

CREDIT UNION ASSOCIATION OF RHODE ISLAND



2010 Annual Report

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Chairman's Report

Credit Union Association of Rhode Island



Stephen J. White
President/CEO
Westerly Community
Credit Union

This past year, we watched the people of Rhode Island begin to battle back against the economic collapse, which smothered this state's economy for most of the past three years. Throughout it all, our credit unions have fought right along with them. Despite the fact that the economic meltdown presented extraordinary challenges to our credit unions, we remained focused and we continued to provide high quality, low-cost, financial services to the people of Rhode Island.

We did it because meeting the financial needs of our members and the community is our reason for being. It is the reason that credit union professionals go to work in the morning, and it is why directors and committee members volunteer so much time.

But how do we do it? How do we make our credit unions engines of growth in our local economy? How do we continue to meet the needs of low- and moderate-income Rhode Island families? How do we find the time and resources to support important community organizations and events when others have turned away?

I've thought about this a fair amount, and I am convinced that there are two answers to those questions. Hard work is the first answer. Over the years, I have been struck by how hard credit unions are willing to work to help a member get the financial help they need. Unlike the competition, our credit unions are looking beyond the immediate bottom line when we work with a member. We understand that the time we spend getting the member into the right financial product is time well spent. It is how we earn trust and loyalty and ensure that the loan or account will help to make them financially successful. This extra effort is seen in all that we do – from the smallest student account to large member business loans.

Cooperation is the second answer. Our willingness to work together as a community of credit unions creates tremendous opportunities for us. It gives us the resources and presence to be one of Special Olympics Rhode Island's largest and most important partners. It allows the credit unions of Rhode Island to be the main sponsor of the Rhode Island High School Basketball Championships. In addition, it gives us the chance to work together on financial literacy and other community initiatives.

Through the Association, our cooperative efforts give us access to outstanding educational programs, business services, and information services. Our strong support of these programs ensures that they will grow and become even more robust.

Perhaps the most important single benefit of our cooperative nature is the fact that it makes it possible for us to speak with a single voice on the issues that matter most. As you know, we face many challenges on the legislative and regulatory fronts. Legislation that was initially designed to right the excesses of Wall Street and the Mega-Banks ended up incorporating hastily drafted components that will harm institutions like ours who played no part in the problem. As always, our collective voice and action is the best weapon that we have in the fight to correct these missteps.

There is a great deal of hard work ahead, as we continue to work our way out of the recession and its aftermath. Jobs must be created, confidence has to be restored, and safeguards have to be put in place to prevent the sort of excesses that led to the meltdown we all suffered through. The good news is that our credit unions are part of the solution. I know that with your continued cooperation, we will make a difference.

Board of Directors

Credit Union Association of Rhode Island

Stephen J. White
Chairman
Westerly Community Credit Union

Ellen N. Ford
First Vice Chairman
People's Credit Union

David B. Suvall
Second Vice Chairman
Rhode Island Credit Union

Joseph J. Cicione, III
Treasurer
Alliance Blackstone Valley
Federal Credit Union

Eugene V. Leco
Secretary
Kent Hospital Federal Credit Union

Robert P. Andrade
Director
Pawtucket Credit Union

Paul Archambault
Director
Wave Federal Credit Union

Gary E. Furtado
Director
Navigant Credit Union

Kenneth Poyton
Director
Providence Postal Federal Credit Union

Cidalia C. Rocha
Director
Columbus Credit Union

Joan M. Saunders
Director
Community and Teachers
Federal Credit Union

Richard E. Smith
Director
Dexter Credit Union

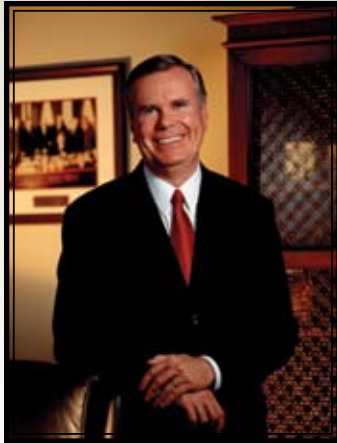
Mission Statement

Credit Union Association of Rhode Island

The Credit Union Association of Rhode Island, as an integral part of the credit union system, is committed to serving member credit unions through leadership, quality products and services which will enable credit unions to cooperatively and effectively meet the financial needs of their members.

