

COMMUNICATING ARTS CREDIT UNION, INC.

FINANCIAL STATEMENTS

YEARS ENDED

DECEMBER 31, 2010 AND 2009

WITH

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Communicating Arts Credit Union, Inc.
Cincinnati, Ohio

We have audited the accompanying statements of financial condition of Communicating Arts Credit Union, Inc. as of December 31, 2010 and 2009 and the related statements of income, changes in members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Communicating Arts Credit Union, Inc. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Whitmer & Company CPA's, LLP
Cincinnati, Ohio

February 8, 2011

COMMUNICATING ARTS CREDIT UNION, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents (Note B)	\$ 2,704,208	\$ 2,712,208
Deposits in a Corporate Credit Union (Note C)	855,487	1,076,826
Time Deposits (Note D)	8,931,628	8,523,097
Investments Held-to-Maturity (Note E)	6,009,926	7,247,947
Other Investments (Note F)	2,156,257	2,053,060
Investment in CUSO (Note G)	39,624	2,930
Loan to CUSO (Note H)	6,793	45,822
Loans Receivable, Net of Allowance for Loan Losses (Note I)	27,835,784	27,574,088
Accrued Interest Receivable	138,359	152,162
Property and Equipment, Net (Note J)	19,498	37,653
Other Real Estate Owned	101,885	75,000
American Share Insurance Deposit	434,834	404,695
Prepaid Expenses and Other Assets	<u>213,443</u>	<u>161,175</u>
Total Assets	<u>\$ 49,447,726</u>	<u>\$ 50,066,663</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities		
Members' shares and savings accounts (Note K)	\$ 42,078,612	\$ 43,066,747
Line of credit (Note L)	-	-
Accrued expenses and other liabilities	<u>830,939</u>	<u>695,739</u>
Total Liabilities	<u>42,909,551</u>	<u>43,762,486</u>
Commitments and Contingent Liabilities (Note O)	-	-
Members' Equity, Substantially Restricted		
Appropriated regular reserve	1,459,730	1,459,730
Unappropriated earnings	<u>5,078,445</u>	<u>4,844,447</u>
Total Members' Equity	<u>6,538,175</u>	<u>6,304,177</u>
Total Liabilities and Members' Equity	<u>\$ 49,447,726</u>	<u>\$ 50,066,663</u>

See accompanying notes and auditors' report.

COMMUNICATING ARTS CREDIT UNION, INC.
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Interest Income		
Interest and fees on loans	\$ 2,047,762	\$ 1,972,054
Interest on investments	<u>462,825</u>	<u>525,529</u>
Total Interest Income	<u>2,510,587</u>	<u>2,497,583</u>
Interest Expense		
Members' shares and savings accounts	526,695	804,322
Borrowed funds	<u>146</u>	<u>28</u>
Total Interest Expense	<u>526,841</u>	<u>804,350</u>
Net Interest Income	1,983,746	1,693,233
Provision for Loan Losses	<u>359,100</u>	<u>275,000</u>
Net Interest Income after Provision for Loan Losses	<u>1,624,646</u>	<u>1,418,233</u>
Non-Interest Income		
Income from fees and charges	639,765	721,771
Income on investment in CUSO	36,694	30,529
Insurance commissions	<u>2,214</u>	<u>2,976</u>
Total Non-Interest Income	<u>678,673</u>	<u>755,276</u>
Non-Interest Expense		
Compensation and benefits	896,986	952,415
Occupancy	60,000	60,000
Operations	786,605	762,566
Education and promotion	47,071	61,566
Professional and outside services	229,883	237,305
Loss on sale of other real estate owned	32,293	-
Other	<u>16,483</u>	<u>15,045</u>
Total Non-Interest Expense	<u>2,069,321</u>	<u>2,088,897</u>
Net Income	<u>\$ 233,998</u>	<u>\$ 84,612</u>

See accompanying notes and auditors' report.

COMMUNICATING ARTS CREDIT UNION, INC.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Appropriated Regular Reserves	Unappro- priated Earnings	Accumulated Other Comprehensive Income	Total Equity
Balances, December 31, 2008	\$ 1,459,730	\$ 4,759,835	\$ -	\$ 6,219,565
Comprehensive Income				
Net income	<u>-</u>	<u>84,612</u>	<u>-</u>	<u>84,612</u>
Balances, December 31, 2009	1,459,730	4,844,447	-	6,304,177
Comprehensive Income				
Net income	<u>-</u>	<u>233,998</u>	<u>-</u>	<u>233,998</u>
Balances, December 31, 2010	<u>\$ 1,459,730</u>	<u>\$ 5,078,445</u>	<u>\$ -</u>	<u>\$ 6,538,175</u>

See accompanying notes and auditors' report.

