



2008 ANNUAL REPORT

Independent Auditor's Report To the Board of Directors and Supervisory Committee

April 17, 2009

Unitus Community Credit Union

Portland, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial condition of Unitus Community Credit Union as of December 31, 2008 and 2007, and the related statements of income, member's equity, and cash flows (not presented herein) for the years then ended; and in our report dated April 17, 2009, we expressed an unqualified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

Moss Adams LLP

Spokane, Washington



STATEMENTS OF FINANCIAL CONDITION

	Years Ended December 31,	
	2008	2007
ASSETS		
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	45,234,646	60,698,680
Investment securities held-to-maturity	42,095,467	36,477
Loans held for sale	1,042,000	—
Loans receivable, net	591,177,291	574,075,040
Accrued interest receivable	2,827,371	2,800,315
Property and equipment, net	12,941,341	9,662,373
WesCorp capital shares	2,943,317	3,929,343
Southwest Corporate Credit Union capital shares	1,000,000	2,500,000
National Credit Union Share Insurance Fund deposit	5,265,671	4,746,249
Federal Home Loan Bank stock	3,453,000	2,746,300
Cash surrender value of annuity contracts	861,751	1,144,941
Prepaid expenses and other assets	2,979,079	1,910,746
TOTAL ASSETS	\$ 729,616,511	\$ 716,192,960
LIABILITIES		
Members' share and savings accounts	\$ 576,816,002	\$ 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	\$ 667,681,279	\$ 637,541,035
COMMITMENTS AND CONTINGENCIES		
CONTROLLING INTEREST IN MEMBERS' EQUITY		
Regular reserve	\$ 23,423,471	\$ 23,423,471
Undivided earnings	56,383,273	55,255,839
Accumulated comprehensive loss, net unrealized holding loss on investment securities available for sale	(17,574,740)	(27,385)
NONCONTROLLING INTEREST IN MEMBERS' EQUITY	(296,772)	—
Total members' equity	61,935,232	78,651,925
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 729,616,511	\$ 716,192,960



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	43,024,885	38,977,925
INTEREST EXPENSE		
Members' share savings accounts	17,152,951	20,069,918
Borrowed funds	3,412,617	601,112
Total interest expense	20,565,568	20,671,030
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	17,769,449	16,921,829
NONINTEREST INCOME		
Service charges, fees, and other	6,027,476	5,150,458
Loan servicing fees	468,046	669,890
Net gain on sale of loans	308,531	60,128
Net gain on redemption of Visa stock	446,911	—
Net gain on sale of property and equipment	136,692	1,968,983
Total noninterest income	7,387,656	7,849,459
NONINTEREST EXPENSE		
Compensation and benefits	11,572,756	9,586,224
Office operations	4,622,526	3,369,790
Office occupancy	2,874,405	2,358,008
Promotional	1,107,675	1,068,481
Data processing	1,152,969	1,251,024
Loan servicing expenses	1,539,702	1,126,058
Professional services	746,728	684,484
Other operating expenses	709,682	704,720
Total noninterest expense	24,326,443	20,148,789
Net Income	830,662	4,622,499
Noncontrolling interest in net loss of subsidiary	296,772	—
CONTROLLING INTEREST IN NET INCOME	\$ 1,127,434	\$ 4,622,499



STATEMENTS OF MEMBERS' EQUITY

	<u>Controlling Interest in Members' Equity</u>					<u>Total Comprehensive Income (Loss)</u>
	<u>Total Members' Equity</u>	<u>Regular Reserves</u>	<u>Undivided Earnings</u>	<u>Accumulated Comprehensive Income (Loss)</u>	<u>Noncontrolling Interest in Members' Equity</u>	
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	—	<u>319,373</u>
Transfers, net	—	933,483	(933,483)	—	—	
Comprehensive income						<u>\$ 4,941,872</u>
Balance at December 31, 2007	78,651,925	23,423,471	55,255,839	(27,385)	—	
Net income	830,662	—	1,127,434	—	(296,772)	\$ 1,127,434
Net change in unrealized loss on securities available for sale	(17,547,355)	—	—	(17,547,355)	—	(17,547,355)
Comprehensive loss						<u>\$ (16,419,921)</u>
Balance at December 31, 2008	\$ 61,935,232	\$ 23,423,471	\$ 56,383,273	\$ (17,574,740)	\$ (296,772)	