



2005 Annual Report

# SF Police Credit Union



*Serving Our Community Heroes*

# ●● A Message From Our President/CEO



**S**ince 1953, the SF Police Credit Union has operated as a non-profit financial cooperative where earnings are passed on to members in the form of better rates, costs, and services. Today, SFPCU is still proud to serve the dedicated "first-response" employees and families of the greater Bay Area, including law enforcement, fire protection, emergency medical, and other agencies within our common bond. While many other credit unions are trying to keep up with broadly defined eligibility groups, SFPCU believes in remaining true to our exclusive membership.

Agencies and individuals from our concentrated field of membership report how glad they are to have SFPCU serving their unique needs and providing an affordable alternative to typical banks. Dedication to our core group has resulted in a satisfied, loyal membership and additionally it has proven to be a successful strategy for the organization as a whole.

**In April of 2005 we opened our third branch** to much enthusiasm and support. Located at 802 Bryant Street in downtown San Francisco, this new full-service branch is a welcome addition - convenient for both current and new members alike. In its 8 months of operation, we've already received over 630 new accounts and 380 new members at this location alone. In fact, across the board at SFPCU we've watched member numbers grow and shares remain steady throughout the year - adding to the strength and success of this great Credit Union. More numbers mean more potential for profits, which are returned through superior rates and services, so as numbers continue to grow, members old and new can reap the rewards.

**With our new branch we were pleased to bring additional service experts** on board. This influx of new talent is a welcome compliment to our exceptional team and I thank every one of our employees for their dedication to our steadfast service goals. The Credit Union's success and reputation for superior service is in large part due to all of the individuals who take care of member needs every day. Through hard work and an ongoing commitment to helping our members succeed, we will remain one of California's top credit unions.

**As your financial partner we monitor the current market** to help you understand what the latest financial news means to you. For example, throughout the year the Federal Reserve has raised the Federal Fund and Discount rates. This is an indication that other annual percentage rates may follow. Since SFPCU is a non-profit financial cooperative, we have the unique ability to keep our rates low. In this financial environment, another key area to consider is the Credit Union's variety of savings products and the especially attractive rates that now enable you to earn more on your balances than ever before. In the forecast ahead, we will continue to make attractive rates a priority. Because we are able to operate at lower costs than for-profit institutions, we can offer high yields and low loan rates far into the future.

**Our loan products continue to be very popular** and offer some of the most competitive fixed-rates around. When members need a car, mortgage, credit, or other product - they will find extremely attractive rates right here. This is why the SFPCU loan portfolio continued to expand in 2005, and impressively, demonstrated a 9% growth over the prior year. The extent of our growth and our Credit Union's important role as a financial provider renews appreciation for the power of a member-owned cooperative.

**It feels good to be a part of the Credit Union philosophy of "People Helping People,"** and the year has proven that it has also been very rewarding for our institution. As Credit Union locations, staff, and numbers increase, our members also experience success - whether they are financing vehicles, homes, projects, or dreams. As we reflect on our year, what stands out is that together we've accomplished so much, and together we can look forward to more.

*Respectfully Yours,*

A handwritten signature in black ink, appearing to read "Michael R. Sordelli". The signature is written in a cursive, flowing style.

**Michael R. Sordelli**  
President/CEO

# ●● Financial Statement

**SF Police Credit Union financial and statistic report for period ending December 31, 2005 after closing\***

## ASSETS

Total Loans . . . . .	\$164,886,006
Less allowance for potential loss . . . . .	-515,244
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<b>NET . . . . .</b>	<b>\$164,370,762</b>
Total Cash . . . . .	27,596,232
Total Investment . . . . .	254,032,529
Total Prepaid & Deferred Expenses . . . . .	414,074
Land & Buildings Less Depreciation . . . . .	7,457,510
Furniture, Fixtures & Equipment Less Depreciation . . . . .	1,009,504
Total Other Assets . . . . .	5,479,572
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<b>TOTAL ASSETS . . . . .</b>	<b>\$460,360,183</b>

## LIABILITIES

Accounts Payable . . . . .	\$894,155
Taxes Payable . . . . .	34,095
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<b>TOTAL LIABILITIES . . . . .</b>	<b>928,250</b>

## EQUITY

<b>TOTAL SHARES . . . . .</b>	<b>389,217,947</b>
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## RESERVE & EARNINGS

Reg. Reserve Guarantee Fund . . . . .	9,415,564
Retained Earnings . . . . .	60,798,422
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<b>TOTAL RESERVE &amp; EARNINGS . . . . .</b>	<b>\$70,213,986</b>
<b>TOTAL LIABILITIES &amp; EQUITY . . . . .</b>	<b>\$460,360,183</b>

\*Unaudited

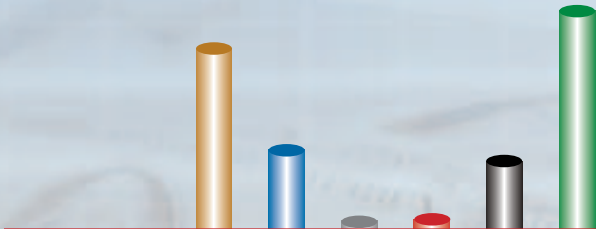
# Summary of Income

**INCOME TOTAL= \$22,429,335**



- LOANS ..... \$9,314,353
- CORPORATE CREDIT UNION ..... \$3,480,457
- FEDERAL AGENCY SECURITIES ..... \$8,125,223
- FEES & CHARGES ..... \$327,688
- MISCELLANEOUS INCOME ..... \$909,007
- OTHER INVESTMENTS ..... \$272,607

