



2003 Annual Report



We're working harder to make your life easier.

PRESIDENT & CHAIRMAN'S MESSAGE

2003 ANNUAL REPORT

This has been a really great year for AmeriCU. Against a backdrop of challenges presented by flattening interest rates and a soft economy, we hit nearly every goal we set for ourselves in 2003, and our performance stands tall. More importantly, we're well positioned for 2004 and beyond.

Among our financial highlights for 2003:

- Deposits increased by 18%, reaching \$404.1 million overall.
- Combined Consumer and Mortgage loans grew by 40%, ending the year at \$352.3 million.
- Total Assets increased 19%, topping \$441.5 million and placing AmeriCU in the top 3% of credit unions nationwide.
- Net earnings were a record \$5.9 million, contributing to a highly capitalized net worth position for our organization.

This strong performance was driven by the organization's strategy to focus on building beneficial and lasting member relationships by providing excellent financial services.

Residential and consumer lending typically do well in a declining rate environment as refinancing activity jumps. One of the biggest highlights of the year was the tremendous value coming out of our lending operations. Certainly the lower rates resulted in a flood of activity as homeowners refinanced their home mortgages, but other areas also grew. AmeriCU's auto financing portfolio grew an astounding 123% over 2002's level.

Through all this growth AmeriCU continues to emphasize asset quality. Given the uncertainties in the economy during 2003, net charge-offs for 2003 came in at 0.57%, a .07% improvement over last year's level. Continued growth in all consumer lending product lines is anticipated for 2004, especially Home Equity and Auto Loans.

Such strong member loan demand needs to be matched with an emphasis on deposit growth. In 2003, total member deposits grew by \$62.6 million dollars, primarily in savings, checking and in certificate accounts. Certificates and IRAs showed strong growth over 2002, increasing by 30% and 22% respectively. In 2004, we will continue to work on core deposit growth by attracting new members and earning their primary accounts.

Growing pieces of AmeriCU's financial service offerings are investments and insurance. Through our wholly owned insurance and investment agency, AmeriCU is helping an increasing number of members in all our markets with expert, timely and cost-saving solutions to their insurance protection, retirement, education savings and investment needs.

Providing financial guidance is our profession, but member service is our business. In 2003, AmeriCU mounted a major member research study, aimed at bettering our understanding of members' needs, wants, expectations and perceptions of their service experience. We are pleased to report that AmeriCU earned Very Good to Excellent ratings from 91% of surveyed members for overall quality of financial services and 89% for AmeriCU's efforts to meet member needs. It's great to hear such praise from our members. We also appreciate the many suggestions for improvement that were given.

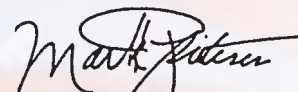
We are always looking for ways to improve how we serve members. As a corporate citizen and employer, our responsibilities include the maintenance of a good reputation, definitive standards of governance, and service to the communities in which we serve. This sense of responsibility is part of our organization's fabric. AmeriCU supported 118 different health, education, civic, community and cultural organizations with monetary and volunteer time commitments in 2003 – such as the American Heart Association, United Way and Habitat for Humanity. We are proud of our role in maintaining and building healthy communities, and look forward to continuing these successful efforts in the future.

We'd also like to recognize and thank AmeriCU's family of 237 hard-working employees and volunteers. Their dedication, enthusiasm and commitment to member service are integral to our success.

As life changes, members' financial needs change. Similarly, AmeriCU will continue to change and grow in order to provide its members with quality, relevant financial services.

Thank you for your continued support and membership in AmeriCU.

Ann S. Tyler
Chairman of the Board


Mark A. Rusterer
President and CEO

March 15, 2004

2003 Annual Report

Audited Consolidated Financial Statements
and
Other Financial Information

AmeriCU CREDIT UNION
AND SUBSIDIARIES

December 31, 2003 and 2002



AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

AMERICU CREDIT UNION AND SUBSIDIARIES

DECEMBER 31, 2003 AND 2002

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SUPERVISORY COMMITTEE MESSAGE

The Supervisory Committee is appointed by the Board of Directors to represent the membership. As your representatives, the Committee attends monthly Board meetings and has free and open access to Credit Union personnel and financial records. In conjunction with the Internal Audit Department, the Committee actively performs cash counts, resolves member concerns and determines that internal controls are established and effectively maintained. A primary function of the Supervisory Committee is to ensure that the Credit Union's financial records are properly maintained and that they accurately reflect the operations of the Credit Union. To accomplish this function, the Independent Certified Public Accounting firm of Firley, Moran, Freer & Eassa, P.C. conducted a certified audit of the Credit Union's financial statements for the period ending December 31, 2003. Based on the favorable audit that has been conducted by the external auditors, the Supervisory Committee is satisfied that your Credit Union is in good financial condition and that financial statements are reported in accordance with accounting principles, generally accepted in the United States of America (GAAP).

