2002 Annual Report

CSCU

Card Services For Credit Unions

ASSOCIATION PROFILE

Card Services For Credit Unions (CSCU) was founded in 1989 when 458 credit unions united to establish a card processing association dedicated to meeting the growing and unique needs of credit unions.

CSCU is a not-for-profit cooperative governed by a board of directors of nine credit union presidents/CEOs. As Certegy's largest client, CSCU works closely with Certegy on quality, educational, marketing and system initiatives to ensure members receive the highest quality processing services. In recent years, CSCU has invested heavily in the development of the industry's first Internet based portfolio analysis software - the Virtual Card Consultant[SM] (VCC).

Benefits of CSCU membership

Provide VISA and MasterCard sponsorship, as needed, through the maintenance of bank identification numbers (BINs)

Deliver card processing services at a reduced rate to members through our volume pricing agreement with Certegy

Facilitate timely, relevant communications among member credit unions

Provide a strong collective voice for credit unions in the card industry to Certegy, Visa, MasterCard, and other vendors

Supply member credit unions with effective portfolio management tools.

With over 2,400 member credit unions representing over 8.3 million Visa and MasterCard accounts, CSCU is the nation's largest credit and debit card processing association exclusively for credit unions.

2002 was another difficult and challenging year for the United States economy. The airlines continued to struggle with the aftermath of September 11, 2001, while several large companies made headlines with news of alleged financial improprieties and senior executive ethical lapses. As unemployment rose and consumer confidence sagged, the stock market and economy in general continued to stagnate.

Credit unions, however, were the silver lining in this otherwise uncertain economic climate. The tried and true fundamental credit union philosophy of "people helping people" resulted in a record 83 million members at year end. With respect to card portfolio performance, on average, CSCU member credit unions saw their portfolios perform better in all key measures of activation, volume, usage, and the most important measure, revenue.

For CSCU, 2002 was a year of record growth in new member credit unions and the expansion of the Virtual Card Consultant (VCC) suite of products. With tremendous positive response to VCC-Credit, it was clear there was significant need for more portfolio development tools to improve and simplify card analysis and strategy development for our members. In 2002, CSCU launched three new VCC modules: VCC-Debit, VCC-Risk Management, and VCC-PromoPlanner. These new modules along with VCC-Credit offer lending and marketing executives point and click convenience to improve portfolio performance.

VCC-Simulation, our most powerful and ambitious software development initiative to date, scheduled for launch Summer 2003, will allow member credit unions to play "what if" with a broad range of strategies including pricing, penetration, activation, and usage. Simulation will allow users to compare the incremental revenues from various alternative strategies and choose the one that best meets their financial return criteria.

The overwhelming popularity of VCC is the main reason we experienced single-year record growth as approximately 300 new credit unions joined CSCU, expanding our membership to over 2,400 credit unions at year end representing over 8.3 million credit and debit card accounts. Our growth was highlighted by 35 state credit union leagues partnering with CSCU to offer the benefits of membership including VCC, to their member credit unions. This makes CSCU far and away the largest credit union card processing association in the country.

In closing, CSCU will continue to be driven by a keen awareness and clear vision of the needs of our members. That philosophy has proven mutually successful and the key driver for our growth. While this is a time of great challenge, it is also a time of great opportunity for all of us. It is CSCU's pledge to continue to work hard for the benefit of our member credit unions and their cardholders.

Welcome to our new members and thanks to all for your continued support and trust.

PATRICK J. MCGRADY
Chairman, CSCU
President/CEO
Toledo Area Community CU
Sylvania, OH

ROBERT R. HACKNEY III
President, CSCU

Looking back

2002 will be remembered as a year of record growth of new member credit unions and the expansion of products designed to assist member credit unions on improving their card portfolio performance.

