

# 2008 ANNUAL REPORT



Working for **you!**



## PRESIDENT'S REPORT

### CFCU Hits Half-Billion Dollar Milestone!

By Robert Witty, *President/CEO*



During the first quarter of 2008, our credit union surpassed one-half billion dollars in total assets! This is an important milestone considering that out of approximately 8,000 credit unions nationwide, only 323 have reached this size.

Despite tough economic conditions that intensified throughout 2008, CFCU saw growth in several key areas. Total assets increased by \$54 million to over \$533 million. In addition, total loans grew by 7%, or \$21 million, to close the year at \$330 million. Shares (total deposits) increased by nearly \$47 million to \$450 million, up 11.5%. And we finished 2008 with a strong return on average assets (ROA) of 1.19%, compared to an ROA of .36% for our peers.

Although CFCU continues to grow rapidly, we remain well capitalized with a net worth ratio of 14.80%. By comparison, our peer group averages 10.75%. This is impressive considering a financial institution is thought to be well capitalized when net worth exceeds 7%. With this strong net worth, we are in a solid position to weather any economic turbulence that may still lie ahead.

The safety and security of your Credit Union is enhanced further by conservative risk management and cost containment. In fact, CFCU's loan quality remains exceptional! Thanks to sound underwriting standards and a strong asset recovery department, loan delinquency dropped from a low .23% in 2007 to an even more favorable .19% at year-end of 2008.

It's also important to note, we have not participated in any sub-prime mortgage lending or made investments in sub-prime instruments such as Structured Investment Vehicles (SIVs) or Collateralized Debt Obligations (CDOs). So these "toxic" assets that harmed many other institutions around the country have not negatively impacted us.

Another strength of the Credit Union is mortgage lending. With numerous advantages such as low interest rates, no closing costs, an in-house closing department to insure flexibility and savings; CFCU wrote nearly \$95 million in

residential mortgages during 2008. We remained the #1 lender in Tompkins County for the 7<sup>th</sup> consecutive year. Making the dream of home ownership a reality for many of our 56,000 members is one of our most important priorities.

During 2008, we also extended our unique mortgage benefits to small business owners. Borrowers refinanced commercial properties at CFCU and saved thousands of dollars in finance charges, while enjoying substantial improvements in cash flow. At a time when other financial institutions are curtailing lending, we continue to grow deposits and extend credit to our members. We believe one of the best investments we can make is a loan to a member.

Although for the most part, the credit union system remains healthy and sound, a few regular or everyday credit unions around the "Sand States" (Arizona, California, Florida, and Nevada), as well as a few corporate credit unions (credit unions that serve credit unions), have experienced losses related to the mortgage crisis. As a result, the National Credit Union Administration (NCUA) recently took control of two corporate credit unions: U.S. Central in Lenexa, Kansas, and WesCorp Federal Credit Union in San Dimas, California. The action included assistance to increase the liquidity and capital within the corporate credit union system. In no way does this move impact our members. In addition to the soundness of the Credit Union, savings at CFCU are backed by the National Credit Union Share Insurance Fund (NCUSIF). This protection guarantees that the "full faith and credit" of the U.S. government stands behind your money. In 2008, Congress increased the usual insured deposit limit to a minimum of \$250,000 through December 31, 2009. They will decide this year whether to make the increase permanent.

2008 was truly an exceptional year. Thanks to you, CFCU continues to be one of the strongest performing credit unions in the nation. With a friendly and knowledgeable staff, favorable interest rates, lower fees, the best products and services, and strong capital position, we are optimistic about our future. We will continue to work hard to earn your support!

## BOARD CHAIR REPORT

### Service & Value



By Susan Schattschneider  
*Board Chair*

From time to time, it's important to remind our members about the role your Board of Directors plays on your behalf. Simply put, we represent your interests by overseeing the business affairs of the Credit Union. This includes deciding on monthly dividends, loan policies, maximum

number of shares which may be held by any member, the investment and borrowing of funds necessary to transact business, and additions or changes in services offered by CFCU. All board members serve as unpaid volunteers.

We take our responsibility very seriously. That's why it's so rewarding to be able to report on the outstanding business results CFCU achieved in 2008 despite a difficult economic environment.