SUPERVISORY COMMITTEE

Robert J. Angelhow

Chairman

Luis M. Marina

Member

James Saporito

Member

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee
and Board of Directors
AmeriCU Credit Union
Rome, New York

We have audited the accompanying consolidated statements of financial condition of AmeriCU Credit Union and Subsidiaries as of December 31, 2003 and 2002 and the related consolidated statements of income, comprehensive income, members' equity and cash flows for the years then ended. These consolidated 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmeriCU Credit Union and Subsidiaries as of December 31, 2003 and 2002, 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.

Firley, Moran, Freer & Eassa, P.C.

Firley, Moran, Freer & Eassa, P.C.
Syracuse, New York
February 5, 2004

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AMERICU CREDIT UNION AND SUBSIDIARIES

	December 31,	
	2003	2002
ASSETS		
Cash	\$ 19,345,518	\$ 23,317,367
Investments – available for sale	13,722,362	23,591,934
Investments – held to maturity	-0-	2,000,000
Investments – other	36,225,695	52,005,193
Loans to members, net of allowance for loan losses	348,263,874	248,700,166
Loans held for sale	906,296	2,846,399
Accrued interest receivable	1,404,394	1,235,021
Other assets	9,773,785	6,248,474
Property and equipment, net	11,921,715	12,492,628
TOTAL ASSETS	<u>\$ 441,563,639</u>	<u>\$ 372,437,182</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' share accounts	\$ 404,132,209	\$ 341,474,594
Accounts payable and accrued liabilities	3,125,140	2,182,199
TOTAL LIABILITIES	<u>407,257,349</u>	<u>343,656,793</u>
LEASES, COMMITMENTS AND CONTINGENCIES		
MEMBERS' EQUITY	<u>34,306,290</u>	<u>28,780,389</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 441,563,639</u>	<u>\$ 372,437,182</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

AMERICU CREDIT UNION AND SUBSIDIARIES

	Year ended December 31,	
	2003	2002
INTEREST INCOME		
Interest on loans	\$ 22,832,203	\$ 20,795,683
Interest on investments	1,813,572	2,548,767
	<u>24,645,775</u>	<u>23,344,450</u>
INTEREST EXPENSE		
Dividends on members' share accounts	6,620,574	7,652,597
Borrowed funds	32,331	407
	<u>6,652,905</u>	<u>7,653,004</u>
NET INTEREST INCOME	<u>17,992,870</u>	<u>15,691,446</u>
PROVISION FOR LOAN LOSSES	<u>2,375,000</u>	<u>1,450,000</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>15,617,870</u>	<u>14,241,446</u>
NONINTEREST INCOME		
Fees, service charges and other income	10,903,857	9,634,755
Gain on sales of loans	2,856,331	965,878
(Loss) gain on sales of investments	(6,787)	165,622
Miscellaneous	-0-	958
	<u>13,753,401</u>	<u>10,767,213</u>
NONINTEREST EXPENSE		
Compensation and benefits	9,471,370	7,903,312
Office occupancy and operations	9,210,033	8,264,402
Professional services	3,698,311	3,532,287
Membership services	788,506	597,348
Miscellaneous	275,922	261,465
	<u>23,444,142</u>	<u>20,558,814</u>
NET INCOME	<u>\$ 5,927,129</u>	<u>\$ 4,449,845</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AMERICU CREDIT UNION AND SUBSIDIARIES

	Year ended December 31,	
	2003	2002
NET INCOME	<u>\$ 5,927,129</u>	<u>\$ 4,449,845</u>
OTHER COMPREHENSIVE INCOME:		
Unrealized gains (losses) on investments:		
Unrealized holding (losses) gains arising during period, net	(415,855)	301,658
Reclassification adjustment for amounts included in net income	6,787	(165,622)
OTHER COMPREHENSIVE (LOSS) INCOME	<u>(409,068)</u>	<u>136,036</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 5,518,061</u>	<u>\$ 4,585,881</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

