

**Report to Members - Queen of Peace Arlington Federal Credit Union**  
**Annual Meeting Sunday, April 25, 2004**  
Treasurer's and Chairman's Report

The year 2003 (The Credit Union's Fortieth!) was another year of solid financial performance, although there were some bumps along the way. We ended 2003 with loans of \$326,827 compared with \$346,933 in 2002. Member shares were \$719,566 compared with \$629,037 at the end of 2002. **No loans were charged off in 2003, although delinquency did increase again.** Total assets ended 2003 at \$849,393 while ending 2002 at \$745,233. We had 556 accounts at year-end, compared with 544 at the end of 2002.

A total of \$125,327 in loans was disbursed in 2003 to 21 members. We try to keep our rates and terms fair and competitive. In 2004, we plan to introduce some additional flexibility in setting interest rates on loans.

For many years, the credit union has offered, at no charge to the member, life insurance on most loans, up to a certain maximum. That maximum is currently \$25,000. After considerable review, discussion and analysis, the credit union board has decided to "phase out" credit union pay life insurance on June 1, 2004. Loans issued prior to June 1, 2004 will continue to have the credit union paid life insurance on the loan balance up to \$25,000. Loans disbursed or refinanced on or after June 1, 2004 will have the option of purchasing life insurance on the primary borrower or both joint borrowers up to \$30,000. Credit disability insurance has been available as an option on loans for many years.

During 2003, we spent part of the year in a "shared" office in the church building. In August, we moved into our new office in the Ministry Center. For a few months, we were behind in reporting, etc., due to the moves and the Treasurer's other commitments. Working with the NCUA (National Credit Union Administration), the federal regulator of credit unions, we caught up on all reporting and are now completely up to date.

Due to continuing significant drops in the interest rates, particularly short-term rates, we lowered dividend rates several times during the year. We believe that our dividend rates are very fair, given the returns we are able to get on loan and investments.

Total expenses increased slightly for 2003. Bond and insurance was a significantly expensive item. 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. In April of 2001, the credit union Board pledged \$6,000 towards the new ministry center to be paid in four annual installments of \$1,500 each. We are recording this expense over a ten-year period at \$50 per month. After some delays, we are finally installing new software and hardware to expand our computer capabilities. Additional expenditures are planned in 2004, as well. We thank the current Pastor (Fr. Tuozzolo), previous Pastor (Fr. Jeff) and parish leadership and members for their support of the credit union.

The Supervisory Committee performed an annual audit, as reported elsewhere.

Several officers continue to active in outreach to and cooperation with other credit unions. The Treasurer attended the annual meeting and faith based conference of the National Federation of Community Development Credit Unions in Memphis June 2003. The Treasurer is active in the Northern Virginia Chapter of Credit Unions. Other volunteers occasionally attend the monthly meeting of the Chapter as well. We meet from time to time with other church credit unions, such as St. Ann's Arlington, Shiloh of Alexandria Federal Credit Union and First Baptist Vienna (VA) Federal Credit Union. In November, donated \$200.00 parish Thanksgiving food program.

During 2003, 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 United Buyers Service. The Christmas and Vacation Club accounts remain popular.

In January 2003 the Board adopted new bylaws, as prescribed by the NCUA, our federal regulator. The board changed terms of office from two to three years. This year (2004) two board positions will be for a two year term and two will be for a three year term, completing the transition to three year terms. The credit union continues using email, **qpafcu@hotmail.com**. A web site, **www.qpafcu.com**, continues We will keep you informed.

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).

In the first three months of 2004, loans began to increase. We hope that we are able to provide more loans to members. During 2003 and continuing into 2004, we are 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.

Member education is an important part of positive changes we can make in our member's lives. If we can find a volunteer, we hope to begin some financial literacy efforts in 2004. Training will be provided.

During early 2004, the credit union board is reviewing offering some different types of loans, such as mortgages (through another Mortgage Company) and very short-term "payday" type loans for small amounts. Watch the bulletin and newsletter for announcements.

We are often asked if we can take monthly payments for loans and regular savings deposits from a checking account at another credit union or bank. We are finalizing plans for that capability, and hope to make an announcement in a month or two. We continue to offer electronic payroll deductions for those employers who offer this. Many members also take advantage of direct, electronic deposit of tax refunds. The credit union has DSL high-speed Internet connected for facilitating our work.

We have added several new volunteers over the past six months. Geraldine Jones and Juan Carlos Lazo are already working as tellers and Dan Cassidy will be helping out as well.

Later in the year, we will be having one or more events marking the 40<sup>th</sup> anniversary of the chartering of the credit union.

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

C. C. Jenkins, Board Chairman

Dan Morrissey, Treasurer

**QUEEN OF PEACE ARLINGTON  
FEDERAL CREDIT UNION  
ANNUAL MEETING  
SUNDAY, APRIL 25, 2004**

**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).

In view of disruptions to the Credit Union last year due to our move and workload demands on staff, the Supervisory Committee worked closely with the 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 now 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 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