

Building a legacy. One experience at a time.



Unitus Community Credit Union
2011 Annual Report

Federally insured by NCUA



INVESTED IN YOU SINCE 1937

Founding Fathers



- Member #1: D. O. Denman
- Member #2: Genard D. Gleason
- Member #3: Mildred E. Beck
- Member #4: Jake A. Ellis
- Member #5: Isaac W. Anderson
- Member #6: Robert Meyers
- Member #7: Frederick M. Gavin
- Member #8: Shelby L. Davies
- Member #9: H. S. Hayes
- Member #10: E. T. Healy
- Member #11: Leslie W. Summers

Former Board Chair, Terry Gavin's grandfather, Frederick M. Gavin (pictured above), was one of 11 founding members of the Credit Union in 1937 and served on the original Board of Directors. Pages from the original member ledger show Terry's grandfather as member number 7 and Terry's father, Frederick J. Gavin, as member number 115. Both joined in 1937. Terry's father was a lifelong member, and Terry's children and grandchildren are all Unitus members. The Gavin family stands out for its heritage of service to our Credit Union, and we are proud of having served the Gavin's and other members' families for as many as five generations.

According to his daughter, Carolyn, Genard D. Gleason started the credit union with his friends. Each made a \$5.50 contribution to initially fund the Credit Union. This was the same year Carolyn was born and it also marked a significant milestone with her father graduating from Law School. We look forward to continuing this tradition of service for generations to come.

A Message to our Members

PEOPLE WANT TO BE REMEMBERED

They want friends and relatives to be proud of their accomplishments and are eager to share them with their own families. Unitus Community Credit Union wants that too. As we look back on our 75th anniversary and look ahead to what the new year will bring, we understand that we are stewards of the legacy that is Unitus. We are responsible not only for what we've inherited from the 11 founding fathers, but for what we will pass on to the next generation. We are caretakers of a great history and shepherds of a great future. We are ensuring that Unitus is here for our members now and for their families later. **We are building a legacy. One experience at a time.**

Unitus was rewarded in 2011 for years of prudent fiscal management and visionary strategies. Special recognitions, growth in membership and assets, and increased product utilization created an environment where our business goals were realized and milestones achieved.

The national backlash against large commercial banks served to reaffirm our members' choice in us. While we worked to provide more services, our members responded with increased utilization, 60% now have a checking account. Nonmembers responded by joining—over 5,500 at year-end—realizing that their best solution for financial services was Unitus, right in their own community. This renewed

confidence and exceptional member growth helped increase our assets by 1.8%. Additionally, we repositioned two of our branches to provide better accessibility and convenience to our members. We relocated the University District branch staff to a new facility in the Peterkort neighborhood that will accommodate a larger member pool, and we doubled the size of the Mall 205 branch by relocating it less than a mile away.

Unitus has always provided our members with the newest online services and looked for ways to increase access points to their accounts. We define convenience through the members' eyes and see their desire to have more time in their day. In addition to our own branches, our shared network of 4,500 branches, 2,200 kiosks and 28,000 ATMs puts our credit union within reach anywhere you are in the country. In fact, according to the Financial Services Centers Cooperative which manages the shared network, our members are the #1 users in the nation of the Vcom® 7-Eleven kiosks.

Listening to member feedback, Unitus enhanced our Bill Pay product. The new service, now integrated with uOnline, simplified several features and will also allow for future incorporation with mobile banking and Total Finance. This move also brought the service support in-house to increase member support and satisfaction.



Building a legacy demands commitment—a commitment to making changes that will benefit Unitus members now and in the future.

We redesigned our website with more intuitive navigation to help our members retrieve information faster, and we upgraded our phone system to enrich the member experience. The introduction of iPads to our technology toolbox has proven beneficial on several fronts. Initially, we equipped our on-site staff at community events prior to the opening of our new branches at Peterkort and Mall 205. The iPads allowed our employees to enroll hundreds of potential members on the spot, well in advance of opening day, and firmly establish their memberships with the credit union.

News coverage of our innovative iPad use caught the attention of representatives from Apple who later visited Unitus to learn more about how we integrated the new technology into our business operations. Additionally, we are testing using iPads in one of our branches to help facilitate transaction service while the member waits for the next available member service representative. By providing 'convenience' solutions to our members, Unitus ultimately incorporates efficiencies into our operations and the member benefits again with enhanced service.

