SHAREPOINT CREDIT UNION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
SharePoint Credit Union
Hopkins, Minnesota

We have audited the accompanying statement of financial condition of SharePoint Credit Union as of December 31, 2010, and the related statements of operations, members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the SharePoint Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of SharePoint Credit Union as of December 31, 2009 were audited by other auditors whose report dated April 21, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 SharePoint Credit Union as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

LarsonAllen LLP

LarsonAllen LLP

Minneapolis, Minnesota
March 09, 2011

SHAREPOINT CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash and Cash Equivalents	$ 12,273,161	$ 8,335,133
Deposits in Other Financial Institutions	10,705,000	16,430,569
Securities - Available for Sale	34,057,051	33,734,493
Loans, Net	105,071,623	109,396,161
Accrued Interest Receivable	507,356	579,524
Property and Equipment, Net	914,510	1,035,843
NCUSIF Deposit	1,411,250	1,349,099
Other Assets	4,203,890	4,272,338
Total Assets	$ 169,143,841	$ 175,133,160
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	$ 148,461,087	$ 143,948,199
Borrowed Funds	-	10,909,569
Accrued Interest Payable	-	26,886
Accrued Expenses and Other Liabilities	1,112,124	1,401,832
Total Liabilities	149,573,211	156,286,486
COMMITMENTS AND CONTINGENT LIABILITIES		
MEMBERS' EQUITY		
Regular Reserves	4,464,762	4,464,762
Undivided Earnings	14,629,239	14,068,819
Accumulated Other Comprehensive Income	476,629	313,093
Total Members' Equity	19,570,630	18,846,674
Total Liabilities and Members' Equity	$ 169,143,841	$ 175,133,160

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
INTEREST INCOME		
Loans	$ 6,297,278	$ 6,720,542
Securities and Interest Bearing Deposits	1,544,028	1,820,232
Total Interest Income	7,841,306	8,540,774
INTEREST EXPENSE		
Members' Share and Savings Accounts	2,448,962	3,024,662
Interest on Borrowed Funds	17,345	72,848
Total Interest Expense	2,466,307	3,097,510
NET INTEREST INCOME	5,374,999	5,443,264
PROVISION FOR LOAN LOSSES	605,221	1,648,019
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,769,778	3,795,245
NON-INTEREST INCOME		
Service Charges and Fees	740,803	815,426
Other Non-Interest Income	897,175	817,456
Gain (Loss) on Investments	156,651	(565,966)
Total Non-Interest Income	1,794,629	1,066,916
NON-INTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	2,720,321	3,105,162
Office Occupancy and Operations	891,298	943,037
Other Operating Expenses	2,392,368	3,086,207
Total Non-Interest Expense	6,003,987	7,134,406
NET INCOME (LOSS) BEFORE NCUSIF AND CORPORATE CREDIT UNION COSTS	560,420	(2,272,245)
Passback of Corporate Stabilization Fund	-	770,352
Impairment of Equity Deposits at Corporate Credit Unions	-	(1,500,000)
Total NCUSIF and Corporate Credit Union Costs	-	(729,648)
NET INCOME (LOSS)	$ 560,420	$ (3,001,893)

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE AT DECEMBER 31, 2008	$ 4,464,762	$ 17,070,712	$ (1,275,528)	$ 20,259,946
Comprehensive Income:				
Net Loss	-	(3,001,893)	-	(3,001,893)
Other Comprehensive Income:				
Change in Unrealized Gain/Loss on Securities Available for Sale	-	-	1,022,609	1,022,609
Reclassification for Losses Included in Net Income	-	-	566,012	566,012
Total Comprehensive Loss				(1,413,272)
BALANCE AT DECEMBER 31, 2009	4,464,762	14,068,819	313,093	18,846,674
Comprehensive Income:				
Net Income	-	560,420	-	560,420
Other Comprehensive Income:				
Change in Unrealized Gain/Loss on Securities Available for Sale	-	-	320,187	320,187
Reclassification for Gains Included in Net Income	-	-	(156,651)	(156,651)
Total Comprehensive Income				723,956
BALANCE AT DECEMBER 31, 2010	$ 4,464,762	$ 14,629,239	$ 476,629	$ 19,570,630

See accompanying Notes to Financial Statements.

