

“CHANGE is *inevitable*,
GROWTH is *intentional*.”

Glenda Cloud



one
member
at a time.



CFCU
Community
Credit Union

PRESIDENT'S REPORT

Robert O. Witty, President/CEO



\$100 Million in Growth

Fiscal 2009 was another year of outstanding growth for CFCU Community Credit Union. Assets increased by nearly \$100 million (\$96 million) or 18%, which was the largest one-year expansion we've ever realized in our entire 56-year history. We ended the year with total assets of \$629 million. At our present size, we rank in the top 300 of the nation's 8,000 credit unions.

Much of this asset growth can be attributed to a flight to safety and quality, as members move deposits from higher risk investment options to the safety and security of the Credit Union. They are concerned with an uncertain Wall Street, mounting losses at some of the nation's largest banks, low yielding money market accounts, and ever increasing banking fees. These concerns help explain our record growth in deposits, totaling \$84 million or 18.7%.

Every year, we aggressively promote the benefits of Credit Union membership. But, sometimes it takes tough economic times to drive these lessons home. With CFCU's lower loan rates, higher rates on savings and certificates of deposit, our lower fees and service charges, more and more consumers are making the switch to CFCU.

Along with tremendous growth in assets, we enjoyed strong earnings, posting a 1.09% return on assets and net worth of 13.56%. This puts us in the top 1% of all credit unions nationwide.

Mortgage lending also remained a major strength. In 2009, CFCU closed over \$150 million in residential mortgages. Over 1,100 current and new members took advantage of lower interest rates, no closing cost options and our in-house closing department to finance a new home or refinance a mortgage from another lender. With an average loan size of \$135,000, we remained the **#1** residential mortgage lender in the combined two-county, Tompkins/Cortland marketplace.

During 2009, we also lent over \$20 million to nearly 100 business owners. This was an increase of some 300% from 2008, when we originated only about \$5 million in commercial loans. Small- and medium-size businesses are joining individual consumers in realizing the Credit Union offers a better way to bank.



“FISCAL 2009 was *another year*
of *outstanding* GROWTH for CFCU.”

Across the board, CFCU's loan quality continues to be exceptional! Thanks to sound underwriting standards and a strong asset recovery department, loan delinquencies remained low at 0.57%, versus the 1.81% of our peer group credit unions.

Although CFCU did not participate in the sub-prime mortgage crisis that plagued the nation during 2008 and 2009, the ripple effect from that crisis significantly impacted our bottom line. Several bank and credit union failures throughout the U.S. prompted the National Credit Union Share Insurance Fund (NCUSIF) and the Federal Deposit Insurance Corporation (FDIC) to impose large fee assessments on all financial institutions. CFCU's assessment for 2009 was \$707,000. It should be noted, your deposits continue to be backed by the “full faith and credit” of the U.S. government up to a minimum of \$250,000 through the NCUSIF.

Additionally, because many corporate credit unions were involved with mortgage-backed securities, CFCU was forced to take a \$1.1 million write-down from our ownership share in Members United Corporate Federal Credit Union. Without these additional expenditures of \$1.8 million, we would have reported to you record earnings of \$8,103,742 in 2009, despite some of the most serious economic challenges facing the country in years.

Since problems created by the mortgage meltdown are not totally behind us, we expect additional expenditures in 2010. The coming year is likely to be another formidable one. However, we are confident that CFCU will emerge from the national recession strong and well capitalized, thanks to the many advantages we offer to attract new business and our ability to manage risk effectively.

Looking back on all the challenges we faced, 2009 was truly an exceptional year. 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 excited about our future. And we will continue to work hard to earn your trust and support!

“Change is inevitable, **GROWTH IS INTENTIONAL.**”

BOARD CHAIR REPORT

By James Place, Chair



The financial strength and stability of CFCU Community Credit Union stands in stark contrast to the financial condition of many of this nation's largest banks.

Although our country continues to struggle through one of the most difficult economic periods we've faced in generations, your Credit Union continues its outstanding performance and growth.

We're proud of all we've accomplished during the past year. The President's Message recaps many of these highlights, from growing nearly \$100 million in total assets to originating over \$150 million in residential mortgages. Helping our members afford a new home with lower rates and no closing costs is confirmation of the value we provide as a credit union.