All financial institutions are subject to economic forces. At a time when many are making up for lost income by charging higher fees, taking more risk and/or selling assets, CFCU continues to give you more for your money. As a well-capitalized credit union, we're able to stay on course even during these unsettled times, offering the financial services you need and the value you've come to expect from your Credit Union.

You'll find we typically pay more than other financial institutions when you save and charge less when you borrow. Our no closing cost mortgage program saved members literally millions of dollars in closing costs over the last couple of years. And more and more members are cashing in on a deeper relationship with the Credit Union through Premiere Checking and direct deposit.

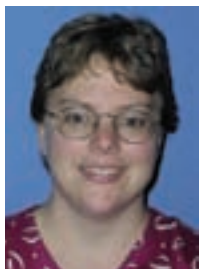
We're fortunate to have excellent resources at CFCU. We are in a strong financial position thanks to conservative risk parameters that we monitor closely. We have great people. Our services continue to expand and change to meet your needs. And we are effective in helping you reach your financial goals in ways that work best for you.

That's why your Board of Directors is also optimistic about the coming year and beyond. As we move forward in 2009, we will focus on the same things we've stressed in the past—service and value, strength and stability. These are the time-tested qualities of the Credit Union.

Thanks go to my fellow volunteers who serve on the Board and Committees for all their hours of dedicated service. We know running a successful credit union depends on a strong team. On behalf of the Board, we thank the staff and management of CFCU for the excellent job they do day-in and day-out serving our members. We would not be the organization we are without their professionalism, dedication and commitment. And most importantly, we thank you, our members, for your willingness to use our products and services. Our success depends on being able to deliver outstanding service and value to you. And you benefit each and every time we succeed!

### MISSION:

*Our mission is to provide you with the highest level of personal financial services in a friendly, professional manner; to encourage thrift, savings and the wise use of credit; to increase the knowledge and ability of members to manage and control their financial well being; and to provide sound financial management in order to maintain earnings for CFCU Community Credit Union's continued growth.*



## SUPERVISORY COMMITTEE REPORT

### Well Managed—Fiscally Sound

By Blixxy Taetzsch  
*Chair*

The role of the Supervisory Committee is to verify that adequate internal controls are in place to safeguard member assets, monitor compliance with applicable laws and regulations and ensure the fiscal integrity of CFCU. An internal audit staff is employed by the Supervisory Committee to fulfill these responsibilities. In addition, the Committee engages independent auditors to perform an annual audit of CFCU.

#### Committee Members

A. Neal Geller  
Brian Oursler, *Secretary*  
Blixxy Taetzsch, *Chair*

#### Internal Audit Staff

Zenaida Choy, *Assistant Vice President of Internal Audit*  
Erika Flagg, *Junior Auditor*

#### Independent Audit Firm

Firley, Moran, Freer & Eassa, P.C.

The Supervisory Committee meets quarterly to review the work of the internal audit staff. Zenaida prepares an annual audit plan at the start of each year that is approved by the Committee. Comprehensive reports are prepared for each audit conducted, as well as a quarterly summary report. Written responses addressing any audit findings are subsequently provided by the responsible party for each internal audit conducted.

The 2008 internal audit plan included twenty-four annual audits plus three carried over from 2007, bringing the total number of annual audits planned to 27. Twenty-five of the 27 planned audits were completed, two of which were outsourced to Firley, Moran, Freer, & Eassa, P.C., our indepen-

dent auditors. The remaining two audits were carried over into the first quarter of 2009. The Supervisory Committee is highly satisfied with the completion rate of the internal audit plan, as well as management's response to any audit findings. Audit findings are typically minimal, and management is quick to implement suggestions.

Members of the Supervisory Committee also meet with our independent auditors and the New York State bank examiners. Again, findings tend to be minimal and management is quick to respond to any findings or suggestions. Based on the state report, internal audit reports, and the positive results received from our independent auditors, the Supervisory Committee is confident that CFCU maintains adequate controls, complies with applicable laws and regulations, and is well managed and fiscally sound.