SHAREPOINT CREDIT UNION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Income (Loss)	$ 560,420	$ (3,001,893)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	245,544	247,779
Net Securities Discount/Premium Amortization	187,116	(144,403)
Provision for Loan Losses	605,221	1,648,019
Impairment of Equity Deposits at Corporate Credit Unions	-	1,500,000
Other than Temporary Impairment on Available for Sale Securities	-	566,012
(Gain) Loss on Disposal of Assets	(156,651)	-
Changes in:		
Accrued Interest Receivable	72,168	(31,804)
Other Assets	68,447	(353,301)
Accrued Interest Payable	(26,886)	26,886
Accrued Expenses and Other Liabilities	(289,708)	65,830
Net Cash Provided by Operating Activities	1,265,671	523,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (Increase) Decrease in Deposits in Other Financial Institutions	5,725,569	(16,430,569)
Purchase of Securities Available for Sale	(12,878,422)	(5,873,512)
Proceeds from Maturities of Securities Available for Sale	10,463,870	9,932,141
Proceeds from Sales of Securities - Available for Sale	2,225,066	-
Loan Originations Net of Principal Collected on Loans to Members	3,719,317	(10,581,432)
Increase in NCUSIF Deposit	(62,151)	(181,901)
Expenditures for Property and Equipment	(124,211)	(197,561)
Net Cash Provided (Used) by Investing Activities	9,069,038	(23,332,834)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Members' Share and Savings Accounts	4,512,888	13,898,018
Advances on Term Borrowings	-	10,909,569
Repayments on Term Borrowings	(10,909,569)	-
Net Cash Provided (Used) by Financing Activities	(6,396,681)	24,807,587
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,938,028	1,997,878
Cash and Cash Equivalents at Beginning of Year	8,335,133	6,337,255
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 12,273,161	$ 8,335,133
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Borrowed Funds Interest Paid	$ 44,353	$ 45,840
Member Savings Interest Paid	$ 2,448,897	$ 3,024,779

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

SharePoint Credit Union is a state-chartered cooperative association headquartered in Hopkins, Minnesota, organized in accordance with the provisions of the state of Minnesota for the purpose of promoting thrift among and creating a source of credit for its members. Effective March 30, 2009, the Credit Union changed its name to SharePoint Credit Union from Retail Employees Credit Union.

Membership

Participation in this Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws.

Uses of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Financial Instruments with Concentrations of Risk

The Credit Union is exposed to credit risk from a regional economic standpoint because significant concentrations of its borrowers work or reside within a geographical field of membership.

The current downturn in the real estate market impacting collateral values increases risks inherent in the real estate lending portfolio and, as such, has the potential to impact the extent of losses being incurred or provided for in current or future periods.

Risk factors influencing potential losses include higher loan to values, stability of third-party insurers of initial loan to values in excess of 80%, reliability of appraisals provided by third parties and relied on in the loan origination process, continued employment of borrowers to sustain cash flows, as well as general employment in the geographic area where the field of membership is concentrated.

The Credit Union has a concentration of funds on deposit at Members United Corporate Federal Credit Union of approximately $21,905,000 and $12,621,000 at December 31, 2010 and 2009, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and funds due from other financial institutions and brokerage firms. For purposes of the statements of cash flows, the Credit Union considers demand deposit cash accounts, share and daily interest deposit accounts and certificates of deposit with a maturity of three months or less to be cash equivalents.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

The Credit Union maintains cash and some investments in deposit accounts at financial institutions approved by the board of directors. Accumulated deposits at these institutions, at times, may exceed federally insured limits. Certain insurance eligible deposits at corporate credit unions are now subject to unlimited insurance under NCUA's Share Guarantee Program through December 31, 2012.

Deposits in Other Financial Institutions

Deposits in other financial institutions include interest earning share accounts, certificates of deposit, Credit Union System Investment Program (CUSIP) guaranteed term obligations, and capital share deposits. The certificates of deposit all mature within three years.

Securities

Securities classified as "available-for-sale" and recorded at fair value, with the unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the straight-line method over the terms of the securities which approximates the interest method. Declines in the fair value of available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union's intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in noninterest income. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Loans, Net

The Credit Union grants mortgage and consumer loans to members. A substantial portion of the loan portfolio is represented by mortgage loans throughout the geographic area. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual at an earlier date if 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 principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using methods approximating the interest method over the estimated life of the loans. The Credit Union does not charge commitment fees.

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 uncollectibility 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 classified and impaired loans on an individual basis. The specific allowances 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. 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 credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Office furniture 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 or estimated useful life, whichever is less.

