

Report to Members - Queen of Peace Arlington Federal Credit Union
Annual Meeting Sunday, April 30, 2005
Treasurer's and Chairman's Report

The year 2005 (Our Forty-Second!) was another year of solid financial performance for the credit union. We ended 2005 with loans of \$369,211 compared with \$344,828 in 2004. Shares were \$800,381 compared with \$833,245 ending 2004. One loan was charged off in 2005 for \$1,906, and delinquency improved. Total assets at year end were \$963,324 while ending 2004 at \$981,304. We had 577 members at year-end, compared with 561 at the end of 2004.

In January 2005, we reached \$1 million in assets for the first time! During the year, total assets went up and down around the \$1 million level. As of March 31, 2006, our assets are at \$1.09 million!

A total of \$206,456 in loans was disbursed in 2005 to 32 members. In 2005, we continued to make our loan rates "competitive". The interest rate on a loan is lower if the borrower has a better credit score. For those with poorer scores, our rates are still very good. We also continue to offer new type of loan for those members with very poor credit, who need a small amount for up to 3 months. Our "payday alternative" loans of up to \$500 became available in mid 2004, and are now available with a limit of \$600.

Added as a service in mid 2004, members may have loan payments and/or savings deposits automatically transferred from a checking account at a bank or other credit union to Queen of Peace. There is no charge, and it has been very popular, especially to those with loans. Members may also make transfers from an account at another institution by written or telephone request.

Over the years, quite a few members have left small amounts in their accounts, and have had no activity. Eventually, we will be obligated to turn these funds over to the state of Virginia as "abandoned property". We also incur expenses to send statements, etc. In 2004, the board has authorized fees on such low balance accounts (under the minimum of \$25), as well as on accounts with very infrequent activity with balances under \$100. We have also started a fee when the quarterly statement is returned because of a changed address, since we must go to the trouble and expense of correcting the address and mailing again. During 2006, we plan to notify members that fees will be charged.

As announced at the Annual Meeting in April 2005, we donated an additional \$4,000 to the parish Ministry Center Building Fund, for a total donation of \$10,000 from 2001-2005. We are charging this as a monthly expense over the next approximately nine years.

As rates began to rise in the economy, we raised dividend rates several times, ending the year (December 2005) with a rate of 2.25% (APY) on regular shares. In March of 2005, we changed the timing of announcing a dividend rate on share accounts. Beginning with April 2005, we now declare and announce the monthly dividend rate before the beginning of that month. We also increased the dividend rate for February 2006 to 2.50% (APY) and for March and April 2006 to 2.75% (APY) on regular shares. For share certificates, we have increased the rates (fixed for the term of the certificate) several times as well. We offer share certificates (like CDs at a bank) for terms of 1.2 and 3 years with a minimum amount of \$1,000. We added a six month term as well as allowing any term (to the exact day, if desired) between six months and 3 years.

Total expenses increased slightly for 2005. The Officers, committee members, loan officers, and board members, etc. are volunteers. This allowed solid financial results. The credit union pays its own operating expenses (insurance, postage, computer expenses, office supplies, office furniture, etc.) from earnings. The church provides the office space.

Several officers continue to active in outreach to and cooperation with other credit unions. The Treasurer attended the annual meeting of the National Federation of Community Development Credit Unions in San Francisco June 2005. The Treasurer is active in the Northern Virginia Chapter of Credit Unions. Other volunteers occasionally attend the monthly meeting of the Chapter. We meet from time to time with other church credit unions, such as St. Ann's Arlington FCU and Shiloh of Alexandria FCU. In October, the credit union donated \$200.00 parish Thanksgiving food program.

During 2005, we continued to offer various kinds of insurance from CUNA Mutual Insurance Company, which is owned by the credit union movement. In

cooperation with Long & Foster Real Estate, our members can qualify for a rebate on the purchase or sale of real estate. Several new volunteers have offered their services. We offer members the ability to purchase a new auto through UBS. Christmas and Vacation Club accounts remain popular. In mid-2004, after extensive analysis, we signed a referral agreement with Credit Union Mortgage Association, Inc. (CUMA) of Fairfax, VA so that our members can get home mortgages from CUMA by referral from Queen of Peace Arlington FCU. CUMA deals only with credit union members, and is owned by a group of larger credit unions in the Washington DC area.

The credit union continues using email: qpafcu@hotmail.com . Our web site continues to grow: www.qpafcu.com.

To better serve our members whose primary language is Spanish, we continue to offer loan application forms in Spanish. Some Spanish language forms and brochures are also available in our shared lobby (Ministry Center Waiting Room). We will be offering a Spanish Language Information session on May 7.

We hope that we are able to provide more loans to members. During 2005, we are continuing implementing changes required by the Patriot Act, which requires financial institutions to monitor accounts for money laundering in support of terrorism and other illegal activities. We are also required to obtain identification on all new accounts.

Children can handle their own accounts, as soon as they can sign their names. There are several options for youth accounts available from the credit union. We also have teen tellers on duty handling transactions on the second Sunday of the month, "Youth Sunday". James Komen, one of our teens who has been a credit union member since he was a toddler has taken the lead in becoming involved as a volunteer. We would like to have more teen volunteers.

The credit union was a sponsor of the 2005 Cherry Blossom 10 mile Run, benefiting the Children's Miracle Network (Childrens Hospital in this area). Treasurer Dan Morrisey and Teen Teller James Komen volunteered at the event on Sunday April 2.

We hope to be of continuing service. Please contact us should you have any questions.

C. C. Jenkins
Board Chairman

Dan Morrisey
Treasurer/Manager/CEO

QUEEN OF PEACE ARLINGTON FEDERAL CREDIT UNION

ANNUAL MEETING
SUNDAY, APRIL 30, 2005

SUPERVISORY COMMITTEE REPORT

The Board appoints the Supervisory Committee. Its major responsibilities are to make an audit at least annually and to verify the accounts of members with the Treasurer's records at least once every two years. The Committee is also responsible for reviewing the performance of the board of directors for improvement in the operations of the credit union. The Supervisory Committee performs its work following guidelines issued by the National Credit Union Administration (NCUA).

The Supervisory Committee continues to work with our NCUA Examiner to ensure that all of our financial reports are up to date and to improve our accounting procedures. We are pleased to report that all requirements are being met. Based on our consultation with NCUA, the National Association of Federal Credit Unions' Key Financial Ratio Analysis, the annual audit performed by your Supervisory Committee, and our ongoing evaluation of credit union operations, we are pleased to report that the Queen of Peace Arlington Federal Credit Union is in very sound fiscal condition. The completely volunteer management is very dedicated and efficient.

We commend the policies and operations, which have resulted in high ratings from NCUA for the safety and soundness of our credit union. We continue to commend the board for keeping operating expenses low, paying dividends and making loans at better rates than most banks and credit unions in our area, and providing high quality services to our members.

Dick Melia, Chairman (703-892-6891)
Wilfred Braveboy
Andy Asihel