President's Report

Credit Union Association of Rhode Island



Daniel F. Egan, Jr.
President

The Credit Union Association of Rhode Island and its member credit unions had many challenges in 2010 as the economy struggled to emerge from the recession. With continuing high unemployment and constrained consumer spending, lending was challenging; but credit unions had loan growth of 2.46%, in comparison to the national average, which was a decrease of 1.34%. Assets grew 3.44% in 2010 and net worth remained one of the highest of all states in the country at 10.60%.

Due to low lending rates and reduced consumer borrowing, net operating margins continued to be squeezed. Adding to the difficulty of net operating margins was the cost of the National Credit Union Share Insurance Fund assessment for the Corporate Stabilization Fund that accounted for 23 basis points. Despite these limiting factors, credit unions in Rhode Island grew net worth by 3.74% in 2010.

For the Association, 2010 was also a challenging year. Increased federal regulations and the impact of the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act added to the already significant compliance burden of credit unions. Through increased education programs and direct technical assistance, the Association increased access to regulatory training for credit unions.

In addition, the Association started a new regulatory compliance audit program by hiring a new staff member who will serve on a contract basis with four credit unions as their in-house compliance specialist. This gives credit unions the ability to have expert assistance on staff without the cost of a full time employee. This program will expand in 2011.

One of the founding principles of credit unions was to educate consumers on the prudent use of credit and the benefits of long term savings. In recent years, this effort has extended to financial literacy training in schools. Primarily through the CU 4 Reality Financial Education Program, developed in cooperation with America's Credit Union Museum, eight Rhode Island credit unions are now providing financial literacy training to middle and high school students.

The Association and its member credit unions have long focused on being good corporate citizens by providing financial and volunteer support to many charities in the state. The Association has been recognized as one of the major corporate donors for Special Olympics Rhode Island. In 2010, the Association again provided substantial financial support and many credit union volunteers to the 2010 Special Olympics Summer Games.

Another long tradition that has been part of the Association's community outreach is support the Rhode Island High School Basketball Championships in March. Credit union financial support and the work of many credit union volunteers make the Credit Union Championships a great event for high school basketball teams from across the state.

Like credit unions, the Association is successful because of the commitment of a volunteer Board of Directors, an experienced and energetic staff, and a supportive membership. These are the ingredients that made 2010 a successful year for the Association. To all of those who contributed to that success, thank you.

Committees

Credit Union Association of Rhode Island

Bylaw and Resolutions Committee

Robert Andrade, Chairman

Pawtucket CU
Betty Callahan
Providence Postal FCU
Robert Falso
Westerly Community CU
Joseph Lajoie
Greenwood CU
Eugene Leco
Kent Hospital FCU
Adam Quinlan
Coventry CU

Community Investment

Fund Committee

Gary Furtado, Chairman

Navigant CU
Paul Archambault
Wave FCU
Ellen Ford
People's CU
Richard Gingell
Coventry CU
Karl Kozak
Pawtucket CU
Kenneth Poyton
Providence Postal FCU
Kenneth Saunders
Community and Teachers FCU
James Wood
Blackstone River FCU

Convention Committee

Cidalia Rocha, Chairman

Columbus CU
Donna Gregson
Pawtucket CU
Eugene Leco
Kent Hospital FCU
Joan Saunders
Community and Teachers FCU

Finance Committee

Joseph Cicione, III, Chairman

Alliance Blackstone Valley FCU
Paul Brousseau
Dexter CU
George Charette
Pawtucket CU
Dennis Crawley
Cranston Municipal Employees CU
Lisa Dandeneau
Navigant CU
Ellen Ford
People's CU
David Suvall
Rhode Island CU
Richard Walker
Coventry CU

Governmental Affairs Committee

Gary Furtado, Chairman

Navigant CU
Robert Andrade
Pawtucket CU
Paul Archambault
Wave FCU
Joseph Cicione, III
Alliance Blackstone Valley FCU
Dennis Crawley
Cranston Municipal Employees CU
Ellen Ford
People's CU
Richard Gingell
Coventry CU
James Irving
Greenwood CU
Kenneth Poyton
Providence Postal FCU
Kenneth Saunders
Community and Teachers FCU
Richard Smith
Dexter CU
David Suvall
Rhode Island CU

Marketing Committee

Kenneth Poyton, Chairman

Providence Postal FCU
Gina DePalo
Rhode Island CU
Frances DiFiore
Pawtucket CU
Timothy Draper
Navigant CU
Rosemary Killilea
Wave FCU
Arthur Paul
People's CU
Shelly Peckham
Coventry CU
Meg Sisco
Westerly Community CU

