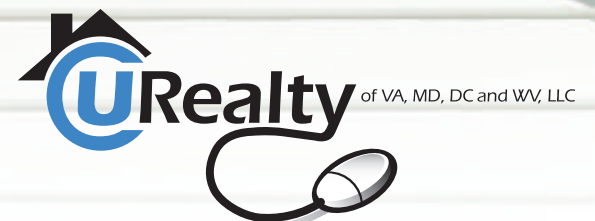


Under One Roof



2009 Annual Report





CU Realty Board of Managers

Front row (seated), L-R:

Colleen Daly, Northwest FCU
Michelle Sandy, Northwest FCU
Denine Messersmith, NRL FCU

Back row (standing), L-R:

Lewis Smith, Bayport CU
Scott Toler, Credit Union Mortgage Association
Matthew Kaudy, Fairfax County FCU
John Ritchey, Apple FCU
Barry Stricklin, Tower FCU
Dan Rogan, Bank-Fund Staff FCU

I remember way back in the dark ages while I was getting my undergraduate business degree, we talked about *synergy*. I recall it being a strange concept described as the idea of the whole being greater than the parts, or $1 + 1 = 3$. Having been taught my whole life that $1 + 1 = 2$, this was new information for me to compute.

Back then I didn't have the luxury of the Internet, but in today's world it is simple to do a little research on the subject. In searching for the definition of synergy I came across this explanation:

syn•er•gy (sĭn'ər-jē) *n.*

The interaction of two or more agents or forces so that their combined effect is greater than the sum of their individual effects.

Our theme for this annual report is "Under One Roof," and it was this concept of synergy that sprung to mind as I considered our CU Realty organization. We truly are a sum greater than the individual parts. Credit unions have thrived under a cooperative spirit and high levels of service to our members for more than a hundred years. Our members formed our credit unions as a "cooperative," and we have always worked together across the industry to bring what is best to our members.

CU Realty models these same principles by bringing together our credit unions, our members, and our REALTORS® to provide outstanding opportunities and benefits. By everyone working together we have been able to help our members save money, connect with experienced REALTOR partners, and as a result, deepen and strengthen our collective relationships while providing low-rate loans and helping achieve the "American Dream" of home ownership.

This past year has been a challenging one for all of us. Despite an overall decline in our economy, and while others have pulled out of markets, our Credit Unions have continued to provide great financing options for our members, allowing them to take advantage of more affordable homes in their neighborhoods. Our REALTORS are teammates and appreciated as a key ingredient in our success as an organization. Their presence is one more way of reminding homeowners that "Yes, credit unions really DO make mortgage loans!" and that we do it well, with great rates, less fees and trusted service.

Our accomplishments as a team are also confirmed by the continued economic success reflected in the financials of this annual report. We look forward confidently to our future opportunities and continued achievements. In closing, I am reminded of a line from a song I heard (more times than I wanted) from my daughter's Disney *High School Musical* CD. "We're all in this together..." and I for one....am glad that is the case.

Lewis Smith

Chairman, Board of Managers

Independent Auditors' Report

Board of Managers
CU Realty of VA, MD, DC and WV, LLC
Herndon, Virginia

We have audited the accompanying statements of financial condition of CU Realty of VA, MD, DC and WV, LLC as of December 31, 2009 and 2008, and the related statements of operations and changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 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 CU Realty of VA, MD, DC and WVA, LLC as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

LarsonAllen LLP
Arlington, Virginia
March 6, 2010

Statements of Financial Condition

December 31, 2009 and 2008



2009 2008

Assets

Cash equivalent – checking	\$ 219,435	\$ 183,060
Accounts receivable – trade	21,150	8,500
Prepaid fees	6,000	17,500
TOTAL ASSETS	\$ 246,585	\$ 209,060

Liabilities and Members' Equity

LIABILITIES

Accounts payable – vendors	\$ 2,092	\$ 100
Accrued expenses	3,100	3,100
Total liabilities	5,192	3,200

MEMBERS' EQUITY

Capital accounts \$10,000 minimum contribution 12 units issued and outstanding	120,000	120,000
Retained earnings allocation	121,393	85,860
Total members' equity	241,393	205,860

TOTAL LIABILITIES AND MEMBERS' EQUITY

\$ 246,585	\$ 209,060
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The accompanying notes are an integral part of these financial statements.