COMMUNICATING ARTS CREDIT UNION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Net income	\$ 233,998	\$ 84,612
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	18,155	16,854
Amortization of premiums and discounts	(1,979)	1,076
Provision for loan losses	359,100	275,000
Undistributed (income) loss of affiliate	(36,694)	(30,529)
(Gain) loss on sale of other real estate owned	32,293	-
(Increase) decrease in interest receivable	13,803	57,223
(Increase) decrease in prepaid expenses and other assets	(52,268)	55,577
(Increase) decrease in ASI Deposit	(30,139)	(19,828)
Increase (decrease) in accrued liabilities	<u>135,200</u>	<u>118,401</u>
 Total adjustments	 <u>437,471</u>	 <u>473,774</u>
 Net Cash Provided by (Used in) Operating Activities	 <u>671,469</u>	 <u>558,386</u>
Cash Flows from Investing Activities		
Proceeds from maturing deposits in a corporate credit union	500,000	3,150,000
Purchases of deposits in a corporate credit union	(278,661)	(668,655)
Proceeds from maturing time deposits	4,340,000	4,829,000
Purchases of time deposits	(4,748,531)	(7,312,526)
Proceeds from maturing investments held-to-maturity	13,500,000	9,000,000
Purchases of investments held-to-maturity	(12,260,000)	(10,000,000)
Principal repayments received from affiliate	39,029	37,115
Purchases of other investments	(103,198)	(89,088)
Net (increase) decrease in consumer loans	(620,795)	(1,335,934)
Purchases of fixed assets	-	(28,318)
Net (increase) decrease in other real estate owned	(109,178)	(75,000)
Proceeds from sale of other real estate owned	<u>50,000</u>	<u>-</u>
 Net Cash Provided by (Used in) Investing Activities	 <u>308,666</u>	 <u>(2,493,406)</u>

See accompanying notes and auditors' report.

**COMMUNICATING ARTS CREDIT UNION, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash Flows from Financing Activities		
Advance on line of credit	2,001,413	311,908
Payment on line of credit	(2,001,413)	(311,908)
Net increase (decrease) in members' shares and savings accounts	<u>(988,135)</u>	<u>2,918,803</u>
 Net Cash Provided by (Used in) Financing Activities	 <u>(988,135)</u>	 <u>2,918,803</u>
 Increase (Decrease) in Cash and Cash Equivalents	 (8,000)	 983,783
 Cash and Cash Equivalents, Beginning of Year	 <u>2,712,208</u>	 <u>1,728,425</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 2,704,208</u>	 <u>\$ 2,712,208</u>
 Supplemental Cash Flow Information:		
 Cash paid for interest expense	 \$ 526,841	 \$ 804,350
 Cash paid for Unrelated Business Income Taxes	 \$ 1,196	 \$ 6,357
 Capitalized interest income on other investments	 \$ 103,198	 \$ 89,087

See accompanying notes and auditors' report.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Credit Union's operations are principally related to holding deposits for and making loans to members of the Credit Union. The Credit Union's primary source of income is interest generated from credit card, automobile and real estate loans to members.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) 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. Specifically, management has made estimates based on assumptions for fair value of financial instruments and the assessment of other than temporary impairment on investments. Actual results could differ from those estimates.

Advertising

The Credit Union expenses advertising as incurred. Advertising expense was \$40,943 and \$53,285 for the years ended December 31, 2010 and 2009, respectively.

Investments

The Credit Union has the intention and ability to hold its investments until maturity, therefore, management has classified investments as held-to-maturity. Investments are stated at cost and adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the rate of return method over the period to maturity.

Cost of investments sold is recognized using the specific identification method. The Credit Union does not maintain a trading portfolio.

The equity method of accounting is used for an investment in an affiliated company in which the Credit Union's interest is 50%. Under the equity method, the Credit Union recognizes its share of the net earnings or losses of the associated company as it occurs. In recognizing losses, the carrying amount of the investment is reduced to zero. Additional losses reduce the carrying amount of other investments, such as loans, with the investee. In recognizing subsequent earnings, the carrying amount is then restored.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Loans Receivable and Allowance for Loan Losses

The Credit Union grants mortgage, commercial participation and consumer loans to members predominately located in the Greater Cincinnati, Ohio area. The ability of members to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans receivable are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is 60 days delinquent unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged-off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred and the net fee or cost is recognized as an adjustment to interest income using the straight line method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

Allowance for Loan Losses

The allowance for loan losses is established as losses and are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability of repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss and the levels of nonperforming loans. Specific allowances for loan losses are established for large impaired loans on an individual basis. The specific allowance established for these loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events and lagging data.

Property and Equipment

Leasehold improvements, furniture, fixtures and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

American Share Insurance Deposit

The deposit in American Share Insurance is in accordance with the insurance company's regulations which require the maintenance of a deposit by each insured Credit Union in an amount equal to 1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated or it converts to insurance coverage from another source.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

During 2010 and 2009, American Share Insurance charged a special premium assessment of 0.15% of shares and deposits as of September 30, 2010 and 2009. The premium totaled \$65,242 in 2010 and \$63,668 in 2009.

