



# 2004 ANNUAL REPORT



## JOINT REPORT OF THE CHAIRMAN AND PRESIDENT

A wise axiom, both in business and life, tells us that “standing still is rarely a good strategy, and when it is a good strategy, it’s only good for a very short period of time.” In keeping with our mission of enhancing the competitiveness of our member credit unions, Louisiana Corporate spent 2004 moving forward. Your corporate continued its efforts to assist your credit union’s competitiveness in the areas of liquidity, financial soundness, and technology.

Credit Unions continued to manage an environment of turbulent liquidity and consumer demand. Through this period, your corporate functioned in the role for which it was founded: a safe, efficient, and competitive custodian of your investable funds and a ready source of liquidity. Our members know that Louisiana Corporate operates at the “base level” of NCUA Rules and Regulations, which is the most conservative of several investment operating levels available to corporates, to reflect our member’s priority of placing safety over yield. While conservative, our portfolio is actively managed, utilizing the most up to date economic modeling to provide consistent, safe performance through periods of fluctuating economic conditions. Our policies and practices in these areas are designed to reflect the high degree of confidence that your members place in your credit union and the credit union network.

We have continued our efforts to bring you up to date, efficient, and affordable products and services. As financial services technology options increase in number and complexity, our goal is to serve as a clearinghouse in offering you affordable and tested products and services from time-tested, proven national-level providers. Louisiana Corporate pledges to continue to offer the investment and correspondent services of the most reputable national providers at competitive pricing levels. Although our member credit unions vary widely in size, we believe that Louisiana Corporate membership should provide all of them with access to the highest quality services from well known service providers at costs lower than “house” brand services.

As always, we pledge to maintain our identity as your corporate by providing these services in a personal and courteous manner mindful of your credit union’s needs and preferences. Long before “know your member” became a regulatory phrase, it was a primary operating philosophy at Louisiana Corporate.

We value our opportunity to provide you with an efficient means of keeping your member’s funds at work in our state’s economy and we sincerely thank you for your continued support of your corporate credit union.

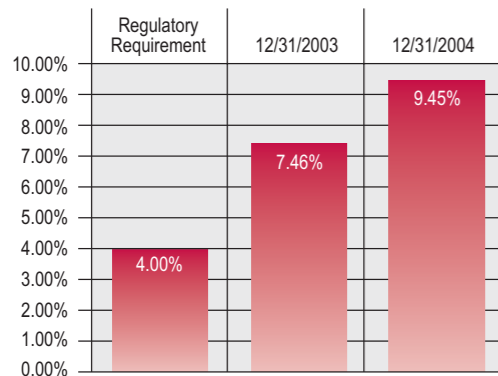


Larry R. DeRouen, Ph.D  
Chairman of the Board

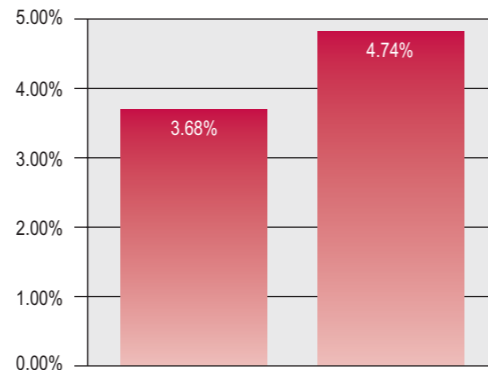


David A. Savoie, CPA, CFE  
President / CEO

**CAPITAL RATIO**



**CORE CAPITAL RATIO  
12/31/04**



Board of Directors and Supervisory Committee of  
**Louisiana Corporate Credit Union**  
Metairie, Louisiana

### Independent Auditor’s Report

We have audited the accompanying statement of financial condition of **LOUISIANA CORPORATE CREDIT UNION** (Credit Union) as of December 31, 2004, and the related statements of income, 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. The financial statements of **LOUISIANA CORPORATE CREDIT UNION** for the year ended December 31, 2003 were audited by other auditors whose report, dated February 12, 2004, expressed an unqualified opinion on those statements.

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 2004 financial statements referred to above present fairly, in all material respects, the financial position of the **LOUISIANA CORPORATE CREDIT UNION** as of December 31, 2004, and the result 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.

