

APL FEDERAL CREDIT UNION

2012 **annual  
report**

**GEARED FOR  
THE FUTURE**



# BOARD OF DIRECTORS

John Tochko, Chair

Rosalyn Furukawa, Vice Chair

Robert Miller, Treasurer

Charlene Husted, Recording Secretary

Philip Albert, Director

Shawn Dancik, Director

Laura Davis, Director

Jim Knowles, Director

Peter Newman, Director



**Robert Miller**  
Treasurer

# SUPERVISORY COMMITTEE

Karen Brown, Chair

Shawn Dancik

Brian O'Connor



**Karen Brown**  
Chair

# ASSOCIATE VOLUNTEER

Sarah Cooke



# A MESSAGE FROM OUR PRESIDENT & CHAIRMAN

A commonly used definition of a recession is two consecutive quarters of a shrinking Gross Domestic Product (GDP). From this strict economic viewpoint, the Great Recession that started in late 2007 officially ended in June 2009. However, the recovery over the past four years has been relatively modest, leaving many Americans believing that the recession is far from over. Continued high unemployment, low consumer confidence, and uncertainty with foreign markets have certainly affected all aspects of our economy – including the financial services sector comprised of banks and credit unions.

In order to remain profitable, many financial institutions have responded to these difficult times by raising fees or cutting services. This places profitability before the best interests of their accountholders. Basic services, such as free checking, are becoming a thing of the past. A recent survey of financial institutions found that only a quarter of all big banks offer free checking, while barely half of smaller banks and credit unions continue to do so.

In addition to increased checking account fees, other formerly free services now come with a fee attached, or require the customer to meet a minimum balance or usage threshold to avoid a surcharge. In many instances, consumers are not even aware of which fees they are paying monthly.

By contrast, APL Federal Credit Union's Board of Directors is pleased to report that we experienced another successful year in 2012 – without raising any fees or compromising any level of service. In fact, our fees-to-average assets ratio, which was five times lower than the national credit union average in 2011 (and even lower when compared to banks), improved to six and a half times less than the national average in 2012. Keeping fees low while still improving member service is a core value of our Credit Union.

Despite generating so much less in fee income than most other financial institutions, APLFCU finished the year with net income of just over \$2.5 million,

as sound underwriting decisions and low operating costs allowed us to maintain profitability without compromising our overall member service.

We are also pleased to report that the dollar amount of loans generated in 2012 increased by more than 40% from 2011, as we were able to help hundreds of members take advantage of historically low rates, especially for first and second mortgages. These members were able to refinance with much lower interest rates, open home equity loans or lines of credit to consolidate bills, or leverage the buying power of APLFCU's low rates and closing costs to purchase a new home.

In addition to helping our members with our low fees and great rates, we also implemented several new service enhancements. This includes a new credit and debit card processing system, which lowers expenses, improves fraud protection, and enhances our ability to help members experiencing card issues during non-business hours.

Although 2012 was a banner year in many ways, one area of concern was the reliability of our online banking platform. The "derecho" wind storms that swept through the Mid-Atlantic in late June caused power outages which cut off member access to electronic banking for several days. To ensure this never happens again, we purchased an industrial generator that will keep our eBranch services operational through almost any weather-related power outages.

As we embark on 2013, we are gearing up for the future with several product and service enhancements already underway. We know you have a choice of dozens of financial institutions, and we are working diligently to provide you with unsurpassed value and service now and in the years ahead.

On behalf of our entire staff and Board of Directors, we want to thank you for making APLFCU your preferred financial institution.

As always, we remain, "At Your Service, In Your Community."



A handwritten signature in black ink that reads "Jim Deegan".

**Jim Deegan**  
President/CEO



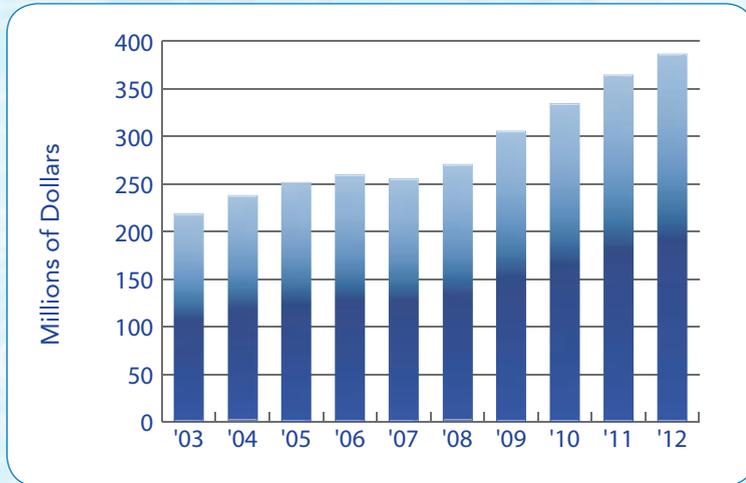
A handwritten signature in black ink that reads "John Tochko".