We enhanced our business product line with the introduction of a new debit and credit card and remote deposit capture that

will help save small businesses—and our members who own them—time and money. With a professional lending team, with over 25 years combined commercial lending experience and an array of competitive programs, we experienced a 46.8% increase in Member Business Loans.

Building a legacy demands commitment—a commitment to making changes that will benefit Unitus members now and in the future.

Whenever possible, we help our members get back on their feet so they can forge their own thriving financial path. We offer character lending programs that rely on a member's integrity and desire to improve their financial well-being—not just a credit score. And our loan modification program helps members experiencing a financial

hardship from losing their home or vehicle. Since inception, we have experienced a success rate in our modification program of nearly 80%, while national programs continued to struggle with news headlines reflecting a 70% failure rate.

We foster stewardship of our natural resources by providing green loans for eligible automobiles and bike loans to encourage alternative transportation.



We are dedicated to helping the organizations and charities in and around our community. In 2011, Unitus was recognized as a “Corporate Catalyst” by the Oregon Health & Science University and OHSU Foundation for exhibiting ‘extraordinary generosity, vision, and leadership in philanthropy.’ We also received the 2011 Corporate Philanthropy Award from the Portland Business Journal for our support of charities like Schoolhouse Supplies, SnowCap and the Good Neighbor Center. Last year, Unitus employees volunteered over 1,089 hours performing activities like filling more than 500 backpacks with school supplies for Vestal Elementary students, repairing and decorating a room in Share’s Vancouver Homestead shelter, and participating in Adopt-a-Class for the sixth year in a row.

LOOKING BACK OVER 75 YEARS

You can see that we changed as the needs of our members have changed. We started in 1937 with basic savings accounts and added mortgages in 1942. We introduced checking in 1982 and progressed from ATM cards in 1983 to debit and credit cards in 1986. We published our first website in 1998 and launched online banking a year later. We expanded to a community charter in 2001 then changed our name in 2004 to reflect our growing membership. We opened our first branch in 2002 at Mall 205 and now offer our members the convenience of eight locations in 2012.

Looking forward, it’s hard not to get excited. Technology continues to advance functions in the financial services

industry and we will incorporate those advancements to enhance the member experience. We plan to introduce remote deposit capture for consumers that will alleviate the need to visit a branch or find an ATM to deposit a check. In addition, for our business members, we will be enhancing our online services with tools created specifically for small- and medium-sized businesses, adding convenience and simplicity.

When we applied for our charter in 1937, our intent wasn’t to be a Top 200 credit union in the country, but that’s what today’s numbers indicate. It wasn’t to place in the Top 100 Best companies to work for in Oregon, but that’s what our employees declared. It wasn’t to rank as a top mortgage and commercial lender, but that’s what the Portland Business Journal revealed. Our mission then, as it is now, was simply to dedicate ourselves to the financial well-being of each and every one of our member-owners. We’ve worked tirelessly, for 75 years, focusing on making a difference in their lives. Along the way we built a legacy. One experience at a time.



Don Mason, Chairperson



Patricia E. Smith, President/CEO

Board of Directors

Don Mason, Chairperson	Will Rader, Director
Tom Faulkner, Vice Chairperson	Jim Lewis, Director
Susan Iggulden, Secretary	Scott Thompson, Director
Terry Gavin, Director	

Audit Committee

Rhonda Cramer, Chairperson
 Ray Anderson, Committee Member
 Luke Watson, Committee Member
 Mike Stepan, Committee Member
 Lora Dakin, Committee Member

2011 A Rewarding Year



Your credit union was honored in many ways in the past 12 months:

- **Corporate Philanthropy Award**
Portland Business Journal
- **Doernbecher Corporate Catalyst**
OHSU/Doernbecher/Credit Unions for Kids
- **Top Residential Mortgage Lenders**
Vancouver Business Journal
Portland Business Journal
- **Top Commercial Lenders**
Portland Business Journal
- **Board Member Volunteering:** Barbara Leonard was honored for making the Volunteer Honor Roll and Hall of Fame by the Northwest Credit Union Association for her years of serving the Links, Inc.
- **Spectrum Marketing Awards**
Northwest Credit Union Association
- **Among the highest awards** in the Oregon business community are those bestowed each year by Oregon Ethics in Business. This year, Unitus Community Credit Union was named one of the finalists for the prestigious honor.
- **Individual Innovation:** Brett Wooden, Business Development Manager, received honors for the Credit Union Times' (industry publication) Trailblazers Under 40 as well as the Northwest Credit Union Association's Young Credit Union Professional of the Year.
- **Top 100 Best Companies to Work For** in Oregon Award, Oregon Business Magazine – we placed #7 in the Large Company category; award is based on our employees' survey and then our score is ranked among other companies that participated.

