



2010

**ANNUAL
REPORT**

CHAIRMAN'S REPORT

Times were tough in 1934 when your non-profit Credit Union was started and times are tough now. Today, it seems like there are never-ending challenges coming at us from all sides. Many members are struggling to make ends meet. As Chairman, I want you to know your Credit Union is here to offer help. We all need to do things differently and smarter because the times demand and require it. The economy and the US Postal Service are not settled and it will take more time, more patience, greater dedication and continual focus for the nation to get its house in order.

Your Credit Union consists of members saving together where those same savings funds are put to work by helping members who need to borrow. The more members use their Credit Union, the more we can return to the group in the form of above-average dividend rates and lower loan rates. That common-cause give-back helps all members and is the basis of our new Rewards program. That is why it is important for members to honor their obligations. We want to help members become better able to actively manage their personal finances, be it day to day or long term.

In light of the uncertain times, members have smartly reduced their debt levels. As a result, loan balances declined while funds available for loans grew. Your Credit Union has met this challenge and many others in 2010, and the end result was an overall financial improvement over 2009. The USPS FCU is strong. Still, we are not content with what we are, and we believe not moving forward is akin to moving backwards. We believe we can help our members become better informed to adjust their financial game plans. The USPS FCU has the solutions for these times.

We are serving the membership more efficiently. Your Credit Union has made sure that members in all fifty states and U.S. territories have easy access to USPS FCU. We provide 24-hour worldwide account access through ATM networks and our updated CU E-LINK online banking service, where you can also get instant credit for checks deposited using our e-Deposit service. You can even find helpful information on our Facebook page. If you want to call us and speak to a person, we are available from 5:00 a.m. Pacific to 7:30 p.m. Eastern. And yes, we also promote use of the U.S. Postal Service, and we send and receive mail in great volumes.

It is an honor to serve on this volunteer board and with honor comes responsibility. We look forward to continuing to build a better member-owned Credit Union to meet your needs today and in the future.

Michael E. McCartney

Chairman

STATEMENTS OF FINANCIAL CONDITION

December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and Cash Equivalents	\$ 15,178,270	\$ 15,348,837
Deposits in Other Financial Institutions	31,645,166	36,983,435
Securities - Available for Sale	19,419,543	6,683,210
Loans, Net	133,010,111	152,917,461
Accrued Interest Receivable	655,867	694,581
Property and Equipment, Net	412,518	489,853
NCUSIF Deposit	1,787,087	1,769,421
Other Assets	3,274,566	2,639,292
Total Assets	<u>\$ 205,383,128</u>	<u>\$ 217,526,090</u>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' Share and Savings Accounts	\$ 181,488,256	\$ 182,992,339
Borrowed Funds	—	10,500,000
Interest Payable	447,281	604,455
Accrued Expenses and Other Liabilities	878,132	978,248
Total Liabilities	<u>182,813,669</u>	<u>195,075,042</u>
Commitments and Contingent Liabilities		
Members' Equity		
Regular Reserves	2,115,817	2,115,817
Undivided Earnings	100	100
Other Reserves	20,537,506	20,168,745
Accumulated Other Comprehensive (Loss) Income	(83,964)	166,386
Total Members' Equity	<u>22,569,459</u>	<u>22,451,048</u>
Total Liabilities and Members' Equity	<u>\$ 205,383,128</u>	<u>\$ 217,526,090</u>



SERVICES

SAVINGS

Share Savings Accounts
Share Certificates
Money Market Savings Accounts
IRA Accounts & Certificates
Money Market Certificate Accounts
Club Accounts
Special Purpose Accounts

CONVENIENCE SERVICES

Access Checking Accounts
Interest Checking Accounts
Money Market Checking Accounts
Overdraft Line Of Credit Protection
USPS FCU ATM Card & VISA Check Card
QUE 24-Hour Telephone Teller
CU E-LINK (Online Banking, e-Deposits & BillPayer)
Direct Deposit & Payroll Deduction
Automatic Preauthorized Payments
Surcharge-Free ATM Locations
Electronic Funds Transfer
e-Deposits

LOANS

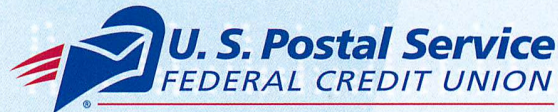
First Mortgages
Home Equity Loans & Lines Of Credit
New, Used Vehicle/RV Loans
Personal Loans
Education Loans
Share or Certificate Secured Loans
VISA Classic & VISA Platinum Credit Cards
VISA Classic Student Credit Card
Instant Online Loan Approval

ADDITIONAL BENEFITS

Family Membership
CU Realty Service
Enterprise Car Sales
United Auto Buying Service
Autoland
Wire Transfers
Family Legal Access Plan
Financial Counseling
Credit Life & Disability Insurance
Discounted Home & Auto Insurance
Accident, Death & Disability Insurance
Low-Cost Term Life Insurance
Scholarships
Youth Clubs
Excess Share Insurance

MISSION STATEMENT

To consistently deliver innovative and quality financial services to postal employees and their families.