Nominating Committee

Karl Kozak, Chairman

Pawtucket CU
Joseph Cicione, III
Alliance Blackstone Valley FCU
Kenneth Poyton
Providence Postal FCU
David Suvall
Rhode Island CU
Richard Walker
Coventry CU

Social Responsibility Committee

David Dupéré, Chairman

Wave FCU
Paul Archambault
Wave FCU
Mary Ellen Buckley
Westerly Community CU
Joseph Cicione, III
Alliance Blackstone Valley FCU
Christopher Eden
People's CU
Cidalia Rocha
Columbus CU
Kristin Rojas
Pawtucket CU
Randall Sacilotto
Navigant CU
Nancy Zeppa
Rhode Island CU

* Stephen J. White, *Westerly Community CU* - Ex-Officio on all committees

Member Credit Unions

Credit Union Association of Rhode Island

Statistical Data as of December 31, 2010

CREDIT UNION	CHARTER DATE	MEMBERS	ASSETS
Alliance Blackstone Valley FCU	1948	3,521	\$38,893,537
Blackstone River FCU	1961	4,865	\$41,035,451
Carol Wire & Cable Corp. Employees FCU	1953	210	\$593,639
Columbus CU	1950	6,067	\$64,580,900
Community and Teachers FCU	1961	2,397	\$19,476,555
Coventry CU	1950	31,457	259,257,366
Cranston Municipal Employees CU	1946	3,208	\$53,060,917
Dexter CU	1948	8,429	\$121,358,229
Greenwood CU	1948	56,065	\$283,971,405
Kent Hospital FCU	1963	2,441	\$12,521,943
Navigant CU	1915	47,561	\$1,205,981,808
Pawtucket CU	1928	65,265	\$1,214,662,320
Pawtucket Municipal Employees FCU	1964	975	\$3,278,866
People's CU	1922	29,366	\$379,670,045
Postal Employees Regional FCU	1929	811	\$7,260,508
Providence Postal FCU	1927	4,602	\$40,316,551
Rhode Island CU	1946	25,999	\$216,930,478
Wave FCU	1938	7,451	\$108,011,979
Westerly Community CU	1948	15,666	\$207,341,889

Independent Auditors' Report

Credit Union Association of Rhode Island

Root & Associates
Certified Public Accountants
225 Newman Avenue
Rumford, Rhode Island 02916

(401) 228-8770
FAX 228-8772

To the Board of Directors
of the Credit Union Association of Rhode Island

We have audited the accompanying statement of financial condition of the Credit Union Association of Rhode Island ("the Association") as of December 31, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstance, but not for the purpose on expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Credit Union Association of Rhode Island at December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



April 7, 2011

Consolidated Statement of Financial Position

Credit Union Association of Rhode Island

December 31, 2010

Assets

Cash and cash equivalents	\$ 229,058
Trade accounts receivable	22,941
Prepaid assets	<u>5,959</u>
Total current assets	257,958
Investment in New England Credit Union Services, LLC (note 4)	59,069
Investment in Members Insurance Agency, LLC (note 4)	187,259
Investment in Credit Union House, LLC (note 4)	24,674
Investment in Credit Union Direct Corporation (note 4)	23,740
Investment in CUNA Services Group, Inc.	<u>3,151</u>
Total assets	<u>\$ 555,851</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 82,985
Deferred income (note 2)	<u>114,054</u>
Total current liabilities	197,039
Net Assets	
Unrestricted net assets	306,589
Temporarily restricted net assets (note 3)	<u>52,223</u>
	<u>358,812</u>
	<u>\$ 555,851</u>

See accompanying notes to financial statements.

Consolidated Statement of Activities

Credit Union Association of Rhode Island

December 31, 2010

Operating Income

Association dues	\$259,557
Other income, principally payments by members for Association meetings and seminars (net)	<u>49,697</u>

309,254

Operating Expenses

Management fee (note 6)	187,000
General and administrative expenses	64,692
Annual and Board of Directors' meeting expenses	14,237
Marketing and public relations	6,841
Contributions	<u>12,500</u>

285,270

Excess of operating revenue over operating expenses	23,984
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Other Revenues (expenses)

Interest earned	147
Equity in the net income (loss) of New England Credit Union Services, LLC (note 4)	2,187
Equity in the net income of Members Insurance Agency, LLC (note 4)	38,824
Partnership share of the net income (loss) of Credit Union House, LLC (note 4)	<u>1,254</u>

Change in unrestricted net assets	<u>66,396</u>
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Temporarily restricted net assets (note 3)	
Funds received	12,269
Funds released	<u>(11,575)</u>

Change in temporarily restricted net assets	<u>694</u>
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Change in total net assets	67,090
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Net assets, beginning of year	<u>291,722</u>
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Net assets, end of year	<u><u>\$ 358,812</u></u>
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See accompanying notes to financial statements.