Meeting the needs of members with technology driven solutions

As soon as the successful launch of VCC-Credit was complete in the summer of 2001, it became very clear that CSCU member credit unions appreciated the value of this powerful, yet user-friendly tool. Accordingly, CSCU began development of more portfolio management tools leading to the launch of three new and exciting VCC modules in 2002. VCC-Debit, launched in June, provides debit card issuers with analytical reports and strategies similar to VCC-Credit, offering users anytime-anywhere point and click access to a comprehensive set of management reports and card growth strategies to help members enhance debit portfolio performance. While VCC-Credit and VCC-Debit focus on strategies to improve bottom line profitability through top line growth, VCC-Risk Management was launched to help members improve profitability through reduced losses by providing users with industry "best practices" to reduce and minimize fraud and non-fraud risk among credit
and debit portfolios. In August, VCC-PromoPlanner was implemented to give marketing professionals fast and easy access to Certegy, MasterCard and Visa promotions and products. To help meet the needs of credit union marketers, VCC-PromoPlanner is conveniently organized by card growth strategies - such as penetration, activation and usage – as well as seasonal promotions such as holiday or summer vacation.

A year of impressive growth

As a result of the overwhelming success of the VCC suite of products, the foundation for new credit union growth was in place. With usage of VCC - Credit among CSCU members surpassing 40% in the first year after launch, state credit union leagues around the country realized the potential benefit VCC could bring to their members. By the end of 2002, 34 state leagues had signed letters of intent to offer CSCU membership to their credit unions. At year end, the Michigan, Ohio and Pennsylvania leagues had completed their membership campaigns, which added approximately 375 credit unions and joined long-time league partners Georgia, Illinois, Massachusetts and New York. This brought CSCU's membership to over 2,400 credit unions or more than 40% of all card issuing credit unions in the United States, further enhancing CSCU's leadership role as the nation's largest credit union card processing association. Perhaps even more impressive is the fact that on a collective basis, CSCU volume now ranks in the top 15 and top 30 with Visa and MasterCard, respectively, on a domestic basis.

Giving back to the movement

As a cooperative, CSCU is very selective with respect to non-operating expenditures. In 1998, the very existence of credit unions was at stake and there was a critical need to support the credit union movement and H.R. 1151. Accordingly, it was appropriate then to support not only CSCU members, but all credit unions in this fight for survival. As a result of strong financial performance in 2002, the time was right again to give something back to the movement. This time, it was the National Credit Union Foundation (NCUF), an organization founded over 22 years ago with the purpose of raising funds to make grants that promote consumer financial education, affordable mortgage lending, savings, and asset accumulation. CSCU and our processing partner Certegy, made a significant contribution to the NCUF so that others may experience the fundamental, yet powerful philosophy of "people helping people."

Meeting challenges in the coming year – the ultimate portfolio machine

In 2003, CSCU will launch the fifth and most sophisticated portfolio analysis tool to date when VCC-Simulation is made available to member credit unions this summer. VCC-Simulation is a highly intricate tool that combines ease of use with tremendous power, providing CSCU members with an unprecedented capability to play "what if" on a wide variety of portfolio scenarios. In a matter of a few screens, users will be led through a logical and systematic step-by-step approach to review key measures of their portfolio, determine potential improvement based on peer comparisons and set a target goal. VCC will then instantly calculate the resulting incremental revenue. For example, if a credit union determines new growth is achievable through a penetration program, users will simply provide a new penetration percentage and VCC-Simulation will calculate the incremental finance charge, interchange and fee revenue based on the credit union's most recent historical experience of that particular portfolio. Want to compare the results of a penetration initiative against a usage or activation campaign? No problem. VCC-Simulation can save this and up to 10 other sessions. Need to monitor progress of a simulation created several months ago? Done. In fact, not only will VCC-Simulation store previous sessions, it will quickly update the user on the progress of the initiatives that have been made to date.