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Members' Share and Savings Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors based on an evaluation of current and future market conditions.

Members' Equity

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of members' equity, is not available for the payment of interest.

Reserve Requirement

Credit unions that are classified as "well capitalized" (net worth ratio of 7% or higher) are not required to make statutory transfers to the regular reserve. The regular reserve has been established at the discretion of the Board of Directors to protect the interests of the members. The Board may at times change the reserved amount for specific requirements.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes except for certain products and services such as Members Financial Management Services, Guaranteed Auto Protection (GAP) Insurance and other products and services, which have been deemed by the Internal Revenue Service (IRS) in technical advice memorandums released in March, 2007 to be unrelated to the specific entity's exempt purpose. As presented in the technical advice memorandums, the net taxable income from these products and services is subject to income taxes under the Unrelated Business Income Tax (UBIT) regulations.

The Credit Union has not filed tax returns for years prior to 2008 concerning the taxable activities because management believed, along with the Credit Union industry, its various state regulators and the vendors providing these identified services, there is considerable disagreement with the IRS observations. However, with the recent developments, management now believes there is a "more likely than not" determination that has been reached. The Credit Union filed a tax return for taxable activities beginning with tax year 2008.

The taxing authorities have the ability to assess taxes, penalties and interest for any years for which no tax return was filed. In the opinion of management, the estimated liability recorded and any potential additional liability resulting from taxing authorities imposing additional taxes, penalties and interest on the taxes due is not expected to have a material effect on the Credit Union's financial position or results of operations.

The Credit Union adopted FASB Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes* and has evaluated its tax positions taken for all open tax years. Currently 2010, 2009 and 2008 tax years are open and subject to examination by the Internal Revenue Service. However, the Credit Union is not currently under audit nor has the Organization been contacted by the Internal Revenue Service.

Off-Balance-Sheet Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Reclassifications

Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Total equity and net income are unchanged due to these reclassifications.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Date of Management's Review of Subsequent Events

Management had evaluated subsequent events through February 8, 2011, the date which the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds due from financial institutions, a corporate credit union, the Federal Reserve and the Credit Union's change fund. For purposes of the statements of financial condition and the statements of cash flows, the Credit Union considers all highly liquid debt instruments with original maturities of three months or less and any certificates of deposit that do not contain early withdrawal penalties to be cash equivalents.

The composition of these investments at December 31 is as follows:

	<u>2010</u>	<u>2009</u>
Cash due from Financial Institutions	\$ 621,814	\$ 398,519
Cash due from Corporate Credit Union	1,660,413	1,772,335
Cash due from Federal Reserve	220,530	211,909
Change Fund	<u>201,451</u>	<u>329,445</u>
Total Cash and Cash Equivalents	<u>\$ 2,704,208</u>	<u>\$ 2,712,208</u>

NOTE C - DEPOSITS IN A CORPORATE CREDIT UNION

At December 31, a summary of deposits in a corporate credit union reported on the accompanying financial statements is as follows:

	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents (See Note B)	\$ 1,660,413	\$ 1,772,335
Deposits in a Corporate Credit Union	<u>855,487</u>	<u>1,076,826</u>
Total Deposits in a Corporate Credit Union	<u>\$ 2,515,900</u>	<u>\$ 2,849,161</u>

The Credit Union is required to maintain balances with a corporate credit union as membership shares that are uninsured and require a three-year notice before withdrawal. At December 31, 2010 and 2009, the membership share balances were \$455,487 and \$426,826, respectively. The balance of the membership shares is based upon one percent of the Credit Union's year-end members' share balance and is adjusted annually on January 1 of each year to a maximum of \$2,000,000.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

At December 31, the weighted average yield and carrying value of all deposits in a corporate credit union are as follows:

	<u>2010</u>		<u>2009</u>	
	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value
Deposits in a Corporate Credit Union	0.49%	\$ <u>855,487</u>	1.51%	\$ <u>1,076,826</u>

At December 31, the carrying values of deposits in a corporate credit union, shown by contractual maturity, are summarized below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	<u>2010</u>	<u>2009</u>
Maturity within one year	\$ 400,000	\$ 250,000
Maturity after one year through five years	<u>455,487</u>	<u>826,826</u>
	<u>\$ 855,487</u>	<u>\$ 1,076,826</u>

NOTE D - TIME DEPOSITS

The Credit Union has time deposits that bear interest ranging from 0.91% to 3.52% and have penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

At December 31, the weighted average yields and carrying values of the time deposits are as follows:

	<u>2010</u>		<u>2009</u>	
	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value
Time Deposits	1.88%	\$ <u>8,931,628</u>	2.48%	\$ <u>8,523,097</u>

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

The carrying values of time deposits shown by contractual maturity are summarized below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	<u>2010</u>	<u>2009</u>
Maturity within one year	\$ 3,835,628	\$ 3,644,097
Maturity after one year through five years	<u>5,096,000</u>	<u>4,879,000</u>
	<u>\$ 8,931,628</u>	<u>\$ 8,523,097</u>

