

2005 Annual Report



P.O. Box 1937
Portland, Oregon 97207-1937
503-227-5571 + 1-800-452-0900
www.unitusccu.com





**Unitus Community
Credit Union
Board of Directors**

Gordon Akeson
Chairman

Terry Gavin
Vice Chairman

Barbara Leonard
Vice Chairman

Don Mason
Secretary

Stacy Augustine
Director

Tom Faulkner
Director

Vernon Reinecker
Director

Will Rader
Alternate Director

A Message to Our Members

From the Board of Directors to executive management and staff, we are committed to serving the best interests of our members. It is this commitment to your financial well being that sets Unitus apart from all other financial institutions, and we sincerely thank you for your continued support through yet another successful year.

Unitus was the first credit union in Oregon to be granted a community charter, five years ago in 2001, which allowed us to reach out to anyone who lives or works in the six county region we serve. Thanks largely to you, our existing members, the good news has spread and we have seen significant growth each year since. During 2005, more than 5,700 of our friends, relatives, and neighbors joined Unitus, bringing total membership to over 54,000 strong.

Our financial figures have kept pace as well, with every key indicator showing healthy gains. (See charts on page 3.) In the past year alone we made more than 11,000 loans at very competitive rates to members who needed help with buying a home or auto, making home improvements, paying for college, consolidating debt, and other life goals. That added up to an increase of \$73 million in loans to members, bringing our year end total for loans outstanding to over \$500 million.

Members also continued to build their savings with Unitus, reaching a total of nearly \$550 million. We consistently monitor the marketplace to ensure that dividends paid are very competitively positioned. During 2005, Unitus paid members nearly \$13 million in dividends, an increase of more than 27% from the previous year. We also added almost \$3.3 million to members' equity, maintaining a remarkably strong capital reserve position that helps ensure the security of our financial cooperative.

These measures of success show that economically we continue to gain strength, but they also reflect how we have remained true to the individual member and the local communities we serve. Unitus is one of Oregon's largest credit unions, but that success is built upon treating every member like family and nurturing our local roots.

Your Credit Union is locally operated, by the Board members you elect and employees who are your friends and neighbors. All corporate decisions are made locally, based on local conditions and needs. Together we put a tremendous level

of expertise to work for you. Your current Board members bring an average of 13.5 years of experience to managing the Credit Union, while the leadership team brings an average of 16 years of experience per person!

Every decision we make is on your behalf, enhancing and adding to the services we offer to help you achieve financial success and make life a little easier. These are some of the ways Unitus made a difference in 2005:

- Our Clackamas branch opened to better serve members who live or work in that portion of the greater Portland area.
- The number of free ATMs available to you continued to grow, passing 25,000 nationwide, as did our shared branch network, with more than 2,000 locations ready to serve you across town and across the country.
- We extended our phone hours beyond regular business hours to give you even more convenient access to personalized assistance. Member Service Representatives are now available by phone Monday through Friday from 7:00 a.m. to 6:00 p.m., and Saturdays from 7:00 a.m. to 4:00 p.m.
- We redesigned our web site, adding "uSolutions"—a growing set of financial information and resources for members—and making navigation faster and more efficient.
- We continued to make informative financial seminars available to you at no cost, covering topics such as understanding your credit, auto buying, home buying, and retirement planning.
- Advance Loans were introduced as a sensible and affordable alternative to costly payday loans, and we issued 570 of them by year end.
- The Balance Financial Fitness Program was made available at no cost to members who want to improve their credit standing or need to solve credit problems.
- We teamed with Members Financial Services to offer members assistance with financial planning, as well as access to an online brokerage and insurance services.



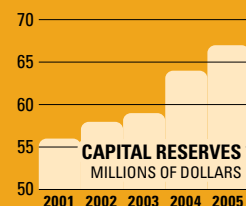
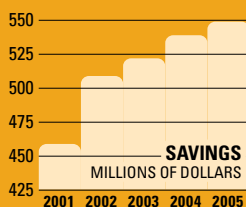
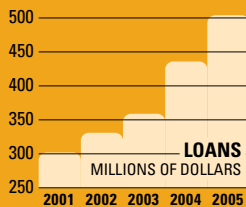
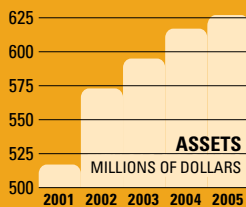
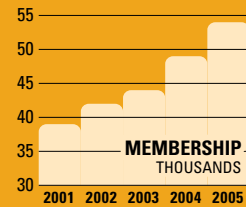
**Gordon Akeson
Chairman**



**Patricia E. Smith
President/CEO**



Key Indicators



- The Unitus Secured Card, a special Visa that helps rebuild credit, debuted, as did the Unitus Access Card, a Visa card that taps into a home equity line of credit.
- Younger staff members “toured” area colleges—something we plan to do each fall—introducing college students to the money-saving benefits of choosing Unitus.
- Twelve scholarships totaling \$12,000 were awarded by Unitus.
- Through the volunteer efforts of our staff and generous contributions by members, Unitus raised record-breaking donations and provided many hours of community service for local charities, including Doernbecher Children’s Hospital, SnowCap, Helping Hands, American Heart Association, Easter Seals, SMART, Shriners Children’s Hospital, Relay for Life, Schoolhouse Supplies, Race for the Cure, Make-A-Wish Foundation, Oregon Mentor, Salvation Army, Clackamas Women’s Services, and a number of other worthwhile programs and events at the local level.