AMERICU CREDIT UNION AND SUBSIDIARIES

	Surplus	Appropriated Undivided Earnings	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2001	\$ 16,848,471	\$200,000	\$6,976,732	\$162,874	\$24,188,077
Transfers and other	1,693,995		(1,687,564)		6,431
Net income			4,449,845		4,449,845
Other comprehensive income				136,036	136,036
BALANCES AT DECEMBER 31, 2002	<u>18,542,466</u>	<u>200,000</u>	<u>9,739,013</u>	<u>298,910</u>	<u>28,780,389</u>
Transfers and other	2,934,118		(2,926,278)		7,840
Net income			5,927,129		5,927,129
Other comprehensive loss				(409,068)	(409,068)
BALANCES AT DECEMBER 31, 2003	<u>\$21,476,584</u>	<u>\$200,000</u>	<u>\$12,739,864</u>	<u>\$ (110,158)</u>	<u>\$ 34,306,290</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AMERICU CREDIT UNION AND SUBSIDIARIES

	Year ended December 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,927,129	\$ 4,449,845
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	2,375,000	1,450,000
Depreciation and amortization	1,773,483	1,905,062
Investment premium and discount amortization	244,435	(424,184)
Mortgage loans made to members held for sale	(28,013,193)	(23,140,020)
Proceeds from sale of mortgage loans held for sale	32,809,627	22,384,087
Gain on sales of loans	(2,856,331)	(965,878)
Loss (gain) on sales of investments	6,787	(165,622)
Changes in operating assets and liabilities:		
Accrued interest receivable	(169,373)	89,099
Other assets	(3,917,060)	(587,729)
Accounts payable and accrued liabilities	942,941	(224,259)
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,123,445	4,770,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investments – available for sale	30,662,406	3,043,303
Proceeds from sale of investments – available for sale	25,400,417	15,808,233
Purchase of investments – available for sale	(46,728,235)	(32,942,843)
Proceeds from maturities of investments – held to maturity	2,000,000	59,515
Net decrease in other investments	15,662,032	7,636,774
Loan originations, net of principal collected	(101,938,708)	(16,497,990)
Proceeds from sale of other real estate owned	391,749	749,562
Purchases of property and equipment	(1,202,570)	(1,134,879)
NET CASH USED IN INVESTING ACTIVITIES	(75,752,909)	(23,278,325)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' share accounts	62,657,615	18,821,213
NET CASH PROVIDED BY FINANCING ACTIVITIES	62,657,615	18,821,213
NET (DECREASE) INCREASE IN CASH	(3,971,849)	313,289
Cash at beginning of year	23,317,367	23,004,078
CASH AT END OF YEAR	\$ 19,345,518	\$ 23,317,367
SUPPLEMENTAL DISCLOSURES		
Dividends on members' share accounts	\$ 6,620,574	\$ 7,652,597
Interest on notes	\$ 32,331	\$ 407

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMERICU CREDIT UNION AND SUBSIDIARIES

December 31, 2003 and 2002

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business: AmeriCU is a state chartered cooperative association organized in accordance with the provisions of the State of New York and is administratively responsible to the New York State Banking Department. It promotes thrift among, and creates a source of credit for, its members located primarily in the New York State counties of Oneida, Onondaga, Cayuga, Madison and Jefferson.

Principles of Consolidation: The consolidated financial statements include the accounts of Hamilton Associates, Inc. and AmeriCU Services, LLC, credit union organizations (collectively the CUOs) incorporated for the primary purpose of providing services to AmeriCU's members. These services include electronic tax filing, insurance and investment services. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Use of Estimates: The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of the financial statements in conformity with 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 that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments: The Credit Union classifies investments as either available for sale or held to maturity.

Investments classified as held to maturity are those debt securities which the Credit Union has both the intent and ability to hold to maturity and are carried at cost adjusted for amortization of premium and accretion of discount over their contractual lives. At December 31, 2003 the Credit Union has no held to maturity securities.

Investments not classified as held to maturity are classified as available for sale and are carried at fair value with unrealized gains or losses reported as increases or decreases in members' equity as accumulated other comprehensive income (loss). Realized gains or losses, determined on the basis of the cost of specific securities sold, are included in earnings.

At December 31, 2003 the Credit Union has no trading securities. Other investments consist primarily of interest earning depository accounts. These other investments generally have no contractual maturity.