Consolidated Statement of Cash Flow

Credit Union Association of Rhode Island

December 31, 2010

Cash Flows From Operating Activities

Change in unrestricted total net assets	\$ 66,396
Adjustments to reconcile change in total net assets to net cash provided by operating activities:	
Increase in accounts receivable	(16,116)
Decrease in prepaid assets	(587)
Increase in Investment in New England Credit Union Services, LLC	(2,187)
Increase in Investment in Members Insurance Agency, LLC	(38,824)
Increase in Investment in Credit Union House, LLC	(1,254)
Decrease in Investment in Credit Union Direct Corporation	1,260
Increase in temporarily restricted assets	694
Increase in accounts payable	236
Decrease in deferred income	<u>(8,146)</u>
Net cash provided by operations and net increase in cash and cash equivalents	1,472
Cash and cash equivalents at beginning of year	<u>227,586</u>
Cash and cash equivalents at end of year	<u><u>\$229,058</u></u>

See accompanying notes to financial statements.

December 31, 2010

(1) Basis of Presentation

The Association is a trade association representing credit unions in the state of Rhode Island. Member credit unions are assessed dues based upon the respective asset size of their institution as of June 30 of the prior year.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues and expenses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Association and changes thereto are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be met, either by actions taken by the Association or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

(2) Summary of Significant Accounting Policies

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through April 7, 2011, the date which the financial statements are available to be issued.

Partnership Interests

The Association's investments in New England Credit Union Services, LLC ("CULLC") and Members Insurance Agency, LLC ("MIA") are accounted for using the equity method (see note 4). These investments are stated at cost adjusted for the Association's equity in the undistributed earnings or loss of CULLC and MIA since acquisition. The Association's investment in Credit Union Direct Corporation (see note 4) is accounted for utilizing the cost method, and is stated at lower of cost or market value as of the balance sheet date. The Association's partnership interest in Credit Union House, LLC is adjusted annually for the Association's share of the partnership's net income or loss (see note 4).

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, other than income that is deemed "unrelated business income" under Section 511(a) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Association considers all cash on hand and in corporate credit unions and all highly liquid short-term investments with maturities of three months or less to be cash equivalents.

(2) Summary of Significant Accounting Policies (continued)

There were no funds on deposit with financial institutions in excess of the federally insured limit of \$250,000 at December 31, 2010.

Deferred Income

Deferred income represents dues collected from member credit unions in the current year that relate to and are earned in the following year. Such amounts collected are deferred and amortized into income over the subsequent twelve-month period.

Pervasiveness of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Temporarily Restricted Net Assets

Under the terms of an agreement with the National Credit Union Foundation, Inc. ("NCUF"), the Association receives a percentage of the income earned from investments made to benefit the Community Investment Fund ("CIF"), which was established for the purpose of funding credit union development. Certain Rhode Island credit unions, as well as the Members United Bridge Corporate Federal Credit Union, have agreed to invest funds and to forego a portion of the earnings that would otherwise be available so as to benefit the CIF. Fifty percent of this forfeited interest is paid to the NCUF for the benefit of the CIF. Under the Association's agreement with the NCUF, fifty percent of this amount is then paid to the Association (\$12,269 for the year ended December 31, 2010).

Pursuant to this agreement, the Association has agreed to utilize these funds solely for the following purposes:

- 1) The education of credit union and Association employees and volunteers.
- 2) Public education initiatives related to consumer finance.
- 3) To support new, small or community development credit unions.
- 4) For programs that extend credit union services to the full range of membership, with emphasis on the unserved or underserved.

In 2010, the Board of Directors approved the expenditure of \$11,575 for public education purposes. The unexpended funds received from this program, which totaled \$52,223 at December 31, 2010 are classified as Temporarily Restricted Net Assets in the accompanying statement of financial position.