I would also like to remind members that the CFCU code of ethics requires that any member who suspects there has been a violation of Corporate Policy, laws or regulations, or general business ethics should report their suspicion. You may contact the Supervisory Committee in writing or by email. All mail is strictly confidential. You do not have to identify yourself, but it is important that you provide enough information and/or documentation to allow the Committee to investigate your concern. For further information, please go to Supervisory Committee information on the CFCU website at [www.myfcu.com/about](http://www.myfcu.com/about).

Many thanks go to our internal auditors, Zenaida Choy and Erika Flagg, for their outstanding work during the year. The requirements for internal audit become more demanding every year. The Supervisory Committee is grateful to have such dedicated, competent people working with us. Thanks to the management of CFCU for responding promptly to our many questions and functioning in such a responsible, competent manner. And, finally, thanks to my fellow Committee members for their hard work and dedication during the past year.

## YEAR IN REVIEW

Throughout the year, CFCU offered a series of products and services designed to improve service and value to our members:

### Great Rate/No Closing Cost Mortgages

Helping members finance home purchases continued to be a major emphasis for CFCU in 2008.

Throughout the year, we offered home buyers a chance to save immediately with no closing cost mortgages—And save for the life of their loan with a lower interest rate. When you add the wide variety of mortgage options available, same-day approvals on most loans, more ways to apply, including online, and the helping hand we provide throughout the entire process, it's easy to understand why we continue to be the #1 residential mortgage lender in the area.

Since our no closing cost mortgage program began in 2007, members have saved millions of dollars!



### Liberty Loans

CFCU made it easier for members to go green in 2008 with special low loan rates to help borrowers make their homes more energy efficient or purchase an energy efficient vehicle. Liberty Home Equity Loans could be used for replacement windows or doors, insulation, a new roof, alternate electric producing systems (solar/wind), energy efficient heating or cooling systems, a new water heater or Energy Star appliances. Liberty Auto Loans provided special financing on the purchase of any 2008 or 2009 electric, hybrid or conventional vehicle with fuel efficiency of at least 30 MPG highway. Many members took advantage of this program to beat rising energy costs, consume less fossil fuel and reduce greenhouse gas emissions.



### Other Lending

If you only listened to the national news media, you'd think that credit was so tight loans were only available to a few, and at super high rates. On the contrary, lending was a priority for the Credit Union throughout 2008. Promotions such as "Crazy Low Loans" and our popular One-Year All-Purpose Loans made borrowing more affordable for our members. In fact, total loans were up 7% last year!

### Richard VV Stringham Scholarship Program

Fifteen, \$1,000 scholarships were awarded in 2008 for one year of study at either a two- or four-year accredited college or university. Recipients were chosen based on academic achievement, extracurricular and community involvement, letters of recommendation, completion of an essay and financial need. The program is a fitting tribute to our first General Manager, Richard V.V. Stringham. Dick dedicated his life to serving CFCU's membership. To honor him, the Richard V.V. Stringham Scholarship was established in 1991 in recognition of his life-long commitment to education. It has grown to where we now offer 15, \$1,000 scholarships to deserving students.



In 2008, we also continued to support the Wealth Management program. This service provides

money management advice including retirement planning, investment portfolio analysis, tax-advantaged investing, trust services, estate planning, long-term care insurance, rollover IRAs, corporate benefits and more.

Securities, asset management, financial planning, and insurance products offered through LPL Financial and its affiliates. A Registered Investment Advisor. Member FINRA/SIPC. Products are not NCUA insured, are not obligations of CFCU Community Credit Union, are not guaranteed by the Credit Union or any affiliated entity, and involve investment risk, including the possibility of loss of principal. CFCU Community Credit Union, Inc. is not a registered broker/dealer nor is it affiliated with LPL Financial. Trust services are offered through The Private Trust Co., N.A., an affiliate of LPL Financial.

