

**unitus**  
COMMUNITY CREDIT UNION

invested in you®



making a unique difference



## A MESSAGE TO OUR MEMBERS

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### MAKING A UNIQUE DIFFERENCE

#### 2009 Annual Report

We are pleased to report that Unitus Community Credit Union continues to build substantial value for our members in spite of current economic conditions. More than 3,300 new members, approximately 6% growth, joined Unitus in 2009! In addition, Unitus recognized a significant increase in assets with approximately 10% growth last year demonstrating the strength of our credit union.

And despite a struggling housing market, Unitus experienced a dramatic increase in home mortgage originations, and funded over \$186 million in mortgage loans last year. We helped a number of members refinance their home mortgages and lock-in historically low fixed rates. Our members also enjoyed substantial savings with low fees and closing costs, as compared to other lenders, using our Home Value Package discount.

At Unitus, we are about more than just low finance charges, and very competitive market rates for savings. We focus on service excellence as well and we find unique solutions to our members' needs. We practice these principles in good times and in bad times. This past year presented many challenges to our members as well as to Unitus and we met each challenge with a can-do spirit and a series of viable solutions for our members.

Members struggling to make ends meet due to an unforeseen financial hardship, such as unemployment, were able to take advantage of our specialized loan counseling. We were able to provide viable options that allowed these members to modify the terms of a loan, resulting in a more

affordable payment, while also protecting the interests of our membership, as a whole.

For many small businesses, lending was critical to keeping their doors open. When other financial institutions were cutting back on lending to small businesses, Unitus stepped in and grew its business loan portfolio by nearly 60% in 2009. Direct conversations, personalized service and local decisions allowed us to accurately assess member needs and strategically allocate funds, with a goal of helping our member-businesses operate more cost effectively in these tough times.



**Barbara Leonard**  
Chairperson



**Patricia E. Smith**  
President/CEO

2009 was also the first full year of operations for our subsidiary, Smartway Advisors. Hundreds of credit-challenged members turned to Smartway Advisors' Trust Funding and Credit Builder programs, where they received credit counseling, budgeting, and a reasonably priced vehicle, at a low interest rate. In addition, Smartway Advisors launched a traditional auto-buying service that provides our members expertise for everything from research and shopping, to locating the perfect vehicle.

Unitus recognizes a strong need within our communities for more financial education. As such, we provided 64 seminars throughout the year to members and potential members within the community as well as to local businesses and non-profit groups. In 2009, we also responded to more interest in financial seminars by increasing both the frequency and depth of our subjects. Nearly 1,500 Unitus members utilized our free Balance



financial fitness program, with the majority taking advantage of educational courses.

As part of our commitment to service to our members, we continue to seek member feedback via annual member surveys. We also implemented a more frequent and timely feedback system as of June last year that now allows us to receive regular and routine feedback from members directly following a transaction regarding their service experience at Unitus. This valuable feedback is then utilized to continually manage the member's service experience.

Once again, we were honored to receive high accolades and recognition from within the financial services industry and beyond. The Credit Union Association of Oregon presented us with awards for Consumer Advocacy and Responsible Debt Management. We were equally thrilled with the announcement that our Salem Branch was awarded Regional Business of the Year by the Salem Chamber of Commerce.

In 2009, Unitus was recognized for philanthropy in the Portland Business Journal. Our employees volunteered approximately 1,300 hours to a variety of worthy community programs. But the generosity wasn't limited to time. On behalf of Unitus via one of our service partners, Co-op Financial Services, a \$25,000 Miracle Match donation was also made to Doernbecher Children's Hospital bringing the total dollars raised by Unitus to support kids in our community to \$58,685. In addition, Unitus supported a number of worthwhile non-profit efforts within our community including but not limited to Schoolhouse Supplies, SnowCap, Good Neighbor Center and the Links, Inc. Together, Unitus and our members continue to help make a difference in the communities we serve.

The Unitus Leadership is also actively involved in our communities and volunteers their time to serve on a number of local and national Boards of Directors and committees. We

believe that we can best serve our membership by helping shape the decisions that affect us in our daily lives. Members of our Board of Directors and Supervisory Committee also hold positions on community boards supporting a number of initiatives including, but not limited to, youth advancement.

We anticipate that the new decade, in particular 2010 will bring continued challenges and opportunities. Helping members make good financial decisions, manage their credit wisely, and take control of their financial well-being will continue to be an important focus for us all at Unitus.

Our members can look forward to a number of new services in 2010 to assist them with managing their finances such as an enhanced online experience with improved applications, including new, state of the art money management tools and the ability to track a FICO® Score in uOnline. And to assist our members with small businesses, we will be offering more solutions for their business services needs as well.

In closing, over the years our members have recommended Unitus to family members, friends, neighbors, and co-workers. It is an honor and privilege to serve our membership, one that is largely comprised of the people that mean so much to you. We thank you for sharing the gift of membership with others and look forward to many opportunities to serve you and your extended family and friends in 2010 and beyond. Thank you for choosing Unitus as your primary financial services provider.