Loans to Members and Allowance for Loan Losses: Loans receivable that the Credit Union has the intent and ability to hold for the foreseeable future 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 allowance for loan losses is established as losses 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 the loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses represents management's best estimate of probable loan losses in the Credit Union's loan portfolio. Management's evaluation of the allowance for loan losses is a comprehensive analysis that builds a total reserve by evaluating the risks within each loan type, or pool, of similar loans. The Credit Union uses general allocation methodology for each loan pool. This methodology estimates a reserve for each pool based on the most recent twelve month loss rate, adjusted to reflect the expected impact that current trends regarding loan growth, delinquency, losses, economic conditions, and current interest rates

are likely to have. Because of uncertainties inherent in the estimation process, management's estimate of loan losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible, if any, cannot be estimated.

Management discontinues accruing interest on a loan when it believes, after considering economics, business conditions and collection efforts, that the borrowers' financial condition is such that collection of interest is doubtful.

Loan Origination and Commitment Fees and Related Costs: 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. Commitment fees and costs relating to commitments whose likelihood of exercise is remote are recognized over the commitment period on a straight-line basis. If the commitment is subsequently exercised during the commitment period, the remaining unamortized commitment fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

Loans Held For Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or estimated market value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. All sales are made without recourse.

Property and Equipment: Land is stated at cost. Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Members' Share Accounts: Members' share accounts are subordinated to all other liabilities of the Credit Union upon liquidation; however, their accounts are insured up to \$100,000 per member through the National Credit Union Share Insurance Fund (NCUSIF). Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend 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. The reserve, which is represented as surplus in the financial statements, is a regulatory restriction of undivided earnings and is not available for the payment of dividends. The appropriated undivided earnings was established at the discretion of the Board of Directors and is not available for the payment of dividends.

Advertising Costs: The Credit Union follows the policy of expensing its advertising costs (including any production costs) as incurred. Advertising expense was \$113,941 and \$82,737 for the year ended December 31, 2003 and 2002, respectively.

Income Taxes: The Credit Union is exempt, by statute, from federal and state income taxes. The credit union organizations (CUOs), however, are subject to federal and state income taxes. Operations of the CUOs resulted in immaterial amounts of income tax expense in 2003 and 2002.

Consolidated Statements of Cash Flows: For the purpose of the statements of cash flows, the Credit Union considers cash on hand and certain operating bank account balances to be cash. Certain items which meet the definition of cash equivalents, such as certificates of deposits with maturities of three months or less, are included in "investments – other."

Reclassifications: Certain accounts in 2002 have been reclassified to conform to the 2003 presentation.

NOTE B – INVESTMENTS

The amortized cost of investments and their approximate fair value are as follows (in 000's):

	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
INVESTMENTS AVAILABLE FOR SALE				
		<u>December 31, 2003</u>		
Federal agency securities	<u>\$ 13,832</u>	<u>\$ 20</u>	<u>\$ (130)</u>	<u>\$ 13,722</u>
		<u>December 31, 2002</u>		
Federal agency securities	<u>\$ 23,418</u>	<u>\$ 207</u>	<u>\$ (34)</u>	<u>\$ 23,591</u>
INVESTMENTS HELD TO MATURITY				
		<u>December 31, 2003</u>		
Federal agency securities	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
		<u>December 31, 2002</u>		
Federal agency securities	<u>\$ 2,000</u>	<u>\$ 19</u>	<u>\$ -0-</u>	<u>\$ 2,019</u>

Gross gains of \$113,488 and \$169,901 and gross losses of \$120,275 and \$4,279 were realized on sales of available for sale investments in 2003 and 2002, respectively.

The federal agency securities consist of mortgage backed securities. The securities are not due at a single maturity date, rather they mature based on the weighted average contractual maturities of the underlying collateral. The amortized cost and estimated fair value of the federal agency securities at December 31, 2003, 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 (in 000's):

	Amortized cost	Fair value
Due from one to five years	\$ 6,999	\$ 7,011
Due from five to ten years	3,618	3,576
Due over ten years	<u>3,215</u>	<u>3,135</u>
	<u>\$ 13,832</u>	<u>\$ 13,722</u>

NOTE C – LOANS TO MEMBERS

The composition of loans to members is as follows (in 000's):