**John Tochko**  
Chair

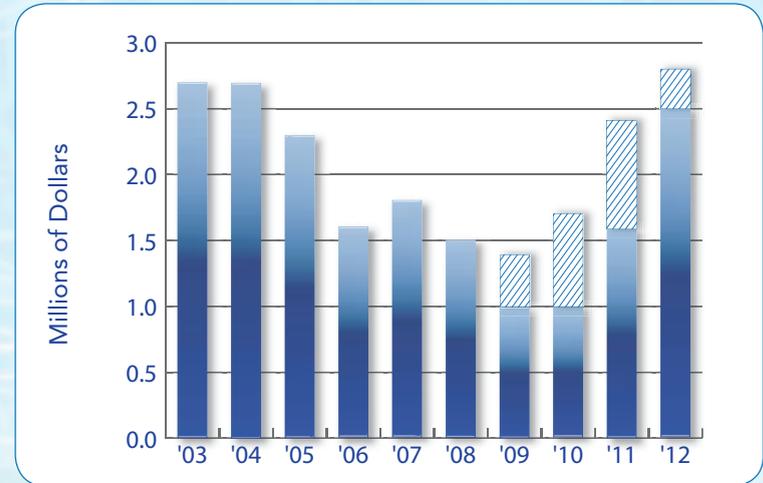
# 10-YEAR ANNUAL REPORT DATA

# 2003

## ASSETS

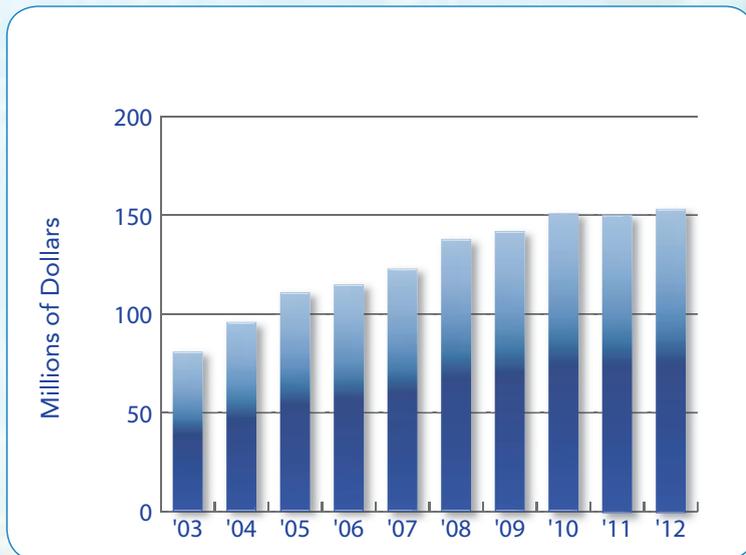


## NET INCOME

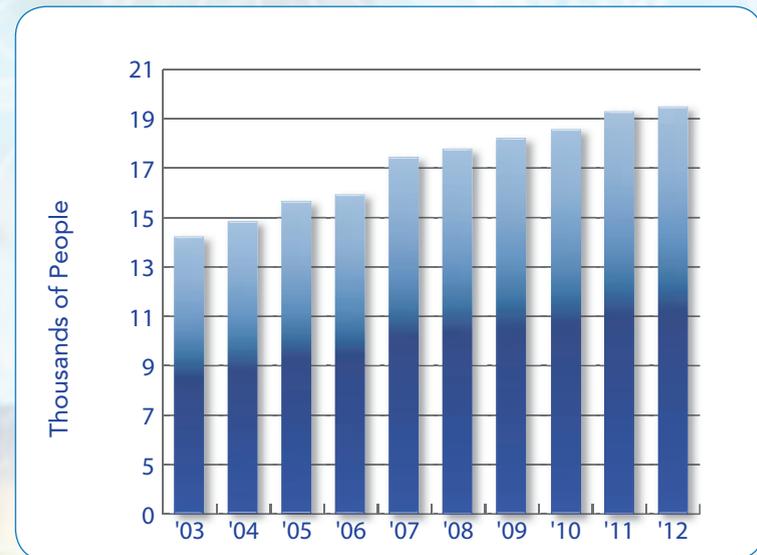


\*2009 thru 2012 income shown before and after NCUA Stabilization Expense

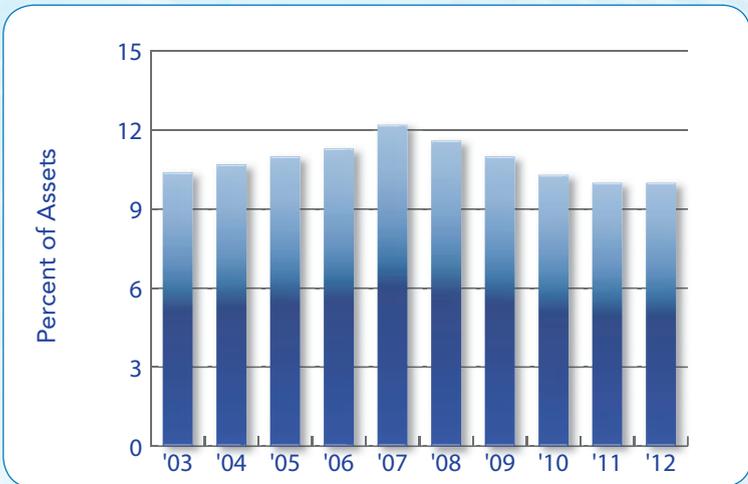
## TOTAL LOANS



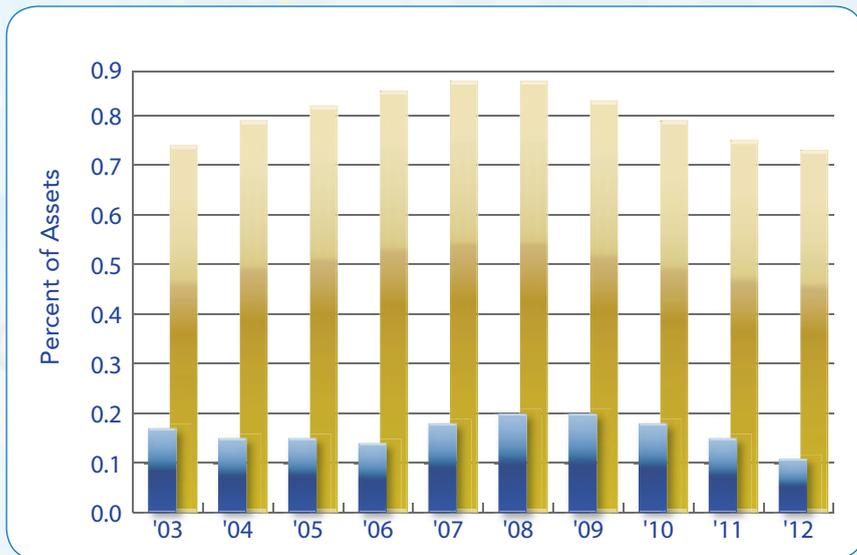
## NUMBER OF MEMBERS



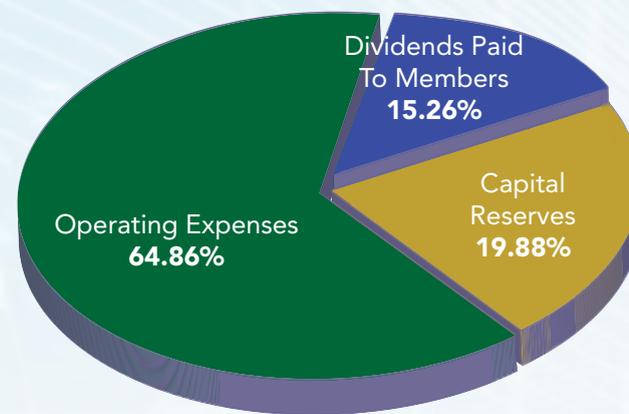
## NET WORTH



## MEMBER FEE INCOME TO AVERAGE ASSETS



## DISTRIBUTION OF INCOME



- APL Federal Credit Union
- National Credit Union Average

# STATEMENTS OF FINANCIAL CONDITION

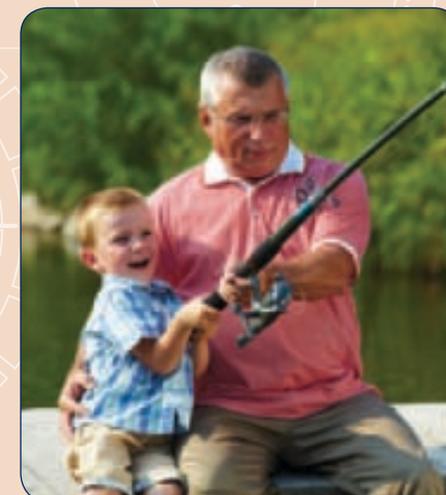
<b>ASSETS</b>	<b>2012</b>	<b>2011</b>
<b>Loans</b>		
Loans to Members - Less Allowance for Loan Losses, and Net Deferred Loan Income	\$ 152,879,041	\$ 149,070,315
Loan Notes Receivable	1,596,716	1,196,297
<b>Loans Net:</b>	<b>\$ 154,475,757</b>	<b>\$ 150,266,612</b>
<b>Other Assets</b>		
Accounts Receivable	\$ 70,731	\$ 88,161
Cash	1,162,442	2,812,907
Investments	213,568,807	194,396,936
Accrued Income Receivable	763,366	832,032
Prepaid Expenses	344,784	285,450
Buildings & Land	9,977,542	10,171,922
Furniture & Equipment	593,089	711,457
NCUSIF Deposit	3,219,856	3,012,076
Other Assets	2,911,868	2,057,167
<b>Total Assets:</b>	<b>\$ 387,088,242</b>	<b>\$ 364,634,720</b>
<b>LIABILITIES &amp; EQUITY</b>	<b>2012</b>	<b>2011</b>
<b>Liabilities</b>		