(4) Equity Investments

New England Credit Union Services, LLC

The purpose of New England Credit Union Services (“CULLC”) is to act as a joint management company on behalf of the three investor Credit Union Associations. As a result, all non-dues related revenues are assigned to CULLC and the Association’s management fee, as described in (note 6) to these financial statements, as well as those management fees paid by the New Hampshire Credit Union League and Affiliate and the Massachusetts Credit Union League and Affiliate, are paid to CULLC.

Per the terms of the CULLC “Certificate of Organization” dated November 20, 1998, during 2010 the Association shared in 5.83% of the net income generated by CULLC, a percentage that is adjusted annually based upon the ratio of gross revenues earned from Rhode Island sources to the gross revenues earned by CULLC.

The Association’s investment in CULLC is accounted for using the equity method. Summarized audited financial information for CULLC at December 31, 2010 is as follows:

Earnings Data:	
Revenue	\$ 5,158,789
Net Income (Loss)	\$ 37,528
Balance Sheet Data:	
Total Assets	\$ 1,421,264
Total Liabilities	\$ 843,406
Stockholders’ Equity	\$ 577,858

For the year ended December 31, 2010, the Association’s share of the net income realized by CULLC, which is reflected in the accompanying statement of operations, was \$2,187.

Members Insurance Agency, LLC

The Association also receives a share of the operating income or loss from the Members Insurance Agency, LLC (“MIA”). Under the terms of the MIA “Certificate of Organization” dated July 29, 1998, this percentage is adjusted annually based upon the ratio of gross revenues earned from Rhode Island sources to the gross revenues earned by MIA. This percentage was 11.91% for the year ended December 31, 2010.

MIA was formed to provide insurance services to New England Credit Unions. The remaining net income or loss of MIA is shared by the Massachusetts Credit Union League, Inc. and the New Hampshire Credit Union League.

For the year ended December 31, 2010, the Association’s share of the net income realized by MIA, which is reflected in the accompanying statement of operations, was \$38,824.

The Association’s investment in MIA is accounted for using the equity method. Summarized audited financial information for MIA at December 31, 2010 is as follows:

Notes to Consolidated Financial Statements

Credit Union Association of Rhode Island

(4) Equity Investments (continued)

Earnings Data:

Revenue	\$ 2,141,399
Net Income	\$ 325,976

Balance Sheet Data:

Total Assets	\$ 2,102,725
Total Liabilities	\$ 116,918
Stockholders' Equity	\$ 1,985,807

Credit Union House, LLC

In 2000, the Association invested \$20,000 in a partnership interest in Credit Union House, LLC ("CUHLLC"). CUHLLC was formed for the purpose of developing property in Washington, D.C. from which the interests of Credit Unions and their members can be promoted to government officials. The Association's investment represents a 0.67% share of CUHLLC, and is adjusted annually based upon the net income or loss incurred by the partnership (\$1,254) in 2010.

Credit Union Direct Corporation

In 2000, the Association invested \$25,000 in a California domiciled corporation named Credit Union Direct Corporation ("CU Direct"). CU Direct was formed to promote indirect automobile lending activities to credit union members. As the Association's investment does not allow for the exercise of significant influence over the operations of CU Direct, the investment is carried at the lower of cost or fair market value in the accompanying statement of financial condition. The Association's recorded investment in CU Direct was reduced to \$23,740 in 2010 to record the receipt of a dividend in the amount of \$1,260.

(5) Income Taxes

Certain of the share of income and loss passed through to the Association under the terms of its agreements with CULLC and MIA is deemed to be unrelated business taxable income under the provisions of Section 511(a) of the Internal Revenue Code. Tax expense was \$2,304 for the year ended December 31, 2010.

(6) Management Agreement

On January 1, 1992, the Association entered into a management agreement with Credit Union Professional Services, Inc. ("CUPS"). As more fully discussed (in note 3), the management agreement has been assigned to CULLC. Under the terms of this agreement, CULLC has assumed all managerial responsibilities on behalf of the Association. Management fees paid in 2010 to CULLC totaled \$187,000.

(7) Borrowed Funds

The Association had available a \$15,000 line of credit from the Members United Bridge Corporate Federal Credit Union at December 31, 2010. Any borrowings under this line of credit would be fully secured by the assets of the Association. At December 31, 2010, the Association had no outstanding borrowings against the line of credit.

Credit Union Association of
RHODE ISLAND 