It is the difference between banks and not-for-profit credit unions like CFCU that makes us very optimistic about our future. Many banks took taxpayer money to help bolster their bottom line, but they didn't loan the money to help restart the nation's economy as expected. A few months ago, United States Senator Charles Schumer visited our Port Watson Street branch in Cortland. He said with so many large banks pulling credit lines from small businesses, credit unions were well positioned to come to the rescue. His proposed legislation would fix a 1998 law by increasing the statutory cap on small business loans from 12.25% of total credit union assets to 25%. This will allow us to increase our level of business lending in the future.

Credit cards provide another opportunity to see the difference between banks and our Credit Union. Recent federal legislation targets the abusive credit card practices that have burdened many bank customers with high interest rates and large fees. In contrast, CFCU has maintained reasonable rates and fair fees that are a significant benefit to our members.



“OPTIMISM, DETERMINATION
and a *special thank you.*”

After more than 40 years of service to this organization, Bob Witty, our president and CEO, will retire in 2010. **On behalf of our members and the Board of Directors, I offer our profound thanks to Bob for his many years of service and numerous contributions to CFCU.** Bob’s instincts, knowledge and dedication to the fundamentals have helped him build one of the strongest credit unions in the country. When Bob took over as the president in 1984, we had \$39 million in assets and about 16,000 members. Under his leadership, the Credit Union has grown to over \$630 million in assets, while serving nearly 60,000 members.

Despite becoming one of the area’s largest financial institutions, Bob has never lost sight of why we exist — to serve our members. Bob has assembled and mentored a strong and capable management team who will help insure the qualities, characteristics and successes of the Credit Union as we transition to new leadership.

We don’t say it often enough, and that is, thank you to all the staff of CFCU for the friendly, professional service our members receive every day. Most of all, I want to thank our members for your ongoing support. Together we have built a financial institution that we can all be proud of.

FINANCIAL
strength
& *stability*

“Change is inevitable, **GROWTH IS INTENTIONAL.**”

SUPERVISORY COMMITTEE REPORT

By Blixy 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
Blixy 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 2009 internal audit plan included 35 audits. Of those, 22 were completed, six were in process with reports to be issued in the first quarter of 2010, and seven were carried over to the 2010 audit plan. During 2009, an additional 15 audits not in the 2009 plan were required and completed, bringing the total number of audits completed or in process to 43. The Supervisory Committee is highly satisfied with the completion rate of the internal audit plan and the responsiveness to new audit requirements, as well as management's response to any audit findings. Audit findings are typically minimal, and management is quick to implement suggestions.



WELL *managed*— FISCALLY *sound*

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.mycfcu.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.

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.

“Change is inevitable, **GROWTH IS INTENTIONAL.**”

YEAR IN REVIEW

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

**one
member
at a time.**

New Vision Statement

In 2009, we introduced a vision statement to describe what the Credit Union hopes to accomplish moving forward. Although sometimes confused with a mission statement, a vision statement serves a complementary purpose, pointing to a desired goal or outcome. For CFCU, our goal is to be the very best financial institution in Tompkins and Cortland Counties. With this in mind, we developed the following simple phrase to remind us how important service is to this goal.

Our Vision—To provide the best banking alternative in the communities we serve **one member at a time.**

No Closing Cost Mortgages

Helping members finance home purchases or refinance higher-rate mortgages from other lenders continued to be a major emphasis for CFCU in 2009. Throughout the year, we offered homebuyers a chance to save immediately with no closing cost mortgages. Since the average homebuyer is likely to pay over \$3000 in closing costs, this was and continues to be one of our most popular products. 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 see why CFCU continues to be the **#1 residential mortgage lender** in the area.

What are local consumers saying about bank credit cards?

In 2009, we hit the streets asking consumers a series of questions about their bank-issued credit cards. Not surprisingly, we heard a lot of dissatisfaction concerning high rates and fees, as well as all the abusive practices out there. To make it easier for consumers to switch over, we offered a special Visa Balance Transfer program throughout the year. The promotion featured a low annual percentage rate, fixed for the life of the transfer. This Visa Balance Transfer promotion has been extended into 2010.

Other Lending

Helping members afford the things they want and need is always a priority for the Credit Union. We offered special promotions throughout the year including "Crazy Low Loans," Liberty Loans (special discounted loans to help members make their homes more energy efficient or purchase energy-efficient vehicles), car sales with various local dealers and our popular one-year, All-Purpose Loans.

