



2008 Annual Report





Our Mission

- To improve the financial security of members and their families
- To be the principal supplier of financial services to our members
- To maintain a sound conservative financial position

Our Values

- **Member Focused** - We anticipate and respond promptly to member expectations and continuously fulfill member needs.
- **Act with Integrity** - We act ethically for the member, co-workers, suppliers and our Credit Union.
- **Financially Strong** - We support those actions and behaviors that contribute to growth and return.
- **Good Employer** - We treat employees with respect and dignity. We provide employees with a work environment that is challenging, rewarding, enjoyable and safe.



Note from the Chairman

Many have described the current severe economic downturn in the United States as the “perfect storm” – a confluence of the sub-prime mortgage fiasco, the paralysis of the credit markets and the accompanying collapse of the stock market. The intensity of this economic upheaval has been frightening for many families. In turn, they have looked for a safe harbor – a place they can trust for their financial future. For our members, that place has been USAlliance.

Throughout this crisis, we have continued to make credit available to members at our traditional low rates and with affordable terms. Our savings products have and still do carry rates that have consistently outperformed the markets we serve. Through two mergers, one in June with Skyline Federal Credit Union and the other in December with UniStar Federal Credit Union, we have grown to 50,000 members with over \$750 million in assets, adding six additional branches including one in Manhattan. We have increased the convenience of conducting routine transactions through the successful introduction of shared branching.

Our economy will weather the storm. Until it does, please remember that USAlliance—your credit union—is here for you. USAlliance remains a secure financial services institution, with a strong capital position that will insure that we will be here for you in the future, to serve all your financial services needs.

Thank you for your trust and support throughout 2008. We look forward to continuing to serve the financial needs of you and your family—during both the economic troughs and crests—for many years to come.

A handwritten signature in black ink that reads "George L. Barto". The signature is written in a cursive, flowing style.

George L. Barto
Chairman



Note from the President

The year 2008 proved to be a monumental one for the US economy, the credit union industry and USAlliance. The economy retreated into a recession the likes of which have not been felt since the early 1980s. While the credit union industry as a whole has weathered the economic storm better than its banking counterpart, it has not been totally immune to the downturn. For USAlliance, it was a year of both challenges and opportunities. We implemented actions to mitigate the former while initiating others to seize upon the latter. The decisions made were sound, prudent ones to help position the Credit Union to better compete in the future. Steps taken by us to insure a more prosperous tomorrow, as well as extraneous events and proper accounting requirements, have had a negative impact on our current financial position, resulting in a non-operational loss. I'd like to address each of these in more detail.

After a thorough due diligence process, we completed mergers with two credit unions – Skyline Federal Credit Union in June and UniStar Federal Credit Union in December. These mergers added over 15,000 dedicated members and six new branch offices, including one in New York City accessible to our entire membership. These acquisitions greatly enhance our ability to provide more services more quickly and conveniently at a time when they are needed the most. As you might expect, these credit unions sought out a merger partner because they could no longer operate as individual institutions. As required by generally-accepted accounting principles at the time, their losses became our losses. This is a one-time occurrence and we do not anticipate any further negative financial impact stemming from these mergers.

During 2008, USAlliance recognized a significant insurance loss due to alleged fiduciary misappropriation at the Credit Union's wholly-owned subsidiary, Affina Brokerage Services, LLC. We have recovered the majority of



the loss from the Credit Union's bonding company, an event that will be reflected in our 2009 consolidated financial statements.

Finally, in January 2009, all federally-insured credit unions received notification that the National Credit Union Administration's (NCUA) actions to fortify the corporate credit union system would result in a partial write-down of each institution's National Credit Union Share Insurance Fund (NCUSIF) deposit. It was also determined that each credit union would be assessed a premium to return the NCUSIF equity as required by law to acceptable levels. After much consideration and in accordance with guidelines set forth by the American Institute of Certified Public Accountants (AICPA), we have elected to recognize the NCUSIF impairment during the year ended December 31, 2008.

USAlliance is now and will remain a stable and secure institution. The current economic crisis will someday be behind us. The Credit Union will be here, as it now, with a full array of financial service products for our members and their families. I hope you will remember that and come to us when needs arise.

Michael F. Ambrose
President/CEO



Report of the Supervisory Committee

The Supervisory Committee is an independent body, appointed by the Board of Directors, which has the responsibility to ensure that the financial statements accurately and fairly present the financial condition of the Credit Union and that management practices and procedures safeguard the members' assets.

With oversight from the Supervisory Committee, internal and external auditors performed ongoing audits and reported their findings to the Supervisory Committee on a regular basis. The Supervisory Committee meets periodically and privately with the independent accountants, as well as the Board of Directors and Management, to review accounting issues including internal control procedures and regulatory compliance. The Committee also addresses member concerns.

