

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
INTEREST INCOME:		
Interest on loans (Notes 1 & 3)	\$4,103,173	\$4,629,634
Income on investments	633,155	972,277
Total interest income	4,736,328	5,601,911
INTEREST EXPENSE:		
Interest on borrowings	236	1,051
Dividend expense on share accounts (Notes 1 & 5)	807,302	1,444,614
Total interest expense	807,538	1,445,665
NET INTEREST INCOME	3,928,790	4,156,246
LESS: PROVISION FOR LOAN LOSSES (Notes 1 & 3)	275,219	386,773
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,653,571	3,769,473
NON-INTEREST INCOME:		
Fees and charges	1,991,843	1,903,456
Miscellaneous income	137,101	192,312
Total non-interest income	2,128,944	2,095,768
NON-INTEREST EXPENSES:		
Compensation and benefits	2,459,017	2,407,232
Office operations	1,164,783	1,103,724
Service processing charges	732,625	672,707
Depreciation and amortization	331,914	364,686
Occupancy	347,705	351,464
Education and promotion	291,145	238,454
Professional fees	87,627	89,246
Director expenses and dues	84,395	89,121
Insurances	38,334	42,731
Other	136,108	159,909
Total non-interest expense	5,673,653	5,519,274
NET INCOME	\$108,862	\$345,967

STATEMENTS OF MEMBERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Statutory Reserve	Undivided Earnings	Accumulated Other Comprehensive Income	Total
BALANCE - DECEMBER 31, 2001	\$3,139,968	\$5,810,540	\$(90,822)	\$8,859,686
COMPREHENSIVE INCOME:				
Net income - For the year ended December 31, 2002	-	345,967	-	345,967
Change in market value	-	-	(253,675)	(253,675)
TOTAL COMPREHENSIVE INCOME (LOSS)	-	345,967	(253,675)	(92,292)
Reserve transfer 2002	119,389	(119,389)	-	-
BALANCE - DECEMBER 31, 2002	3,259,357	6,037,118	(344,497)	8,951,978
COMPREHENSIVE INCOME:				
Net income - For the year ended December 31, 2003	-	108,862	-	108,862
Change in market value	-	-	241,789	241,789
TOTAL COMPREHENSIVE INCOME (LOSS)	-	108,862	-	-
BALANCE - DECEMBER 31, 2003	\$3,259,357	\$6,145,980	\$(102,708)	\$9,302,629

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received	\$4,747,018	\$5,713,946
Other income received	2,128,944	2,095,768
Interest paid	(807,537)	(1,445,665)
Cash paid to employees and suppliers	(5,791,846)	(5,140,761)
NET CASH PROVIDED BY OPERATING ACTIVITIES	276,579	1,223,288
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(87,648)	(147,605)
Proceeds from (purchases of) available-for-sale investments	4,283,469	(20,347,000)
Purchase of available-for-sale investments	(11,629,570)	-
Proceeds from (purchases of) other investments	28,795,299	29,990,277
Purchase of other investments	(27,645,000)	(83,559)
Net (increase) decrease in loans outstanding	(658,352)	(9,059,006)
Decrease (increase) in insurance deposit	37,850	(105,928)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(6,903,952)	247,179
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in members' shares	1,648,833	4,405,248
Increase ACH funds held	9,040,902	-
Loan borrowings	1,881,763	1,828,064
Repayment of borrowed funds	(1,881,763)	(2,314,378)
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,689,735	3,918,934
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,062,362	5,389,401
CASH AND CASH EQUIVALENTS:		
BEGINNING OF YEAR	9,045,052	3,655,651
END OF YEAR	\$13,107,414	\$9,045,052

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
NET INCOME	\$108,862	\$345,967
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
NON-CASH ITEMS:		
Provision for loan losses	275,219	386,773
Depreciation and amortization expense	331,914	364,686
CHANGE IN CERTAIN BALANCE SHEET ACCOUNTS:		
Interest receivable	10,691	112,035
Other assets and prepaid expenses	(283,748)	(86,839)
Accounts payable	(58,132)	99,845
Accounts receivable	(108,227)	821
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$276,579	\$1,223,288