

# 2008 ANNUAL REPORT



membership matters

**unitus**<sup>®</sup>  
COMMUNITY CREDIT UNION



## A MESSAGE TO OUR MEMBERS

Amidst the current economic challenges, Unitus members can feel confident. That's because our reserves are well above federal mandates, member deposits are insured up to \$250,000 by the NCUA and the loans we make are for members only – the same people who save their money at Unitus. This means we are well prepared to weather a financial storm, especially given the turbulent financial market conditions we face today.

In 2008, our members told us 'membership matters' by utilizing more products and services from their credit union, thus taking advantage of our consistent performance and financial security. Making the most out of their Unitus membership, Unitus members benefited from a variety of new and improved products/services, two new branch locations and a continued focus on service quality, loan enhancements and savings improvements. Our staff embarked on a new training program helping members make the right choice in selecting products and services that best serve their particular needs. As one Unitus family might be looking for a savings account designed with retirement in mind, another may be interested in a host of financial services to take the worry, and work, out of paying their monthly bills. Time and time again, our members choose Unitus as their trusted financial resource.

**Secure Savings & Affordable Loans** Unitus offers both long term stability and a dependable return on your money. The money one member saves at Unitus is money another member can borrow to buy a home, car, college education, etc. When a member borrows money, the interest they pay helps other members' savings grow.

**Checking Gets Popular** As 2008 came to a close, members with an active checking account surpassed 44%. More than 9,000 Unitus Rewards Checking accounts were added last year as members realized this account could help reduce monthly expenses with points redeemed for gas cards, cash back, and loan rate buy downs among other valuable options. Uniquely different from other reward programs, ours is easy to understand and use



with no monthly service charge, no balance requirement, no balance cap, and no strings attached. This account earns good dividends on your balance, with higher balances getting higher rates. We expect continued growth as we further enhance our checking options even more in 2009.

**New Branch Locations** Members lined up in the Tanasbourne neighborhood greatly anticipating our expanded presence on the West side. A number of heritage members residing in Clark County eagerly welcomed our newest branch in East Vancouver (the first branch in the state of Washington) and participated in the festivities with a record number of new members joining at a Unitus Grand Opening event.

**Improving Our Great Service** Several process improvements, including consistency in the way we interact with members (whether via email, phone or face to face), were introduced last year and will continue to be expanded in 2009. Another service enhancement affecting members traveling abroad allows for expanded use of their debit/credit card with 24/7 account access and no restrictions. We also provided Guaranteed Asset Protection insurance and debt cancellation insurance product options for supplemental member loan protection.

**Expanded ATM/Shared Branch Networks** As a member of a credit union owned cooperative network of ATMs and Shared Branches, Unitus expanded its surcharge-free access to ATMs across the country to now include over 28,000 ATMs. Members can also now text their current location to a special number and receive a free listing of nearby ATMs. In addition, the Shared Branch network added 2,600 physical locations and 3,500 new 7-Eleven® locations where members can perform a majority of the same transactions as in a credit union branch.

**Reaching Out to Youth** Unitus debuted its uSavers account during National Youth Week to promote financial literacy to children 5-12 years of age. This special account teaches the importance of saving and emphasizes the lifelong advocacy of smart spending.

### We're Local.

Our decisions are made by employees who are deeply rooted where our members live and work.

### We're Creating the Future.

There is a "can do" spirit at Unitus you won't find elsewhere.



Barbara Leonard  
Chairperson



Patricia E. Smith  
President/CEO

**Supporting Higher Education** Unitus issued eleven \$1,000 scholarships to high school graduates, college undergraduates and college graduates as well as two additional community scholarships totaling over \$2,000.

**Green Light for Green Loans** Our most talked about new loan product in 2008 was the Unitus Bicycle loan ([www.bicycleloan.com](http://www.bicycleloan.com)). Unitus pioneered the way as the first Northwest lender to provide bicycle loans in our community. This loan joins our Hybrid and SmartWay Elite auto loans, all of which help to protect our environment.

**Home Loans Attract New Members** In 2008 Unitus home loans grew 25% over the prior year. More than 15% of the mortgages financed in 2008 came from new members seeking cost savings and a good financial value.

**Business Solutions** Unitus experienced 59% growth in business relationships as members looked to Unitus' full array of business services. As a result, business loans were up 200% for the year.

**Involved in the Community** Our employees and volunteers donated a total of 1,152 hours to our community partners. In addition, we donated \$4,370 to our branch community partners through our annual holiday charity drives. Charities included: SnowCap, The Good Neighbor Center, Helping Hands, Share, and Clackamas Women's Services. Volunteer time and donated funds also helped Schoolhouse Supplies, SMART, Habitat for Humanity, The Links and more. As in year's past, we supported Doernbecher Children's Hospital as part of our ongoing Credit Unions for Kids campaign. Last year we gave almost \$40,000 to this worthwhile cause.