### Operating Statements as of December 31, 2008

(Unaudited)

|   |                   |                   | Percentage Comparisons |         |         |
|---|-------------------|-------------------|------------------------|---------|---------|
|   | 2006              | 2007              | 2008                   | 06-08   | 07-08   |
| <b>EARNINGS</b>                         |                   |                   |                        |         |         |
| Interest on Loans                       | 15,383,140        | 17,462,595        | <b>18,964,892</b>      | 23.28%  | 8.60%   |
| Investments and Other                   | 10,577,690        | 12,077,111        | <b>10,617,263</b>      | 0.37%   | -12.09% |
| Total Earnings                          | 25,960,830        | 29,539,706        | <b>29,582,154</b>      | 13.95%  | 0.14%   |
| Total Operating Expense                 | 12,638,351        | 13,923,918        | <b>13,967,472</b>      | 10.52%  | 0.31%   |
| Net Earnings from Operations            | 13,322,479        | 15,615,788        | <b>15,614,682</b>      | 17.21%  | -0.01%  |
| Non Operating Adjustments               | 17,157            | 440,419           | <b>379,384</b>         |         |         |
| <b>NET EARNINGS TO BE DISTRIBUTED</b>   | <b>13,339,636</b> | <b>16,056,207</b> | <b>15,994,066</b>      |         |         |
| <b>DISTRIBUTION OF EARNINGS</b>         |                   |                   |                        |         |         |
| Dividends Paid                          | 5,718,463         | 8,456,876         | <b>9,566,351</b>       | 67.29%  | 13.12%  |
| Transfers to Reserves:                  |                   |                   |                        |         |         |
| To Allowance for Loan Losses            | 249,597           | 57,369            | <b>377,456</b>         |         |         |
| To (From) Undivided Earnings            | 7,371,576         | 7,541,963         | <b>6,050,258</b>       | -17.92% | -19.78% |
| <b>TOTAL DISTRIBUTED</b>                | <b>13,339,636</b> | <b>16,056,207</b> | <b>15,994,066</b>      |         |         |
| Number of Members                       | 56,614            | 56,276            | <b>56,136</b>          |         |         |
| Number of Loans Outstanding             | 21,524            | 21,958            | <b>21,222</b>          |         |         |
| Loans-to-Shares Ratio                   | 75.37%            | 76.65%            | <b>73.36%</b>          |         |         |
| Expense-to-Income Ratio                 | 49.64%            | 47.33%            | <b>58.84%</b>          |         |         |
| % of Gross Earnings Returned to Members | 22.03%            | 28.63%            | <b>32.34%</b>          |         |         |
| % of Net Earnings Returned to Members   | 43.74%            | 54.36%            | <b>78.56%</b>          |         |         |
| Net Worth Ratio                         | 15.01%            | 15.21%            | <b>14.28%</b>          |         |         |
| Return on Average Assets                | 1.84%             | 1.69%             | <b>0.59%</b>           |         |         |

Respectfully submitted by Lynn O. Eastman, Treasurer

### Balance Sheet as of December 31, 2008

(Unaudited)

|                                     |                    |                    | Percentage Comparisons |        |        |
|-------------------------------------|--------------------|--------------------|------------------------|--------|--------|
|                                     | 2006               | 2007               | 2008                   | 06-08  | 07-08  |
| <b>ASSETS</b>                       |                    |                    |                        |        |        |
| Loans to Members                    | 259,235,220        | 308,735,132        | <b>329,752,307</b>     | 27.20% | 6.81%  |
| Less-Reserve for Loan Losses        | (860,000)          | (530,000)          | <b>(495,000)</b>       |        |        |
| Cash                                | 10,566,619         | 11,895,128         | <b>10,207,027</b>      | 35.43% | 20.87% |
| Investments-Net                     | 126,421,662        | 141,596,346        | <b>175,311,668</b>     |        |        |
| Fixed Assets-Net                    | 8,806,318          | 8,937,667          | <b>8,390,625</b>       |        |        |
| All Other Assets                    | 6,950,336          | 8,685,762          | <b>10,193,394</b>      |        |        |
| <b>Total Assets</b>                 | <b>411,120,155</b> | <b>479,320,034</b> | <b>533,360,019</b>     | 29.73% | 11.27% |
| <b>LIABILITIES AND EQUITY</b>       |                    |                    |                        |        |        |
| Share Balances                      | 154,577,918        | 154,594,138        | <b>174,019,996</b>     | 12.58% | 12.57% |
| Share Draft Balances                | 80,792,338         | 86,745,961         | <b>93,578,755</b>      | 15.83% | 7.88%  |
| Share Certificates                  | 108,558,993        | 161,449,515        | <b>181,903,119</b>     | 67.56% | 12.67% |
| Subtotal                            | 343,929,249        | 402,789,614        | <b>449,501,871</b>     | 30.70% | 11.60% |
| Accounts Payable                    | 2,277,105          | 3,630,612          | <b>3,868,807</b>       | 23.22% | 9.73%  |
| Surplus                             | 15,125,931         | 15,569,975         | <b>16,609,250</b>      |        |        |
| Undivided Earnings                  | 49,787,870         | 57,329,834         | <b>63,380,091</b>      |        |        |
| <b>Total Liabilities and Equity</b> | <b>411,120,155</b> | <b>479,320,034</b> | <b>533,360,019</b>     |        |        |