Advertising Costs

Advertising costs totaling approximately $187,000 and $210,000 at December 31, 2010 and 2009, respectively, are expensed as incurred.

NCUSIF Deposit and NCUSIF Insurance Premium

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 1% 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.

Financial institutions in the U.S., including credit unions, have experienced substantial losses in the past few years due to the collapse in real estate values supporting the mortgage market in many geographical areas. In addition to loan losses at natural person credit unions, losses incurred in mortgage backed securities and other related securities in the investment portfolios of several corporate credit unions resulted in unanticipated losses exceeding the deposit insurance reserves in the NCUSIF system. As a result, in 2009, the NCUA informed federally-insured credit unions of actions it was taking to enhance and support the corporate credit union system as well as the NCUSIF. It placed U.S. Central Federal Credit Union and the next largest corporate credit union, Western Corporate Federal Credit Union, into conservatorship resulting in the depletion of all paid-in capital and membership capital shares maintained by corporate credit unions in U.S. Central, and all paid-in capital and membership capital shares maintained by natural person credit unions in Western Corporate. These losses, as well as additional at-risk investment losses at some non-conserved corporate credit unions, triggered losses recognized by some natural person credit unions in their at-risk paid-in capital and membership capital investments in non-conserved corporate credit unions. NCUA has subsequently placed three additional corporate credit unions into conservatorship as of September 2010 resulting in additional losses on paid-in capital and membership capital investments maintained by natural person credit unions in 2010.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NCUSIF Deposit and NCUSIF Insurance Premium (Continued)

The expense of the actions taken by NCUA in early 2009 was passed on proportionately to all federally-insured credit unions through a 69% write-off of each credit unions' existing deposit with the NCUSIF. The Credit Union recognized an impairment loss in the amount of $770,352 of its deposit with the NCUSIF during the year ended December 31, 2008.

In May of 2009, legislation was passed to permit NCUA to create a temporary Corporate Credit Union Stabilization Fund (CCUSF) to absorb corporate stabilization costs with authority to borrow money from the U.S. Treasury. During September 2010, the NCUA received approval from the U.S. Treasury to extend the life of the CCUSF to June 2021. Funds borrowed by the CCUSF from the U.S. Treasury will be repaid from assessments, levied against Credit Unions, as authorized by the NCUA Board. The NCUA Board has levied assessments during 2009 and 2010 to repay borrowed funds and to cover stabilization costs. It is anticipated that the NCUA Board will be making annual assessment premiums and will spread the repayment of corporate stabilization costs through the year 2021.

In June 2009, NCUA took specific implementation actions that resulted in restoring the refundable NCUSIF capitalization deposit to natural person credit unions. Natural person credit unions recorded pass-back recovery income from the CCUSF allowing for the recapitalization of their deposit with the National Credit Union Share Insurance Fund equal to the 69% impairment loss they had previously recorded.

The actions (as discussed above) taken by NCUA in 2009 also resulted in the assessment of a 15 basis point share insurance premium approximating $202,000, recognized by the Credit Union during the year ended December 31, 2009. In 2010, the NCUA Board assessed two premiums, the first in June being for the CCUSF calculated at 0.134% of insured shares and the second in September being for the NCUSIF calculated at 0.1242% of insured shares. The combined impact of the 2010 premium assessments approximated $365,000. The premium assessment cost is reflected as part of Other Operating Expenses for the year ended December 31, 2010.

Investment in PSCU CUSO

Investment in CUSOs – The Credit Union's ownership interest in Payment Systems for Credit Unions, Inc. (PSCU) is stated at cost plus undistributed allocated equities, and totals $69,380 and $65,175 as of December 31, 2010 and 2009, respectively. PSCU operates as a cooperative, providing transaction card services on a service-at-cost basis for the mutual benefit of its patrons (credit union owners). PSCU distributes patronage dividends to its members in the form of cash and revolving fund certificates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Share and Savings Accounts

Members' accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members' share and savings accounts, except for interest on certificates of deposit which is set in advance, is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Dividend rates on members' share accounts are set by the board of directors, based on an evaluation of current and future market conditions.

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 or dividends.

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income, also recognized as a separate component of members’ equity, includes valuation adjustments for available for sale securities.

Income Taxes

The Credit Union is exempt, under IRC 501 (c) (14), from federal and state income taxes.