	December 31,	
	2003	2002
Vehicles	\$ 169,684	\$ 75,998
Mortgages	35,274	89,794
Credit cards and other lines of credit	22,752	13,989
Unsecured signature/personal	48,759	25,306
Home equity/improvement loans	75,646	46,557
Education	183	240
Business loans	-0-	92
	GROSS LOANS TO MEMBERS	
	352,298	251,976
Less allowance for loan losses	4,034	3,276
	NET LOANS TO MEMBERS	
	\$ 348,264	\$ 248,700

A summary of loans by interest rate type as of December 31, 2003 and 2002 is as follows (in 000's):

	2003	2002
	Variable	\$ 34,823
Fixed	317,475	191,060
	<u>\$ 352,298</u>	<u>\$ 251,976</u>

A summary of the changes in the allowance for loan losses is as follows (in 000's):

	Year ended December 31,	
	2003	2002
Balance at beginning of year	\$ 3,276	\$ 3,415
Provision charged to operations	2,375	1,450
Loans charged off	(2,094)	(2,119)
Recoveries	477	530
	BALANCE AT END OF YEAR	
	\$ 4,034	\$ 3,276

Loans on which the accrual of interest has been discontinued or reduced amounted to approximately \$607,000 at December 31, 2003 and \$540,000 at December 31, 2002. If interest on those loans had been accrued, such income would have approximated \$8,700 and \$9,000 for the year ended December 31, 2003 and 2002, respectively.

Loans to Board of Directors, committee members and employees amounted to approximately \$6,626,000 at December 31, 2003.

NOTE D – OTHER ASSETS

Other assets consist of (in 000's):

	December 31,	
	2003	2002
National Credit Union Share Insurance Fund deposit	\$ 3,316	\$ 3,119
Dealer reserve (indirect lending)	2,877	-0-
Accounts receivable and miscellaneous clearing accounts	2,313	1,986
Other real estate owned	80	249
Sponsor payrolls receivable	370	346
Prepaid and deferred expenses	377	166
Investments in unconsolidated credit union service organizations	441	382
	<u>441</u>	<u>382</u>
	<u>\$ 9,774</u>	<u>\$ 6,248</u>

National Credit Union Share Insurance Fund Deposit: The National Credit Union Share Insurance Fund (NCUSIF) deposit is in accordance with federal regulations, which require the maintenance of a deposit by each federally insured credit union in an amount equal to 1 percent of insured shares (using a determination date of December 31). The deposit is adjusted annually to reflect changes in the Credit Union's insured shares and, should the Credit Union terminate its insurance coverage, is refundable to the extent it is not impaired by losses.

NCUSIF Insurance Premiums: The Credit Union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA board. The NCUA Board waived the 2003 and 2002 insurance premiums.

Other Real Estate Owned: Other real estate owned represents property acquired by the Credit Union through or in lieu of foreclosure and is recorded at approximate net realizable value. Costs relating to development and improvement of property are capitalized, whereas costs relating to holding the property are expensed. Valuations are periodically performed by management, and reductions in the values of properties are charged to operations if the carrying value of a property exceeds the lower of its carrying amount or its fair value less estimated costs to sell.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following (in 000's):

	December 31,	
	2003	2002
Land	\$ 1,490	\$ 1,490
Buildings	7,218	6,872
Furniture, fixtures and equipment	4,827	4,588
Automatic teller machines	3,262	3,745
Leasehold improvements	860	842
	<u>17,657</u>	<u>17,537</u>
Accumulated depreciation and amortization	<u>(5,735)</u>	<u>(5,044)</u>
	<u>\$ 11,922</u>	<u>\$ 12,493</u>

Depreciation and amortization expense amounted to \$1,773,483 and \$1,905,062 in 2003 and 2002, respectively.

NOTE F – MEMBERS’ SHARE ACCOUNTS

Members’ share accounts are summarized as follows (in 000’s):

	Weighted Average Dividend Rate at:			
	December 31,		December 31,	
	2003	2002	2003	2002
Regular shares	1.22%	1.20%	\$138,700	\$125,316
Share drafts	.18%	.22%	62,671	57,535
Money Market shares	2.09%	1.56%	45,815	37,198
IRA shares	1.91%	2.13%	13,897	11,398
Certificates	3.24%	3.84%	<u>143,049</u>	<u>110,028</u>
TOTAL MEMBERS’ SHARE ACCOUNTS			<u>\$404,132</u>	<u>\$341,475</u>

The aggregate amount of members’ share accounts over \$100,000 was \$37,153,753 and \$28,352,718 at December 31, 2003 and 2002, respectively.