*Laporte, Sehart, Romig, Hand*

A Professional Accounting Corporation

Metairie, Louisiana  
January 21, 2005

110 VETERANS BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535  
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956

WWW.LAPORTE.COM  
A PROFESSIONAL ACCOUNTING CORPORATION

RSM McGladrey Network  
An Independently Owned Member

**STATEMENTS OF FINANCIAL CONDITION**

	December 31,	
	2004	2003
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 12,855,671	\$ 19,850,387
Time and Interest-Bearing Deposits	75,356,358	104,369,888
Securities Available-for-Sale	26,199,617	24,119,805
Mutual Fund Investment, Available-for-Sale	4,934,673	4,969,849
Securities Held-to-Maturity	4,000,000	5,000,000
Central Liquidity Facility Stock	-	2,741,972
Investment in Credit Union Service Organizations	640,590	550,590
Federal Home Loan Bank stock, at cost	355,322	348,854
Loans Receivable	68,624	516,106
Accrued Interest Receivable	350,880	321,762
NCUSIF Deposit	163,752	171,957
Property and Equipment, Net	51,396	23,588
Other Assets	160,283	60,029
	<u>\$ 125,137,166</u>	<u>\$ 163,044,787</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Borrowed Funds	\$ -	\$ 2,741,972
Accrued Interest Payable	305,646	265,654
Other Liabilities	66,647	90,222
Members' Shares and Share Equivalents	122,326,119	157,822,477
	<u>122,698,412</u>	<u>160,920,325</u>
Members' Equity, Substantially Restricted	<u>2,438,754</u>	<u>2,124,462</u>
	<u>\$ 125,137,166</u>	<u>\$ 163,044,787</u>

\* The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF INCOME**

	For The Years Ended December 31,	
	2004	2003
<b>INTEREST INCOME</b>		
Investments	\$ 2,701,174	\$ 2,949,371
Loans Receivable	14,379	10,164
	<u>2,715,553</u>	<u>2,959,535</u>
<b>INTEREST EXPENSE</b>		
Share and Share Equivalents	1,665,613	1,865,894
Borrowed Funds	36,949	27,024
	<u>1,702,562</u>	<u>1,892,918</u>
<b>NET INTEREST INCOME</b>	<u>1,012,991</u>	<u>1,066,617</u>
<b>OTHER OPERATING INCOME (LOSS)</b>		
Gain (Loss) on Sale of Investments	-	(251,800)
Miscellaneous Income	152,995	2,569
Service Fee Income	427,046	517,049
	<u>580,041</u>	<u>267,818</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Compensation and Benefits	398,386	355,176
Professional and Contract Services	669,112	673,664
Office Expenses	62,694	88,450
Administrative Expenses	112,503	109,197
	<u>1,242,695</u>	<u>1,226,487</u>
<b>NET INCOME</b>	<u>\$ 350,337</u>	<u>\$ 107,948</u>

**STATEMENTS OF CHANGES IN MEMBERS' EQUITY**

For The Years Ended December 31, 2004 and 2003

	Corporate Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2002	\$ 2,001,298	\$ 99,899	\$ (325,016)	\$ 1,776,181
Comprehensive Income				
Net Income	-	107,948	-	107,948
Other Comprehensive Income:				
Net Changes in Unrealized Loss on Securities-Available-for-Sale	-	-	240,333	240,333
Total Comprehensive Income	-	107,948	240,333	348,281
Transfer In (Out)	(2,001,298)	2,001,298	-	-
Balance at December 31, 2003	-	2,209,145	(84,683)	2,124,462
Comprehensive Income				
Net Income	-	350,337	-	350,337
Other Comprehensive Income:				
Net Changes in Unrealized Loss on Securities-Available-for-Sale	-	-	(36,045)	(36,045)
Total Comprehensive Income	-	350,337	(36,045)	314,292
Balance at December 31, 2004	\$ -	\$ 2,559,482	\$ (120,728)	\$ 2,438,754

\* The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS**

	For The Years Ended December 31,	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 350,337	\$ 107,948
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
(Gain) Loss on Sale of Investments - Available-for-Sale	-	251,800
Amortization of Premium on Investments	103,019	149,588
Non-cash Dividend - FHLB Stock	(6,063)	-
Depreciation Expense	16,888	11,690
(Increase) Decrease in Accrued Interest Receivable	(29,118)	186,226
(Increase) in Other Assets	(100,254)	(28,207)
Increase (Decrease) in Accrued Interest Payable	39,992	(139,323)
(Decrease) Increase in Other Liabilities	(23,575)	12,221
Net Cash Provided by Operating Activities	351,226	551,943