**Unitus Community  
Credit Union  
Board of Directors**

**Barbara Leonard  
Chairperson**

**Don Mason  
Vice Chairperson**

**Tom Faulkner  
Secretary**

**Terry Gavin  
Director**

**Matt Goodwin  
Director**

**Susan Iggulden  
Director**

**Pete Reinecker  
Director**

Barbara Leonard, Chairperson

Patricia E. Smith, President/CEO





## TREASURER'S REPORT

While the national economy and many local economies struggled in 2009, Unitus Community Credit Union continued to remain focused on providing value for our members. As other financial institutions were tightening credit, we continued to meet the financial needs of our members by providing loans for homes, autos, credit cards and even our members' business needs. As a result in 2009 we originated over \$186 million in first mortgages. We also experienced 11% growth in our credit card portfolio and due to the exceptional value and integrity of our credit card program Unitus Community Credit Union was named to the Dean's List by Credit Card Connection, a not-for-profit effort organized to connect consumers directly to the most fair and ethical credit card programs in the country.



**Patricia E. Smith**  
Treasurer

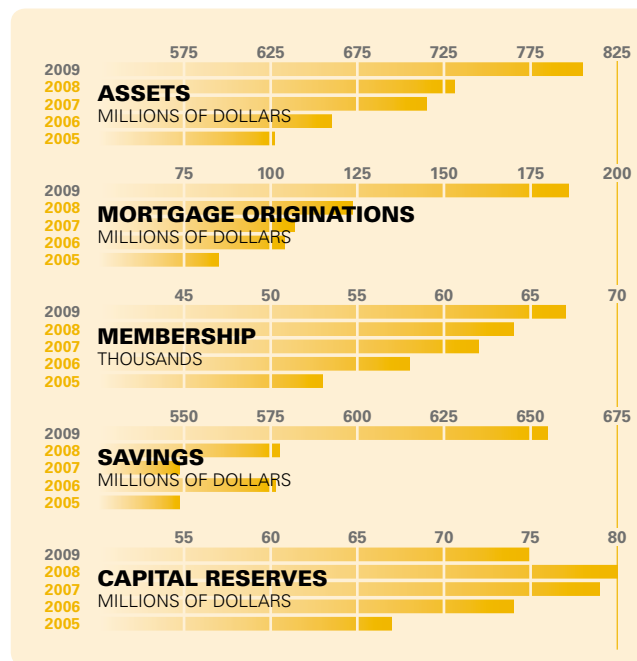
We recognize that small businesses are an integral part of getting the economy back on track. By looking out for our members' business needs and finding innovative ways to assist them, Unitus experienced nearly a 60% growth in our business lending portfolio.

In addition to meeting our members' lending needs, we were also able to provide sound guidance on investments and retirement planning. Despite turmoil in the stock market, Unitus members continued to turn to our trusted financial partner, Members Financial Services. As a result assets under management increased by over 21%.

Unitus remains financially strong and well positioned to manage through the current economic environment. Total assets at the end of 2009 surpassed \$800 million, an increase of nearly 10%. With a net worth to asset ratio of 9.4%, Unitus is considered a well capitalized financial institution and remains in the top 200 credit unions in the nation. We also remain among the top financial providers in the state of Oregon.

In 2010 we will continue to focus on enhancing value for our membership. As our members continue to focus on the basics of debt management and growing their savings, we will be here to provide the financial tools and resources to help them reach their goals.

There is no doubt that 2010 will provide additional financial challenges and yet we at Unitus look forward to the opportunities to provide even more value to our membership. We are committed to making a positive difference in our members' lives, as well as in the communities we serve.



## REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is made up of five volunteer members appointed by the Board of Directors whose primary responsibilities are to retain services for an annual report on the financial condition of the credit union, coordinate the verification of member accounts, and monitor the review of internal controls, compliance with laws and regulations, and code of conduct activities.

As part of fulfilling its duties, the committee engaged the independent accounting firm Moss Adams LLP to conduct the financial audit, manage the process to verify member accounts, and provide an opinion of the financial statements as a whole. Summarized financial statements prepared by management have been included in this annual report.



**Rhonda Cramer**  
Chairperson

- Don Foreman**
- Dan Duffy**
- Ray Anderson**
- Luke Watson**

In preparing the financial statements, management depends upon the credit union's system of internal controls in meeting its responsibility for reliable information. The Committee relies on internal audit to review, measure, and report on the internal control environment and regulatory compliance activities of business processes.

It is the opinion of the Supervisory Committee that Unitus Community Credit Union's financial operations and system of internal controls is sound based on reports and information received. I'd like to thank the Supervisory Committee members for their dedication, vigor, and hard work throughout 2009.

