

**MINUTES OF THE 76th ANNUAL MEETING OF
ST. ANN'S ARLINGTON FEDERAL CREDIT UNION
23 FEBRUARY 2025**

CALL TO ORDER

The 76th Annual Meeting of St. Ann's Arlington Federal Credit Union (SAAFCU) was held in the St. Ann Room of the Parish Rectory. The meeting was called to order by Chairman Joseph Shirron at 12:35 PM, in accordance with Article IV of the By-Laws.

CHAIRMAN'S WELCOME

J. Shirron noted the presence of a quorum, welcomed everyone, and expressed thanks to all in attendance.

PRAYER

Deacon Bill Donovan offered a prayer for all SAAFCU members and volunteers, and for success in the Credit Union's mission.

MINUTES

- ❖ *E. Daley made a motion to dispense with reading the minutes of the 75th Annual Meeting, held in February 2024. The motion was duly seconded and was passed by the membership.*
- ❖ *J. Shirron moved to approve the minutes of the 75th Annual Meeting. The motion was duly seconded and was passed by the membership.*

NOMINATING COMMITTEE

Directors E. Daley, C. Mizelle and D. Soumoy are running for re-election. All are for two-year terms. The Chairman made a call for additional nominations from the floor – none were offered.

- ❖ *A motion was made by J. Shirron to close the nominations. The motion was duly seconded and approved unanimously by the membership.*
- ❖ *A motion was made by J. Shirron to accept the candidates by acclamation. The motion was duly seconded and approved by the membership.*

ACKNOWLEDGMENT OF VOLUNTEERS

Chairman J. Shirron expressed gratitude to the many volunteers who make the work of SAAFCU possible. Joe noted that it remains true, as it has been throughout our history, that SAAFCU is mostly run by volunteers, who work to provide our members with services like

savings accounts, loans and credit counseling. Joe called out some of our volunteers for special recognition, and summarized the contributions made by each. Those recognized included:

- Teller: Pat Martin
- Assistant Managers and Tellers: Kenny Goss and Derin Honeywell
- Credit Committee: Chris Sullivan (Chair), Brian Ellis, Alexander Saenz, and Julie Westemeier.
- Supervisory Committee: Brett Esber (Chair), Meaghan Long, Chase Mizelle and John McGuiness.
- SAAFCU Board: Ed Daley (Vice-Chairman), Kenny Goss (Treasurer), Eva Esber (Secretary), Chase Mizelle, Desiree Soumoy, and John Nachmann.
- Manager: Mary Green

J. Shirron also expressed gratitude to the membership, generally, for making SAAFCU's mission possible.

Finally, Joe extended a special acknowledgment to Kenny Goss who, with a group at the Knights of Columbus, has prayed the rosary daily for 1786 days.

TREASURER'S REPORT

K. Goss provided the Treasurer's report. A set of tables showing the financial condition, Net Worth ratios, and Loan-to-Share ratios of SAAFCU over the past ten years, and graphs depicting Balance Sheet trends in shares, loans, and investments over the past 10 years, were distributed to the members, and are attached to these Minutes.

At year-end 2024, total assets were approximately \$3.4 Million, down by a little over \$1.7K from year-end 2023. Shares at the end of 2024 were a little over \$3.0 Million, down by approximately \$136K from 2023's year-end. Loans for 2024 were approximately \$866K, down by approximately \$428K from 2023. The Loan-to-Share ratio was 28.65%.

Kenny also reported that while loans were down, investments were up. Funds invested were approximately \$2.2 Million, as compared to approximately \$1.9 Million for 2023.

The Net Worth Ratio was 11%, which Kenny noted is very good.