Accounts Payable	\$ 1,211,252	\$ 555,415
Accrued Expenses	2,285,237	1,586,409
Other Liabilities	0	0
<b>Total Liabilities:</b>	<b>\$ 3,496,489</b>	<b>\$ 2,141,824</b>
<b>Equity</b>		
Savings	117,824,967	105,384,611
Checking	45,269,572	41,275,199
Preferred Money Market	70,443,694	64,123,318
IRA Money Market	5,325,530	4,145,091
IRA Certificates	22,770,747	24,413,996
Certificates of Deposit	78,715,274	82,959,983
<b>Total Shares:</b>	<b>\$ 340,349,784</b>	<b>\$ 322,302,198</b>
<b>Reserves</b>		
Regular Reserve	\$ 2,614,801	\$ 2,614,801
Undivided Earnings	33,661,866	32,054,991
Net Allowance to Adjust Investments to Fair Value	4,973,292	3,719,415
Other Comprehensive Income	(533,052)	194,617
Net Income (Loss)	2,525,062	1,606,874
<b>Total Equity:</b>	<b>\$ 383,591,753</b>	<b>\$ 362,492,896</b>
<b>Total Liabilities &amp; Equity:</b>	<b>\$ 387,088,242</b>	<b>\$ 364,634,720</b>



# STATEMENTS OF INCOME

## STATEMENTS OF INCOME

	<b>2012</b>	<b>2011</b>
<b>Operating Income</b>		
Interest on Loans	\$ 1,756,485	\$ 2,023,569
Interest on Real Estate Loans	4,793,704	4,894,796
<b>Net:</b>	<b>\$ 6,550,189</b>	<b>\$ 6,918,365</b>
Income from Investments	4,030,378	4,366,832
Fees & Charges	424,711	532,978
Other Operating Income	1,724,488	1,341,508
<b>Total Operating Income:</b>	<b>\$ 12,729,766</b>	<b>\$ 13,159,683</b>
<b>Operating Expenses</b>	<b>2012</b>	<b>2011</b>
Compensation	\$ 3,618,350	\$ 3,465,903
Employee/Retiree Benefits	2,003,116	1,487,880