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Supervisory Committee  
Unitus Community Credit Union  
Portland, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated statements of financial condition of Unitus Community Credit Union and subsidiary as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in members' equity and comprehensive income (loss), and cash flows (not presented herein) for the

years then ended; and in our report dated February 26, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Moss Adams LLP  
Portland, Oregon  
February 26, 2010



## STATEMENTS OF FINANCIAL CONDITION

ASSETS	Years Ended December 31,	
	2009	2008
Cash and cash equivalents	\$ 40,765,286	\$ 12,795,577
Interest bearing deposits	2,000,000	5,000,000
Investment securities available for sale	151,632,508	45,234,646
Investment securities held to maturity	50,545,371	42,095,467
Restricted equity securities	3,979,660	7,396,317
Loans receivable, net	529,847,743	592,219,291
Accrued interest receivable	2,927,441	2,827,371
Property and equipment, net	11,282,709	12,941,341
National Credit Union Share Insurance Fund deposit	6,222,465	5,265,671
Other Assets	5,543,677	3,840,830
<b>Total Assets</b>	<b>\$ 804,746,860</b>	<b>\$ 729,616,511</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities:		
Members' share and savings accounts	\$ 655,001,347	\$ 576,816,002
Borrowed funds	82,515,310	81,835,246
Accrued expenses and other liabilities	8,417,886	9,030,031
<b>Total Liabilities</b>	<b>745,934,543</b>	<b>667,681,279</b>
<b>CONTROLLING INTEREST IN MEMBERS' EQUITY</b>		
Regular reserves	23,423,471	23,423,471
Undivided earnings	52,308,718	56,383,273
Accumulated comprehensive loss	(16,418,606)	(17,574,740)
<b>NONCONTROLLING INTEREST IN SUBSIDIARY</b>	<b>(501,266)</b>	<b>(296,772)</b>
<b>Total members' equity</b>	<b>58,812,317</b>	<b>61,935,232</b>
<b>Liabilities and Members' Equity</b>	<b>\$ 804,746,860</b>	<b>\$ 729,616,511</b>



## STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2009	2008
Interest Income		
Loans receivable	\$ 31,790,800	\$ 36,180,638
Investment securities	10,389,315	6,844,247
<b>Total Interest Income</b>	<b>42,180,115</b>	<b>43,024,885</b>
Interest expense		
Dividends and interest on members' share accounts	13,038,255	17,152,951
Borrowed funds	3,398,229	3,412,617
<b>Total Interest Expense</b>	<b>16,436,484</b>	<b>20,565,568</b>
<b>Net interest income</b>	<b>25,743,631</b>	<b>22,459,317</b>
Provision for loan losses	8,472,002	4,689,868
<b>Net interest income after provision for loan losses</b>	<b>17,271,629</b>	<b>17,769,449</b>
Noninterest Income		
Service charges and fees	6,850,635	6,027,476
Loan servicing income and gain on sale of loans	4,267,963	776,577
Impairment loss on restricted equity securities	(3,416,657)	—
Loss on investment securities, net	(1,943,412)	—
Other noninterest income	137,106	583,603
<b>Total Noninterest income</b>	<b>5,895,635</b>	<b>7,387,656</b>
Noninterest expense		
Compensation and benefits	13,324,048	11,572,756
Other noninterest expense	14,122,265	12,753,687
<b>Total noninterest expense</b>	<b>27,446,313</b>	<b>24,326,443</b>
<b>Net (loss) income</b>	<b>(4,279,049)</b>	<b>830,662</b>
Noncontrolling interest in net loss of subsidiary	(204,494)	(296,772)
<b>Controlling interest in net income (loss)</b>	<b>\$ (4,074,555)</b>	<b>\$ 1,127,434</b>






## STATEMENTS OF MEMBERS' EQUITY AND COMPRENSIVE INCOME (LOSS)

### Controlling Interest in Members' Equity

	<b>Total Members' Equity</b>	<b>Regular Reserves</b>	<b>Undivided Earnings</b>	<b>Accumulated Comprehensive Loss</b>	<b>Noncontrolling Interest in Subsidiary</b>	<b>Total Comprehensive Income (Loss)</b>
Balance at December 31, 2007	\$ 78,651,925	\$ 23,423,471	\$ 55,255,839	\$ (27,385)	—	—
Net income (loss)	830,662	—	1,127,434	—	\$ (296,772)	\$ 830,662
Net change in unrealized loss on securities available for sale	(17,547,355)	—	—	(17,547,355)	—	(17,547,355)
Transfers, net	—	—	—	—	—	—
Comprehensive income	—	—	—	—	—	\$ (16,716,693)
Balance at December 31, 2008	\$ 61,935,232	\$ 23,423,471	\$ 56,383,273	\$ (17,574,740)	\$ (296,772)	—
Net loss	(4,279,049)	—	(4,074,555)	—	(204,494)	(4,279,049)
Unrealized gains on securities available-for-sale	3,099,546	—	—	3,099,546	—	3,099,546
Reclassification adjustment for other-than-temporary impairment losses realized in net loss	(1,943,412)	—	—	(1,943,412)	—	(1,943,412)
Comprehensive loss	—	—	—	—	—	\$ (3,122,915)
Balance at December 31, 2009	\$ 58,812,317	\$ 23,423,471	\$ 52,308,718	\$ (16,418,606)	\$ (501,266)	





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NATIONAL CREDIT UNION ASSOCIATION

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