# Working for you!

## Branch locations:

### TOMPKINS COUNTY

#### Administrative Office

1030-1050 Craft Road  
Ithaca, NY 14850-1016  
607-257-8500  
Toll free 800-428-8340  
FAX 607-257-8186  
Mon.-Fri. 8:30 am-5 pm

#### The Cornell Store Branch

Cornell University  
15 Central Avenue  
Ithaca, NY 14853-5901  
607-255-5111  
FAX 607-255-3538  
Mon.-Fri. 8:30 am-5 pm

#### East Hill Branch

1022 Ellis Hollow Road  
Ithaca, NY 14850-2898  
607-277-1292  
FAX 607-277-1295  
**Drive-Thru:**  
Mon.-Thurs. 8:30 am-5:30 pm  
Fri. 8:30 am-6 pm  
Sat. 9 am-1:30 pm  
**Lobby:**  
Mon.-Fri. 9 am-5 pm  
Sat. 9 am-1 pm

#### Ithaca College Branch

Ithaca College  
1001 West Tower  
Ithaca, NY 14850-7080  
607-274-3395  
FAX 607-274-1843  
Mon.-Fri. 9 am-4:30 pm

#### Meadow Street Branch

409 N. Meadow St. (Rte. 13)  
Ithaca, NY 14850-3226  
607-275-3322  
FAX 607-275-3319  
**Drive-Thru:**  
Mon.-Thurs. 8:30 am-6 pm  
Fri. 8:30 am-6:30 pm  
Sat. 9 am-2:30 pm  
**Lobby:**  
Mon.-Fri. 9 am-5 pm  
Sat. 9 am-1 pm

#### Triphammer Branch

99 Sheraton Drive  
Ithaca, NY 14850-1601  
607-257-3011  
FAX 607-257-3014  
**Drive-Thru:**  
Mon.-Thurs. 8:30 am-5:30 pm  
Fri. 8:30 am-6 pm  
Sat. 9 am-1:30 pm  
**Lobby:**  
Mon.-Fri. 9 am-5 pm  
Sat. 9 am-1 pm

### CORTLAND COUNTY

#### Port Watson Street Branch

182 Port Watson Street  
Cortland, NY 13045-2812  
607-753-1840  
FAX 607-753-1817  
**Drive-Thru:**  
Mon.-Wed., Fri. 8:30 am-5:30 pm  
Thurs. 8:30 am-6:30 pm  
Sat. 9 am-1 pm  
**Lobby:**  
Mon.-Wed., Fri. 9 am-5 pm  
Thurs. 9 am-6 pm  
Sat. 9 am-12 pm

#### Rte. 281 Branch (Tops Plaza)

3910 Rte. 281, P.O. Box 149  
Cortland, NY 13045-0149  
607-756-6959  
FAX 607-756-6978  
**Drive-Thru:**  
Mon.-Wed. 8:30 am-5:30 pm  
Thurs. & Fri. 8:30 am-6 pm  
Sat. 9 am-1 pm  
**Lobby:**  
Mon.-Thurs. 9 am-5 pm  
Fri. 9 am-6 pm  
Sat. 9 am-12 pm



1030 Craft Road  
Ithaca, NY 14850  
607-257-8500

[www.mycfcu.com](http://www.mycfcu.com)