



**BELLWOOD**

**Federal Credit Union**

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*Your Member-Owned, Not-For-Profit  
Financial Cooperative*

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◆ *Serving Members Since 1951* ◆

**ANNUAL MEETING REPORT**

*Year Ending December 31, 2004*

**April 26, 2005**

# **Credit Union Officials**

## **BOARD OF DIRECTORS**

John T. Holloway, Jr., Chairman  
Charles R. Smith, Jr., 1st Vice-Chairman  
Bobbie F. Avery, 2nd Vice-Chairman  
G. Dea Mitchem, Secretary  
Joseph T. Schmierer, Jr., Treasurer  
Corliss R. Baugh  
Billy C. Holland  
Paula R. Padgett  
Dabney E. Short, Jr.

## **SUPERVISORY COMMITTEE**

Michelle D. McQueen, Chairman  
Sally H. Anderson  
Michael A. Koch  
Karron E. Small  
Gloria J. Walker

Alternates:

Marita Hawkins Beckles  
Margaret I. Spicer

## **Credit Union Staff**

Daniel A. Adams, President  
David K. Adkins, Loan Officer  
Ellen L. Bunch, Teller  
Lillian A. Carlton, Teller  
Marie A. Christian, Teller  
Sherry M. Cobbs, Loan/Insurance Processor  
Helen J. Cordova, Teller  
William D. Cosby, Jr., System & Network Coordinator  
Zenovia H. Davis, Vice-President of Finance & Accounting  
Janice J. Diehl, Vice-President of Collections  
Faye Dillow, Teller  
Linda D. Broughton, Loan Interviewer  
Michael E. Gray, Account Coordinator  
Robert O. Jenkins, Computer Operator  
Jennifer L. Johnson, Senior Teller  
Rita H. Jones, ACH Coordinator  
Mary M. Moore, Administrative Assistant  
April Newcomb, Teller  
Susan Shaban, Accounting Clerk  
Mary K. Strahle, Collection Officer  
Deborah K. Tait, Senior Loan Officer  
Dennis T. Toler, Vice-President of Cash Operations  
William B. G. White, Vice-President of Lending  
Teresa F. Widgeon, Accounting Clerk  
Christina M. Williams, Member Service Representative  
Betty S. Wright, Receptionist

## Chairman's Report

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I am pleased to report that your credit union continues to thrive and prosper. A great deal of work was undertaken during the past financial year to prepare Bellwood FCU for future challenges. The Board believes that the steps taken are paying off for our members.

The financial welfare of Bellwood FCU and its members is the top priority of your Board of Directors. However, banks and their national organization (American Bankers Association) continue to claim that they are losing market share to credit unions and that we should be taxed. This claim seems to be weak in light of another year when the banking industry reports record profits. In addition, the average credit union is \$70 Million in assets and the average bank is \$1 Billion in assets. Tax exemption of credit unions is no threat to banks, but ultimately any tax imposed on credit unions will be a tax on you, our member-owners.

Credit unions remain the most highly regulated and restricted of all insured financial institutions. The last major changes to the Federal Credit Union Act occurred in 1998. The past six years have provided an opportunity for our national organization (Credit Union National Association) to identify unnecessary and outdated provisions and recommend common sense improvements.

The Credit Union Regulatory Relief Improvements Act (CURIA) was introduced in November of 2003 to undo burdensome requirements on credit unions. This proposed act would provide much needed regulatory relief for credit unions and help improve productivity and efficiency in a competitive and dynamic marketplace. Provisions in CURIA would identify issues requiring adjustments to match the actual needs and experiences of credit unions and their ability to serve their members. During the past year, sixty-three Congressmen signed on as co-sponsors, but CURIA did not get to Congress for action. A new CURIA is to be introduced this year in the 109th Congress, and the banking industry will continue its attack on credit union regulatory relief.

