Loss on disposal of foreclosed property	11,238	-
Occupancy	173,259	185,433
Office operations	546,419	558,107
Service charges	324,167	302,398
Travel & conferences	52,743	50,111
Total non-interest expense	3,728,861	3,749,712
Net income (loss) before extraordinary items	(148,402)	365,303
Extraordinary items:		
Impairment of NCUSIF deposit	(443,514)	-
Recovery of NCUSIF deposit	443,514	-
TCCUSF premium assessment	(30,983)	-
NCUSIF premium assessment	(67,272)	-
Depletion of Membership & Paid In Capital Accounts	(737,663)	-
	(835,918)	-
Total extraordinary items		
Net income (loss)	$ (984,320)	$ 365,303

See accompanying notes to the financial statements.

HEART OF LOUISIANA FEDERAL CREDIT UNION

Statement of Changes in Members' Equity

For the Year Ended December 31, 2009

	Appropriated Regular Reserve	Unappropriated Earnings	Total
Balances, December 31, 2008	$ 2,838,937	7,108,998	9,947,935
Net loss	-	(984,320)	(984,320)
Balances, December 31, 2009	$ 2,838,937	6,124,678	8,963,615

HEART OF LOUISIANA FEDERAL CREDIT UNION

Statement of Cash Flows

For the Year Ended December 31, 2009

Cash flows from operating activities:		
Net loss		$ (984,320)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation & amortization	$ 312,605	
Loss on disposal of foreclosed property	11,238	
Provision for loan losses	1,537,732	
Changes in operating assets and liabilities		
Decrease in accrued interest receivable	53,182	
Increase in prepaid expenses and other assets	(140,244)	
Decrease in other investments	409,158	
Increase in NCUSIF deposit	(22,820)	
Increase in accounts payable and other liabilities	234,088	
Total adjustments		2,394,939
Net cash provided by operating activities		1,410,619
Cash flows from investing activities:		
Proceeds from maturing securities held-to-maturity	5,335,511	
Acquisition of securities held-to-maturity	(4,567,000)	
Acquisition of property and equipment	(236,430)	
Proceeds from sale of foreclosed property	122,553	
Loans to members, net of principal collections	(2,726,009)	
Net cash used by investing activities		(2,071,375)
Cash flows from financing activities:		
Net decrease in members' share and savings accounts		(399,954)
Net decrease in cash and cash equivalents		(1,060,710)
Cash and cash equivalents at beginning of year		6,039,277
Cash and cash equivalents at end of year		$ 4,978,567
Supplemental disclosure of cash flow information:		
Interest paid		$ 789,320
Loans transferred to foreclosed assets during the year		$ 181,411

See accompanying notes to the financial statements.

(1) Nature of Business

The Heart of Louisiana Federal Credit Union ("Credit Union") provides a variety of financial services to its members. The credit union field of membership is comprised of anyone who lives, works, worships, attends school in, and businesses and other legal entities located in the Greater Alexandria Underserved Area comprised of the following parishes: Rapides, Winn, Allen, Natchitoches, Evangeline, Concordia, Catahoula, LaSalle, Avoyelles, and Grant. The Credit Union's primary source of revenue is from automobile, personal, and real estate loans to members.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Investment Securities

The Credit Union's investments in securities are classified as held-to-maturity. These securities include government and government agency bonds, notes, and certificates which the Credit Union has the positive intent and ability to hold to maturity and are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity. The Credit Union does not maintain an available-for-sale or trading portfolio.

Other investments consist primarily of membership capital account shares and paid-in capital accounts with corporate credit unions. These investments are carried at cost.

(c) Loans Receivable and Allowance for Loan Losses

The Credit Union grants mortgages and consumer loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is ninety days delinquent. Credit card loans and other consumer loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss and the levels of nonperforming loans. Specific allowances for loan losses are established for large impaired loans on an individual basis as required per SFAS No. 114. The specific allowance established for these loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral.

General allowances are established for loans that can be grouped into pools based on similar characteristics as described in SFAS No. 5. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

(d) NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA board.

(e) NCUSIF Insurance Premiums

A credit union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board.

(f) Property and Equipment

Land is carried at cost. Building, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. The building, furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

(g) Members' Share Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

(h) Members' Equity

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest.

(i) Reserve Requirement

In 1998, the NCUA revised the regulatory net worth requirements for credit unions. Credit unions that are classified as "well capitalized" (net worth ratio of 7% or higher) are not required to make statutory transfers to the regular reserve. The regular reserve has been established at the discretion of the Board of Directors to protect the interests of the members. The Board may at times change the reserved amount for specific requirements.

(j) Income Taxes

The Credit Union is exempt by statute from federal and state income taxes.

(k) Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the year totaled $85,682.