Certain products and services provided by select state chartered credit unions have been deemed by the Internal Revenue Service (IRS), in technical advice memorandums (TAMs) released in 2007, to be unrelated to the specific entity’s exempt purpose. As presented in the technical advice memorandums the net taxable income from these products and services would be subject to income taxes. Credit Unions have litigated against the IRS positions noted in the TAMs and have been successful in having courts declare in 2009 and 2010 that revenue from insurance products sold to members, helping them protect their financial wellbeing, qualifies as exempt purpose income, contrary to the IRS position in the TAMs.

The Credit Union has not filed tax returns in the past for activities they have deemed taxable.

The taxing authorities have the ability to assess taxes, penalties and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities potentially deemed to be unrelated to the Credit Union’s exempt purpose is not expected to have a material effect on the Credit Union’s financial position or results of operations.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Credit Union adopted the income tax standard for uncertain tax positions on January 1, 2009. As a result of the implementation, the Credit Union evaluated its tax positions and determined no uncertain tax positions exist as of December 31, 2010.

The Credit Union's 2006 through 2009 tax years are open for examination by federal and state taxing authorities.

Retirement Plans

The Credit Union offers a money purchase defined contribution pension plan for the benefit of its employees. Participation in the plan is limited to employees who meet specified length of service and age limitations. The total pension expense for the years ended December 31, 2010 and 2009 was approximately $97,000 and $92,000, respectively.

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The Credit Union has also applied the above measurement principles for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed in the financial statements on a nonrecurring basis. In particular this applies to other real estate owned, which is valued at the lower of the loan/acquisition cost, or fair value less disposition costs, initially at the time of acquisition.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Union has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Subsequent Events

In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through March 09, 2011, the date the financial statements were available to be issued.

Reclassification of 2009 Data

Data in the 2009 financial statements has been reclassified to conform with the presentation of the 2010 financial statements. This reclassification did not have any change on net income or members' equity.

NOTE 2 RESTRICTIONS ON REGULATORY EQUITY DEPOSITS AT CORPORATE CREDIT UNIONS

The Credit Union maintains membership and paid-in-capital share balances with corporate credit unions that are uninsured and usually require a multi-year advance notice before withdrawal.

These uninsured deposits are part of the corporate credit unions' regulatory capital and are subject to impairment or loss in the event the corporate credit union is required to merge, is placed into conservatorship, incurs significant losses, or is liquidated.

Losses incurred by U.S. Central Federal Credit Union and the Credit Union's local correspondent corporate credit union resulted in the Credit Union recognizing a loss in the amount of $1,500,000 during the year ended December 31, 2009 related to their investment in regulatory capital of corporate credit unions.

NOTE 3 SECURITIES

Available for Sale

The amortized cost and estimated fair value of securities available for sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Carrying Value)
December 31, 2010				
Federal Agency Securities	$ 4,917,330	$ 144,664	$ -	$ 5,061,994
Taxable Municipal Obligations	3,506,491	132,038	-	3,638,529
Asset-Backed Securities	3,563,990	-	(172,940)	3,391,050
Corporate Bonds	1,175,849	143	(4,255)	1,171,737
Mortgage-Backed Securities	20,416,762	530,094	(153,115)	20,793,741
	$ 33,580,422	$ 806,939	$ (330,310)	$ 34,057,051
December 31, 2009				
Federal Agency Securities	$ 3,003,637	$ 193,048	$ -	$ 3,196,685
Taxable Municipal Obligations	3,925,531	178,734	-	4,104,265
Asset-Backed Securities	4,794,702	-	(403,674)	4,391,028
Mortgage-Backed Securities	21,697,530	557,306	(212,321)	22,042,515
	$ 33,421,400	$ 929,088	$ (615,995)	$ 33,734,493

There were four sales of securities available for sale during the year ended December 31, 2010. There were no sales of securities available for sale during the year ended December 31, 2009.

The amortized cost and estimated fair value of securities, at December 31, 2010, 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.