CREDIT COMMITTEE REPORT

Chris Sullivan, Chair of the Credit Committee provided a report. Chris made reference to the charts included among the materials distributed to the membership, and attached to these Minutes. Among other things, they depict New Loans Issued, in numbers issued, dollar totals, and by type, Loan Portfolio Yearly Mix (in dollars), all over the past five years, and a chart depicting the trend in total loans outstanding (in dollars) per year over the past 10 years. Chris reported that the number of loans made was down for 2024 in numbers of loans, types of loans, and total dollars. Thirteen loans were made in 2024, ten unsecured and 3 share secured loans. There were no new or used auto loans and no HEL loans. Chris commented that the loan activity

is likely impacted by overall economic factors in our post-covid period. Chris observed that car purchasing has been crushed by inflation, with car loans rates in the general market, for both new and used loans, as high as 14%. Chris advised the membership that SAAFCU has made adjustments in its car loan rates that may attract new loans in 2025. Chris also advised that SAAFCU had no loans written-off in 2024.

SUPERVISORY COMMITTEE

Supervisory Committee Chair, Brett Esber, was out of town, but provided a report read by the Secretary:

For those members who are not familiar with the role and function of the Supervisory Committee, it is one of several committees formed under the credit union bylaws. We have four members, all of whom are parishioners at St. Ann. Two of our members have accounting degrees, one has a law degree and one has an IT background.

The Supervisory Committee reports directly to the Board of Directors. Like the Board of Directors, the Supervisory Committee ultimately serves and protects the interests of the credit union members. Our purpose is two-fold:

- (1) to oversee the administration of the credit union (in other words, keep a watchful eye), especially by conducting an annual, fairly in-depth review of credit union operations; and*
- (2) to assist the Board and the Manager on a regular basis, throughout the year, to promote the proper functioning of the credit union.*

We conduct our annual review once the books have been closed for the fiscal year. The credit union's fiscal year is the calendar year, so we begin our review in late January and complete it by the end of March. We then present our report to the Board at the regular Board meeting in April. Although we often refer to our annual review as an "audit", it does not rise to the level of a professional audit. For example, the Supervisory Committee does not opine as to whether SAAFCU's financial statements fairly present the financial condition of SAAFCU.

As part of our annual review, we check to confirm that SAAFCU is operating in accordance with its established policies (for example, that loans are properly approved consistent with the loan policy, investments are made consistent with the investment policy, etc.). We test to confirm that SAAFCU is keeping adequate and accurate operating files and records, that transactions are properly recorded in the financial records of the credit union, and that there is no apparent reason to believe

that SAAFCU's financial statements do not accurately reflect its financial condition. We also test to confirm that effective and secure cash management procedures are in place, and that there is no apparent diversion of funds.

As I mentioned, we are currently performing our review of fiscal year 2024, so I cannot yet report on the results of that review. I can, however, report that our review of fiscal year 2023 raised no significant concerns. In particular, we were very impressed by the professional manner in which the credit union is run. The Board of Directors and other committees are staffed by capable and dedicated parish volunteers, and the Manager (Mary Green) is experienced and very capable. The credit union is run in accordance with its established policies, and those policies are reviewed annually by the Board and adjusted as deemed necessary. The credit union is very well capitalized, and operates profitably with low expenses. All aspects of loan management and investment management appear to be good.

MANAGER'S REPORT

J. Shirron advised the membership that Manager Mary Green was enjoying a much-deserved vacation at the time of the Annual Meeting. However, she had forwarded email comments, as follows, which were read by the Secretary:

2024 was a quieter year for operations. It is a continued pleasure to serve our members and the broader St. Ann community through our unique financial ministry.

There were few surprises, which was a good thing for me as manager. After the whirlwind of unexpectedly returning in 2023, 2024 was a year of routine – including our most recent NCUA exam. We worked hard in 2024 to continue to get the word out about our deposit and loan offerings and while loan numbers were down, the loans we made were good loans that helped members of our community avoid higher interest rates elsewhere. My goal for our financially challenged members is to provide a short-term financial bridge – as short-term as possible -- as they work towards greater financial stability.

In 2023, we purchased 9 loans from St. Thomas More FCU with a total balance of just under \$100,000 to assist them in liquidating. We still have 5 of these loans in payment status with a combined balance of just over \$40,000. There have been no surprises or defaults tied to this transaction.