(l) Concentrations

The Credit Union generally maintains cash and cash equivalents on deposit at other financial institutions in excess of the federally insured limits. Accordingly, at times the deposits are uninsured and uncollateralized. The Credit Union has not experienced any losses in such accounts and believes its cash is not exposed to any significant credit risk.

(m) Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

(3) Securities Held-to-Maturity

The amortized cost and estimated fair value of securities held-to-maturity are as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Estimated Fair Value
Mortgage Backed Securities	$ 216,221	5,015	-	221,236
Certificates of Deposit	7,822,000	-	-	7,822,000
	$ 8,038,221	5,015	-	8,043,236

The amortized cost and estimated market value of investment securities, at December 31, 2009, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Amounts Maturing	Amortized Cost	Estimated Fair Value
In one year or less	$ 3,153,367	3,155,544
After one year through five years	4,884,854	4,887,692
After five years through ten years	-	-
After ten years	-	-
	$ 8,038,221	8,043,236

(4) Loans Receivable

The composition of loans to members is as follows:

Real Estate	$ 21,362,023
Used Automobile	13,391,034
Personal	9,813,803
New Automobile	7,823,949
Mobile Homes, Boats, RV's	5,725,130
	$ 58,115,939

A summary of changes in the allowance for loan losses is as follows:

Balance at beginning of year	$ 716,837
Provision charged to operations	1,537,732
Loans charged off	(952,420)
Recoveries	97,243
Balance at end of year	$ 1,399,392

The following is a summary of information pertaining to impaired and non-accrual loans:

Impaired loans without a valuation allowance	$ -
Impaired loans with a valuation allowance	$ 3,189,964
Total impaired loans	$ 3,189,964
Valuation allowance allocated to impaired loans	$ 590,545
Impaired loans on non-accrual status	$ 1,111,852

If interest on non-accrual loans had been accrued at their original rates, such income would have approximated $46,801 for 2009. The principal balance of non-accrual loans amounts to $1,111,852 at December 31, 2009.

The Credit Union has no commitments to loan additional funds to the borrowers whose loans have been modified.

Real estate loans have varying maturity terms, the maximum of which is a fixed rate program that carries a 30 year repayment period.

Certain officers, directors, and employees of the Credit Union, including their immediate families, were loan customers during 2009. Such loans were in the ordinary course of business at normal credit terms including interest rates and collateralization and do not represent more than a normal risk of collection.

A summary of changes and total loans outstanding to these persons at December 31, 2009 is as follows:

Balance at beginning of year	$ 2,325,300
New loans during year	950,905
Repayments	(946,977)
Balance at end of year	$ 2,329,228

(5) Foreclosed Property

Real estate and other property acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell. At December 31, 2009, the Credit Union had foreclosed property held for sale amounting to $87,620.

(6) Cash and Cash Equivalents

For purposes of statement of financial condition classification and the statement of cash flows, the Credit Union considers all highly liquid debt instruments purchased with a maturity of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents. The composition of these investments is as follows:

Cash	$	1,828,322
Deposits with Financial Institutions		3,150,245
	$	4,978,567

(7) Property and Equipment

Property and equipment is summarized as follows

Furniture & equipment	$	2,240,952
Land		1,328,149
Buildings		1,144,406
		4,713,507
Less accumulated depreciation and amortization		2,211,561
	$	2,501,946

Depreciation and amortization expense amounted to $312,605 in 2009.

(8) Members' Share and Savings Accounts

Members' share and savings accounts are summarized as follows:

Regular shares	$	32,301,973
Share drafts		11,182,512
Other shares		3,767,936
IRA savings		1,766,104
		49,018,525
IRA certificates		3,053,295
Money Market certificates		11,578,007
	$	63,649,827

The aggregate amounts of members' share and savings accounts over $100,000 were approximately $7,366,388 at December 31, 2009.

Certain officers, directors, and employees of the Credit Union, including their immediate families, had deposits at the Credit Union totaling $1,369,220 at December 31, 2009.

At December 31, 2009, scheduled maturities of Share and IRA certificates are as follows:

2010	$	10,785,207
2011	$	1,906,165
2012	$	231,192
2014	$	1,019,264

Cash paid during the year for interest is as follows:

Interest on savings accounts	$	738,526
Interest on borrowed funds		50,794
	$	789,320

(9) Line of Credit

The Credit Union maintains a line of credit with Southwest Corporate Federal Credit Union (SCFCU) at a rate to be determined by the lender when funds are borrowed. At December 31, 2009, the Credit Union did not have an outstanding balance on the line of credit and could borrow up to $6,000,000. The interest rate at December 31, 2009 was 1.25% and interest expense amounted to $60 for the year then ended. The interest rate on the line of credit is the lesser of a rate set by SCFCU or the federal funds rate plus 75 basis points. The line is collateralized by substantially all of the Credit Union's assets.