Education & Conference Expenses	53,969	68,489
Association Dues	18,385	20,875
Office Occupancy Expenses	599,361	635,526
Office Operations Expenses	778,973	730,079
Education & Promotional Expenses	171,747	168,303
Loan Servicing Expenses	410,504	316,013
Professional & Outside Services	462,074	460,319
Regulatory Fees	82,248	76,256
Annual Report & Meeting Expenses	4,800	4,800
Miscellaneous Operating Expenses	9,524	14,312
Share Draft Processing Expenses	43,876	39,267
<b>Total Operating Expenses:</b>	<b>\$ 8,256,927</b>	<b>\$ 7,488,022</b>
Provision for Loan Losses	197,000	912,800
Interest on Borrowed Money	0	20
<b>Non-Operating Gains (Losses)</b>		
Gain (Loss) on Investments	496,332	44,164
Gain (Loss) on Disposition of Assets	570	5,800
Other Non-Operating Income (Expenses)	(102)	(26)
<b>Total Non-Operating Gains (Losses):</b>	<b>\$ 496,800</b>	<b>\$ 49,938</b>
Income (Loss) Before Dividends	\$ 4,772,638	\$ 4,808,780
Dividends	\$ (1,941,689)	\$ (2,448,887)
<b>Net Income (Loss) Before NCUSIF Stabilization Expense:</b>	<b>\$ 2,830,949</b>	<b>\$ 2,359,893</b>
NCUA Insurance Premium	0	0
NCUA Stabilization Expense	305,886	753,019
<b>Net Income (Loss):</b>	<b>\$ 2,525,063</b>	<b>\$ 1,606,874</b>



## OUR MISSION

APL Federal Credit Union is dedicated to providing its members quality financial services with a competitive edge, while ensuring the safety and stability of financial assets.

[APLFCU.ORG](https://www.aplfcu.org)