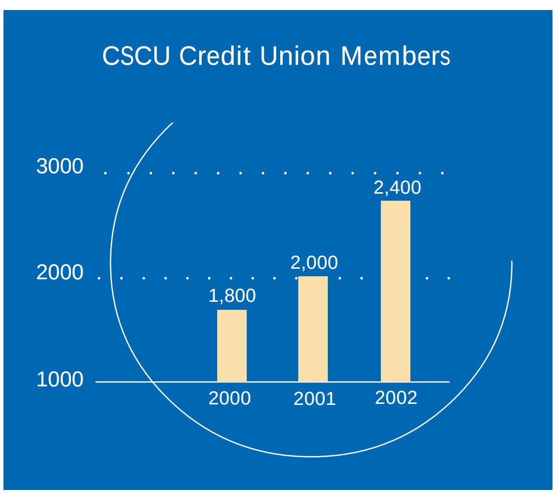
The battle for debit

Clearly the most dynamic component of the payment industry today is debit. Whether it is competition or consolidation among the networks jockeying for market share or the battle at the point of sale for PIN vs. signature to execute the transac-

Pictured left to right:
Robert Hackney, CSCU President
Patrick J. McGrady, CSCU Chairman and President/CEO Toledo Area Community Credit Union
Gary Officer, Executive Director National Credit Union Foundation
Chuck Purvis, Chairman National Credit Union Foundation

tion, there is much is at stake for all players. We can expect continued consolidation of the "regional" networks as they become "national" in scope. Merchants are constantly looking to reduce their cost of processing debit transactions by installing PIN pads at the point of sale and prompting for PIN numbers. As the proliferation of PIN pads continues, downward pressure on issuers' interchange revenue will increase.

There are several initiatives in place to preserve issuers' interchange revenue, to the extent possible, that CSCU will be promoting in 2003. First, look for bankcard branded options to improve debit card interchange. Many of the major POS and ATM networks are owned by publicly-traded companies that are governed by the interests of shareholders and not that of the credit union issuers. On the other hand, a bankcard branded solution operates with a philosophy to consider the best interests of its member-issuers. As a result, CSCU will be encouraging member credit unions to consider bankcard-branded network options in order to earn higher interchange rates.



These networks may provide more industry-favorable online interchange to its members. In addition, CSCU will be supporting the Visa Extras program, which will reward cardholders with a wide variety of awards for signing at the point of sale as opposed to entering a PIN.

Credit Cards – A core relationship product

In spite of some of the lowest interest rates in decades, increasing unemployment, and near record bankruptcies, there seems to be no let up by the national issuers to obtain new cardholders as evidenced by the 5 billion solicitations sent out in 2002. Even with response rates below 1%, these issuers are often successful in converting profitable credit union cardholders to their card. In addition, their seemingly limitless resources are making it increasingly difficult to compete. As a result, some credit unions have decided to sell their portfolio. Credit cards represent a key component of the overall member relationships. By selling the portfolio, we feel credit unions run the very real risk of losing that relationship as their members receive offers for financial products and services. CSCU feels credit cards are a core financial product and key to maintaining a relationship with members. In addition, the credit union is forgoing one of the most profitable loan types available to them. Accordingly, CSCU will continue to encourage credit unions to retain their portfolios and endeavor to help CSCU members improve their profitability.

In summary, 2002 was our most successful year ever and it was achieved by adhering to a very simple, yet fundamental philosophy: listen to our members and be responsive to their needs. Thanks to all of our 2,400 member credit unions. You have our commitment that we will continue to work hard for you.

PATRICK J. MCGRADY, CHAIRMAN
President/CEO
Toledo Area Community CU
Sylvania, OH

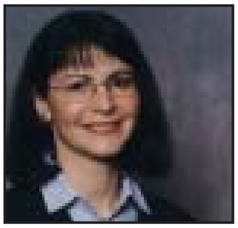
ROBERT HUNT, VICE CHAIRMAN
President/CEO
Educational Community CU
Kalamazoo, MI