At December 31, 2003, scheduled maturities of share certificates, including IRA certificate accounts, are as follows (in 000’s):

Range of Dividend Rate	Year ending December 31,					Total
	2004	2005	2006	2007	2008	
0.00% - 3.99%	\$ 82,490	\$ 16,234	\$ 3,984	\$ 3,623	\$ 6,100	\$112,431
4.00% - 4.99%	1,631	1,020	4,640	3,236	3,953	14,480
5.00% - 5.99%	1,529	1,657	231	-0-	-0-	3,417
6.00% - 6.99%	5,740	5,188	1,793	-0-	-0-	12,721
	<u>\$ 91,390</u>	<u>\$ 24,099</u>	<u>\$10,648</u>	<u>\$ 6,859</u>	<u>\$ 10,053</u>	<u>\$143,049</u>

Dividend expense on members’ share accounts is summarized as follows (in 000’s):

	December 31,	
	2003	2002
Regular shares	\$ 1,661	\$ 1,742
Share drafts	169	215
Money Market shares	694	679
IRA shares	256	275
Certificates	<u>3,841</u>	<u>4,742</u>
	<u>\$ 6,621</u>	<u>\$ 7,653</u>

NOTE G – LINE OF CREDIT

The Credit Union has a \$45 million line of credit agreement with Empire Corporate Federal Credit Union secured by the assets of the Credit Union. There were no outstanding amounts under this facility at December 31, 2003 and 2002, respectively. The interest rate is determined by Empire at the time of borrowing and is established based on current market rates. The rate was 2.5% at December 31, 2003.

NOTE H – EMPLOYEE BENEFIT PLANS

401(k) Pension Plan: The Credit Union maintains a 401(k) pension plan covering substantially all employees. The Plan allows employees, immediately upon date of hire, to defer a portion of their salary through contributions to the Plan. The Credit Union makes matching contributions to the plan, after one year of service, based on 50% of the elected salary deferrals up to 6% of compensation. Expense for the years ended December 31, 2003 and 2002 amounted to approximately \$167,000 and \$143,000, respectively.

NOTE I – LEASES, COMMITMENTS AND CONTINGENCIES

Lease Commitments: The Credit Union leases various office space. The minimum remaining non-cancelable lease obligations approximate the following as of December 31, 2003:

Year ended December 31,	Amount
2004	\$ 27,000
2005	22,700
2006	9,400
2007	9,600
	<u>\$ 68,700</u>

Rent expense was approximately \$51,000 and \$41,000 for the years ended December 31, 2003 and 2002.

Financial Instruments with Off-Balance Sheet Risk: The Credit Union enters into commitments to extend credit in the normal course of meeting the financial needs of its members. Commitments to extend credit, which generally have fixed expiration dates or other termination clauses, are legally binding agreements to lend to a member (as long as there is no violation of any condition established in the contract). These commitments involve, to varying degrees, elements of credit, interest rate or liquidity risk in excess of the amount recognized in the statements of financial condition.

Credit risk is the possibility that loss may occur from the counterpart's failure to perform according to the terms of the contract. Interest rate risk is due to fluctuations in interest rates that may decrease the market value of a financial instrument. Liquidity risk is the risk that the Credit Union will not be able to meet its contractual obligations as they come due.

The Credit Union uses the same credit policies in making commitments as it does for on-balance sheet instruments. The Credit Union controls the credit risk of commitments to extend credit through credit approvals, credit limits, monitoring procedures, and management's evaluation of each member's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the member.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amounts of the commitments. A summary of the contract amounts of the Credit Union's commitments to extend credit at December 31, 2003 is as follows (in 000's):

Unused lines of credit, excluding credit cards	\$ 13,661
Unused credit card lines	47,130
Loans approved not yet disbursed	<u>5,071</u>
	<u>\$ 65,862</u>

Since portions of the above commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements.

Financial Instruments with Concentrations of Credit Risk: The Credit Union has identified certain credit risk concentrations in relation to its on and off balance sheet financial instruments. A credit risk concentration is defined as a significant credit exposure to an individual or a group engaged in similar activities or affected similarly by economic conditions.

The Credit Union maintains cash balances with depository financial institutions that customarily exceed federally insured limits.

The Credit Union originates residential real estate loans throughout Central and Northern New York. These loans are underwritten to comply with secondary market standards and are secured by the underlying collateral. The Credit Union also grants various secured and unsecured consumer type loans.

NOTE J – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of December 31, 2003 and 2002.

Cash: The fair value of cash on hand and on deposit is the carrying value.