Your credit union needs your help in contacting your member of Congress to ask for their support of CURIA. Letters and calls from credit union members will be a powerful force to counterbalance the misinformation bankers will attempt to bring before Congress. The banking industry is the giant when it comes to money, but credit unions have the most important counterbalance, which is people-power.

When considered in light of the demands of an extremely competitive financial services market and continued workloads related to ongoing legislative change and compliance issues across the financial sector, our credit union officials and staff deserve congratulations.

John T. Holloway, Jr.

<b>TREASURER'S REPORT</b> <b>STATEMENT OF FINANCIAL CONDITION</b>
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<u>ASSETS</u>	<u>12/31/04</u>	<u>12/31/03</u>
Loans to Members.....	\$23,072,778 .....	\$22,708,592
Allowance for Loan losses.....	(130,301) .....	(109,852)
Cash/Federal Reserve.....	3,634,342 .....	4,085,883
Land and Building.....	132,836 .....	134,773
Furniture and Equipment.....	205,108 .....	189,474
Shares in VA Financial Institutions.....	21,226,223 .....	21,766,083
Other Investments .....	1,895,384 .....	1,620,703
Accrued Income .....	113,296 .....	113,297
NCUSIF Capital Deposit.....	449,854 .....	472,731
Prepaid Expenses.....	188,942 .....	127,563
Other Assets.....	8,503 .....	59,818
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<b>TOTALS .....</b>	<b>\$50,796,965 .....</b>	<b>\$51,169,065</b>

**LIABILITIES AND MEMBERS' EQUITY**

Accounts Payable.....	\$35,445 .....	\$76,230
Regular Shares.....	30,879,110 .....	30,864,545
Share Draft/Checking.....	8,615,098 .....	7,134,153
Club Accounts .....	175,861 .....	161,983
Share Certificates .....	5,127,145 .....	6,502,450
I. R. A. Accounts .....	2,741,475 .....	2,947,696
Statutory Reserves.....	1,123,898 .....	970,313
Undivided Earnings.....	2,515,355 .....	2,422,443
Other Liabilities.....	(416,422) .....	89,252
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<b>TOTALS .....</b>	<b>\$50,796,965 .....</b>	<b>\$51,169,065</b>

<b>TREASURER'S REPORT</b> <b>STATEMENT OF FINANCIAL CONDITION</b>
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	<u>12/31/04</u>	<u>12/31/03</u>
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<b>GROSS INCOME</b> .....	<b>\$2,776,708</b> .....	\$2,805,172
Less: Expenses .....	<b>2,366,858</b> .....	2,357,144
Less: Dividends to Members .....	<b>148,850</b> .....	331,257
<b>NET INCOME</b> .....	<b>\$261,000</b> .....	\$116,771
 <b><u>ALLOCATION OF NET INCOME</u></b>		
Regular Reserves.....	<b>\$153,585</b> .....	\$51,167
Undivided Earnings.....	<b>107,415</b> .....	65,604
Total Number of Members.....	<b>13,720</b> .....	14,059
Total Number of Loans .....	<b>3,854</b> .....	3,946
Total Net Worth/Capital .....	<b>3,639,254</b> .....	3,392,756

# Notes to Financial Statements

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bellwood F.C.U. is a federally chartered credit union organized under the Federal Credit Union Act.

### **Dividends**

Dividends are computed on regular and IRA share accounts based on their daily balance (day of deposit to day of withdrawal). Dividends are paid and compounded quarterly and can be withdrawn on the first day of the month following the end of each quarter or any subsequent day the credit union is open for business. Dividends will not be paid on accounts that are closed during the quarter. Dividend rates are declared quarterly by the Board of Directors based on available current earnings after expenses and reserves have been set aside. Contracted rates are declared on term share accounts.

### **Income Taxes**

The Credit Union is exempt from federal income taxes under the provisions of Section 501(c)(14)(A) of the Internal Revenue Code.

## **NOTE 2 – SHARES IN VIRGINIA CORPORATE F.C.U.**

Share deposits in Virginia Corporate Federal Credit Union include a permanent capital base. The permanent capital base funds are interest bearing, are required deposits for membership and may be withdrawn only by closing the Credit Union's membership at Virginia Corporate F.C.U. At December 31, 2004, the balance in the permanent capital base was \$502,923.