Statements of Income and Change in Members' Equity

For the Years Ended December 31, 2009 and 2008

	2009	2008
Revenues		
Affinity fee income	\$ —	\$ 1,250
Real estate closings income	<u>100,850</u>	<u>53,100</u>
Total revenues	100,850	54,350
Expenses		
Business licenses/insurance	5,367	2,408
Broker licenses and MLS fee – amortization	11,500	20,000
Meeting expenses	9,293	3,825
Licensing fee	15,500	—
Office operating expenses	1,504	3,647
Contract services	10,192	3,471
Professional services	<u>11,861</u>	<u>9,149</u>
Total expenses	<u>65,217</u>	<u>42,500</u>
NET INCOME BEFORE INCOME TAXES	35,633	11,850
Income Tax Expense	<u>100</u>	<u>100</u>
NET INCOME	35,533	11,750
Members' equity – beginning of year	<u>205,860</u>	<u>194,110</u>
MEMBERS' EQUITY – end of year	<u>\$ 241,393</u>	<u>\$ 205,860</u>

Statements of Cash Flows

For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Inflows:		
Operating income	\$ 88,200	\$ 60,050
Outflows:		
Payments to suppliers and vendors	51,625	27,600
Payments for taxes	<u>100</u>	<u>100</u>
	<u>51,725</u>	<u>27,700</u>
Net cash provided by operating activities	<u>36,375</u>	<u>32,350</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,375	32,350
Cash and cash equivalents – beginning of year	<u>183,060</u>	<u>150,710</u>
CASH AND CASH EQUIVALENTS – end of year	<u>\$ 219,435</u>	<u>\$ 183,060</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities		
Net income	\$ 35,533	\$ 11,750
Adjustments of net income in arriving at net cash provided by operating activities:		
Amortization expense	11,500	15,000
(Increase)/decrease in:		
Accounts receivable	(12,650)	5,600
Increase/(decrease) in:		
Accounts payable	1,992	—
Deferred income	<u>—</u>	<u>—</u>
Total adjustments	<u>842</u>	<u>20,600</u>
Net cash provided by operating activities	<u>\$ 36,375</u>	<u>\$ 32,350</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

December 31, 2009 and 2008

Note 1: Operational History

The CU Realty of VA, MD, DC and WV, LLC was organized in the Commonwealth of Virginia on May 14, 2004, as a limited liability company to provide the members of participating credit unions with real estate broker services.

The CU Realty of VA, MD, DC and WV, LLC, a credit union service organization (CUSO), is a membership entity governed by a Board of Managers and managed by a contract staff who report directly to the Board of Managers.

The CUSO's principal business product is real estate broker assistance.

Note 2: Summary of Significant Account Policies

Basic Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

The Company changed accounting policies related to the financial statements by adopting Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Codification Update in 2009. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

Statement of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include demand deposits at Northwest Federal Credit Union.

Commission Income

The CUSO has an affinity agreement with other national organizations that promote real estate broker services in credit unions. The CUSO earns a fee of \$150 per real estate transaction. Income is recorded when earned.

Affinity Fee Income

Credit unions that wish to participate in the program and which are not capital account holders or sponsored through a related mortgage CUSO pay an annual fee to obtain access to this service. This fee is amortized to income over the period that it covers.

Accounts Receivable/Allowance for Bad Debts

The CUSO considers that all accounts receivable will be paid in full. As a result, no allowance for bad debts has been established.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make 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 these estimates.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 6, 2010, the date the financial statements were available to be issued.

