

Federated Youth Foundation, Inc.

2009 Report

This past year has been busy and challenging with the ups and downs of the bear stock market. At the end of February, Federated Youth Foundation, Inc. (FYF) realized losses and unrealized losses totaled -\$364,703 and total assets were down to \$1,260,039. Fortunately, the stock market has recovered much of this loss in recent months. We have gone through a progression of severe economic decline to stabilization that gave investors enough hope to buy some stocks again in anticipation of a true recovery.

We are pleased to report that Federated Youth Foundation is in good financial condition. Total assets at year-end are \$1,490,071, down \$115,336 from a year ago. FYF received \$450,416 in cooperative contributions and gave out \$447,883 in scholarships and charitable contributions. We continue to operate the foundation very efficiently. Total management expenses for 2009 were \$42,632, down by \$907 from a year ago. These management expenses include M&I investment fees, audit and legal fees, accounting and administrative expense, meeting expenses, and director liability insurance. Administrative expenses as a percent of scholarships and charitable contributions were 7.14 percent, compared to 7.76 percent in 2008. Unfortunately, Federated Youth Foundation found it necessary to allocate \$119,043 in losses to member pipeline accounts this year. The allocation of losses was based on the average quarterly balances in member accounts. No funds were allocated to the Cooperative Education and Training Fund this year. Usually, this fund is replenished up to \$20,000 each year. The FYF board will only fund projects from the \$8,100 that remained at the close of the fiscal year.

2010 will be a year to focus more on member communications and membership development. We plan to do quarterly newsletters to update members on important issues and provide highlights from board meetings. Also, with the turnaround in the economy, we plan to contact 20-30 potential member cooperatives with a goal of recruiting five cooperatives as members.

To help you better understand what's been happening in the financial markets, we'd like to share some information from M&I Investments Financial Review from the third quarter.

Due primarily to inventory rebuilding, the U.S. economy appears to have pulled out of the recession. A significant manufacturing swing is underway, further supported by continuing monetary and fiscal stimulus. Firms have finally shifted from drawing down excess

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The Federated Youth Foundation, Inc. board members include (left to right), row 1: David Erickson, and Bruce Ardel. Row 2: Clarence Boettcher, Fairchild; Brian Kulas, Medford; Cheri Gibeaut, Endeavor, FYF Sec./Tres.; Tom Haynes, Cottage Grove; Todd Rosvold, Pulaski, FYF Vice President; and Stanley Dybevik, Brodhead.



Bruce Ardel
Oakdale Electric Cooperative
FYF President



David Erickson
Cooperative Network
FYF Executive Director



Rose Bartholomew
Oakdale Electric Cooperative
FYF Accountant



Linda Pierce
Oakdale Electric Cooperative
FYF Administrative

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stockpiles to replenishing inventories. The best example of this activity is the auto industry where the “cash for clunkers” program drove dealer inventories to record lows. Eventually, this rebuilding process will be evident across a wider swath of the manufacturing base.

Real GDP growth will likely be positive for the third and fourth quarters of 2009, with estimated growth somewhere in the neighborhood of 3 percent on an annualized basis. Fortunately, the credit crunch is slowly abating, aided by Federal Reserve efforts to lower borrowing costs.

The housing market is not bad anymore. In September alone, existing home sales were up 6.4 percent. On the down side, the unemployment rate is still rising. After the October release, we have witnessed the 22nd consecutive month of shrinking U.S. employment. This represents the longest losing streak since the data series began in 1939. Worse still, if you add back the so-called discouraged workers who have stopped looking for jobs, the unemployment rate moves up to 16 percent, although the official rate was 10.2 percent at the end of October.

Hiring needs to eventually revive or this recovery will not be sustainable. Two further headwinds to employment growth may be the lack of credit availability for small business and policy uncertainty for large corporations. Who knows what the effects of health care legislation, cap-and-trade energy policy and financial regulatory reforms will be? Before embarking on new hiring programs, many companies will take a wait and see attitude. Inflation is not much of a near-term risk.

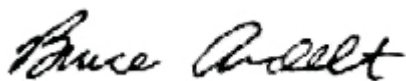
“Less bad” was good enough for the stock market during the third quarter of the year. Signs of economic stabilization, second quarter corporate earnings reports being less negative than expected, and moderately better employment numbers led to positive returns. Despite the strong rally, many investors are nervous about adding stock holdings. Most investors are struggling to understand this sudden change in direction. Less than seven months ago, we were looking at a bottom so severe that it marked the worst ten-year return for stocks in history with a cumulative return of negative 26.3 percent as of March 31. The ensuing recovery is one of the steepest recoveries in modern times.

Despite the fact that the financial picture is uncertain, we are hopeful that 2010 will be a better year for us.

Since 1987, Federated Youth Foundation has awarded scholarships and charitable contributions totaling \$5,923,337 to outstanding students and worthy charities. In the past five years, FYF has given out \$2,203,643 in scholarships and charitable contributions—that’s impressive! The foundation is doing what it was created to do.

We’d like to thank you, our members for your continued support of the foundation and thank you for your positive comments throughout the year. Thanks also to the FYF board for your dedicated efforts and leadership this year and to our staff at Oakdale Electric Cooperative for all of their hard work in accounting and check-writing.

Danny Thomas once said, “Success in life has nothing to do with what you gain in life or accomplish yourself. It’s what you do for others.” That’s what FYF is all about—what we do for others!



Bruce Ardelt
Board President



David Erickson
Executive Director

Federated Youth Foundation, Inc. Mission

Federated Youth Foundation (FYF) is a Wisconsin non-profit organization organized under Chapter 181, exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. The mission of FYF is:

1. To solicit and receive unclaimed property funds, gifts and donations from cooperatives, credit unions and mutual insurance companies;
2. To dispense member organization funds as scholarships and charitable contributions;
3. To act as trustee and efficient manager for member organization funds, providing for investment growth within a reasonably secure investment policy; and
4. To foster statewide cooperative education efforts.