NOTE E - INVESTMENTS HELD-TO-MATURITY

At December 31, the weighted average yields, amortized cost and estimated fair values of investments classified as held-to-maturity are as follows:

December 31, 2010					
	Weighted Average Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
FHLMC	2.55%	\$ 250,000	\$ 154	\$ -	\$ 250,154
FHLB	1.65%	1,499,926	3,193	(9,009)	1,494,110
FNMA	1.59%	<u>4,260,000</u>	<u>6,227</u>	<u>(18,341)</u>	<u>4,247,886</u>
		<u>\$ 6,009,926</u>	<u>\$ 9,574</u>	<u>\$ (27,350)</u>	<u>\$ 5,992,150</u>
December 31, 2009					
	Weighted Average Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
FHLMC	2.53%	\$ 3,000,000	\$ 10,392	\$ (1,604)	\$ 3,008,788
FMC	2.70%	250,000	-	(469)	249,531
FHLB	3.00%	1,497,947	12,834	(3,977)	1,506,804
FNMA	2.67%	<u>2,500,000</u>	<u>6,094</u>	<u>(6,953)</u>	<u>2,499,141</u>
		<u>\$ 7,247,947</u>	<u>\$ 29,320</u>	<u>\$ (13,003)</u>	<u>\$ 7,264,264</u>

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

The amortized cost and estimated market value of investments held-to-maturity at December 31, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	December 31, 2010	
	Amortized Cost	Estimated Market Value
Maturity within one year	\$ -	\$ -
Maturity after one year through five years	<u>6,009,926</u>	<u>5,992,150</u>
	<u>\$ 6,009,926</u>	<u>\$ 5,992,150</u>

	December 31, 2009	
	Amortized Cost	Estimated Market Value
Maturity within one year	\$ 247,947	\$ 257,422
Maturity after one year through five years	<u>7,000,000</u>	<u>7,006,842</u>
	<u>\$ 7,247,947</u>	<u>\$ 7,264,264</u>

Information pertaining to securities with gross unrealized gains or losses at December 31, 2010 and 2009 aggregated by investment category and length of time that individual securities have been in a continuous gain or loss position follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Market Value	Gross Unrealized Gains (Losses)	Estimated Market Value	Gross Unrealized Gains (Losses)	Estimated Market Value	Gross Unrealized Gains (Losses)
December 31, 2010:						
FHLMC	\$ 250,154	\$ 154	\$ -	\$ -	\$ 250,154	\$ 154
FHLB	1,494,110	(5,890)	-	-	1,494,110	(5,890)
FNMA	<u>4,247,886</u>	<u>(12,115)</u>	<u>-</u>	<u>-</u>	<u>4,247,886</u>	<u>(12,115)</u>
Total	<u>\$ 5,992,150</u>	<u>\$ (17,851)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,992,150</u>	<u>\$ (17,851)</u>

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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	<u>Less Than 12 Months</u>		<u>12 Months or Greater</u>		<u>Total</u>	
	<u>Estimated</u>	<u>Gross</u>	<u>Estimated</u>	<u>Gross</u>	<u>Estimated</u>	<u>Gross</u>
	<u>Market</u>	<u>Unrealized</u>	<u>Market</u>	<u>Unrealized</u>	<u>Market</u>	<u>Unrealized</u>
	<u>Value</u>	<u>Gains (Losses)</u>	<u>Value</u>	<u>Gains (Losses)</u>	<u>Value</u>	<u>Gains (Losses)</u>
December 31, 2009:						
FHLMC	\$ 3,008,788	\$ 8,788	\$ -	\$ -	\$ 3,008,788	\$ 8,788
FMC	249,531	(469)	-	-	249,531	(469)
FHLB	1,249,382	(618)	257,422	9,475	1,506,804	8,857
FNMA	<u>2,499,141</u>	<u>(859)</u>	<u>-</u>	<u>-</u>	<u>2,499,141</u>	<u>(859)</u>
Total	<u>\$ 7,006,842</u>	<u>\$ 6,842</u>	<u>\$ 257,422</u>	<u>\$ 9,475</u>	<u>\$ 7,264,264</u>	<u>\$ 16,317</u>

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis and more frequently when economic or market concerns warrant such evaluation. Consideration is given to 1) the length of time and the extent to which the fair value has been less than cost, 2) the financial condition and near-term prospects of the issuer, and 3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market price of securities and the possibility of temporary unrealized gains or losses. These mortgage-backed securities issued by U.S. Government Agencies have been purchased in recent years and the temporary gains and losses are due primarily to the rise and fall in market interest rates in 2010 and 2009. Management has determined that there is no other-than-temporary impairment associated with these securities as of December 31, 2010 and 2009.