**STATEMENTS OF CASH FLOWS (CONTINUED)**

	For The Years Ended December 31,	
	2004	2003
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (Increase) in Time and Interest-Bearing Deposits	29,013,530	(8,004,116)
Decrease in Loans Receivable	447,482	1,163,703
Decrease (Increase) in NCUSIF Deposit	8,205	(492)
(Increase) in Central Liquidity Facility Stock	-	(479,236)
(Increase) in Federal Home Loan Bank	(405)	(232,234)
Additional Investment in Investment in CUSO	(90,000)	(410,000)
Activity in Held-to-Maturity Securities:		
Purchases	-	(5,000,000)
Paydowns and Maturities	1,000,000	-
Activity in Available-for-Sale Securities:		
Sales	-	24,591,347
Paydowns and Maturities	8,826,198	23,526,930
Purchases	(11,009,898)	(14,821,151)
Additions to Property and Equipment	(44,696)	(4,539)
Net Cash Provided by Investing Activities	28,150,416	20,330,212
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in Members' Shares and Share Equivalents	(35,496,358)	(9,191,471)
Decrease Increase in Borrowed Funds	-	479,236
Net Cash Used in Financing Activities	(35,496,358)	(8,712,235)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(6,994,716)	12,169,920
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	19,850,387	7,680,467
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 12,855,671	\$ 19,850,387
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest on Borrowed Funds	\$ 36,949	\$ 27,024
Interest on Members' Shares	\$ 1,625,623	\$ 2,005,217
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Elimination of Investment Requirement of Central Liquidity Facility Stock and Related Debt	\$ 2,741,972	\$ -

\* The accompanying notes are an integral part of these financial statements.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature Of Operations**

LOUISIANA CORPORATE CREDIT UNION (Credit Union) is a cooperative association organized in accordance with the provisions of the Louisiana Credit Union Act for the purpose of serving corporate accounts through money management and creating a source of credit for its members who are principally state and federally chartered credit unions located in Louisiana. The Credit Union competes with other asset management and investment companies, including other corporate credit unions operating in Louisiana.

**Use Of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the Statement of Financial Condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

For the purposes of the Statements of Cash Flows, the Credit Union considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Time And Interest-Bearing Deposits**

Time and interest-bearing deposits include certificates of deposits and deposits in a corporate credit union including callable securities purchased from U.S. Central Credit Union (U.S. Central), and are carried at cost.

**Securities**

Debt securities that management has the ability and intent to hold to maturity are classified as held-to-maturity and carried at cost, adjusted for amortization of premium and accretion of discounts using the interest method. Other marketable securities are classified as available-for-sale and are carried at fair value.

Unrealized gains and losses on investments available-for-sale are recognized as an increase or decrease in members' equity. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of investments available-for-sale are recognized using the specific identification method.

**Investment In Credit Union Service Organizations**

Investment in Credit Union Service Organizations, which are described in Note C, are stated at cost that does not exceed estimated net realizable value.

**Loans Receivable**

Loans receivable are stated at the amount of unpaid principal. Interest on loans is calculated based on the principal balance using variable rates as stipulated in the loan agreements.

**NCUSIF Deposit**

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with 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.

**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. The NCUA Board waived the 2004 and 2003 insurance premiums.

**Property And Equipment**

Property and equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the related asset. Maintenance and repairs are charged to expense and gains or losses on disposition are reflected in the Statements of Operations.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Members' Shares And Share Equivalents**

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' shares and share equivalents 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.

**Income Taxes**

The Credit Union is exempt, by statute, from federal and state income taxes and, therefore, the accompanying financial statements do not contain a provision for income taxes.

**Service Fee Income**

Service fee income consists of charges to members for various services including correspondent, funds transfer, ACH, securities safekeeping and fees for services rendered in connection with Certificate of Deposit placement activities.

