

A photograph of the Golden Gate Bridge at night, illuminated with warm lights against a dark blue sky and water. The bridge's towers and suspension cables are clearly visible.

# SF Police Credit Union

2003 Annual Report

*50th  
Annual  
Meeting*



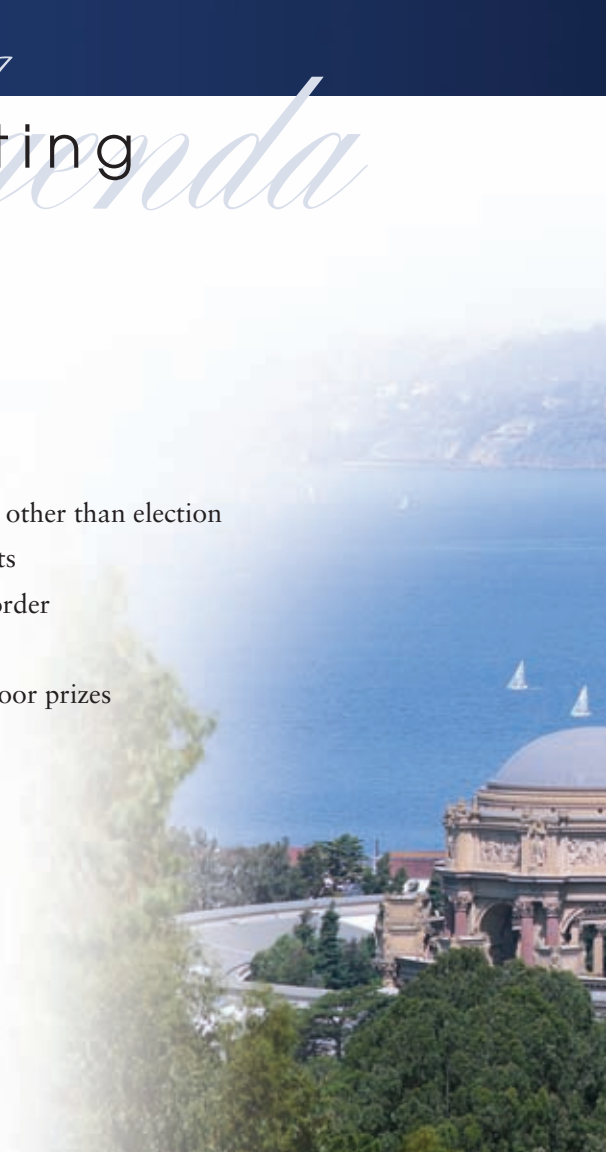
# 50<sup>th</sup> Annual Meeting

# Meeting Agenda



*Saturday, February, 21, 2004*

1. Establish quorum
2. Pledge of Allegiance
3. Appoint Recording Secretary
4. Reading and approval or correction of minutes of the 2003 Annual Meeting
5. Guest Speaker, Retired Chief of Police Anthony Ribera
6. Report of the President, CEO Michael R. Sordelli
7. Report of the Nominating Committee
8. Candidates remarks
9. Election
10. Report of the Directors, Chairman John V. Costello
11. Unfinished business
12. New business other than election
13. Election results
14. Good of the order
15. Adjournment
16. Drawing of door prizes



# Chairman & Board of Directors Report

Along with my fellow members of the Board of Directors I wish to welcome you to the 50th Annual meeting of the SF Police Credit Union. I'm happy to inform you that in spite of the turn down in the national economy our credit union is still in a very solid and healthy financial condition.

Our membership has increased through the past year to nearly 20,000 along with assets climbing to \$445,000,000.00. We have completed the renovation of our San Francisco home office adding new office space and computer technology. Our San Mateo office has opened adding new members and new loans, which contribute to our bottom line. Both locations have a relaxing atmosphere for completing your financial transactions.

Of course these things just didn't happen. They were brought about by the diligent efforts and hard work of the management staff in conjunction with the Board of Directors. And let's not forget you, the loyal members, for helping us obtain these goals.

Speaking of the members, I would like to emphasize what sets you apart from other financial institutions is the fact that you are not customers or clients, you are members. You are the owners of this credit union.

The management staff and marketing team are always seeking new products and services to assist you in securing your financial goals.

Our slogan remains: *"People helping people"*

Finally, I would like to thank all the management officers and credit union employees for a job well done, with a specific thanks to the Supervisory Committee and to my fellow board members who have assisted and supported me during the last year.

**John V. Costello**  
Chairman of the Board of Directors



# President's Message

With the celebration of SFPCU's fifty years of service, we take a look at the past, present and future of this organization. It is said that with age comes wisdom, and in our case a new energy, vision and drive to move forward. SF Police Credit Union has enjoyed an enormously rich blend of all three through the years, and this motivation continues to this day directing us into the future.