NOTE F - OTHER INVESTMENTS

The Credit Union has a whole life insurance policy issued by New York Life Insurance Company which is the funding mechanism for a deferred compensation plan for the President.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE G - INVESTMENT IN CUSO

The Credit Union invested in a Credit Union Service Organization (CUSO) named Central Financial Services, Inc. of which they own 50%. The investment is accounted for using the equity method. In recognizing losses, the carrying amount of the investment was reduced to zero at December 31, 2001. Additional losses reduce the carrying amount of other investments, such as loans, with the investee. In recognizing subsequent earnings, the carrying amount is then restored. The initial investment of \$125,000 was approved in August, 1999 to purchase 50 shares of the CUSO's common stock.

The investment's activity for the years ended December 31 is as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Carrying Value of Investment</u>	<u>Carrying Value of Loan</u>	<u>Carrying Value of Investment</u>	<u>Carrying Value of Loan</u>
Balance at Beginning of Year	\$ 2,930	\$ 45,822	\$ -	\$ 55,341
New Loans	-	-	-	-
Principal Repayments	-	(39,029)	-	(37,115)
Income (Loss)	<u>36,694</u>	<u>-</u>	<u>2,930</u>	<u>27,596</u>
Balance at End of Year	<u>\$ 39,624</u>	<u>\$ 6,793</u>	<u>\$ 2,930</u>	<u>\$ 45,822</u>

NOTE H - LOAN TO CUSO

The Credit Union lent the CUSO \$300,000 on June 1, 1999 and earns 5.0% interest on the note receivable. Monthly payments received are \$3,368.40 and the note matures in February, 2011. The loan to the CUSO was completely restored by an increase of \$27,596 for the year ended December 31, 2009, in accordance with the equity method of accounting for recognizing net accumulated gains in excess of the carrying value of an investment. There was no net accumulated reduction to the loan to the CUSO as of December 31, 2010. The remaining note principal balance as of December 31, 2010 on the general ledger of \$6,793 is estimated to mature as follows:

Maturity within Year One	<u>\$ 6,793</u>
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COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE I - LOANS RECEIVABLE

The composition of loans to members as of December 31 is as follows:

	<u>2010</u>	<u>2009</u>
New Automobiles	\$ 1,860,943	\$ 2,529,953
Used Automobiles	5,258,293	5,250,727
First Mortgages	6,447,759	6,274,878
Real Estate	3,468,922	3,674,330
Commercial Loan Participations	4,562,462	3,811,444
Credit Card	4,834,741	4,631,339
Other	<u>1,836,301</u>	<u>1,741,668</u>
Total	28,269,421	27,914,339
Less: Allowance for Loan Losses	<u>(433,637)</u>	<u>(340,251)</u>
Loans to Members, Net	<u>\$ 27,835,784</u>	<u>\$ 27,574,088</u>

Included in other loans receivable are negative shares in the amount of \$18,506 and \$26,933 for the years ended December 31, 2010 and 2009, respectively.

A summary of the charges in the Allowance for Loan Losses is as follows:

	<u>2010</u>	<u>2009</u>
Balance, Beginning of Year	\$ 340,251	\$ 340,352
Provision Charged to Operations	359,100	275,000
Loans Charged-off	(315,246)	(347,502)
Recoveries	<u>49,532</u>	<u>72,401</u>
Balance, End of Year	<u>\$ 433,637</u>	<u>\$ 340,251</u>

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

A summary of estimated loan balances by principal maturity as of December 31 is as follows:

	<u>2010</u>	<u>2009</u>
No Contractual Maturity	\$ 4,853,247	\$ 4,635,647
Maturity within One Year	3,883,180	3,622,167
Maturity from One to Five Years	8,929,879	9,517,697
Maturity over Five Years	<u>10,603,115</u>	<u>10,138,828</u>
 Total Loans to Members	 <u>\$ 28,269,421</u>	 <u>\$ 27,914,339</u>

Loans on which the accrual of interest has been discontinued or reduced amounted to \$574,333 and \$362,028 at December 31, 2010 and 2009, respectively. If interest on those loans had been accrued at their original rates income would have been \$22,499 and \$15,981 at December 31, 2010 and 2009, respectively.

The Credit Union has no commitments to loan additional funds to borrowers whose loans have been modified.

The maximum term of a real estate loan is thirty years.

Included in loans to members at December 31, 2010 and 2009 are loans of \$447,458 and \$663,445, respectively, to directors, officers, employees and other related parties of the Credit Union. Such loans were in the ordinary course of business at normal credit terms including interest rate and collateralization. These loans do not represent more than a normal risk of collection.

There were no loans in process of liquidation or foreclosure at December 31, 2010 and 2009.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE J - PROPERTY AND EQUIPMENT

Principal categories of property and equipment as of December 31 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Furniture, Fixtures and Equipment	\$ 775,685	\$ 831,068
Leasehold Improvements	<u>360,195</u>	<u>360,196</u>
Total Property and Equipment	1,135,880	1,191,264
Accumulated Depreciation	<u>(1,116,382)</u>	<u>(1,153,611)</u>
Property and Equipment, Net	<u>\$ 19,498</u>	<u>\$ 37,653</u>

Depreciation expense for the years ended December 31, 2010 and 2009 amounted to \$18,155 and \$16,854, respectively.