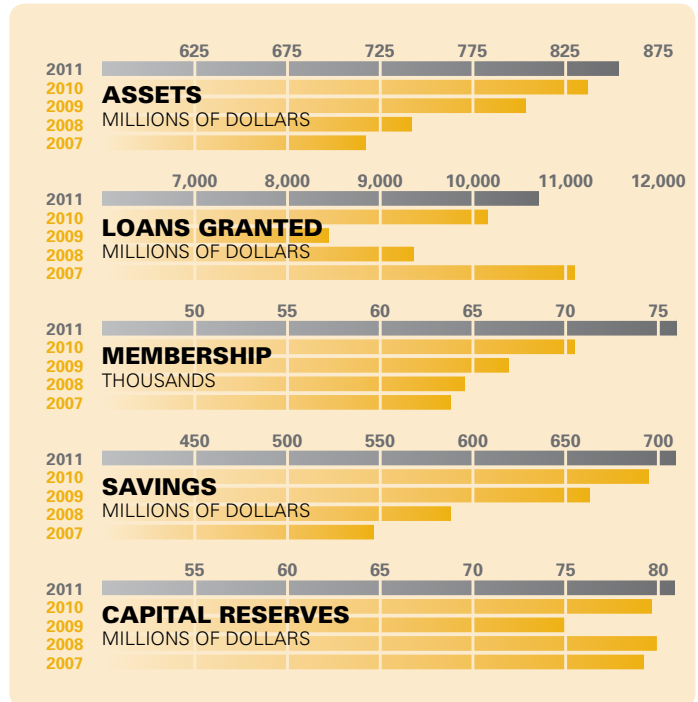
Thank you for being a part of our community!

Treasurer's Statement

Our country's economic challenges continued throughout 2011. Congressional leaders wrangled for months over an agreement to raise the debt ceiling promulgating fears of a government shutdown and double dip recession. Although a deal was eventually reached in late summer, the credit rating agency Standard & Poor's (S&P) referenced the upheaval when it downgraded the U.S. triple A credit rating to AA+ for the first time. Additionally, business and consumer confidence remained low and unemployment remained high for the fourth consecutive year.

While the economic environment has been challenging for the past several years, Unitus Community Credit Union saw a 7.7% growth in membership and a 5.65% growth in deposits in the past year. Unitus was again recognized as a top commercial lender in the Portland-Metro area by the Portland Business Journal and maintained its Top 25 ranking for residential loans in both Portland and Vancouver. All told, Unitus made more than \$300 million in loans in 2011.

Market rates continued to fall in 2011, but we were able to maintain that delicate balance of keeping both deposit and loan rates competitive for our members. Our net worth to assets ratio of 9.51% reflects an increase of six basis points over 2010 and preserves our credit union classification under NCUA as well capitalized and sound.



Patricia E. Smith

Patricia E. Smith, Treasurer

Report of the Audit Committee

The Audit 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. 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 Audit 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 Audit Committee members for their commitment, energy, and enduring effort throughout 2011.



Rhonda Cramer

Independent Auditor's Report

To the Board of Directors and Audit 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, 2011 and 2010, 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 March 5, 2012, 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 they have been derived.