RAY CROMER, TREASURER
President/CEO
Envision CU
Tallahassee, FL

KONNIE WERNER, SECRETARY
President/CEO
Team One CU
Saginaw, MI

JOHN FIORE, DIRECTOR
President/CEO
Motorola Employees CU
Schaumburg, IL

DENNIS J. HUBER, DIRECTOR
President/CEO
SCE FCU
Irwindale, CA

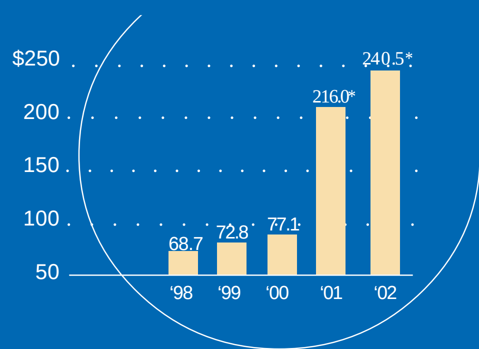


JANET MEYERS, DIRECTOR
President/CEO
Jeffco Schools CU
Lakewood, CO

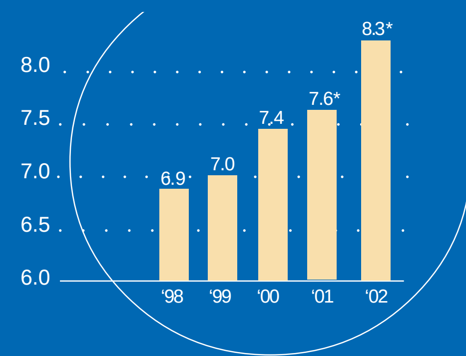
FRAN MUTO, DIRECTOR
President/CEO
People First FCU
Allentown, PA

ROBERT R. HACKNEY
CSCU President
Clearwater, FL

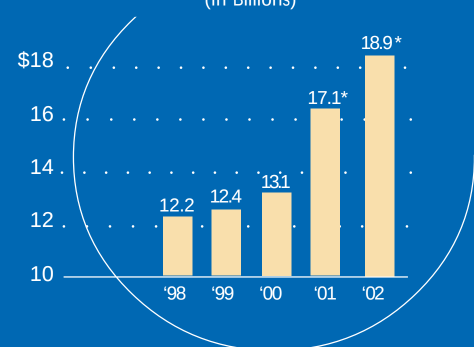
Total Distribution**
(In millions)



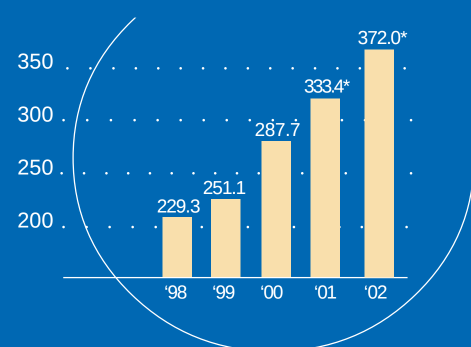
Total Accounts
(In millions)



Total Cardholder Transaction Volume
(In Billions)



Total Transaction By Year
(In millions, excluding payments)



*Amounts in 2001 & 2002 include pass thru credit and debit information.
**Interchange, Patronage Dividends & Other Rebates.

A POWERFUL PARTNER

For over thirteen years, CSCU has been proud to call Certegy its processing partner. As the largest card processor for credit unions, Certegy has the built-in flexibility and commitment to service excellence that credit unions demand.

In 2002, Certegy implemented a new credit-processing platform - Base 2000 and is currently testing a new debit platform, which will be implemented later in 2003. This will allow even greater flexibility for our credit unions in serving the needs of their cardholders.

CSCU understands the power of choosing the right partner. Add up all of the benefits and CSCU is still the best value in card processing for credit unions.

This time last year, I was President and CEO of United Airlines Employees' Credit Union, reading CSCU's Annual Report just as you are, as a CSCU member. This year, I'm leading the associates at Certegy to better help your credit union and your members. And I'm not just reading this Annual Report, I'm writing part of it. My, how my perspective has changed!