	Available for Sale	
	Cost	Fair Value (Carrying Value)
Federal Agency Securities, Taxable Municipal Obligations Corporate Bonds and Asset-Backed Securities:		
Due in One Year of Less	$ 3,046,594	$ 3,091,103
Due After One Year Through Five Years	7,553,076	7,780,885
Due in 5 - 10 Years	2,563,990	2,391,322
	13,163,660	13,263,310
Mortgage-Backed Securities	20,416,762	20,793,741
	$ 33,580,422	$ 34,057,051

NOTE 3 SECURITIES (CONTINUED)

Available for Sale (Continued)

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2010				
Asset-Backed Securities	$ -	$ -	$ (172,940)	$ 3,391,050
Corporate Bonds	(4,255)	935,821	-	-
Mortgage-Backed Securities	(117,609)	7,694,776	(35,506)	1,055,836
Total Available for Sale	$ (121,864)	$ 8,630,597	$ (208,446)	$ 4,446,886
December 31, 2009				
Asset-Backed Securities	$ -	$ -	$ (403,674)	$ 4,278,989
Mortgage-Backed Securities	(15,489)	1,019,509	(196,832)	2,085,248
Total Available for Sale	$ (15,489)	$ 1,019,509	$ (600,506)	$ 6,364,237

Management evaluates securities for other than temporary impairment on at least a quarterly basis. Considerations given to (1) the length of time and 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 SharePoint Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

SharePoint Credit Union recorded no other than temporary impairment losses in the year ended December 31, 2010. The Credit Union recorded other than temporary impairment losses on two single investments in the year ended December 31, 2009 in the amount of $566,012 recognized on $2,471,804 of privately issued mortgage-backed securities. The impairment charges for the mortgage-backed securities were recognized due to deterioration of housing values in the residential real estate market, the rise in delinquencies and charge-offs of the securities underlying mortgage loans and resulting decline in market value of the securities.

NOTE 3 SECURITIES (CONTINUED)

Available for Sale (Continued)

At December 31, 2010, the 21 securities with unrealized losses have depreciated 2.46% from the Credit Union's amortized cost basis. All of these securities are either guaranteed by federal insurance, the U.S. Government, or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold securities until maturity or for the foreseeable future for those classified as available for sale, no declines are deemed to be other-than-temporary.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

NOTE 4 LOANS, NET

The composition of loans to members is as follows:

	December 31,	
	2010	2009
Vehicle and Recreational Vehicle Loans	$ 40,340,994	$ 43,515,404
First Mortgages	16,273,247	14,076,256
Home Equity and Second Mortgages	34,044,296	37,235,004
Commercial Loans	715,734	316,828
Credit Card Loans	10,274,586	9,832,636
Other - Unsecured	1,681,122	2,391,452
Participation Loans Purchased	944,349	742,606
Share Secured	795,723	992,555
Net Deferred Loan Origination Costs	1,107,936	1,405,509
	106,177,987	110,508,250
Allowance for Loan Losses	(1,106,364)	(1,112,089)
Total	$ 105,071,623	$ 109,396,161

NOTE 4 LOANS, NET (CONTINUED)

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

	December 31, 2010	December 31, 2009
Balance, Beginning of Year	$ 1,112,089	$ 418,769
Provision for Loan Losses	605,221	1,648,019
Loans Charged-Off	(686,215)	(1,008,482)
Recoveries of Previous Loan Charge-Offs	75,269	53,783
Balance, End of Year	$ 1,106,364	$ 1,112,089

Included in loans receivable at December 31, 2010 and 2009, are loans to directors and officers of the Credit Union. The aggregate balances of these loans are not significant.

A summary of impaired and non-accrual loans is as follows:

	December 31, 2010	December 31, 2009
Impaired Loans Without an Allowance	$ -	$ -
Impaired Loans With an Allowance	346,189	118,000
Total Impaired Loans	$ 346,189	$ 118,000
Allowance for Impaired Loans	$ 73,589	$ 22,000
Non-Accrual Loans	$ 1,102,254	$ 1,370,257
Average Balance of Impaired Loans	$ 232,095	$ 59,000

NOTE 5 PROPERTY AND EQUIPMENT

The Credit Union's property and equipment is summarized as follows:

	December 31, 2010	December 31, 2009
Land	$ 44,670	$ 44,670
Building	548,297	508,297
Office Furniture and Equipment	1,831,703	1,765,458
Leasehold Improvements	45,511	41,136
Subtotal	2,470,181	2,359,561
Less: Accumulated Depreciation	(1,555,671)	(1,323,718)
Total	$ 914,510	$ 1,035,843

NOTE 5 PROPERTY AND EQUIPMENT (CONTINUED)

Lease Commitments

The Credit Union is obligated under noncancelable operating leases for office space in Minnesota. Net rent expense under operating leases, included in occupancy expenses, was approximately $241,390 and $223,680 for the years ended December 31, 2010 and 2009, respectively.