**Caring People Make the Difference** As your local credit union, we're deeply rooted where our members live and work. Our employees are local, and none of our operations is internationally outsourced. We're committed to our members and their financial future. We strive to help our members save more, earn more and get more from their membership.



Two members of the Unitus Family received special recognition during 2008. Terry Gavin, Board Member and former Board Chairman as well as Unitus Heritage member of 51 years, was recognized in October as the Credit Union Volunteer of the Year by the State of Oregon's Credit Union Association (CUAO). Terry's grandfather, Frederick M. Gavin was an original co-founder of our Credit Union and served on our Board for many years. Paul Kirkbride, VP of Credit Services, also received honors as the CUAO Young Professional of the Year Award. Congratulations to both Terry and Paul. We'd also like to express our sincere thanks to all members of our Official Family and to our Unitus employees and congratulate them on a "job well done."

As we look forward to the opportunities 2009 will afford, we'd like to express our sincerest thanks to members everywhere and we encourage you to continue to give the gift of membership to additional family members and friends during 2009.

We're honored that you've chosen Unitus as your Credit Union and rest assured that we'll continue to be here when you need us. We look forward to showing you how membership matters today, tomorrow and for years to come.

Barbara J. Leonard, Chairperson

Patricia E. Smith, President/CEO

Unitus Community  
Credit Union  
Board of Directors

Barbara Leonard  
Chairperson

Don Mason  
Vice Chairperson

Tom Faulkner  
Secretary

Terry Gavin  
Director

Gordon Akeson  
Director

Stacy Augustine  
Director

Pete Reinecker  
Director





## TREASURER'S REPORT

During 2008, our country and the financial services industry was faced with a number of surprises from the caustic sub-prime loan debacle to the melt down of the financial services industry, including the demise of one of the largest banks in the country, Washington Mutual Bank.

Your Credit Union remained focused on creating value for our members and as other financial institutions were tightening credit, we continued to meet the financial needs of our members by providing loans for autos, new homes, student loans, business needs, credit cards and our newest loan product, bicycle loans. Our focus on sound lending practices resulted in over \$19 million in net loans provided to our members. In addition, we originated nearly \$100 million in first mortgage loans, an increase of 25% and we paid over \$17 million in dividends to our members during 2008. Over 44% of our members now have a checking account at Unitus and our deposit base grew over 5.3%.

While we believe virtually every financial institution and business will be touched in some way by the extraordinary events of 2008, Unitus is financially strong and well positioned to manage through the current recession. Several financial strategies were put in place throughout the past year to add additional strength as well. Members will find Unitus provides a safe haven for their deposits during these unprecedented times. For instance, all deposits at Unitus are now federally insured up to at least \$250,000. With a net worth to asset ratio of 10.85% at year-end, Unitus is considered a well capitalized financial institution.

Out of over 8,000 credit unions nationwide, Unitus ranks among the top 200 credit unions. We are one of the top financial providers within the State of Oregon as well. With over 64,000 members and 8 branch locations, we continually look for additional ways to add value to our members and we continually focus on providing members with low rate loans, higher earnings on deposits and free or low-fee services.