**NOTE B - INVESTMENTS**

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	December 31, 2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Securities Available-for-Sale</b>				
Debt Securities:				
U.S. Government and Federal Agency	\$ 18,640,264	\$ 15,715	\$ 87,516	\$ 18,568,463
Government Agency Mortgage Related Issues	413,062	8,787	-	421,849
Corporate Debt Securities	7,201,692	15,657	8,044	7,209,305
Total Debt Securities	26,255,018	40,159	95,560	26,199,617
Mutual Fund Investment	5,000,000	-	65,327	4,934,673
<b>Total Securities Available for Sale</b>	<b>\$ 31,255,018</b>	<b>\$ 40,159</b>	<b>\$ 160,887</b>	<b>\$ 31,134,290</b>
<b>Securities Held-to-Maturity</b>				
CUNA Mutual Group Notes	\$ 4,000,000	\$ -	\$ -	\$ 3,997,100
	December 31, 2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Securities Available-for-Sale</b>				
Debt Securities:				
U.S. Government and Federal Agency	\$ 15,562,886	\$ 16,138	\$ 59,969	\$ 15,519,055
Corporate Debt Securities	8,533,263	19,510	33,679	8,519,094
Total Debt Securities	24,096,149	35,648	93,648	24,038,149
Mutual Fund Investment	5,000,000	-	30,151	4,969,849
Government Agency Mortgage Related Issues	78,188	3,468	-	81,656
<b>Total Securities Available for Sale</b>	<b>\$ 29,174,337</b>	<b>\$ 39,116</b>	<b>\$ 123,799</b>	<b>\$ 29,089,654</b>
<b>Securities Held-to-Maturity</b>				
CUNA Mutual Group Notes	\$ 5,000,000	\$ -	\$ -	\$ 5,000,000

## NOTES TO FINANCIAL STATEMENTS

### NOTE B - INVESTMENTS (Continued)

Information pertaining to securities with gross unrealized losses at December 31, 2004, aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Debt Securities:				
U.S. Government and Federal Agency	\$ 42,288	\$ 5,510,832	\$ 45,228	\$ 9,952,800
Corporate Debt Securities	104	933,666	7,940	2,000,315
Total Debt Securities	42,392	6,444,498	53,168	11,953,115
Mutual Fund Investment	-	-	65,327	4,934,673
Total Securities	\$ 42,392	\$ 6,444,498	\$ 118,495	\$ 16,887,788

The unrealized losses on the Debt Securities are consistent with recent changes in the overall bond market caused by an increase in market yields. In addition, the Credit Union's Mutual Fund Investment consists of shares in an adjustable rate mortgage loan fund. The unrealized losses associated with this fund were caused by interest rate increases, and the timing between when these rate increases took place compared to the resulting adjustment in the underlying mortgage loans. Because the Credit Union has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, it does not consider the investments to be other-than-temporarily impaired at December 31, 2004.

At December 31, 2003, the Credit Union held a corporate debt security of \$500,000, net of impairment of \$2,000,000 recognized in 2002, in NPF XII, Inc. 2001-4A, a floating rate asset-backed security (the bond) collateralized by healthcare receivables. The underwriter of the \$150 million bond issue is Credit Suisse First Boston Corporation.

On the Credit Union's settlement date of September 25, 2002, the bond was rated Aaa by Moody's Investor Services (Moody's), a nationally recognized statistical rating agency. The bond was the subject of a series of credit downgrades by Moody's beginning in October, 2002. The net proceeds of the sale of the bonds were deposited by a third party bank, as Trustee. The Trustee undertook certain duties and obligations with respect to reserve funds of the bond sale proceeds. The downgrades of the bond's credit rating occurred subsequent to media reports that the reserve funds of the NPF XII issue were depleted by National Century Financial Enterprises, Inc. (NCFE), the sponsor of the bond issue, allegedly with the knowledge of the bond trustees. The trust was depleted against the terms of the original trust agreement. NCFE and NPF XII filed a petition for bankruptcy in the Southern District of Ohio on November 18, 2002. The Credit Union filed a proof of claim with the court and this matter is proceeding. During 2004, the Credit Union received approximately \$208,000 in bankruptcy liquidation distributions. Approximately \$187,000 of the distributions were applied against the carrying value of the debt security, with the remainder being recognized as income.

The Credit Union is a plaintiff in multi-plaintiff litigation filed against various parties with potential fiduciary liability pertaining to the issue of the bond. In addition, during 2004, the Credit Union settled its lawsuit it filed against the brokerage firm that handled the Credit Union's purchase of the bond. As a result, the Credit Union received a settlement of \$450,000 from the brokerage firm. Of this amount, approximately \$312,000 was applied against the remaining carrying value of the debt security, which brought the carrying value to \$0, and the remainder was recognized as income. The Credit Union used a portion of these funds to pay legal fees related to the ongoing litigation. As part of the settlement with the brokerage firm, the Credit Union is required to remit to the brokerage firm 50% of any future distributions from the bankruptcy liquidation and multi-plaintiff litigation. These reimbursements are reduced by the Credit Union's related legal fees and may not exceed a total reimbursement of \$450,000, net of related legal fees.