For a complete copy of the independent audit report performed by Orth, Chakler, Murnane & Co., please call the Credit Union at 800-431-2754 or email your request to emailbox@USAlliance.org.

Scott J. Forbes

Chairman

Supervisory Committee



Volunteers

Board of Directors

Chairman

George L. Barto

Vice Chairman

Peter H. Staley

Secretary

Judith A. Brandt

Directors

James R. Collins

Dean Hiller

William H. Lusk

John Murphy

Ferdinand S. Spucci

Alan L. Stuart

Associate Directors

Ellen Dulberger

Scott J. Forbes

Timothy Sugrue

Directors Emeritus

Joseph E. Hanson

Thomas F. McCormick

Supervisory Committee

Chairman

Scott J. Forbes

Member

Robert M. DiChiara

Secretary

Allan Bednowitz

Associate Members

Arthur Liebowitz

Carmine Schiavello



Statement of Financial Condition

ASSETS

As of December 31, 2008

Cash	\$12,960,480
Investments:	
Available-for-sale	57,356,586
Other	89,064,935
Loans to members, net of allowance for loan losses	528,149,933
Accrued interest receivable:	
Investments	1,062,736
Loans	2,314,803
Prepaid and other assets	1,175,252
Property and equipment	8,957,687
NCUSIF deposit	1,815,771
Total assets	\$702,858,183

LIABILITIES AND MEMBERS' EQUITY

As of December 31, 2008

LIABILITIES:	
Members' share and savings accounts	\$642,097,940
Accounts payable and other liabilities	10,257,718
Total liabilities	652,355,658
Commitments and contingent liabilities	—
MEMBERS' EQUITY:	
Regular reserve	17,582,100
Undivided earnings	35,963,942
Accumulated other comprehensive loss	(3,043,517)
Total members' equity	50,502,525
Total liabilities and members' equity	\$702,858,183

Statement of Income



For the year ended December 31, 2008

INTEREST INCOME:	
Loans to members	\$31,158,058
Investments	7,247,980
Total interest income	38,406,038
INTEREST EXPENSE:	
Members' share and savings accounts	18,530,989
Interest on borrowed funds	659
Total interest expense	18,531,648
Net interest income	19,874,390
PROVISION FOR LOAN LOSSES	2,350,381
Net interest income after provision for loan losses	17,524,009
NON-INTEREST INCOME:	
Fees and service charges	4,229,354
Gain on dispositions of property and equipment	464,720
Gain on loans	30,008
Total non-interest income	4,724,082
	22,248,091
NON-INTEREST EXPENSE:	
Compensation and employee benefits	14,328,485
Office operating costs	5,198,224
Impairment on NCUSIF insurance deposit	3,365,113
Other expenses	3,321,782
Office occupancy expenses	2,453,830
Loss on Affina misappropriation	2,165,823
Total non-interest expense	30,833,257
Net Loss	(\$8,585,166)



Executive Management Team

Michael F. Ambrose
President/CEO

Agnes Kung
Senior Vice President
Human Resources

Bruce J. Simons
Senior Vice President
CIO
Information Systems

James B. White
Senior Vice President
CFO
Finance

Robert Canavan
Vice President
Accounting Services

Janet Felix
Vice President
Information Systems

Chris J. Lazowy
Vice President
*Branch Operations and
Business Development*

Doreen A. Salvati
Vice President
*Member Services and
Consumer Lending*

John Francese
Assistant Vice President
Information Security

Joann D. Kay
Assistant Vice President
Marketing

Susan G. Lowell
Assistant Vice President
Real Estate Services

Marion T. Murphy
Assistant Vice President
Human Resources



Branch Locations

New York

600 Midland Avenue
Rye, NY

219A E. Hartsdale Avenue
Hartsdale, NY

262 Boston Post Road
Port Chester, NY

The Landmark at Eastview
777 Old Saw Mill River Road
Tarrytown, NY

303 S. Broadway, Suite 126
Tarrytown, NY

New York City

350 West 31st Street
New York, NY

AMEX*
200 Vesey Street, 3rd Floor
New York, NY

New Jersey

25A Vreeland Road, Suite 106
Florham Park, NJ

ISO Branch*
545 Washington Boulevard, 21st Floor
Jersey City, NJ

Massachusetts

1960 Massachusetts Avenue
Cambridge, MA

Liberty Tree Mall
100 Independence Way
Danvers, MA

1032 Eastern Avenue (Route 60)
Malden, MA

71 Station Landing
Medford, MA

159 Overland Road
Waltham, MA

* Restricted Access Branches