NOTE K - MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts and the related weighted average rates are summarized as follows:

	Weighted Average Rate at December 31, 2010	<u>December 31,</u>	
		<u>2010</u>	<u>2009</u>
Share Drafts	.10%	\$ 7,234,599	\$ 7,532,430
Share Accounts	.25%	11,133,792	11,493,419
IRA and Share Certificates	2.15%	15,273,002	15,700,028
Money Market Shares	.78%	7,369,141	7,179,494
IRA Shares	1.00%	984,359	1,113,697
HSA Accounts	.25%	<u>83,719</u>	<u>47,679</u>
		<u>\$ 42,078,612</u>	<u>\$ 43,066,747</u>

The aggregate amount of members' share and savings accounts over the insured limit of \$250,000 at December 31, 2010 and 2009 is approximately \$211,445 and \$949,833, respectively.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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At December 31, a summary of share and savings accounts by maturity is as follows:

	<u>2010</u>	<u>2009</u>
No Contractual Maturity	\$ 26,805,610	\$ 27,366,719
Maturity within First Year	10,728,045	11,186,875
Maturity within Second Year	2,895,963	1,740,856
Maturity within Third Year	1,215,332	1,855,266
Maturity within Fourth Year	184,610	788,552
Maturity within Fifth Year	<u>249,052</u>	<u>128,479</u>
	<u>\$ 42,078,612</u>	<u>\$ 43,066,747</u>

At December 31, a summary of IRA and share certificates by interest rate is as follows:

	<u>2010</u>	<u>2009</u>
0.99% - 1.49%	\$ 8,549,613	\$ 2,534,875
1.50% - 1.99%	1,403,900	3,022,144
2.00% - 2.49%	1,004,597	2,901,293
2.50% - 2.99%	428,536	1,339,506
3.00% - 3.49%	1,008,362	1,646,856
3.50% - 3.99%	317,802	628,085
4.00% - 4.49%	475,501	616,640
4.50% - 4.99%	310,475	522,382
5.00% - 5.49%	615,363	956,239
5.50% - 5.99%	<u>1,158,853</u>	<u>1,532,008</u>
	<u>\$ 15,273,002</u>	<u>\$ 15,700,028</u>

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

At December 31, 2010, scheduled maturities of IRA and share certificates by interest rate are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
0.99% - 1.49%	\$ 7,889,067	\$ 625,073	\$ -	\$ 14,470	\$ 21,003
1.50% - 1.99%	1,041,226	259,133	98,303	5,238	-
2.00% - 2.49%	434,202	291,993	226,585	14,333	37,483
2.50% - 2.99%	114,181	61,779	161,553	49,641	41,383
3.00% - 3.49%	426,227	260,705	115,458	56,789	149,183
3.50% - 3.99%	207,027	61,876	41,355	7,544	-
4.00% - 4.49%	9,223	6,537	423,147	36,595	-
4.50% - 4.99%	128,305	137,089	45,082	-	-
5.00% - 5.49%	275,298	236,215	103,849	-	-
5.50% - 5.99%	<u>203,289</u>	<u>955,563</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,728,045</u>	<u>\$ 2,895,963</u>	<u>\$ 1,215,332</u>	<u>\$ 184,610</u>	<u>\$ 249,052</u>

At December 31, 2009, scheduled maturities of IRA and share certificates by interest rate are as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
0.99% - 1.49%	\$ 2,534,875	\$ -	\$ -	\$ -	\$ -
1.50% - 1.99%	2,938,946	83,198	-	-	-
2.00% - 2.49%	2,314,580	406,200	180,513	-	-
2.50% - 2.99%	1,025,028	151,438	66,635	71,314	25,091
3.00% - 3.49%	913,761	308,339	252,103	111,599	61,054
3.50% - 3.99%	321,063	200,361	59,612	39,797	7,252
4.00% - 4.49%	147,264	8,846	6,254	419,194	35,082
4.50% - 4.99%	226,618	122,200	130,574	42,990	-
5.00% - 5.49%	364,122	262,618	225,841	103,658	-
5.50% - 5.99%	<u>400,618</u>	<u>197,656</u>	<u>933,734</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,186,875</u>	<u>\$ 1,740,856</u>	<u>\$ 1,855,266</u>	<u>\$ 788,552</u>	<u>\$ 128,479</u>

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Interest expense on members' share and savings accounts is summarized as follows:

	<u>2010</u>	<u>2009</u>
IRA Shares	\$ 11,419	\$ 13,233
IRA and Share Certificates	414,061	537,185
Share Drafts	7,765	10,634
Money Market Shares	61,590	76,711
Share Accounts	31,621	44,100
HSA Accounts	239	117
Bonus Dividend Shares	<u>-</u>	<u>122,342</u>
	<u>\$ 526,695</u>	<u>\$ 804,322</u>

Cash paid during the year for interest is as follows:

	<u>2010</u>	<u>2009</u>
Interest on Share and Savings Accounts	\$ 526,695	\$ 804,322
Interest on Borrowed Funds	<u>146</u>	<u>28</u>
	<u>\$ 526,841</u>	<u>\$ 804,350</u>

Included in members' share and savings accounts at December 31, 2010 and 2009 are shares of \$700,162 and \$943,439, respectively, to directors, officers, employees and other related parties of the Credit Union. These share accounts were opened in the ordinary course of business and are paid interest at normal rates.