## NOTES TO FINANCIAL STATEMENTS

### NOTE C - INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS

The Credit Union's investment in credit union service organizations at December 31, 2004 and 2003 follows:

Entity	December 31, 2004	
	Number of Shares/ Units Owned	Investment
CNBS, LLC	5,451	\$ 500,590
Primary Financial Company, LLC	1	50,000
CU Business Group, LLC	30	90,000
Total Investment		\$ 640,590

Entity	December 31, 2003	
	Number of Shares/ Units Owned	Investment
CNBS, Inc.	5,451	\$ 500,590
Primary Financial Company, LLC	1	50,000
Total Investment		\$ 550,590

CNBS, Inc. (CNBS) was organized to provide a national institutional securities dealer and investment advisory service in cooperation with the credit union network. During 2004, CNBS converted to an LLC. CNBS is a registered broker/dealer and investment adviser operating in the securities industry. CNBS provides services to financial institutions. The Credit Union's investment in CNBS at December 31, 2004 and 2003, represents approximately 18% of its outstanding ownership units and common stock, respectively. During 2004, the Credit Union tendered an offer to purchase an additional 1,000 ownership units of CNBS, LLC. The tender offer was accepted and the ownership unit certificate was delivered in January, 2005. Accordingly, the amount tendered was included in Other Assets at December 31, 2004. Subsequent to the delivery of the ownership unit certificate, the Credit Union's investment in CNBS was approximately 12% of the outstanding ownership units.

Primary Financial Company, LLC offers a program, SimpliCD, which enables the Credit Union's members to invest in federally insured certificates of deposits.

During 2004, the Credit Union purchased 30 Class A units of CU Business Group, LLC (CUBG) for \$90,000. CUBG provides business lending, deposit and consulting services to credit unions nationwide.

### NOTE D - LOANS RECEIVABLE

At December 31, 2004 and 2003, member credit unions had made draws on their respective lines of credit totaling approximately \$35 million and \$24 million, respectively. The lines of credit are variable rate loans and are payable on demand. The outstanding balances at December 31, 2004 and 2003 on the lines of credit were \$68,624 and \$516,106, respectively. These balances are secured by deposits held by the Credit Union.

### NOTE E - PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2004	2003
Furniture and Equipment	\$ 207,543	\$ 170,886
Leasehold Improvements	8,039	8,039
Accumulated Depreciation	(164,186)	(143,647)
	\$ 51,396	\$ 23,588

## NOTES TO FINANCIAL STATEMENTS

### NOTE F - MEMBERS' SHARES AND SHARE EQUIVALENTS

A summary of members' shares and share equivalents is as follows:

	2004 Weighted Average Rate	Balance	2003 Weighted Average Rate	Balance
Daily Shares	0.8%	\$ 79,821,827	0.7%	\$ 110,748,685
Share Certificates	2.9%	31,754,576	2.9%	36,691,255
Membership Capital				
Share Deposit	0.7%	6,740,600	0.9%	6,373,637
Paid-in Capital Shares	1.2%	3,984,116	1.7%	3,983,900
Other	0.0%	25,000	0.6%	25,000
		<u>\$ 122,326,119</u>		<u>\$ 157,822,477</u>

Daily shares are readily accessible and earn interest, which accrues daily and are paid monthly. The membership capital share deposit represents the investment required for membership with voting rights. Full members are required to maintain Membership Capital Shares (MCS) at the lesser of \$250,000 or .5% of their total assets, net of any Paid-in Capital balances, at December 31st of the prior year. These accounts have no maturity date, require a three year notice of withdrawal and constitute regulatory capital. Paid-in capital has maturity of twenty years and constitutes regulatory capital. Dividends on MCS and non-refundable paid-in capital are discretionary and are declared monthly by the Board of Directors. Share certificates are issued with specific maturities and interest rates. Share certificate interest payments vary according to the type of certificate issued and length of maturity.