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LarsonAllen, LLP has audited the accompanying statements of financial condition of U.S. Postal Service Federal Credit Union as of December 31, 2010 and 2009, and the related statements of income, members' equity, and cash flows (not presented herein) for the years then ended; and in their report dated March 10, 2011, they expressed an unqualified opinion on those financial statements. These financial statements are the responsibility of the Credit Union's management. LarsonAllen's responsibility is to express an opinion on these financial statements based on their audits.

We do business in accordance with the Federal Fair Housing Law and the Equal Opportunity Act. It is illegal to discriminate against any person because of race, color, religion, sex or national origin.



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STATEMENTS OF INCOME

Years Ended December 31, 2010 and 2009

	2010	2009
INTEREST INCOME		
Loans	\$ 9,705,740	\$ 10,846,655
Securities and Interest Bearing Deposits	<u>1,042,145</u>	<u>669,561</u>
Total Interest Income	10,747,885	11,516,216
INTEREST EXPENSE		
Members' Share and Savings Accounts	2,402,931	3,785,602
Interest on Borrowed Funds	<u>52,938</u>	<u>8,043</u>
Total Interest Expense	2,455,869	3,793,645
Net Interest Income	8,292,016	7,722,571
PROVISION FOR LOAN LOSSES		
	<u>3,062,028</u>	<u>2,477,700</u>
Net Interest Income After Provision for Loan Losses	5,229,988	5,244,871
NON-INTEREST INCOME		
Service Charges and Fees	2,764,777	2,962,988
Other Non-Interest Income	968,794	980,461
Net Gain on Sale of Assets	<u>2,846</u>	<u>4,316</u>
Total Non-Interest Income	3,736,417	3,947,765
NON-INTEREST EXPENSE		
Employee Compensation and Benefits	4,354,449	4,523,089
Office Occupancy and Operations	1,192,320	1,220,809
Other Operating Expenses	<u>3,050,875</u>	<u>2,641,531</u>
Total Non-Interest Expense	8,597,644	8,385,429
Net Income Before NCUSIF and Corporate Credit Union Costs	368,761	807,207
NCUSIF AND CORPORATE CREDIT UNION COSTS		
NCUSIF Impairment	—	1,039,255
Share Insurance Premium	—	265,413
Passback of Corporate Credit Union Stabilization Fund	—	(1,039,255)
Impairment of Equity Deposits at Corporate Credit Unions	<u>—</u>	<u>532,097</u>
Total NCUSIF and Corporate Credit Union Costs	—	<u>797,510</u>
NET INCOME	<u>\$ 368,761</u>	<u>\$ 9,697</u>



STATEMENTS OF MEMBERS' EQUITY

Years Ended December 31, 2010 and 2009

	Regular Reserves	Undivided Earnings	Other Reserves	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE AT DECEMBER 31, 2008	\$ 2,115,817	\$ 100	\$ 20,159,048	\$ 202,528	\$ 22,477,493
Comprehensive Income:					
Net Income	-	9,697	-	-	9,697
Other Comprehensive Loss:					
Change in Unrealized Gain/Loss on Securities Available for Sale	-	-	-	(36,142)	(36,142)
Total Comprehensive Loss					(26,445)
Net Discretionary Transfers	-	(9,697)	9,697	-	-
BALANCE AT DECEMBER 31, 2009	2,115,817	100	20,168,745	166,386	22,451,048
Comprehensive Income:					
Net Income	-	368,761	-	-	368,761
Other Comprehensive Loss:					
Change in Unrealized Gain/Loss on Securities Available for Sale	-	-	-	(250,350)	(250,350)
Total Comprehensive Income:					118,411
Net Discretionary Transfers	-	(368,761)	368,761	-	-
BALANCE AT DECEMBER 31, 2010	<u>\$ 2,115,817</u>	<u>\$ 100</u>	<u>\$ 20,537,506</u>	<u>\$ (83,964)</u>	<u>\$ 22,569,459</u>

BOARD OF DIRECTORS

Michael E. McCartney, Chairman
 Richard E. Gatewood, Vice Chairman
 Thomas Dale, Jr., Secretary/Treasurer
 Gilbert A. Ford, Jr.
 Timothy S. Gavagan
 Charles McCullough, II, Esq.
 Ann Trahan

SUPERVISORY COMMITTEE

Robert J. Pedersen, Chairman
 Amy Rose, Member
 Martha Williams-Brown, Member
 Richard Yessian, Member