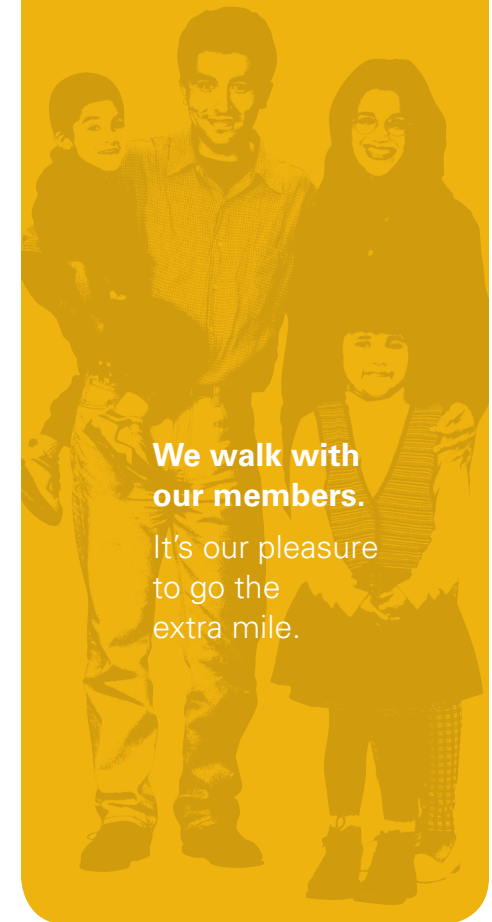
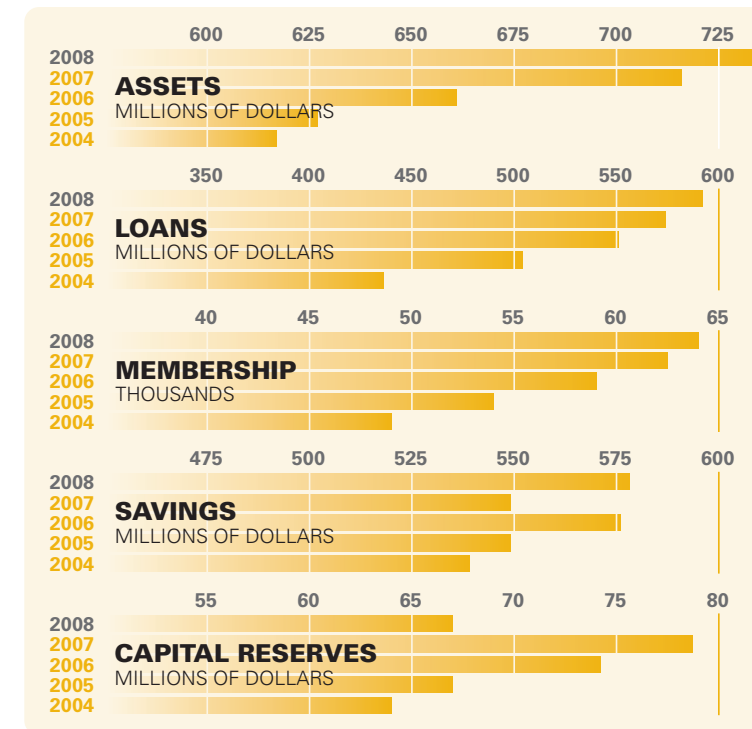


Patricia E. Smith  
Treasurer



In 2009, we will focus on additional efficiencies within our overall operations. We have also planned for some additional improvements in services that will add increased convenience for our members.

There is no doubt that 2009 will provide additional financial challenges for our members and yet we at Unitus look forward to the opportunities as well. As our members re-focus on the basics of debt management and growing their savings, we will be here to assist them because Membership Matters at Unitus.



We walk with  
our members.

It's our pleasure  
to go the  
extra mile.



## STATEMENTS OF FINANCIAL CONDITION

	Years Ended December 31,	
	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,795,577	\$ 24,747,104
Certificates of deposit in corporate credit unions	5,000,000	27,195,392
Investment securities available for sale	50,735,485	60,698,680
Investment securities held to maturity	42,095,467	36,477
Loans receivable, net	592,219,291	574,075,040
Accrued interest receivable	2,827,371	2,800,315
Property and equipment, net	12,941,341	9,662,373
National Credit Union Share Insurance Fund deposit	5,265,671	4,746,249
Federal Home Loan Bank stock	3,453,000	2,746,300
Other assets	7,784,145	9,485,030
TOTAL ASSETS	<u>\$ 735,117,348</u>	<u>\$ 716,192,960</u>
<b>LIABILITIES AND MEMBERS EQUITY</b>		
Liabilities:		
Members' share and savings accounts	\$ 576,816,001	\$ 548,724,234
Borrowed funds	81,835,246	79,400,000
Deferred gain from sale and leaseback	369,648	525,612
Accrued expenses and other liabilities	8,660,383	8,891,189
Total Liabilities	<u>\$ 667,681,278</u>	<u>\$ 637,541,035</u>
<b>CONTROLLING INTEREST IN MEMBERS' EQUITY</b>		
Regular reserves	\$ 23,423,471	\$ 23,423,471
Undivided earnings	56,383,274	55,255,839
Accumulated comprehensive loss	(12,073,903)	(27,385)
<b>NONCONTROLLING INTEREST IN MEMBERS' EQUITY</b>	(296,772)	—
Total members' equity	<u>67,436,070</u>	<u>78,651,925</u>
Liabilities and Members Equity	<u>\$ 735,117,348</u>	<u>\$ 716,192,960</u>



