

Report to Members - Queen of Peace Arlington Federal Credit Union

Annual Meeting Sunday, April 10, 2011

Treasurer's and Chairman's Report

The year 2010 (Our forty-seventh!) was another year of solid financial performance for the credit union, despite challenges for both credit unions and financial institutions in general. We ended 2010 with loans of \$398,413 compared with \$382,880 in 2009. Shares were \$1,637,210 compared with \$1,462,270 at the end of 2009. No loans were charged off in 2010, and recoveries on previously charged off loans amounted to \$970. This is unusual in today's economic and financial environment. The delinquency rate remained stable. Total assets at year-end 2010 were \$1,924,363 while ending 2009 at \$1,722,205. We had 507 members at year-end, compared with 506 at the end of 2009.

Assets grew significantly in 2010 after a flat 2009.

A total of \$227,971 in loans was disbursed in 2010 to 29 members. In 2010, we continued to keep 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 a 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 \$600 are becoming more popular.

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 members 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 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 began to notify members that fees will be charged, and began to charge these fees.

As rates continued to drop in the economy, we lowered dividend rates several times, ending the year (December 2010) with a rate of 0.25% (APY) on regular shares. Christmas and Vacation Club Accounts pay a slightly higher (10 basis points) rate than the regular shares. For share certificates, we lowered the rates offered several times as overall interest rates dropped. We offer share certificates (like CDs at a bank) for terms of 6 months, 1, 2, 3 and 4 years with a minimum amount of \$1,000. We allow any term (to the exact day, if desired) between six months and 4 years. The four year term was added in 2010.

Total expenses were stable for 2010. 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.

We faced increased fees to the National Credit Union Administration (NCUA) in 2010 (as we did in 2009) and such fees are projected to continue for several more years to fund the federal insurance on member shares (to at least \$250,000 per account). Our strong financial condition allows us to handle this very well.

Several officers continue to be active in outreach to and cooperation with other credit unions. Several officials attended the annual meeting and faith based Credit Union Conference of the National Federation of Community Development Credit Unions in Pittsburgh in June 2010. 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 Fairfax City FCU and Shiloh of Alexandria FCU. In October, the credit union donated \$250 to the parish Thanksgiving food program. We were sponsors of the Credit Union Cherry Blossom 10 Mile Run and Treasurer Dan Morrissey volunteered at the 2007, 2008, 2009, 2010 and 2011 Races. Dan was joined by two Queen of Peace parishioners in 2011 and we hope to get more volunteers next year. This race benefits the Children's Miracle Network (Children's Hospital).

During 2010, we continued to offer various kinds of insurance from CUNA Mutual Insurance Company, which is owned by the credit union movement. 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.

We continue to maintain and enhance the credit union's informational web site. (www.qpafcu.com). There is a "Blog" authored by Treasurer Dan Morrisey. Facebook is in process and an electronic newsletter is in the works as well.

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 have money to lend to qualified borrowers. In early 2010, we began offering a new product/service to members, a prepaid VISA Gift Card that complements the reloadable prepaid Mastercard debit card we continue to offer.

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 would like to have more teen volunteers.

Several new volunteers are now helping at the credit union.

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 10, 2011

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. A verification of accounts was completed in conjunction with the mailing of 1st quarter 2010 statements. 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

Arniel Urbano

Joy Uy