As of December 31, 2004, shares with scheduled final maturities are as follows:

Due in Less Than One Year	\$ 12,200,000
Shares Due in Greater Than One Year But Less than Three Years	18,654,576
Shares Due in Greater Than Three Years	<u>900,000</u>
	<u>\$ 31,754,576</u>

The aggregate amounts of members' share and savings accounts over \$100,000 were approximately \$94 million and \$122 million at December 31, 2004 and 2003, respectively.

### NOTE G - BORROWED FUNDS

At December 31, 2003, the Credit Union had a loan in the amount of \$2,741,972, payable on demand to U.S. Central Credit Union. This amount was equal to the Credit Union's investment in NCUA's Central Liquidity Facility (CLF). U.S. Central Credit Union is the representative for CLF. As agent group representative, U.S. Central purchases the required amount of CLF Stock on behalf of all members of the agent group. The Credit Union, in turn, was required to purchase a share certificate from U.S. Central attributable to the assets of the Credit Unions' members. The Credit Union did this by obtaining a loan with U.S. Central for an amount equal to the cost basis of the share certificate. During 2004, the CLF's capitalization funding arrangements were restructured such that the Credit Union was no longer required to purchase a share certificate for its' member credit unions. As a result, the shares in CLF were redeemed and the proceeds were used to immediately pay the related loan.

### NOTE H - LINES OF CREDIT

At December 31, 2004 and 2003, the Credit Union had an advised line of credit of \$35,000,000, and a committed line of credit of \$3,000,000. The line of credit bears interest at U.S. Central's overnight cost of funds and is secured by all membership shares and certificates held at U.S. Central. During 2004, the Credit Union drew a total of \$16,206,941 on the advised line of credit at rates ranging from 1.02% through 2.13%, and \$-0- on the committed line of credit. During 2003, the Credit Union drew \$3,000,000 on the committed line of credit at 1.19% and \$1,000,000 on the advised line of credit at 1.24%. As of December 31, 2004 and 2003, there were no balances outstanding in the committed and advised lines of credit.

## NOTES TO FINANCIAL STATEMENTS

### NOTE I - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Credit Union makes loans to member credit unions with common directors and principal officers. These loans are made on the same terms, including interest rate and collateral, as those prevailing at the time for similar loans with other members.

### NOTE J - PENSION PLAN

The Credit Union has a defined contribution 401(k) pension plan. All full-time employees with one year of service are eligible and vesting is graduated over six years. The Credit Union makes matching contributions equal to 100% of the participant's salary reductions. In determining matching contributions, only salary reductions up to 3% of a participant's compensation are matched. The amount contributed and charged to expense was \$7,202 and \$8,473 as of December 31, 2004 and 2003, respectively.

### NOTE K - COMMITMENTS AND CONTINGENCIES

At December 31, 2004 and 2003, the Credit Union has outstanding commitments for unused lines of credit that are not reflected in the accompanying financial statements as follows:

	2004	2003
Committed Lines of Credit	\$ -	\$ -
Advised Lines of Credit	\$ 80,680,761	\$ 75,285,761

December 31, 2004, the Credit Union had no outstanding commitments to sell loans or securities.

### LEASE COMMITMENTS

At December 31, 2004, the Credit Union was obligated under a noncancelable operating lease for office space expiring September 30, 2007. Rent expense under operating leases amounted to \$46,345 and \$45,471 for each of the years ending December 31, 2004 and 2003, respectively.

Minimum lease payments under the operating lease at December 31, 2004 are as follows:

2004	\$ 11,224
2005	45,082
2006	45,830
2007	<u>34,794</u>
Total	<u>\$ 136,930</u>

### NOTE L - CAPITAL REQUIREMENTS

The Credit Union is subject to regulatory capital requirements administered by the National Credit Union Administration (NCUA) and contained in Section 704.3 of NCUA Rules and Regulations. The Credit Union is classified as a "Base Level" corporate for purposes of regulatory application. Failure to maintain minimum capital requirements can initiate certain actions by regulators as described in the regulation. As of December 31, 2004, the minimum NCUA Capital Ratio applicable to the Credit Union was 4% or approximately \$5,000,000 and \$6,500,000 for the years ended December 31, 2004 and 2003, respectively. The Credit Union's Capital Ratio was 9.45% or \$13,051,252 at December 31, 2004 and 7.46% or \$12,566,674 at December 31, 2003.