## STATEMENTS OF INCOME

	Years Ended December 31,	
	2008	2007
Interest income		
Loans receivable	\$ 36,180,638	\$ 34,649,206
Investment securities	6,844,247	4,328,719
Total interest income	<u>43,024,885</u>	<u>38,977,925</u>
Interest expense		
Dividends and interest on Members' share accounts	17,152,951	20,069,918
Borrowed funds	3,412,617	601,112
Total interest expense	<u>20,565,568</u>	<u>20,671,030</u>
Net interest income	22,459,317	18,306,895
Provision for loan losses	4,689,868	1,385,066
Net interest income after provision for loan losses	<u>17,769,449</u>	<u>16,921,829</u>
Noninterest income		
Service charges, fees, and other	6,336,009	5,210,586
Loan servicing fees	468,046	669,890
Net gain on sale of investments	446,911	—
Net gain on sale of property and equipment	120,919	1,968,983
Total noninterest income	<u>7,371,885</u>	<u>7,849,459</u>
Noninterest expense		
Compensation and benefits	11,572,757	9,586,224
General and administrative	12,737,914	10,562,565
Total noninterest expense	<u>24,310,671</u>	<u>20,148,789</u>
Net Income	830,663	4,622,499
Noncontrolling interest in net income	296,772	—
Controlling interest in net income	<u>\$ 1,127,435</u>	<u>\$ 4,622,499</u>

\*This is an unaudited financial statement. For more information, please see page 11.



## REPORT OF THE SUPERVISORY COMMITTEE



**Rhonda Cramer**  
Chairperson

**Don Foreman**  
**Dan Duffy**  
**Ray Anderson**  
**Matt Goodwin**

The summarized financial statement information included in this annual report was prepared by Unitus Community Credit Union management and compiled from the credit union's financial statements.

In preparing the financial statements, management depends upon the credit union's system of internal accounting controls in meeting its responsibility for reliable information. The Supervisory Committee, which consists of five volunteer members appointed by the Board of Directors, monitors the accounting system and assumes responsibility for internal controls, audit processes and compliance with laws, regulations and codes of conduct on behalf of all Unitus members.

The committee meets periodically with the Board of Directors, the chief internal auditor, and management to discuss accounting, financial reporting, internal control systems and processes, and auditing matters.

As part of fulfilling its duties, the committee engaged the independent accounting firm Moss Adams LLP, to conduct the 2008 Unitus audit and provide an opinion of the financial statements as a whole. The preliminary audit substantiated the solid financial performance of the credit union and affirmed the operational practices of management.

**In Summary** It is the committee's opinion that the credit union's day-to-day practices remain in compliance with the credit union bylaws, state and federal regulations, and acceptable accounting procedures.

Under direction of the committee, Moss Adams LLP, managed the process to verify member accounts. The outcome of this audit further substantiates the responsible financial operative of the credit union.

I'd like to thank all Supervisory Committee members for their time and energy throughout 2008. As always, we look forward to serving the Unitus membership in the many years ahead.



## STATEMENTS OF MEMBERS' EQUITY

	Controlling Interest in Members' Equity				Noncontrolling	
	Total Members' Equity	Regular Reserves	Undivided Earnings	Accumulated Comprehensive Loss	Interest in Member's Equity	Total Comprehensive Income
Balance at December 31, 2006	\$ 73,710,053	\$ 22,489,988	\$ 51,566,823	\$ (346,758)		
Net income	4,622,499	—	4,622,499	—	—	\$ 4,622,499
Net change in unrealized loss on securities available for sale	319,373	—	—	319,373	—	319,373
Transfers, net	—	933,483	(933,483)	—	—	
Comprehensive income						\$ 4,941,872
Balance at December 31, 2007	78,651,925	23,423,471	55,255,839	(27,385)	—	
Net income	<b>830,663</b>	—	<b>1,127,435</b>	—	<b>(296,772)</b>	<b>\$ 1,127,435</b>
Net change in unrealized loss on securities available for sale	<b>(12,046,518)</b>	—	—	<b>(12,046,518)</b>	—	<b>(12,046,518)</b>
Transfers, net	—	—	—	—	—	
Comprehensive income						<b>\$ (10,919,083)</b>
Balance at December 31, 2008	<b>\$ 67,436,070</b>	<b>\$ 23,423,471</b>	<b>\$ 56,383,274</b>	<b>\$ (12,073,903)</b>	<b>\$ (296,772)</b>	

\*Note: The enclosed financial report is subject to a pending opinion from the American Institute of Certified Public Accountants regarding the accounting treatment related to an action announcement by the National Credit Union Administration (NCUA). NCUA is the agency that provides deposit insurance for federally insured credit unions. Once the announcement is made, then any impact to the credit union's 2008 financials will be assessed. If there is a required change to our 2008 financials, a revision will be posted to the Unitus website.



**Unitus** | **invested in you®**  
COMMUNITY CREDIT UNION

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