The Organization embraces decades of insight amid our Membership, Board, Committees and Staff. This success has paved the way to a diversity of products and services based on member needs. With our rich 'heritage', the bar continues to be set high and we are up to the challenges. Our organizational achievements are based on operational management, an understanding of economic trends and most importantly, meeting membership needs. Our current and previous board members and CEOs who helped to spur this trend are to be commended. We have



learned from their experiences and benefited from their wisdom. The Organization today is dedicated to carrying on your traditions and inviting your comments. Our focus continues to be service. We continue to work towards building new organizational objectives, and our focus of service to meld the synergistic qualities of each and promote financial vitality.

Two thousand and three has been a year of growth. We've increased our percentage of membership growth from previous years, helping to improve the well being of our entire membership. Competition for loans was strong in 2003; SFPCU increased loan fundings over 33% and is ready for 2004. Our lending department has increased staff in order to better serve our members growing loan needs. Operations continues to work on building better member service and I am confident that our membership will benefit from their efforts. Every member of the staff is up to the challenge of 2004. We have

also brought on new technology to allow our members to apply and instantly receive answers to their loan needs online.

As for the future, initiatives for 2004 include the crafting of a new strategic plan, showcasing a blueprint of our future objectives with the focus on 'Service, Service, Service'. We embrace our future; please travel with us for our next 50 years.

A handwritten signature in black ink that reads "Michael R. Sordelli".

**Michael R. Sordelli**  
President/CEO



# Financial Statement

SF Police Credit Union financial and statistic report for period ending December 31, 2003 after closing\*

## ASSETS

Total Loans .....	\$139,970,815
Less allowance for potential loss .....	-763,716

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NET..... \$139,207,099

Total Cash .....	21,842,503
Total Investment.....	267,121,187
Total Prepaid & Deferred Expenses.....	206,944
Land & Buildings Less Depreciation .....	7,552,262
Furniture, Fixtures & Equipment Less Depreciation .....	1,131,648
Total Other Assets .....	5,321,137

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**TOTAL ASSETS .....** \$442,382,780

## LIABILITIES

Accounts Payable .....	\$612,452
Taxes Payable .....	42,954

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**TOTAL LIABILITIES.....** 655,406

## EQUITY

**TOTAL SHARES.....** 379,356,751

## RESERVE & EARNINGS

Reg. Reserve Guarantee Fund .....	9,530,564
Retained Earnings .....	52,840,059

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**TOTAL RESERVE & EARNINGS .....** \$62,370,623

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**TOTAL LIABILITIES & EQUITY .....** \$442,382,780

\*Unaudited

# Summary of Income



**INCOME TOTAL= \$21,557,459**

- LOANS ..... \$9,317,088
- CORPORATE CREDIT UNION ..... \$2,906,397
- FEDERAL AGENCY SECURITIES ..... \$7,794,412
- FEES & CHARGES ..... \$312,815
- MISCELLANEOUS INCOME ..... \$670,785
- OTHER INVESTMENTS ..... \$555,962



**EXPENSES TOTAL= \$16,540,759**

- EMPLOYEE COMPENSATION & BENEFITS ..... \$4,453,162
- OFFICE OCCUPANCY & OPERATIONS ..... \$2,666,381
- PROVISIONS FOR LOAN LOSSES ..... \$175,000
- MEMBERS INSURANCE ..... \$200,073
- OTHER OPERATING EXPENSES ..... \$1,030,498
- DIVIDENDS ..... \$8,015,645



**LOANS TOTAL= \$139,970,815**

- Real Estate ..... \$98,821,375
- Co-Maker ..... \$20,212
- Share Secured ..... \$1,493,971
- Signature ..... \$5,217,797
- Auto ..... \$23,113,282
- Other Loans ..... \$3,404,059
- Visa Loans ..... \$7,900,119

# Supervisory Committee Report

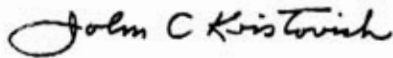
As chairman of the SFPCU Supervisory Committee, I am pleased to report to our members that we had another outstanding year in growth, assets and memberships. The Committee will continue to oversee that board actions, audits and operational functions are in compliance with the rules and regulations of the SFPCU, State and federal guidelines. We, on the Committee, will strive to make our CU even more efficient.

SFPCU received an excellent review from DFI on our examinations, and continually out-perform our peer group in the key ratio areas.

As required by the California Financial Code, we are submitting the following:

Total Shares: .....	December 2003 .....	379,356,751.47
Total Loans .....	December 2003 .....	139,970,815.20
Dividends Paid: .....	December 2003 .....	8,015,644.68
Total Assets: .....	December 2003 .....	442,382,780.02
Total Members: .....	19,838 and growing...	

The Supervisory Committee would like to express their thanks to the management, staff, employees, Board of Directors and volunteers for another very successful year.