Certegy's and CSCU's association with you and your members began long before I arrived, and I am here to further that bond. Coming from a credit union environment, I know how important it is to build relationships. Just like at your credit union, our commitment to customer service is how we differentiate ourselves in the marketplace. At Certegy, our relationships—with CSCU, with your credit union, and with your members—are what drive our business. In partnering with CSCU, Certegy is dedicated to helping your credit union grow your business. There's no doubt that the market forces are shifting in our industry, and we are proactively addressing those challenges:

- To help expand your account base, our Business Development team is actively working to help you find new ways to reach your members.

- To increase your card transactions, our Enhancements group provides the expertise to make your card more attractive—through value-added rewards and services—than the competition's.

- To give your members even more options, we will introduce a Stored Value program in 2003, which will enable you to offer Gift, Teen and Payroll cards.

In addition, Certegy is providing your credit union with more functionality to offer your members improved service. The powerful Base 2000 system is now available after debuting last year to positive reviews. Later this year, we will introduce a new, more robust debit platform that further strengthens our position as your single-source provider of credit and debit card processing.

In fact, being your single-source provider is key to Certegy's relationship with your credit union. By offering your credit union a variety of related services, including E-Banking and Merchant Services, Certegy is able to pass along greater value and cost efficiencies to you and your credit union.

I am discovering a lot of great qualities here at Certegy, qualities that are echoed in the credit union environment. The importance of member service is a core part of our values. It runs through every department, from Customer Service and Client Relations to Production Services and Information Technology. It is on display throughout our headquarters, from hallway charts and department contests to employee evaluations and client satisfaction surveys. In summary, we want what's in the best interests of our customers—you and your members.

In my short time at Certegy, my perspective definitely has changed. I am thrilled to be a part of this dynamic company and to be your credit union's partner. I look forward to working with you in the future.

:certegy

ROBERT BREAM
Senior Vice President
and General Manager
North American Card
Services, Certegy

December 31,	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 106,627,569	$ 17,290,088
Investments		1,092,241
Accounts receivable:		
Other	465,747	833,267
Service center, net	23,190,423	49,963,801
Deferred tax asset	27,585	9,095
Total current assets	130,311,324	69,188,492
Furniture, fixtures, and equipment	66,094	48,675
Accumulated depreciation	(32,756)	(34,465)
Net furniture, fixtures, and equipment	33,338	14,210
Other assets:		
Deposits	552,355	
Deferred tax asset	43,960	22,905
Other	23,141	4,718
Total other assets	619,456	27,623
	$ 130,964,118	$ 69,230,325
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable:		
Member institutions, net	$ 119,573,176	$ 59,676,824
Trade	652,597	737,255
Income taxes payable	28,682	46,295
Deferred revenue	4,882,842	995,721
Patronage dividends payable	1,133,572	779,617
Total current liabilities	126,270,869	62,235,712
Deferred revenue, long-term	3,092,646	6,705,523
Members' equity	1,600,603	289,090
	$ 130,964,118	$ 69,230,325

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF OPERATIONS

Year Ended December 31,	2002	2001
REVENUES:		
Interchange fees	$ 243,439,415	$ 226,150,514
Processing fees	80,508,476	77,074,121
Interest income	945,314	1,757,253
Other income	450,025	262,750
	325,343,230	305,244,638
EXPENSES:		
Net interchange credit and other rebates	229,259,541	214,664,066
Processing fees	80,508,476	77,074,121
VISA and MasterCard fees	5,724,810	5,625,753
Certegy, Inc. settlement fees	5,261,611	4,949,994
Company service charges (payment clearing)	878,528	895,194
General and administrative expenses	1,275,179	1,225,143
	322,908,145	304,434,271
Net income before taxes	2,435,085	810,367
Income tax (benefit) expense	(10,000)	18,000
Net income	$ 2,445,085	$ 792,367

Statements of Members' Equity

	Years Ended December 31, 2002 and 2001
Balance, December 31, 2000	$ 276,340
Net income	792,367
Patronage dividend to be paid in 2002	(779,617)
Balance, December 31, 2001	289,090
Net income	2,445,085
Patronage dividend to be paid in 2003	(1,133,572)
Balance, December 31, 2002	$ 1,600,603

The accompanying notes are an integral part of the financial statements.