The Credit Union is required by regulations to retain a specified portion of earnings each quarter. The earnings retention amount is calculated quarterly based on the Credit Union's core capital and retained earnings ratios. The Credit Union is in compliance with regulatory earnings retention requirements. There are no conditions or events since the December 31, 2004, calculation that management believes have reduced the capital ratio below 4% and the Credit Union continues to be in compliance with the earnings retention requirements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE M - FAIR VALUES OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial condition. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. The aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Credit Union.

The following methods and assumptions were used by the Credit Union in estimating fair values of financial instruments as disclosed herein:

**Cash and Cash Equivalents** – The carrying amounts reported in the statement of financial condition for cash approximates their fair value.

**Time and Interest-Bearing Deposits** – Fair values for time and interest-bearing deposits are estimated using discounted cash flow analyses based on current rates for similar types of deposits.

**Investments** – Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

**Loans Receivables** – Fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

**Borrowed Funds** – The carrying amount of borrowed funds approximates the fair value.

**Members' Shares and Shares Equivalents** – The fair value of daily share account is the amount payable on demand at the reporting date. The fair value of share certificates is estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregate contractual maturities on such time deposits. The carrying value of membership capital share deposits approximates fair value.

**Accrued Interest Receivable and Payable** – The carrying amount of accrued interest approximates market value.

The estimated fair values of the Company's financial instruments are as follows:

	December 31, 2004		December 31, 2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and Cash Equivalents	\$ 12,855,671	\$ 12,855,671	\$ 19,850,387	\$ 19,850,387
Time and Interest-Bearing Deposits	75,356,358	75,202,678	107,111,861	107,209,222
Securities Available-for-Sale	26,199,617	26,199,617	24,119,805	24,119,805
Mutual Fund Investment, Available-for-Sale	4,934,673	4,934,673	4,969,849	4,969,849
Securities Held-to-Maturity	4,000,000	3,997,100	5,000,000	5,000,000
Loans Receivable	68,624	68,624	516,106	516,106
Federal Home Loan Bank Stock	355,322	355,322	348,854	348,854
Accrued Interest Receivable	350,880	350,880	321,762	321,762
<b>Financial Liabilities</b>				
Members' Shares and Share Equivalents	\$ 122,326,119	\$ 122,122,483	\$ 157,822,477	\$ 158,415,755
Borrowed Funds	-	-	2,741,972	2,741,972
Accrued Interest Payable	305,646	305,646	265,654	265,654

### Our Staff

**David A. Savoie, CPA, CFE**  
*President / CEO*

**Dennis Terry**  
*VP – Finance*

**Geralyn Morales, CCUE**  
*VP – Member Services*

**Sherrie Klotz, AAP**  
*Operations Manager*

**Michelle Miles**  
*Member Service Representative*

**Natalie Tardo**  
*Member Service Representative*



First row, left to right, seated, Geralyn Morales, VP-Member Services; Natalie Tardo, Member Service Representative; Second row, left to right, standing, David Savoie, President/CEO, Sherrie Klotz, Operations Manager, Michelle Miles, Member Service Representative, Dennis Terry, Vice President – Finance

### Board of Directors

**Larry R. DeRouen, Ph.D.**  
McNeese FCU  
*Chairman*

**Donald Bock**  
New Orleans Firemen's FCU  
*Director*

**Paul Bertuccini**  
Louisiana Central CU  
*First Vice-Chairman*

**Emmet Foxworth**  
Coastland FCU  
*Director / ALM Committee Member*

**Julius Wagoner**  
Ouachita Valley FCU  
*Second Vice-Chairman*

**Larry Landry**  
Dow FCU  
*Director / ALM Committee Member*

**Gay Cook**  
Monroe Telco FCU  
*Treasurer*

**Connie Roy**  
Lafayette Schools FCU  
*Director*

**Mark Rosa**  
Jefferson Parish School Board Employees CU  
*Secretary / ALM Committee Chairman*

### Supervisory Committee

Mr. Charles Kramer, ANECA FCU, Chairman  
Mr. George Florane, CPA, CIA, CFE, Metrocare FCU  
Ms. Edna Hickman, District 08 FCU  
Ms. Ginger Manint, Eagle Louisiana FCU  
Mr. Richard Turnley, Southern Teachers and Parents FCU





**Louisiana Corporate**

*Credit Union*

**3500 North Causeway Blvd.  
Suite 1510  
Metairie, LA 70002**