NOTE L - LINE OF CREDIT

The Credit Union maintains a line of credit with Corporate One Federal Credit Union. The line of credit provides for short-term borrowings up to \$2,000,000. Interest accrues on the unpaid balance of the principal sum until paid. The line of credit is renewable semi-annually with interest charged at prevailing rates. The line is collateralized by substantially all of the Credit Union's assets.

The outstanding loan balance as of December 31, 2010 and 2009 was zero. Interest expense for 2010 was \$146 and for 2009 was \$28.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE M - RELATED PARTY TRANSACTIONS

Virtually all employees and members of the Board of Directors have deposit and loan accounts at the Credit Union. The terms of transactions involving these accounts (e.g., interest rates charged and paid) are comparable to other members' accounts. The aggregate loan and share balances of these loans are disclosed in the preceding notes.

The Credit Union is a 50% owner of Central Financial Services, Inc., a for-profit corporation which purchased the on-line computer processing system used by the Credit Union. The Credit Union paid monthly processing fees of \$15,097 during 2010 and 2009. Total data processing fees paid to Central Financial Services, Inc. for the years ended December 31, 2010 and 2009 amounted to \$181,164 per year.

NOTE N - RETIREMENT PLANS

The Credit Union adopted an IRC 401(k) profit sharing plan for substantially all eligible employees as of January 1, 1997. The Credit Union matches a percentage of the employees' deferrals under the 401(k) provision of the plan. Additionally, the Credit Union may make a discretionary profit sharing contribution which is determined at the end of each year. Following are estimated expenses at December 31:

	<u>2010</u>	<u>2009</u>
401 (k) match	<u>\$ 20,600</u>	<u>\$ 20,250</u>
Discretionary profit sharing contribution	<u>\$ -</u>	<u>\$ 23,750</u>

NOTE O - COMMITMENTS AND CONTINGENT LIABILITIES

The Credit Union is a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in the opinion of management and legal counsel, would not be material to the financial condition or results of operations of the Credit Union.

Lease Commitment

The Credit Union is subject to a month-to-month lease for office space. The obligation for the years ended December 31, 2010 and 2009 was \$60,000 for each year.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Financial Instruments with Off-Balance-Sheet Risk

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for loans recorded in the financial statements.

Unless otherwise noted, the Credit Union does not require collateral or other security to support financial instruments with credit risk.

Following is a summary of the Credit Union's financial instruments whose contract amounts represent credit risk at December 31. The annual percentage rate for credit cards can change upon a thirty day notice to the membership but is considered a fixed rate of interest.

	<u>2010</u>		<u>2009</u>	
	<u>Variable</u>	<u>Fixed Rate</u>	<u>Variable</u>	<u>Fixed Rate</u>
Lines of Credit	\$ 701,647	\$ 266,288	\$ 842,892	\$ 253,059
Credit Cards	<u>-</u>	<u>10,537,931</u>	<u>-</u>	<u>13,740,898</u>
	<u>\$ 701,647</u>	<u>\$ 10,804,219</u>	<u>\$ 842,892</u>	<u>\$ 13,993,957</u>

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counter party. Collateral held generally consists of certificates of deposit, share accounts, automobiles and real estate.

Unfunded commitments under lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing members. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Financial Instruments with Concentrations of Credit Risk

The Credit Union has approximately 150 sponsor groups. Most of the Credit Union's business activity is with its members and their immediate families. Members are employees or former employees of Greater Cincinnati publishing companies. Membership is open to all persons or organizations and their members, employees, volunteers or associates engaged in the communicating arts including but not limited to information media, fine art, visual art and performance art or by the Credit Union. The total loans outstanding to those members at December 31, 2010 and 2009 cannot be determined. The Credit Union's policy for requiring collateral is dependent upon the type of loan requested. Adequate collateral is required for all vehicles, share-secured, home equity, first mortgage or other collateralized loan requests.

Cash and Investments in Excess of Insured Limits

At December 31, 2010, deposits in a financial institution exceeding the insured limit of \$250,000 totaled \$570,922. At December 31, 2009, deposits in a financial institution exceeding the insured limit of \$250,000 totaled \$78,491.