(10) Notes Payable

A summary of notes payable as of December 31, 2009 is as follows:

Note payable to Southwest Corporate Federal Credit Union, due on January 18, 2010, interest payable monthly at 3.42%	$	1,000,000
Note payable to Southwest Corporate Federal Credit Union, due on January 18, 2010, interest payable monthly at 3.3%		476,000
	$	1,476,000

Interest expense related to the notes payable amounted to $50,734 for the year ended December 31, 2009. The notes held by Southwest Corporate Federal Credit Union are collateralized by substantially all of the Credit Union's assets. Both notes were paid in full upon maturity.

(11) Lease Commitments

The Credit Union leases land under an operating lease as follows:

	Term (Years)	Expiration Date	Annual Rent
Land – Coliseum Branch	3	9/30/10	$42,000

Rent expense amounted to $42,000 for the year ended December 31, 2009. As of December 31, 2009, the Credit Union has exercised one six month renewal option on this lease which extended the lease term through September 30, 2010. There is one additional six month renewal option available under the current lease which could extend the term to March 31, 2011 if exercised. Future minimum lease payments under this lease including exercised renewal options amount to $31,500 and are all due during 2010.

(12) Pension Plans

The Credit Union offers a 401(k) plan to substantially all full-time employees meeting certain eligibility requirements. The Credit Union's matching contributions equal 100% of salary deferrals that do not exceed 4.5% of compensation and 50% of salary deferrals that exceed 4.5% of compensation but do not exceed 8.5% of compensation. The plan also allows for a discretionary contribution which is determined by the Credit Union and allocated to the participants based on the formulas as provided for in the plan document. There was no discretionary contribution made for the period ended December 31, 2009. Total pension expense for the year ended December 31, 2009 was $29,678.

(13) Off-Balance Sheet Activities

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which include lines of credit, credit cards, and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for loans recorded in the financial statements.

The following financial instruments were outstanding as of December 31, 2009 whose contract amounts represent credit risk:

Commitments to grant loans	$ -
Unfunded commitments under lines of credit	6,380,659
	$ 6,380,659

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Credit Union upon extension of credit is based on management's credit evaluation of the member. Collateral held generally consists of certificates of deposit, share accounts, automobiles and real estate.

Unfunded commitments under commercial lines-of-credit, revolving credit lines, and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

(14) Regulatory Capital

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined in the regulations) to total assets (as defined). Credit unions are also required to calculate a Risk-Based Net Worth (RBNW) Requirement, which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNW ratio as of December 31, 2009 was 4.38%. The minimum ratio to be considered complex under the regulatory framework is 6%. Management believes, as of December 31, 2009, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2009, the most recent call reporting period, NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets and meet any applicable RBNW Requirement. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2009	$8,963,615	12.0%	≥$4,471,010	≥6.0%	≥$5,216,179	≥7.0%

(15) Extraordinary Items - NCUSIF Deposit and Corporate Credit Union Stabilization Fund

During 2008 and 2009, the corporate credit union system faced unprecedented strains on liquidity and capital due to extraordinary market disruptions and the current economic climate. To counter the effects of these conditions, the NCUA took actions which impaired the National Credit Union Share Insurance Fund (NCUSIF) Deposits. As a result of these actions, during 2009 the Credit Union recorded an impairment expense of $443,514 to reduce its deposit with NCUSIF to its estimated value.

Subsequent to these actions, Congress enacted a law allowing NCUA to create a Temporary Corporate Credit Union Stabilization Fund (TCCUSF) that has borrowed funds from the United States Treasury to replenish the NCUSIF deposits. At that time, the NCUA instructed credit unions that their insurance deposit was no longer impaired and a recovery of the deposit of $443,514 was recorded as income by the Credit Union.

At this time, it appears that credit unions will be assessed annually by the NCUA over a seven to eight year period to repay the TCCUSF loan. As a result, the Credit Union has paid $30,983 for this assessment. Due to the multitude of factors that can affect future assessments, no liability can be reasonably estimated for future periods and accordingly no liability relating to future assessments has been recorded in the financial statements.

The NCUA is required to maintain the NCUSIF at a minimum equity ratio of 1.20% of insured shares. The NCUA normal operating level of the NCUSIF is maintained at 1.30% of insured shares. Due to the increased level of share insurance provided to credit union members, the NCUA must assess premiums to bring equity levels of the insurance fund into regulatory compliance. In relation to this premium assessment, the Credit Union has paid $67,272 as of December 31, 2009.

In connection with losses incurred from the extraordinary market disruptions of 2008 and 2009 and current economic climate, Louisiana Corporate Federal Credit Union depleted paid in capital accounts and Southwest Corporate Federal Credit Union depleted membership capital accounts of its member credit unions. Depletion of the Credit Union's membership capital account and paid in capital account amounted to $737,663 for the year ended December 31, 2009.