

## Strength in challenging times.

By any measure 2009 was a difficult year for our economy. Because of these problems consumers across the country have turned to credit unions as a safe haven and an advocate for their financial welfare. I am pleased to report your credit union has remained profitable and strong. Member confidence in Cornerstone was demonstrated by strong growth in memberships, loans, and deposits throughout the year.

During 2009 loans at Cornerstone Financial Credit Union grew over \$19,000,000 which is a 16% increase over 2008. This represents the largest single year increase in loans in our history. Also for the year our member deposits grew over \$13,000,000 which is an increase of 8.5% over 2008. Last fall our Internet Banking system was upgraded to provide more functionality. We are currently working on a new Mobile Banking product which will be introduced soon. We remain committed to our primary mission of focusing on the needs of our members and providing exceptional service.

Credit unions were not spared from the effects of the housing market decline in 2009 as the Corporate Credit Union Network experienced losses in their investment portfolios. All natural person credit unions including Cornerstone, have shared this expense through our federal insuring agency the National Credit Union Administration. These losses have been totally contained within the credit union system and no federal bailout funds were used. In spite of this expense your credit union remained profitable with a strong capital position.

We appreciate your confidence in Cornerstone Financial Credit Union and will continue to work to meet your needs while protecting your assets.

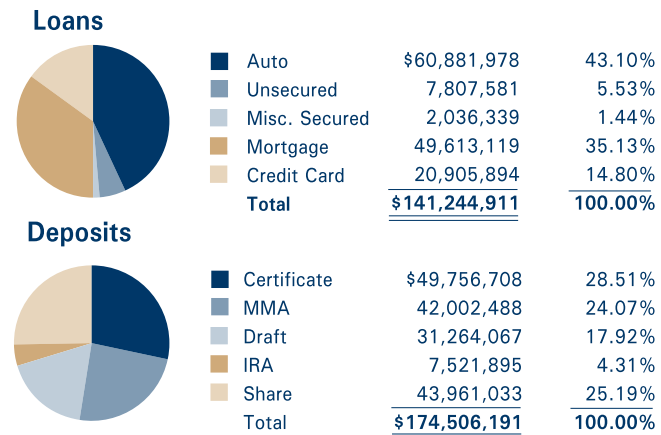


Hank Flury  
President

The enclosed Comparative Financial Statements of Cornerstone Financial Credit Union have been accurately prepared and reported in accordance with regulations of the Tennessee Department of Financial Institutions.



Joe Spivey  
Executive Vice President



### Management Team

- Hank Flury · President
- Joe Spivey · Executive Vice President
- Shirley Gibbs · Senior Vice President
- Roderick Payne · Vice President  
Information Systems
- Debbie Rawls · Vice President  
Retail Office Operations
- Linda Summarell · Vice President  
Loans
- Laura Williamson · Vice President  
Insurance & Investments
- Donna Young · Vice President  
Human Resources

### Credit Committee

- Linda Summarell · Chairman | Donna Hackett | Stephanie Faulkner

### Board of Directors

- Dr. Ed Whittington  
Chairman
- Mrs. Linda Cooper  
Vice Chairman
- Dr. Frank Ruckman  
Treasurer
- Dr. Julie Williams  
Secretary
- Mr. Danny Grant  
Director
- Mr. Lelan Statom  
Director
- Mr. Gary Cowan  
Director

focused on  
financial  
education



## 2009 Annual Report

## Focused on stability and growth.

Wary but optimistic. These words typify the mood of the average American as we move away from 2009. In a single year, we've seen unprecedented changes in our economy including collapsing housing values, a persistently high unemployment rate, and historically low interest rates. Through the uncertainty, positive signs have begun to emerge and the credit union industry has played an important role in providing a safe and sound financial alternative for consumers. We are committed to providing financial education for our members and within our community. Beginning in 2009 we partnered with a not-for-profit organization called Balance to offer free to our members, financial advice, counseling and a vast array of tools to sort through the new financial landscape.

Fortunately, our efforts to focus on our members well being and the conservative nature of the credit union industry allowed us to grow in several areas. We have experienced significant

new member growth as the public has recognized the benefits of credit union membership compared with other financial institutions. With the overall housing market still very unsettled,

members came to us in greater numbers for real estate loans that make sense and protect their hard earned equity. We also continued to improve service by moving our Franklin Branch to a larger more convenient location with an appearance our members and staff are proud to call their own.

We enter into 2010 much the same way we did 2009, cautiously optimistic. Optimistic in the sense that we expect positive signs to continue to strengthen our membership's financial well being, but cautious enough to keep our eye on the individual needs of each member. We will continue to educate and empower our members to take advantage of the resources we offer while operating in a safe and sound manner. On behalf of Cornerstone's Board of Directors, management, and staff, we thank you for your continued loyalty and we look forward to a brighter year ahead!



Dr. Ed Whittington  
Chairman



focusedonyou

Caring financial advisors  
providing exceptional service for life.

## Statement of Financial Condition

<b>Assets</b>	<b>12/31/09</b>	<b>12/31/08</b>
Loans to Members (net)	\$140,373,380	\$120,877,832
Investments	90,790,318	48,473,085
Cash & Cash Equivalents	12,912,147	7,510,840
Fixed Assets (net)	7,782,135	8,105,712
Other Assets	3,228,052	2,876,293
<b>Total Assets</b>	<b>\$255,086,032</b>	<b>\$187,843,762</b>

## Liabilities & Capital

Member Accounts & Salary Distribution Plan	\$176,226,632	\$163,895,709
Other Payables	58,096,417	2,936,270
Capital	20,762,983	21,011,783
<b>Total Liabilities &amp; Capital</b>	<b>\$255,086,032</b>	<b>\$187,843,762</b>

## Income Statement

<b>Gross Income</b>	\$13,333,112	\$13,507,309
Dividends and Interest Paid	2,184,840	2,868,718
Operating Expenses	9,782,303	9,315,455
<b>Total Expenses</b>	<b>\$11,967,143</b>	<b>\$12,184,173</b>
Income Before Net Loan Losses	\$1,365,969	\$1,323,136
Less Net Loan Losses	812,576	595,178
<b>Net Growth in Total Capital Before Stabilization Expense</b>	<b>\$553,393</b>	<b>\$727,958</b>
NCUA Stabilization Expense	551,595	
<b>Net Growth in Total Capital</b>	<b>\$1,798</b>	<b>\$727,958</b>
<b>Total Members</b>	<b>26,470</b>	<b>25,911</b>