Amortization Expenses

The Company has set up as a prepaid expense the broker fees and multi-listing service fees (MLS) paid to various states in order to be registered as a broker. Amortization expense is computed on the straight-line basis over the estimated useful lives of the various classes of assets. Amortization expense for the years ended December 31, 2009 and 2008, was \$11,500 and \$15,000, respectively.

Note 3: Capital Accounts

The capital contribution has a minimum unit share of \$10,000. As of December 31, 2009 and 2008, 12 units were issued and outstanding. The units are owned by 11 different credit unions and a mortgage-related credit union service organization.

Note 4: Income Taxes

The Company operates as a limited liability company. Taxable income is passed on to each respective shareholder without liability to the Company. The District of Columbia has a \$100 minimum tax for all corporations.

The Company adopted the income tax standard for uncertain tax positions on January 1, 2009. As a result of implementation, the Company evaluated its tax positions and determined no uncertain tax positions exist as of December 31, 2009.

The Company's 2006 through 2009 tax years are open for examination by federal and state taxing authorities.

Organization costs were expensed for book purposes in accordance with U.S. generally accepted accounting principles. However, for tax purposes, organization costs are required to be capitalized and amortized over five years. This timing difference will have a slight effect on the shareholders who are not tax exempt.

Note 5: Related Party Transactions

The Company is provided office space and management services by one of the stockholder credit unions, Northwest Federal Credit Union. These activities have been approved by the Board of Managers, and are considered to be contracted without preferential treatment. The total reimbursed expenses totaled \$10,192 in 2009 and \$3,471 in 2008.

The Company also maintains all its cash and liquid savings accounts with member credit unions.

Credit Union Partners and Affinity Members

Credit Union Partners

Agriculture Federal Credit Union	Yatta Farmer	202-479-3862
Apple Federal Credit Union	Aaron Leicher	703-679-1284
Bank-Fund Staff Federal Credit Union	Christine Gatton Austin	202-212-6369
BayPort Credit Union	Marissa Lovingood	757-896-8767
Credit Union Mortgage Association	Tony Miller	703-425-1204, ext. 136
Fairfax County Federal Credit Union	Joe Thomas	703-218-9900, ext. 1130
HEW Federal Credit Union	Susan Jackson	202-488-5400
Justice Federal Credit Union	Mark Jenkins Roya Movahed	703-480-5300, ext. 3121 703-480-5300, ext. 3114
NASA Federal Credit Union	Tim Jeffrey	301-249-1800, ext. 347
Northwest Federal Credit Union	Michelle Sandy	866-709-8921, ext. 72132
State Department Federal Credit Union	Harold Bennett	703-739-3092
Tower Federal Credit Union	Kathy Smallwood	301-497-7023

Credit Union Affinity Partners

Congressional Federal Credit Union	Carol Brann	703-261-2823
FedFinancial Federal Credit Union	Chuck Goldston	301-881-1870, ext. 1206
Money One Federal Credit Union	Angie Akingbade	301-925-4600, ext. 220
NRL Federal Credit Union	Denine Messersmith	301-839-8427
Transit Federal Credit Union	Janet Neal	202-832-5100, ext. 271
Transportation Federal Credit Union	Rachel Young	202-385-6040
U.S. Postal Service Federal Credit Union	Arthur Turcotte	301-856-5000, ext. 1389
Vantria Federal Credit Union	Darcie Albright	703-913-0700, etx. 125

"We are very proud of the growth CU Realty has experienced—a true testament to the excellent service our partner agents provide our collective members. In 2009, rebates awarded to members doubled, which is an incredible accomplishment for any organization to achieve, especially considering the economic outlook. Our goal is to continue to work together to develop the LLC into a service organization our members trust and turn to first for all their real estate needs."

Michelle Sandy
Executive Managing Director
CU Realty of VA, MD, DC and WV, LLC

www.curealtyllc.com

220 Spring Street, Suite 250, Herndon, Virginia 20170
703-709-8921