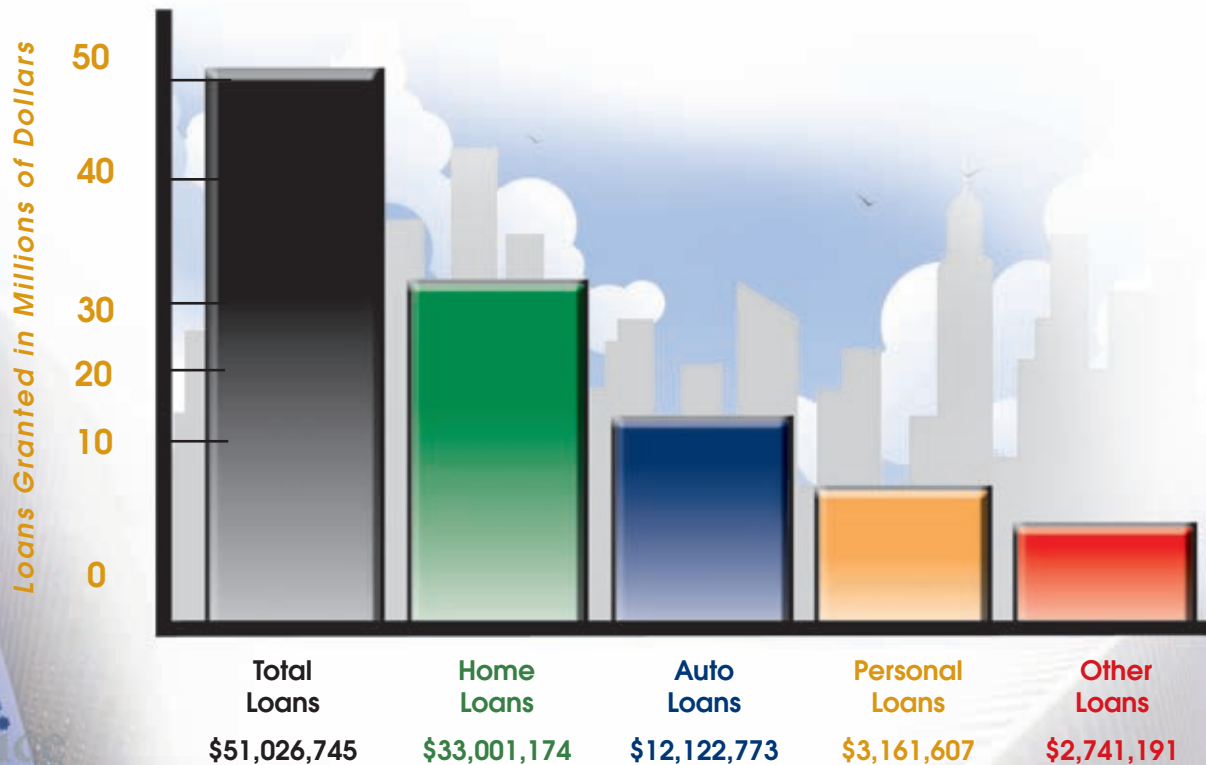


John C. Kristovich  
Chairman, Supervisory Committee

John Mindermann  
Barbara Brewster



# New Loans Granted



2003



# Independent Auditors Report

We have audited the accompanying balance sheets of the SF Police Credit Union as of December 31, 2002 & 2001 and the related statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 audit provides a reasonable basis for our opinion.

The Industry Audit Guide for Audits of Credit Unions issued by the American Institute of Certified Public Accountants indicates that members' accounts are liabilities. As further described in Note 1, SF Police Credit Union considers Union Rules and Regulations and has so presented the information. The presentation followed by SF Police Credit Union has no effect on the total amount or classification of assets or on the determination of income, expenses or net income. If the shares were reported as liabilities, equity would decrease by \$356,491,952 and \$314,723,309 as of December 31, 2002 & 2001. In our opinion, except for the effect of member's accounts classification, the financial statements referred to above, present fairly in all material aspects, the financial position of the SF Police Credit Union as of December 31, 2002 & 2001 and the results of its

operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 20 through 25 is supplementary information required by the State of California, Department of Financial Institutions.

Such information has been subject to auditing procedures applied in the audit of basic financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the basis of financial statements taken as a whole.



*Marlow & Massoni CPAs*

MARLOW & MASSONI,  
Certified Public Accountants,  
San Francisco, California, March 7, 2003



# Nominating Committee Report

This year at the 2004 Annual Meeting of the SF Police Credit Union we will be having an election for the Board of Directors. Candidates Willie Frazier, Bob Puts, Steve Tacchini, Valerie Marshall Matthews, Donna Meixner and Mary Fontana will be running for election for the three available seats on the SF Police Credit Unions' Board of Directors.

This year the Supervisory Committee will not be having an election. Under bylaws Article VIII Section 7, the number of candidates for the committee is equal to the number of vacancies. John Kristovich, John Mindermann and Barbara Brewster will be seated on the Supervisory Committee at the 2004 Annual Meeting.

Nominating Committee



**Duane C. Collins**  
Chairman

David B. Mayer  
Michael Sullivan



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