Investments – Available for Sale: The fair value equals quoted market prices.

Investments – Held to Maturity: For investment balances available on demand the carrying amount is a reasonable estimate of fair value. For securities with contractual maturities fair value is their quoted market prices.

Investments – Other: The fair value is the carrying value.

Loan to Members: The fair value of loans with adjustable interest rates is the carrying value. The fair value of loans with fixed rates of interest is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Loans Held For Sale: The fair value of loans held for sale are based on quoted market prices.

Members' Share Accounts: The fair value of share draft, regular share and money market deposit accounts is the amount payable on demand. The fair value of fixed-maturity certificate accounts is estimated using the rates currently offered for deposits of similar remaining maturities.

The carrying amount and fair value of financial instruments of the Credit Union as of December 31, 2003 and 2002 follows (in 000's):

	December 31, 2003		December 31, 2002	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets:				
Cash	\$ 19,346	\$ 19,346	\$ 23,317	\$ 23,317
Investments – available for sale	13,722	13,722	23,591	23,591
Investments – held to maturity	-0-	-0-	2,000	2,019
Investments – other	36,226	36,226	52,005	52,005
Total Investments	\$ 49,948	\$ 49,948	\$ 77,596	\$ 77,615
Loans to members	\$352,298	\$357,647	\$251,976	\$259,733
Allowance for loan losses	(4,034)		(3,276)	
Net loans	\$348,264	\$357,647	\$248,700	\$259,733
Loans held for sale	\$ 906	\$ 906	\$ 2,846	\$ 2,846
Financial Liabilities:				
Members' share accounts	\$404,132	\$399,829	\$341,475	\$337,558
Off balance sheet items:				
Commitments to extend credit		\$ 65,862		\$ 59,520

NOTE K – MORTGAGE LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The approximate unpaid principal balances of these loans and the custodial escrow accounts are summarized as follows (in 000's):

	December 31,	
	2003	2002
Mortgage loan portfolios serviced	\$257,929	\$169,557
Custodial escrow accounts	\$ 2,025	\$ 1,544

NOTE L – REGULATORY CAPITAL

The Credit Union is subject to regulatory net worth ratio requirements. In addition, there are also Risked Based Net Worth (RBNW) requirements for complex credit unions based on risk weighting formulas on specific assets, liabilities, and off-balance sheet items which qualify under the regulations. Failure to meet minimum net worth or RBNW 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.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios of net worth to assets and RBNW ratios. Management believes, as of December 31, 2003, that the Credit Union meets all capital adequacy requirements to which it is subject, and no events have occurred since the calculation date which would change its category. The Credit Union's RBNW ratio is below the 6% minimum requirement to be considered a complex credit union. As of December 31, 2003, the Credit Union RBNW requirement is 4.70%.

The Credit Union's net worth 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%. As of December 31, 2003, the Credit Union's net worth ratio is 8.08%

INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

To the Supervisory Committee
and Board of Directors
AmeriCU Credit Union
Rome, New York

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The other financial information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Firley, Moran, Freer & Eassa, P.C.

Firley, Moran, Freer & Eassa, P.C.
Syracuse, New York
February 5, 2004

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AMERICU CREDIT UNION AND SUBSIDIARIES

December 31, 2003

	AmeriCU Credit Union	Hamilton Associates, Inc	AmeriCU Services, LLC	Eliminations	Consolidated
ASSETS					
Cash	\$ 19,345,518	\$98,876	\$131,948	\$(230,824)	\$ 19,345,518
Investments – available for sale	13,722,362				13,722,362
Investments – other	36,225,695				36,225,695
Loans to members, net of allowance for loan losses	348,263,874				348,263,874
Loans held for sale	906,296				906,296
Accrued interest receivable	1,404,394				1,404,394
Other assets	10,002,360		204,790	(433,365)	9,773,785
Property and equipment, net	11,921,715				11,921,715
	<u>\$441,792,214</u>	<u>\$98,876</u>	<u>\$336,738</u>	<u>\$(664,189)</u>	<u>\$441,563,639</u>
TOTAL ASSETS					
LIABILITIES AND MEMBERS' EQUITY					
LIABILITIES					
Members' share accounts	\$ 404,363,033			\$(230,824)	\$404,132,209
Accounts payable and accrued liabilities	3,122,891		2,249		3,125,140
TOTAL LIABILITIES	<u>407,485,924</u>		<u>2,249</u>	<u>(230,824)</u>	<u>407,257,349</u>
MEMBERS' EQUITY	<u>34,306,290</u>	<u>\$98,876</u>	<u>334,489</u>	<u>(433,365)</u>	<u>34,306,290</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$441,792,214</u>	<u>\$98,876</u>	<u>\$336,738</u>	<u>\$(664,189)</u>	<u>\$441,563,639</u>

