

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The Credit Union is an Ohio-chartered credit union, tax-exempt under Section 501 of the Internal Revenue Code.

Investments - The investment securities portfolio was comprised of securities classified as **available for sale** and **held to maturity** in conjunction with the provisions of Statement of Financial Accounting Standards No. 115 "Accounting for Certain Debt and Equity Securities" (SFAS No. 115). Investments classified as **available-for-sale** securities are carried at market value. Investment securities **held to maturity** being carried at cost, adjusted for amortization of premiums and accretion of discounts. In addition, non-negotiable certificates of deposit, Corporate One capital shares and certain **other investments** fall outside the provisions of SFAS No. 115. They are also accounted for at cost, adjusted for amortization of premiums and accretion of discounts.

Unrealized gains and losses on **available-for-sale** investments are included as a separate component of members' equity.

Loans to Members and Allowance for Loan Losses - Loans are stated at the amount of unpaid principal, reduced by 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 through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans and current economic conditions that may affect the borrower's ability to pay. Accrual of interest is discontinued on a loan when the loan becomes delinquent in excess of sixty (60) days.

Property - Stated at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets which range from two to forty-five (45) years.

Statutory Reserve - The Ohio Credit Union Act requires a reserve for losses to be established by appropriations of undivided earnings. The reserve is not related to amounts of losses actually anticipated, and the appropriations have not been charged against income.

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include money market accounts, Federal funds and any highly liquid debt instruments purchased with a maturity of three months or less.

Share Accounts - Members shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividend rates are set by the Board of Directors, based on an evaluation of current and future market conditions.

Share Insurance - The deposit in the Share Insurance account is in accordance with the underwriting guidelines of the private share insurer which require the maintenance of a deposit by each insured credit union in an amount equal to 1.30 percent 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.

Concentration of Credit Risk - The Credit Union's business activity is primarily with members who are employees of one of the Credit Union's sponsoring employer groups generally located in northern Ohio. This creates a concentration of credit risk from members with loans from the Credit Union, since they work for a single employer located in a similar geographic area.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. INVESTMENTS

The amortized cost and market values of investment securities at December 31, 2002 and 2001 were:

Available for Sale	Weighted Average Yield at 12/31/02	2002			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Mutual funds	5.43%	\$3,156,630	\$26,264	\$(370,762)	\$2,812,132
Other Investments	Weighted Average Yield at 12/31/01	2001			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Mutual funds	8.00%	\$3,073,073	\$107,576	\$(198,399)	\$2,982,250
Certificates of deposit - banks	Weighted Average Yield at 12/31/02	2002			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Certificates of deposit - Corporate Credit Union	3.22%	\$3,647,000	\$ -	\$ -	\$3,647,000
Corporate capitalization	2.67%	12,110,547	-	-	12,110,547
Corporate capitalization	1.70%	994,374	-	-	994,374
Total		\$16,751,921	\$ -	\$ -	\$16,751,921
Certificates of deposit	Weighted Average Yield at 12/31/01	2001			
		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Certificates of deposit	5.00%	\$25,424,000	\$ -	\$ -	\$25,424,000
Corporate capitalization	2.00%	971,198	-	-	971,198
Total		\$26,395,198	\$ -	\$ -	\$26,395,198

The amortized cost and market values of investment securities at December 31, 2002 by expected maturity are shown on the next page. Expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations with or without call or prepayment penalties.

NOTE 2. INVESTMENTS (Continued)

	Available-for-Sale Investments		Other Investments	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Due in one year or less	\$ -	\$ -	\$7,759,547	\$7,759,547
Due after one year but less than five years	-	-	7,998,000	7,998,000
No contractual maturity	3,156,630	2,812,132	994,374	994,374
Total	\$3,156,630	\$2,812,132	\$16,751,921	\$16,751,921

Pursuant to an agreement dated April 27, 1970 between the Credit Union and a former manager, the Credit Union is required to provide retirement benefits amounting to \$21,500 per year, adjusted for cost of living increases to this former manager for the rest of his life. As security for the fulfillment of this obligation, the Credit Union has pledged certain investment securities as collateral.

NOTE 3. LOANS TO MEMBERS

The loans to members at December 31, 2002 and 2001 consists of the following:

	2002	2001
Mortgage loans	\$20,912,721	\$21,992,815
Collateralized loans	15,374,604	17,513,729
Home equity loans	21,447,186	8,533,364
Signature loans	4,428,652	4,757,235
Credit card loans	3,413,743	3,912,251
Student loans	1,018,035	1,109,195
Share secured loans	715,878	736,660
Total	67,310,819	58,555,249
Less allowance for loan losses	(831,555)	(748,219)
Loans - Net	\$66,479,264	\$57,807,030

The interest rates on the loans range from 3.0% to 25.0% at December 31, 2002.