Crazy LOW
loan rates



CFCU

Invest in America

Early in 2009, CFCU joined the national Invest in America campaign in which credit unions around the country offered members low-cost auto loans to help boost domestic auto sales. As part of the program, GM and Chrysler offered credit union members exclusive discounts and incentives on new vehicle purchases. It was a great partnership designed to help consumers while strengthening the U.S. economy. Toward the end of the year and into 2010, the Invest in America program had been expanded to include offers from Sprint, Allied Moving and Storage, FTD.com, CU Benefits Express and Complete Tax.



Richard VV Stringham Scholarship Program

Fifteen, \$1,000 scholarships were awarded in 2009 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.

Wealth Management

In 2009, 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.

Wealth
Management
Located at CFCU Community Credit Union

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, 2009

(Unaudited)

EARNINGS

	2007	2008	2009	07-09	08-09
Interest on Loans	17,462,595	18,964,892	19,187,175	9.88%	1.17%
Investments and Other	12,077,111	10,617,263	9,539,998	-21.01%	-10.15%
Total Earnings	29,539,706	29,582,154	28,727,173	-2.75%	-2.89%
Total Operating Expense	13,923,918	13,967,472	14,797,433	6.27%	5.94%
Net Earnings from Operations	15,615,788	15,614,682	13,929,740	-10.80%	-10.79%
Non Operating Adjustments	440,419	379,384	686,174		
NET EARNINGS TO BE DISTRIBUTED	16,056,207	15,994,066	14,615,914		

DISTRIBUTION OF EARNINGS

	2007	2008	2009	07-09	08-09
Dividends Paid	8,456,876	9,566,351	7,795,899	-7.82%	-18.51%
Transfers to Reserves:					
To Allowance for Loan Losses	57,369	377,456	476,199		
To (From) Undivided Earnings	7,541,963	6,050,258	6,343,816	-15.89%	4.85%
TOTAL DISTRIBUTED	16,056,207	15,994,066	14,615,914		

Number of Members	56,276	56,136	56,641		
Number of Loans Outstanding	21,958	21,222	23,383		
Loans-to-Shares Ratio	76.65%	73.36%	64.18%		
Expense-to-Income Ratio	47.14%	47.22%	51.51%		
% of Gross Earnings Returned to Members	28.63%	32.34%	27.14%		
% of Net Earnings Returned to Members	52.86%	61.26%	55.13%		
Net Worth Ratio	15.21%	14.80%	13.56%		
Return on Average Assets	1.69%	1.19%	1.09%		

Respectfully submitted by Joseph H. During, Jr., Treasurer

Percentage Comparisons

Balance Sheet as of December 31, 2008

(Unaudited)

ASSETS

	2007	2008	2009	07-09	08-09
Loans to Members	308,735,132	329,752,307	342,481,460	10.93%	3.86%
Less-Reserve for Loan Losses	(530,000)	(495,000)	(625,000)		
Cash	11,895,128	10,207,027	11,568,779		
Investments-Net	141,596,346	175,311,668	256,969,690	74.95%	44.75%
Fixed Assets-Net	8,937,667	8,390,625	8,071,696		
All Other Assets	8,685,762	10,193,394	10,576,132		
Total Assets	479,320,034	533,360,019	629,042,758	31.24%	17.94%

LIABILITIES AND EQUITY

Share Balances	154,594,138	174,019,996	201,104,762	30.09%	15.56%
Share Draft Balances	86,745,961	93,578,755	114,481,876	31.97%	22.34%
Share Certificates	161,449,515	181,903,119	218,072,977	35.07%	19.88%
Subtotal	402,789,614	449,501,871	533,659,615	32.49%	18.72%
Accounts Payable	3,630,612	3,868,807	9,562,849		
Surplus	15,569,975	16,609,250	16,096,386		
Undivided Earnings	57,329,834	63,380,091	69,723,908	17.72%	7.29%
Total Liabilities and Equity	479,320,034	533,360,019	629,042,758	31.24%	17.94%

Percentage Comparisons

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-11 am and
11:45 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.-Fri. 8:30 am-6 pm
Sat. 9 am-2 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.-Fri. 8:30 am-5:30 pm
Sat. 9 am-1 pm
Lobby:
Mon.-Fri. 9 am-5 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.-Fri. 9 am-5 pm
Sat. 9 am-12 pm



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

www.mycfcu.com