Year Ended December 31,	2002	2001
OPERATING ACTIVITIES:		
Net income	$ 2,445,085	$ 792,367
Adjustments to reconcile net income to net cash		
provided (used) by operating activities:		
Depreciation	6,932	12,000
(Increase) decrease in:		
Accounts receivable and other assets	26,570,120	(36,524,687)
Deferred tax asset	(39,545)	(32,000)
Increase (decrease) in:		
Accounts payable	59,032,077	(24,760,018)
Income taxes payable	(17,613)	43,645
Deferred revenue	274,244	3,355,241
Total adjustments	85,826,215	(57,905,819)
Net cash provided (used) by operating activities	88,271,300	(57,113,452)
Investing activities		
Acquisition of equipment	(26,060)	(9,232)
Disposal of investments held to maturity	1,092,241	924,793
Net cash provided by investing activities	1,066,181	915,561
Net increase(decrease) in cash and cash equivalents	89,337,481	(56,197,891)
Cash and cash equivalents at beginning of year	17,290,088	73,487,979
Cash and cash equivalents at end of year	$ 106,627,569	$17,290,088
Supplemental disclosures of cash flow information		
Cash paid for income taxes	$ 47,400	$ 3,600

The Company declared patronage dividends of $2,445,085 and $779,617 for the years ended December 31, 2002 and 2001, respectively. The Company paid the 2001 dividends in May 2002 and intends to pay 2002 dividends of $1,133,572 in the second quarter of 2003. The remaining patronage dividends will be retained in members' equity.

The accompanying notes are an integral part of the financial statements.

Years Ended December 31, 2002 and 2001

1. Background Information

Card Services for Credit Unions, Inc. (the "Association") is incorporated as a not-for-profit corporation under the laws of the state of Florida. Members of the Association are limited to duly constituted and operating credit unions located throughout the United States. The Association was organized primarily to provide the means for its member institutions to offer credit and debit card services to their members. The Association has contracts with a third party processor (Certegy, Inc., hereinafter referred to as "Certegy") to provide all data processing applications, record-keeping functions, and servicing on behalf of its member institutions.

Effective January 1, 1999, the Association adopted provisions in its bylaws authorizing it to operate as a cooperative. As a cooperative, the Association operates on a service-at-cost basis for the mutual benefit of its members.

Effective May 2002, the Association made provisions in its bylaws to offer two types of membership, Principal and Affiliate. Principal members are credit unions processing under the terms and conditions of the CSCU-Certegy master processing agreement. As such, nearly all of the significant balance sheet, revenue, and expense accounts reflect the aggregate activity of Principal members. Affiliate members process under the terms and conditions of an agreement other than the CSCU-Certegy agreement; accordingly, their clearing and interchange amounts do not flow through CSCU accounts and, therefore, are not included in these financial statements. Affiliate members are able to receive generally the same benefits as Principal members. The Association's bylaws require that all of the net income from patronage-sourced business be allocated and paid to its eligible member institutions on the basis of their relative contributions to Association transaction volume for Principal members or total account base for Affiliate members.

The Association currently has an agreement with a third party that provides all of the credit and debit card products and solutions to CSCU members. This agreement terminates on September 30, 2007.

2. Significant Accounting Policies

The significant accounting policies followed are:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interchange fees (issuer reimbursement fees) for Principal members are received from VISA and MasterCard for processing card holder transactions. These fees (interchange credit) are paid to the member institutions on a periodic basis, but not less than monthly, based on their sales volume relative to the collective sales volume of all Principal members, net of VISA and MasterCard fees, bank service charges, and Certegy settlement fees, if applicable. The Association does not retain interchange fees for administrative or operating expenses.

All processing revenue received from Principal member institutions for processing card holder transactions are paid to Certegy on a monthly basis. The Association does not retain processing fees for administrative or operating expenses. All revenue is recognized as earned or deferred until the earnings process is completed. Expenses are recorded as incurred.

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Association maintains its cash in high quality financial institutions which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Association's investments in debt securities, which typically mature in one year or less, are held to maturity and are valued at amortized cost, which approximates fair value.