Loans – One of the most important things I do as manager is keep delinquencies to a minimum and work closely with member who fall behind on their payments. The loans that are most impactful to our members are also our loans most likely to default as these are our smaller unsecured loans that often serve as a financial lifeline for our members. To protect against losses, we monitor all loans closely and maintain reserves at a level that ensures that we are well positioned to withstand minor losses without impacting our ability to pay a steady stream of dividends. 2024 was another year with no write offs.

With respect to loan demand, we help members who have unexpected emergency needs every month. I spend as much time as possible with members working to find ways for them to pay down higher interest rate debt. In my view, our mission remains to help those whose only alternative is high interest rate loans and bank accounts where they get charged fees for everything they do. Spreading the word about using us as a source of loans is the best way our members can continue to help us out. The general economic environment of higher interest rates hits the financially insecure the hardest. We are currently making loans with a maximum term of 24 months.

Helping one another - I always like to give a couple of examples of how we help individual members to show you how we make a true impact within our community. I get the reward of helping these members first hand, but each member of the credit union is instrumental in how we serve the people.

Recently, we have made unsecured loans to some of our young adult members – two, in particular, attended St. Ann School or parish religious education. In both cases, I was able to combine financial literacy and counseling with the loans we made. I hope that this practical assistance has a ripple impact in the years to come for these young people.

Finally, I need to again highlight and thank members of our community – and at least one with limited tie to St. Ann Parish – for providing financial assistance to our neediest members. I was able to work with Fr. Jon over the course of the year to utilize these funds, along with a benefactor assistance fund we took over from St. Thomas More, to provide approximately \$10,000 in aid to over 20 members. When possible, we design the aid to be a carrot to help with on-going on time loan payments. I loved the thank you note from one member who said: “Beyond the actual money, I am grateful to be part of a community where people help each other in real and tangible ways regularly. I also want to share that when I told my parents and close friends about this help, all were heartened by this generosity. The generosity reminds others that good things happen and we all can play a part.”

Thank you all for your support of our little financial ministry.

CHAIRMAN'S REPORT

J. Shirron provided the Chairman's report.

Joe noted that good news in 2024 was that despite the Federal Reserve cutting the benchmark interest rate three times, the credit union still had a very good year. As inflation seemed to be coming under control, the Federal Reserve cut interest rates in 2024 from 5.25% down to 4.25%. Joe noted that falling interest rates typically reduce the earnings on SAAFCU's portfolio as it is forced to roll over maturing CDs into new CDs with lower yields. Although that happened over the year, SAAFCU also rolled over two CDs yielding about 2.75% into new CDs yielding 4.40%.

Joe also elaborated on the decline in loans, already addressed in other reports. Joe noted that SAAFCU started the year with almost \$1.3M and ended with \$866K, a drop of \$429K (or 33%).

Joe informed the membership that the decline was due to early payoffs of HELs and the usual amortization. \$246K in paid off loans was used to buy new CDs. The remainder was withdrawn by our members, as shares fell \$150K over the year.

The result Joe noted, with loans down and the CD portfolio up, is that SAAFCU's total income in 2024 was \$172K, up from \$149K in 2023 (an increase of 15%). SAAFCU also had non-operating income of \$17K, including a \$6K "admin fee" from the purchase of STMFCU's loan portfolio, and an \$11K reduction in the ALLL balance. Operating expenses in 2024 were \$63K, or 1.8% of total assets, which Joe noted is very frugal and well below our peer credit unions.

Joe also reported on dividends. SAAFCU's quarterly dividend rates were 3.75%, 3.40%, 4.00%, and 3.25%, for an average of 3.60%. In 2024 SAAFCU paid out over \$108K in dividends, breaking our record for a second year, when SAAFCU paid just under \$100K last year).