The required minimum rental payments under the terms of these noncancelable leases at December 31, 2010 are as follows:

Year Ended December 31,	Amount
2011	$ 237,224
2012	186,551
2013	38,400
2014	38,400
2015	38,400
Thereafter	19,884
Total	$ 558,859

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members’ share and savings accounts are as follows:

	December 31, 2010	December 31, 2009
Share Savings	$ 28,292,077	$ 25,986,040
Share Drafts	7,322,938	7,035,825
Money Market	38,230,082	38,468,543
IRA Deposits	4,065,532	3,207,838
Other Deposits	57,267	48,132
Share and IRA Certificates	70,493,191	69,201,820
Total	$ 148,461,087	$ 143,948,198

The aggregate amounts of certificates in denominations of $100,000 or more were approximately $22,915,260 and $16,972,000 at December 31, 2010 and 2009, respectively.

The Credit Union also offers insurance through Excess Share Insurance, a private company, on accounts that exceed $250,000, up to $350,000 and that meet certain requirements specified in the contract.

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS (CONTINUED)

As of December 31, 2010, scheduled maturities of share and IRA certificates are as follows:

Year Ending December 31,	Amount
2011	$ 35,798,726
2012	16,656,236
2013	4,881,931
2014	5,660,775
2015	7,104,873
Thereafter	390,650
Total	$ 70,493,191

Member accounts are insured to at least $250,000 by the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. government.

NOTE 7 BORROWED FUNDS

At December 31, 2010 and 2009, the Credit Union had an available line of credit of $18,000,000 with Member United Bridge Corporate Federal Credit Union. The interest rates applied on any borrowing are determined on that date. Substantially all of the assets and earnings of the Credit Union are pledged as collateral on the line of credit. There were no balances outstanding on this line at December 31, 2010 and 2009.

CUSIP (Credit Union System Investment Program)

During the year ended December 31, 2009, the Credit Union participated in the CUSIP Program. CUSIP is a program under which eligible, natural person credit unions borrow from the Central Liquidity Facility (CLF) for a fixed one-year term and immediately reinvest the loan proceeds into CUSIP Senior Guaranteed Term Obligations (GTO), and earn a 25 basis point administrative fee or spread. These CLF Advances are to be fully secured by collateral of the borrowing credit union, and must be invested in the GTOs.

Through its participation in CUSIP the Credit Union has outstanding borrowings from the CLF, and investments in a GTO with MUCFCU, of $10,909,569 at December 31, 2009. The CLF borrowing and GTO investments were issued on January 9, 2009. The interest rate payable was 0.829% at December 31, 2009. The CLF borrowing and GTO investments matured on March 12, 2010.

NOTE 8 REGULATORY NET WORTH REQUIREMENTS

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 U.S. generally accepted accounting principles. The Credit Union's capital amounts and net worth classifications 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 ratios (set forth in the table below) of net worth to total assets (as defined by the regulation). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio using the quarter end assets as of December 31, 2010, the most recent quarterly regulatory filing date, was 5.07%. The minimum ratio to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2010, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2010, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory frame work for prompt corrective action. To be categorized as "well capitalized" the Credit Union must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the institutions category.

The Credit Unions actual capital amounts and ratios are also presented in the table.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2010						
Net Worth	$ 19,094,001	11.29%	$ 10,148,630	6.00%	$ 11,840,069	7.00%
Risk-Based Net Worth Requirement	$ 8,575,593	5.07%	N/A	N/A	N/A	N/A
December 31, 2009						
Net Worth	$ 18,533,581	10.58%	$ 10,507,990	6.00%	$ 12,259,321	7.00%
Risk-Based Net Worth Requirement	$ 9,824,970	5.61%	N/A	N/A	N/A	N/A

NOTE 8 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

Because RBNWR at December 31, 2010, 5.07%, is less than the regulatory net worth ratio of 11.29%, the Credit Union retains its original category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

NOTE 9 RELATED PARTY TRANSACTIONS

Included in loans receivable at December 31, 2010 and 2009 are loans to directors and officers of the Credit Union of approximately $1,024,020 and $284,200, respectively. The aggregate principal advances and principal repayments are not significant.

Deposits from officers, directors, and committee members held by the Credit Union at December 31, 2010 and 2009 are approximately $750,010 and $433,320, respectively.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

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 amounts 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 those loans recorded in the financial statements.