In 2006 you will see us build on the services and support we already offer. Beaverton will get a new, full service branch (late March), and we will open a second downtown Portland branch (late April), which will be housed in the new Unitus Plaza now being readied. Located at Southwest Sixth and Jefferson, the Unitus Plaza will also serve as our new administrative headquarters, as well as home for our mortgage lending operations. As a result, you can expect to see expanded mortgage services later in the year.

In the meantime, we are introducing a versatile Platinum Rewards Visa Card and a set of financial services for local businesses. Plus there is much more to come as the year progresses! We look forward to providing you with top-notch financial products and unrivaled personal service through 2006 and beyond. We hope that you will continue to spread the word about the benefits of Unitus membership among your friends and family.

Thank you again for choosing Unitus as your primary financial services provider.


Gordon Akeson
Chairman


Patricia E. Smith
President/CEO



Financial Statements

Unitus Community Credit Union

Consolidated Balance Sheets

ASSETS	Years Ended December 31,	
	2005	2004
Cash and Cash Equivalents	\$ 15,000,964	\$ 19,973,809
Investments	90,169,844	152,903,505
Loans, Net of \$3.4M Allowance	500,925,497	427,448,157
Accrued Interest Receivable	2,141,382	2,189,271
Office Property and Equipment, Net	9,407,055	7,069,722
NCUSIF Deposit	4,499,267	4,287,494
Federal Home Loan Bank Stock	2,746,300	2,735,100
Other Assets	1,784,679	652,902
Total Assets	\$626,674,988	\$617,259,960

LIABILITIES AND MEMBERS' EQUITY

Liabilities:		
Members' Share Accounts	\$549,143,312	\$538,720,946
Accounts Payable and Other Liabilities	11,463,795	15,753,200
Total Liabilities	560,607,107	554,474,146
Members' Equity:		
Regular Reserves	20,559,198	17,489,434
Undivided Earnings	46,550,018	46,048,678
Accumulated Other Comprehensive Income	(1,041,335)	(752,298)
Total Members' Equity	66,067,881	62,785,814
Total Liabilities and Members' Equity	\$626,674,988	\$617,259,960

Consolidated Statements of Income

	Years Ended December 31,	
	2005	2004
Interest Income:		
Interest and Fees on Loans	\$ 24,804,922	\$ 21,022,410
Interest on Investments	3,948,749	5,961,408
	<u>28,753,671</u>	<u>26,983,818</u>
Interest Expense:		
Dividends and Interest on Members' Share Accounts	12,798,799	10,033,061
Borrowed Funds	177,499	128,375
Net Interest Income	15,777,373	16,821,842
Provision for Loan Losses	85,818	1,764,154
Net Interest Income After Provision for Loan Losses	15,691,555	15,057,688
Non-Interest Income	3,838,555	3,175,795
Non-Interest Expense:		
Compensation and Benefits	7,848,397	7,058,747
General and Administrative	8,110,609	7,194,840
	<u>15,959,006</u>	<u>14,253,587</u>
Net Income	\$ 3,571,104	\$ 3,979,896

Consolidated Statements of Members' Equity

	Members' Equity
Balance at December 31, 2003	\$ 61,166,154
Net Income for 2004	3,979,896
Accumulated Other Comprehensive Income:	
Unrealized Gains (Losses) on Securities Available for Sale	(2,360,236)
Balance at December 31, 2004	62,785,814
Net Income for 2005	3,571,104
Accumulated Other Comprehensive Income:	
Unrealized Gains (Losses) on Securities Available for Sale	(289,037)
Balance at December 31, 2005	\$ 66,067,881



Supervisory Committee



Don Foreman
Chairman

- Tom Bushman
- Rhonda Cramer
- Dan Duffy

Report of the Supervisory Committee

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 consolidated 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 four volunteer members appointed by the Board of Directors, monitors the accounting system 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 2005 audit of the Credit Union and provide an opinion of the financial statements as a whole. A copy of the certified audit report is available for review by interested members upon request.

The audit substantiated the solid financial performance of the Credit Union and affirmed the operational practices of management. It also offers definitive evidence that the membership's assets are secure. It is the Committee's opinion that the Credit Union's day-by-day practices remain in compliance with the Credit Union bylaws, state and federal regulations, and acceptable accounting procedures.

Also under the direction of the Committee Moss Adams LLP managed the 2005 verification of members' accounts. The outcome of this audit further substantiates the responsible financial operation of the Credit Union.

My thanks is extended to Committee members for their time and energy given during the past year. We look forward to serving the Unitus membership in 2006.



invested in you