- Looking ahead to 2025, Joe addressed potential difficulties that SAAFCU may face in the coming year. Joe began with a quote from Calvin Coolidge, our 30th President (1923-1929). He said "If you see ten troubles coming down the road, you can be sure nine will run into the ditch before they reach you." Testing that optimistic proposition, Joe reviewed the challenges outlined last year, to review where things stand.
- Joe observed that, as a small faith-based credit union, SAAFCU remains vulnerable to the same issues that caused the closure of the credit unions at St. Thomas More and Queen of Apostles. They struggled with declining volunteerism and an increasing regulatory burden, as SAAFCU does now. The NCUA imposes ever stricter requirements for the worthy goals of better securing member information and accounts and preventing fraud and theft by online hackers. But SAAFCU has limited resources to address our potential IT vulnerabilities, and needs the means to locate and attract volunteers with the skills and knowledge to help us keep our computers and network secure.
- SAAFCU's small size, Joe advised, also means it cannot afford to offer services like online banking, a more interactive website, or debit or credit cards.
- Joe also advised that SAAFCU is shrinking in size. Four years ago, SAAFCU had 515 members, today it has 380. Six years ago, SAAFCU had total shares of \$3.8M, today it has \$3.0M. Six years ago, it had \$1.6M in loans, today it \$840K. Loan volume was also small, at 13 loans made in 2024. Joe advised that, at this time, SAAFCU cannot be competitive on new auto loans, nor with the financing terms offered on used cars, which have gotten as expensive as new cars used to be.
- Joe also emphasized the continuing risk of disruption from an inability to fill key management and oversight positions. Mary Green, who thankfully returned to the Manager position after retiring, has continued to be a blessing with her wealth of experience and expertise. But she has advised that she will eventually truly retire "in a couple of years." The last time SAAFCU needed a new Manager, we advertised extensively but only heard from two people interested in applying, and neither was a parishioner.

- Challenge from falling interest rates, as addressed last year, were also reviewed by Joe. Joe noted that interest rates fell over the past year, and the Federal Reserve has paused any further cuts as it waits to see that inflation is under control. However, Joe noted, it seems probable that the Federal Reserve will take steps to reduce interest rates as inflation subsides. The direct consequence for SAAFCU is that CD yields will fall, as will the yield on SAAFCU's portfolio as we roll over maturing CDs into new CDs at lower rates. Moreover, Joe emphasized, we do not expect to see a repeat of the one-time events in 2024 that boosted our income by \$17K.

Joe concluded by noting that, although SAAFCU is struggling with multiple challenges, it is blessed with a wonderful group of dedicated volunteers who donate their time and energy so that we can continue to operate and to fulfill our mission. No matter what 2025 holds in store for us, members can be sure that the credit union will keep your shares working hard to earn the highest possible returns consistent with safe and prudent management of the membership's money.

QUESTIONS: The Chairman opened the floor to questions from the membership. Several members posed questions relating to finding opportunities to increase the number of loans made by SAAFCU in the coming year, including the potential for seeking permission to speak from a pulpit after masses, or outreach to young adults who are graduates of St. Ann School.

RAFFLE: Kenny Goss oversaw the annual raffle for those in attendance. This year's winner were John Nachmann (\$10), Lauren Strickland (\$15), and Dean Soumoy (\$25)

ADJOURNMENT:

- ❖ *A motion to adjourn was by K. Goss at 1:15 PM. The motion was duly seconded and approved by the members.*

Respectfully submitted,

J. Shirron, Chairman

E. Esber, Secretary

Attachments:

- Attendance List
- Treasurer's Report
- Charts and Graphs of Financial Conditions/Trends
- Key Ratio Graphs
- Graphs of Loan Activity

Annual Meeting Attendance

1. Joseph Shirron
2. Ian R. Strickland
3. Bill Donovan
4. Michael Landrigan
5. Eva Esber
6. Megan Sullivan
7. Mimi Sullivan
8. Chris Sullivan
9. John Nachmann
10. Maryann Simpson
11. Susan H. August
12. Maria C. Shirron
13. Ed Daley
14. Pete McGuirk
15. Dan Daley
16. Martha Seavedra
17. Marianne Daley
18. Kenny Goss
19. Robert Kosik
20. Desiree Soumoy
21. Dean Soumoy
22. Meaghan Long
23. Lauren Strickland
24. Michael Lange