Moss Adams LLP
Portland, Oregon
March 5, 2012

Consolidated Statements of Financial Condition

December 31,

Assets	2011	2010
Cash and cash equivalents	\$ 117,078,021	\$ 69,807,526
Investment securities available for sale at fair value	212,556,538	226,171,238
Investment securities held to maturity at amortized cost	-	14,669
Restricted equity securities	3,453,000	3,453,000
Loans receivable, net	492,275,309	510,806,440
Accrued interest receivable	2,896,841	2,755,401
Property and equipment, net	11,222,530	11,140,447
National Credit Union Share Insurance Fund deposit	6,824,487	6,533,526
Other assets	5,508,954	5,975,028
Total assets	\$ 851,815,680	\$ 836,657,275
Liabilities		
Members' share and savings accounts	\$ 730,469,561	\$ 691,093,877
Borrowed funds	40,008,641	65,012,643
Accrued expenses and other liabilities	12,086,336	9,964,193
Total liabilities	782,564,538	766,070,713
Controlling Interest in Members' Equity		
Regular reserves	23,423,471	23,423,471
Undivided earnings	57,648,619	55,634,282
Accumulated comprehensive loss	(11,314,446)	(7,976,379)
Noncontrolling Interest in Subsidiary	(506,502)	(494,812)
Total members' equity	69,251,142	70,586,562
Total liabilities and members equity	\$ 851,815,680	\$ 836,657,275

Consolidated Statements of Operations

Years Ended December 31,

	2011	2010
Interest Income		
Loans receivable	\$ 25,807,093	\$ 27,937,381
Investment securities and cash equivalents	9,448,498	9,628,820
Total interest income	35,255,591	37,566,201
Interest Expense		
Dividends and interest on members' share accounts	7,364,502	9,408,859
Borrowed funds	1,624,310	3,016,176
Total interest expense	8,988,812	12,425,035
Net Interest Income	26,266,779	25,141,166
Provision for loan losses	1,980,524	4,908,811
Net interest income after provision for loan losses	24,286,255	20,232,355
Non-Interest Income		
Service charges and fees	9,565,976	7,808,769
Mortgage banking and loan servicing income	3,563,075	4,597,076
Gain on sale of investment securities, net	792,178	4,467,233
Total other-than-temporary impairment losses	(2,622,237)	(742,651)
Portion of other-than-temporary impairment losses recognized in other comprehensive income	489,785	(1,305,754)
Total gain (loss) on investment securities, net	(1,340,274)	2,418,828
Total other noninterest income	240,598	156,663
Total non-interest income	12,029,375	14,981,336
Non-Interest Expense		
Compensation and benefits	16,176,220	14,865,097
General and administrative	16,346,640	15,306,926
National Credit Union Administration assessments	1,706,120	1,686,938
Total Non-Interest Expense	34,228,980	31,858,961
Net income	2,086,650	3,354,730
Noncontrolling interest in net income of subsidiary	72,313	29,166
Controlling interest in net income	\$ 2,014,337	\$ 3,325,564

Statements of Members' Equity & Comprehensive Income (Loss)

Controlling Interest in Members' Equity

	Total Members' Equity	Regular Reserves	Undivided Earnings	Accumulated Comprehensive Loss	Noncontrolling Interest in Subsidiary	Total Comprehensive Income (Loss)
Balance at December 31, 2009	\$ 58,812,317	\$ 23,423,471	\$ 52,308,718	\$ (16,418,606)	\$ (501,266)	
Net income	3,354,730	—	3,325,564	—	29,166	\$ 3,354,730
Distribution to noncontrolling interest in subsidiary	(22,712)	—	—	—	(22,712)	(22,712)
Unrealized gains on transfer of held to maturity securities to available for sale	2,804,711	—	—	2,804,711	—	2,804,711
Unrealized gains on securities available for sale	8,056,344	—	—	8,056,344	—	8,056,344
Reclassification adjustment for realized gains on securities available for sale	(4,467,233)	—	—	(4,467,233)	—	(4,467,233)
Reclassification adjustment for other-than-temporary impairment losses realized in net loss	2,048,405	—	—	2,048,405	—	2,048,405
Comprehensive income						\$ 11,774,245
Balance at December 31, 2010	70,586,562	23,423,471	55,634,282	(7,976,379)	(494,812)	
Net income	2,086,650	—	2,014,337	—	72,313	2,086,650
Distribution to noncontrolling interest in subsidiary	(84,003)	—	—	—	(84,003)	(84,003)
Unrealized gains on securities available for sale	(4,678,341)	—	—	(4,678,341)	—	(4,678,341)
Reclassification adjustment for realized gains on securities available for sale	(792,178)	—	—	(792,178)	—	(792,178)
Reclassification adjustment for other-than-temporary impairment realized in net income	2,132,452	—	—	2,132,452	—	2,132,452
Comprehensive Loss						\$ (1,335,420)
Balance at December 31, 2011	\$ 69,251,142	\$ 23,423,471	\$ 57,648,619	\$ (11,314,446)	\$ (506,502)	



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