At December 31, 2010 and 2009, deposits in a corporate credit union totaled \$2,515,900 and \$2,849,161, respectively. Funds on deposit at Corporate One Credit Union are insured through December 31, 2014 except for the capital shares of \$455,487 and \$426,826, respectively.

Geographical Concentration of Credit Risk

The Credit Union maintains one office in the Greater Cincinnati area. The Credit Union is dependent upon the economy in the area.

NOTE P - REGULATORY CAPITAL

The Credit Union is subject to various regulatory net worth requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations and the regulatory framework for prompt corrective action. The Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities and certain off-balance-sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

COMMUNICATING ARTS CREDIT UNION, INC.
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Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined in the regulations) to total assets (as defined). Credit unions are also required to calculate a Risk-Based Net Worth (RBNW) Requirement which establishes whether or not the Credit Union will be considered “complex” under the regulatory framework. The minimum ratio to be considered complex under the regulatory framework is 6%. Management believes, as of December 31, 2010 and 2009, that the Credit Union meets all capital adequacy requirements to which it is subjected.

As of December 31, 2010 and 2009, the Credit Union is categorized as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized”, the Credit Union must maintain a minimum net worth ratio of 7% of assets and meet any applicable RBNW Requirement. There are no conditions or events since the calculation date that management believes have changed the Credit Union’s category.

The Credit Union’s actual capital amounts and ratios at December 31, 2010 and 2009 are also presented in the table below.

	<u>Actual</u>		<u>To be Adequately Capitalized under the Prompt Corrective Action Provisions</u>		<u>To be Well Capitalized under the Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
December 31, 2010	\$6,538,175	13.22%	≥\$2,966,864	≥6.0%	≥\$3,461,341	≥7.0%
December 31, 2009	\$6,304,177	12.59%	≥\$3,004,000	≥6.0%	≥\$3,504,666	≥7.0%

NOTE Q - FAIR VALUE OF FINANCIAL INSTRUMENTS

GAAP requires disclosure of fair value information about financial instruments, whether or not recognized in the statement of financial condition. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Credit Union’s various financial instruments. In cases where quoted market prices are not available, fair values are based on other valuation techniques. Those techniques are significantly affected by the assumptions used. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. GAAP excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Credit Union.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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The following methods and assumptions were used by the Credit Union in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Deposits in a corporate credit union: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Time deposits: The fair values of investments are based on quoted market prices for those or similar investments.
- Investments held-to-maturity: The fair values of investments are based on quoted market prices for those or similar investments.
- Other investments: The fair values of investments are based on quoted market prices for those or similar investments.
- Loans receivable: The fair value of the loans receivable is based on the carrying amounts reported in the statement of financial position less the allowance for loan loss and loans in the process of liquidation/foreclosure.
- Accrued interest receivable: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of the related instruments.
- Member's shares and savings accounts: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- Loan Commitments: The carrying amounts reported approximate fair values.

The Credit Union has no financial instruments that are held or issued for trading purposes.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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The estimated fair values of the Credit Union's financial instruments, none of which are held for trading purposes, are as follows:

	<u>December 31, 2010</u>		<u>December 31, 2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:				
Cash and cash equivalents	\$ 2,704,208	\$ 2,704,208	\$ 2,712,208	\$ 2,712,208
Deposits in a corporate credit union	855,487	855,487	1,076,826	1,076,826
Time deposits	8,931,628	8,931,628	8,523,097	8,523,097
Investments held-to-maturity	6,009,926	5,992,150	7,247,947	7,264,264
Other investments	2,156,257	2,122,138	2,053,060	2,015,577
Loans receivable	28,269,421	27,835,784	27,914,339	27,574,088
Accrued interest receivable	138,359	138,359	152,162	152,162
Financial Liabilities:				
Members' shares and savings accounts	\$ 42,078,612	\$ 42,078,612	\$ 43,066,747	\$ 43,066,747
Off-balance-sheet Credit Related Financial Instruments:				
Commitments to extend credit	\$ 11,505,866	\$ 11,505,866	\$ 14,836,849	\$ 14,836,849

The carrying amounts in the preceding table are included in the statement of financial condition under the applicable captions.

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE R - FAIR VALUE MEASUREMENTS

The Credit Union adopted FASB Accounting Standards Codification 820 *Fair Value Measurements* effective July 1, 2008. FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC 820 establishes a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The three levels are defined as follows:

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets and liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

Fair values of assets and liabilities measured on a recurring basis are as follows:

	<u>Fair Value Measurements at December 31, 2010 Using:</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Time deposits	\$ 8,931,628	\$ 8,931,628	\$ -	\$ -
Investments held-to-maturity	5,992,150	5,992,150	-	-
Other investments	2,122,138	-	2,122,138	-

COMMUNICATING ARTS CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

	<u>Fair Value Measurements at December 31, 2009 Using:</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Time deposits	\$ 8,523,097	\$ 8,523,097	\$ -	\$ -
Investments held-to-maturity	7,264,264	7,264,264	-	-
Other investments	2,015,577	-	2,015,577	-