## **NOTE 3 – SHARE INSURANCE FUND DEPOSIT**

Federal credit unions are required by law to maintain a deposit in the National Credit Union Share Insurance Fund equal to 1% of insured shares at June 30 of each year. Deposited funds can be withdrawn only if the Credit Union terminates its share insurance.

## **NOTE 4 – RETAINED EARNINGS**

The regular reserve is comprised of statutory and discretionary transfers from Undivided Earnings. Statutory transfers are not available for dividends. As of December 31, 2004, \$107,415 had been transferred to Undivided Earnings.

## **NOTE 5 – PENSION PLAN**

The Credit Union's non-contributory defined benefit pension plan covers substantially all of its employees. The plan provides payment to participants at varying retirement dates and also provides payment of certain disability, death and severance benefits. The plan benefits payable are generally determined based on length of service and employee compensation. Employees become eligible for future vested benefits after meeting certain length of employment requirements. Contributions to the plan are sufficient to meet the benefits of employees' services to date and future services.

## President's Report

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Over the past year, your credit union has built a solid foundation for improving products, competitiveness, service standards and internal processes. There continues to be significant discussion and change related to the way credit unions must continue to adapt to successfully meet future competitive challenges.

Thanks to the support of our members and hard work by officials and staff of your credit union, the results for the past year show that Bellwood FCU is in a strong position – both competitively and financially.

We continue to see great potential in encouraging the families of existing members, particularly younger members, to join us. Unlike large banks, we cannot spend millions of dollars on advertising, so we must rely upon word of mouth as a method to attract members.

Our goal is to provide each member with a financially sound credit union in 2005, concentrating on developing an easier means to do business with us. The officials and staff of your credit union are focused on comprehensive financial advice, increasing corporate social responsibility, and fostering staff empowerment and outstanding leadership through ongoing training of employees.

During 2004, your credit union continued its support for local charities, including Children's Miracle Network and Habitat for Humanity. One highlight of our social responsibility for the year was working with the Richmond Chapter of Credit Unions to help sponsor and build a house in Richmond for Habitat for Humanity.

As credit unions grow and society becomes more complex, we are subject to more and different legislation. This applies not only to credit union legislation, but laws relating to issues such as money laundering, terrorist financing, and privacy. In short, steering a successful course for your credit union in today's marketplace is more challenging, but not without its accomplishment in continuing to serve members for over fifty-four years.

I wish to thank the officials and staff for the time and effort they have devoted over the past year on behalf of your credit union. In addition, thank you for your support.

Daniel Adams

## Supervisory Committee Report \_\_\_\_\_

The Supervisory Committee consists of credit union members appointed by the Board of Directors whose responsibilities include examining and evaluating the effectiveness of established internal controls of Bellwood Federal Credit Union.

In continuing to carry out our responsibility during the past year, the committee has attended monthly Board meetings, held regular committee meetings, and performed several cash counts. The cash counts concluded with no major issues and no recommendations needed.

The committee engaged the firm of Schreiner, Legge & Company of Alexandria, Virginia to conduct the annual audit for BFCU as of December 31, 2004. The goals of the annual audit are to determine the integrity and reliability of financial information, and to determine compliance with current policies, plans, procedures, rules and regulations.

The National Credit Union Administration (NCUA), in addition to the professional audit, conducted its annual examination of BFCU. This regulatory agency evaluates federal credit unions on their capital adequacy, asset quality, management, earnings and liquidity management. BFCU is a sound and stable institution that is able to withstand business fluctuations quite well.

All of these positive actions should allow you, the member, to feel secure in the manner in which your credit union is being operated.

We look forward to another excellent year. As always, your Supervisory Committee members will continue to give their time and effort to serve you in a professional, responsive and businesslike manner.

Michelle D. McQueen  
Chairman