The allowance for loan losses activity for the years ended December 31, 2002 and 2001 consists of the following:

	2002	2001
Beginning balance	\$748,219	\$896,055
Provision charged to operations	386,773	298,730
Loans charged-off	(490,268)	(680,945)
Recoveries	186,831	234,379
Ending balance	\$831,555	\$748,219

Loans on which the accrual of interest has been discontinued or reduced amounted to \$783,679 and \$1,082,867 at December 31, 2002 and 2001, respectively. If interest on these loans had been accrued, such income would have been \$38,668 and \$28,076 at December 31, 2002 and 2001, respectively.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2002 and 2001 consists of the following:

	2002	2001
Land	\$294,508	\$294,508
Buildings and improvements	3,626,278	3,626,278
Furniture and equipment	2,613,277	2,463,543
Total	6,534,063	6,384,329
Less - accumulated depreciation and amortization	(2,777,356)	(2,410,541)
Total	\$3,756,707	\$3,973,788

NOTE 5. MEMBERS' SHARE ACCOUNTS

Members' share accounts at December 31, 2002 and 2001 were as follows:

	Weighted Average Yield at 12/31/02	2002	2001
Regular shares	0.95%	\$43,708,657	\$39,904,847
Certificates - regular and IRA	3.01%	20,101,154	20,918,328
Share drafts	0.16%	14,151,931	13,540,944
Money market	1.54%	11,272,385	10,497,109
Individual retirement accounts	2.96%	1,530,311	1,497,963
Total		\$90,764,438	\$86,359,191

Dividend expense on members' share accounts is summarized as follows for the years ended December 31, 2002 and 2001:

	2002	2001
Certificates	\$766,705	\$1,195,303
Shares - regular	467,081	766,428
Money market	164,732	272,598
Share drafts	31,254	80,937
Individual retirement accounts	14,842	36,366
Total	\$1,444,614	\$2,351,632

The following is a summary of shares by maturity as of December 31, 2002:

Less than one year	\$12,889,989
Greater than one but less than three years	3,546,460
Greater than three years	3,664,705
No contractual maturities	70,663,284
Total	\$90,764,438

The Credit Union has shares totaling \$63,865 which exceed the insurable limit of \$250,000.

NOTE 6. LINE OF CREDIT

The Credit Union maintains a \$6,500,000 line of credit arrangement with the Corporate One Federal Credit Union and \$3,000,000 with National City Bank. At December 31, 2002 the Credit Union had no borrowings outstanding under these arrangements. The Credit Union had borrowed \$486,313 on the Corporate One line of credit at December 31, 2001.

NOTE 7. RELATED PARTY LOANS

The official family of the Credit Union includes employees, Board members, audit committee members and credit committee members.

Loans receivable from members of the official Credit Union family and their spouses at December 31, 2002 and 2001 totaled \$840,583 and \$937,803, respectively. Total official Credit Union family and their spouses share balances at December 31, 2002 and 2001 totaled \$ 924,950 and \$ 861,757 respectively.

NOTE 8. LEASES

The Credit Union leases office space for three of its branch locations. These lease agreements require monthly lease payments based on predetermined contract amounts. The future minimum lease payments under the remaining terms of the lease agreements total \$ 77,041.

NOTE 9. PENSION PLAN

Employees of the Credit Union participate in a defined contribution pension plan. The employees' contribution of 5% of their earnings is matched by the Credit Union. Employees become 100% vested in employer contributions after five years of service. They are fully vested in their own contributions at all times. Total pension expense, included in compensation and benefits in the statements of operations, was \$ 59,179 and \$68,302 for the years ended December 31, 2002 and 2001, respectively.

NOTE 10. COMMITMENTS AND CONTINGENT LIABILITIES

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

Loan Commitments

The Credit Union has extended lines of credit to members which have not been entirely drawn at December 31, 2002 and 2001. The available credit to members that has not been reflected in the financial statements is as follows:

Loan Type	Available Credit	
	2002	2001
Credit card	\$6,985,815	\$6,984,950
Home equity	16,826,304	7,842,727
Quick cash	1,317,487	1,458,353
Total	\$25,129,606	\$16,286,030