The following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31,	
	2010	2009
Commitments to Grant Collateralized Loans		
Home Equity Lines of Credit	$ 7,547,843	$ 7,162,000
Commercial Real Estate	158,097	-
Unfunded Unsecured Commitments Under Lines of Credit		
Overdraft Protection	1,012,946	979,312
Lines of Credit	372,774	360,274
Credit Card Commitments	17,333,492	16,938,000
	$ 26,425,151	$ 25,439,586

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Off-Balance-Sheet Activities (Continued)

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. Because 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 counterparty. Collateral held varies but may include consumer assets, residential real estate and member share balances.

Unfunded commitments under 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.

Legal Contingencies

The Credit Union is a party to various collection related legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the financial condition of the Credit Union.

NOTE 11 FAIR VALUE

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Policies to the Financial Statements. The following table presents the balances of the financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Securities:				
Federal Agency Securities	$ -	$ 5,061,994	$ -	$ 5,061,994
Taxable Municipal Obligations	-	3,638,529	-	3,638,529
Asset-Backed Securities	-	3,391,050	-	3,391,050
Corporate Bonds	-	1,171,737	-	1,171,737
Mortgage-Backed Securities	-	20,793,741	-	20,793,741
Total Assets	$ -	$ 34,057,051	$ -	$ 34,057,051

NOTE 11 FAIR VALUE (CONTINUED)

The following table presents the balances of the financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Securities:				
Federal Agency Securities	$ -	$ 3,196,685	$ -	$ 3,196,685
Taxable Municipal Obligations	-	4,104,265	-	4,104,265
Asset-Backed Securities	-	4,391,028	-	4,391,028
Mortgage-Backed Securities	-	22,042,515	-	22,042,515
Total Assets	$ -	$ 33,734,493	$ -	$ 33,734,493

The estimated fair values of financial instruments have been derived, in part, by management's assumptions, the estimated amount and timing of future cash flows, and estimated discount rates. Different assumptions could significantly affect these estimated fair values. Accordingly, the net realizable value could be materially different from the estimates presented below. In addition, the estimates are only indicative of the value of individual financial instruments and should not be considered an indication of the fair value of the Credit Union. The following disclosures represent financial instruments in which the ending balances at December 31, 2010 and 2009 are not carried at fair value in their entirety on the statement of financial condition.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and Cash Equivalents and Deposits in Other Financial Institutions: The carrying amounts reported in the statement of financial condition for cash and cash equivalents and deposits in other financial institutions approximate those assets' fair values.

Loans, Net: 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. Loan prepayments are assumed to occur at a similar rate as in previous periods.

Accrued Interest Receivable: Accrued interest receivable represents interest on loans and investments. The carrying amount of accrued interest receivable approximates fair value.

Members' Share and Savings Accounts: The fair value of demand deposit accounts is the amount payable on demand at the reporting date. The fair value of share certificates is estimated by discounting the future cash flows using the market rates offered as of December 31 for similar deposits with the same remaining maturities.

NOTE 11 FAIR VALUE (CONTINUED)

Borrowed Funds: The carrying amounts of short-term borrowed funds maturing within 90 days approximate their fair values. Fair values of long-term borrowed funds are estimated using discounted cash flow analyses based on the Credit Union's incremental borrowing rates for similar types of borrowing arrangements.

Accrued Interest Payable: Accrued interest payable represents interest on borrowings and member share and savings accounts. The carrying amount of accrued interest payable approximates fair value.

Loan Commitments: The Credit Union has entered into variable rate loan commitments at December 31, 2010 and 2009. The Credit Union charges no fees for these commitments. Because the rates at which these commitments are entered into do not significantly differ from market rates, they have no quantifiable value.

The following table presents the carrying amounts and estimated fair values of the Credit Union's financial instruments at December 31:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and Cash Equivalents	$ 12,273,161	$ 12,273,161	$ 8,335,133	$ 8,335,133
Deposits in Other Financial Institutions	10,705,000	10,705,000	16,430,569	16,430,569
Securities:				
Loans, Net	105,071,623	107,667,957	109,396,161	111,648,000
Accrued Interest Receivable	507,356	507,356	579,524	579,524
Financial Liabilities				
Members' Share and Savings Accounts	$ 148,461,087	149,371,158	$ 143,948,199	$ 144,591,000
Borrowed Funds	-	-	10,909,569	10,910,000
Accrued Interest Payable	-	-	26,886	26,886