DETAILS OF CONSOLIDATED STATEMENT OF INCOME

AMERICU CREDIT UNION AND SUBSIDIARIES

December 31, 2003

	AmeriCU Credit Union	Hamilton Associates, Inc	AmeriCU Services, LLC	Eliminations	Consolidated
INTEREST INCOME					
Interest on loans	\$ 22,832,203				\$ 22,832,203
Interest on investments	1,771,924	\$ 1,536	\$ 1,602	\$ 38,510	1,813,572
	<u>24,604,127</u>	<u>1,536</u>	<u>1,602</u>	<u>38,510</u>	<u>24,645,775</u>
INTEREST EXPENSE					
Dividends on members' share accounts	6,623,712			(3,138)	6,620,574
Borrowed funds	32,331				32,331
	<u>6,656,043</u>			<u>(3,138)</u>	<u>6,652,905</u>
NET INTEREST INCOME	<u>17,948,084</u>	<u>1,536</u>	<u>1,602</u>	<u>41,648</u>	<u>17,992,870</u>
Provision for loan losses	2,375,000				2,375,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>15,573,084</u>	<u>1,536</u>	<u>1,602</u>	<u>41,648</u>	<u>15,617,870</u>
NONINTEREST INCOME					
Fees, service charges and other income	10,670,878	23,006	213,573	(3,600)	10,903,857
Gain on sales of loans	2,856,331				2,856,331
Loss on sales of investments	(6,787)				(6,787)
Miscellaneous	-0-				-0-
	<u>13,520,422</u>	<u>23,006</u>	<u>213,573</u>	<u>(3,600)</u>	<u>13,753,401</u>
Noninterest expense:					
Compensation and benefits	9,278,190		193,180		9,471,370
Office occupancy and operations	9,131,932	13,732	67,969	(3,600)	9,210,033
Professional services	3,691,827	650	5,834		3,698,311
Membership services	788,506				788,506
Miscellaneous	275,922				275,922
	<u>23,166,377</u>	<u>14,382</u>	<u>266,983</u>	<u>(3,600)</u>	<u>23,444,142</u>
NET INCOME (LOSS)	<u>\$ 5,927,129</u>	<u>\$10,160</u>	<u>\$ (51,808)</u>	<u>\$ 41,648</u>	<u>\$ 5,927,129</u>



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Sonya E. Ezell,
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Loan Department*

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*Assistant Manager,
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*Central Regional
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*Branch Service Manager,
Rome and School Road
Offices*

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*Branch Service Manager,
Griffiss Office*

William R. Myrick, Jr.
*Eastern Regional
Branch Manager*

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*Branch Service Manager,
Commercial Drive Office*

Gail J. Nicolaisen,
*Branch Service Manager,
Oneida Office*

Marianne M. Herne,
*Western Regional
Branch Manager*

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*Branch Service Manager,
Syracuse Office*

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*Branch Service Manager,
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*Northern Regional
Branch Manager*

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*Branch Service Manager,
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CPCU, AAI, AIM
*Chief Operating Manager
AmeriCU Services, LLC
AmeriCU Capital
Management, LLC*



Rome Office

*1916 Black River Boulevard
Rome, NY 13440*

Griffiss Office

*Griffiss Business and Technology Park
292 Market Street
Rome, NY 13440*

School Road Office

*6000 School Road
Rome, NY 13440*

Commercial Drive Office

*4957 Commercial Drive
Yorkville, NY 13495-1102*

Oneida Office

*280 Genesee Street
Oneida, NY 13421*

Syracuse Office

*6303 Thompson Road
Syracuse, NY 13206*

Liverpool Office

*7474 Oswego Road
Liverpool, NY 13090*

Auburn Office

*Auburn Plaza, 217 Grant Avenue
Auburn, NY 13021*

Riva Ridge Office

*Building P10750
Fort Drum, NY 13603*

Lewis Avenue Office

*Building T614
Fort Drum, NY 13603*

Watertown Mortgage Office

*215 Washington Street, Suite 108
Watertown, NY 13601*