Furniture, fixtures, and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets, ranging generally from three to five years. Depreciation expense for the years ended December 31, 2002 and 2001 was $6,932 and $12,000, respectively. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When furniture, fixtures, and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents.

Advertising costs are charged to expense when incurred. Advertising expense amounted to $28,940 and $45,889 in 2002 and 2001, respectively.

2. Significant Accounting Policies (continued)

The Association, as a non-exempt cooperative, is taxed on non-patronage proceeds and any patronage proceeds not paid or allocated to patrons. Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

3. Investments

At December 31, 2001, investments consisted of a bond issued by an agency of the United States Government with a face value of $1,095,000. The investment will be held to maturity and is, therefore, carried at amortized cost, which approximates fair value of $1,092,000 at December 31, 2001. This bond was called during 2002.

4. Accounts Payable, Member Institutions

Credit and debit card clearings and charges have been netted against credit card collections and fees. Member institutions payable include member settlement accounts. The Association requires each member institution to deposit funds that provide a reserve for credit card clearings. The deposit is based on an average volume of credit and debit card clearings and is refundable should the institution terminate membership in the Association.

5. Letter of Credit

The Association is a party to a letter of credit totaling $550,000 at December 31, 2001. The letter of credit is required collateral for the daily clearing accounts of credit unions in the event of a default by a member credit union. No claims were made against this financial instrument.

During 2002, the letter of credit was replaced with a cash deposit of approximately $552,000, which was placed in an interest bearing account to be used for collateral purposes.

6. Lease Commitments

The Association has obligations under various noncancelable operating leases for office space and equipment. Some of these leases contain escalation clauses for operating costs, property taxes, and insurance. Total rent expense for the years ended December 31, 2002 and 2001 amounted to $39,667 and $31,582, respectively.

The future minimum rental commitments under noncancelable, long-term operating leases due over the remaining terms of the leases at December 31, 2002 are as follows:

2003	$55,291
2004	$52,460
2005	$53,063
2006	$54,653
2007	$41,895

7. Benefit Plan

The Association maintains a 401(k) profit-sharing plan (the "Plan"). All employees of the Association that have completed at least one year of service are eligible to participate in the Plan. Employee contributions are voluntary and subject to Internal Revenue Service limitations. The Association matches 100 percent of employee contributions, up to three percent of each employee's compensation. In addition, Association employees receive a four percent annual base contribution. Contributions to the Plan during 2002 and 2001 recognized as expense amounted to $24,427 and $22,567, respectively.

8. Income Tax (Benefit) Expense

Income tax (benefit) expense consists of the following amounts:

	2002	2001
Taxes currently payable:		
Federal	$ 23,400	$ 41,500
State	6,200	8,500
	29,600	50,000
Change in deferred income tax expense	(39,600)	(32,000)
	$(10,000)	$18,000

The Association has available for future periods approximately $3,000 of charitable contribution carryovers.

The Association's effective tax rate is lower than what would be expected if the federal statutory rate were applied to net income because of the patronage dividend deducted in determining the amount of taxable income that is not deducted in determining income for financial reporting purposes.

For the years ended December 31, 2002 and 2001, deferred tax assets and liabilities amounted to approximately $72,000 and $32,000, respectively. Temporary differences giving rise to the deferred tax asset consist primarily of capitalization of website costs and carryforwards of unused charitable contributions. Temporary differences giving rise to the deferred tax liability consist of the excess of depreciation for tax purposes over the amount for financial reporting purposes.

To: Board of Directors
Card Services for Credit Unions, Inc.
Clearwater, Florida

We have audited the accompanying balance sheets of Card Services for Credit Unions, Inc. as of December 31, 2002 and 2001 and the related statements of operations, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the management of Card Services for Credit Unions, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Card Services for Credit Unions, Inc. as of December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Pender Newkirk & Company

Pender Newkirk & Company
Certified Public Accountants

Tampa, Florida
February 12, 2003