**EXPENSES TOTAL= \$16,545,558**



- EMPLOYEE COMPENSATION & BENEFITS ..... \$5,187,817
- OFFICE OCCUPANCY & OPERATIONS ..... \$2,879,277
- PROVISIONS FOR LOAN LOSSES ..... \$0
- MEMBERS INSURANCE ..... \$217,065
- OTHER OPERATING EXPENSES ..... \$1,198,044
- DIVIDENDS ..... \$7,063,355

**LOANS TOTAL= \$164,886,006**



- REAL ESTATE ..... \$120,425,165
- CO-MAKER ..... \$1,373
- SHARE SECURED ..... \$1,459,205
- SIGNATURE ..... \$6,115,004
- AUTO ..... \$23,272,774
- OTHER LOANS ..... \$1,846,215
- VISA LOANS ..... \$11,766,270



# ●● 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 membership. The Committee will continue to oversee that the board actions, audits and operational functions are in compliance with the rules and regulations of the SFPCU, State and Federal guidelines. With the opening of two new branches (San Mateo and San Francisco, Bryant Street) we will be able to provide more convenient service to our members.

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

Total Shares: .....	December 2005 .....	\$389,217,947.09
Total Loans: .....	December 2005 .....	\$164,886,005.60
Dividends Paid: .....	December 2005 .....	\$7,063,355.40
Total Assets: .....	December 2005 .....	\$460,360,183.30
Total Members: .....	22,378 and growing	

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



John C. Kristovich  
Chairman, Supervisory Committee

Committee Members:  
Barbara Brewster  
John Mindermann

# ●● Independent Auditors Report

**W**e have audited the accompanying balance sheets of the SF Police Credit Union as of December 31, 2004 & 2003 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 \$383,689,052 and \$379,356,751 as of December 31, 2004 & 2003. In our opinion, except for the effect of members' 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, 2004 & 2003 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 22 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 2, 2005



# ●● Nominating Committee Report

**A**s the Chairman of the 2006 Nomination Committee I am happy to report that under bylaws Article VIII, Section 7, the number of candidates for the Supervisory Committee is equal to the number of vacancies. Candidate Barbara Brewster will retain her seat on the Supervisory Committee. This year at the 2006 Annual Meeting of the SF Police Credit Union there will be an election for the Board of Directors and a vote on a very important bylaws change. Incumbent candidates David B. Mayer and John Costello will be running with candidate Glenn R. Sylvester and candidate Nelson Martinez.

Respectfully submitted,

SF Police Credit Union 2006 Nominating Committee



Duane C. Collins, Chairman

# ●● 2006 Credit Union Promotions and Enhancements

- **Bill Payer Enhancements** - such as Advanced Money Movement, Account Aggregation and Email Alerts
- **Check Imaging** - view your checks online
- **Mortgage Ratewatch** - a new system will be integrated with SFPCU Online that will allow you to be updated on what SFPCU's mortgage rates are doing. When you're ready to lock in, we are here!
- **Refer a Member!** - SFPCU always has special member months which make referring new members easy! Keep an eye out for information in the mail!

## **As always, we have a variety of great products ....**

- Savings and Checking
- Free online banking and bill pay
- Low rate Visa cards
- Mortgages, including first-time homebuyer loans
- Second mortgages and Home Equity Lines of Credit
- Personal, bill consolidation and auto loans

**Great service** - As member-owners, you can always expect the best from us.



# ●● Contact Information

## SFPCU Office Locations

San Francisco:  
2550 Irving Street  
San Francisco, CA 94122-0219

San Francisco:  
802 Bryant Street  
San Francisco, CA 94103

San Mateo:  
1495 S. El Camino Real  
San Mateo, CA 94402

## Phone

(415) 564-3800 or (800) 222-1391  
**Fax:** (415) 566-9251

**MemberLink 24-Hour Transactions:**  
(800) 871-3419 or (415) 242-2142

**Web site:** [www.sfpcu.org](http://www.sfpcu.org)

**Email:** [Members\\_Info@sfpcu.org](mailto:Members_Info@sfpcu.org)

## Lost or stolen cards:

*Visa M-F, 7 a.m. - 6 p.m.* – (800) 991-4964  
*After Hours/Weekends* – (800) 754-4128

**CO-OP ATM Directory:** (888) SITE-COOP

## CU Service Centers®:

(Multi-Location Network)  
*Toll-Free* – (888) 287-9475  
*Web Site* – [www.cuswirl.com](http://www.cuswirl.com)

## CU Office Hours:

*M, T, W, F* – 8:30 a.m. - 5:00 p.m.  
*Th* – 9:30 a.m. - 5:00 p.m.



We do business in accordance with the Federal Fair Housing Law and the Equal Credit Opportunity Act



# ●● Chairman & Board of Directors Report

It is with great pleasure that we welcome you to this year's annual meeting of the SFPCU. The 21<sup>st</sup> century has been note worthy for its rapid pace of shocks. Wars, stock market crashes, 9/11, corporate scandals, record high oil prices, and catastrophic weather conditions.

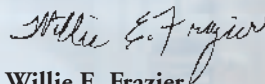
However, despite this and our economic conditions, the SFPCU has continued to flourish. Our membership has grown to well over 22,000 with assets approaching \$500,000,000. We are offering a plethora of products and services, which are also available at our San Mateo Branch and recently opened S.F. Bryant St. Branch. The latest technological advancement have been installed at each location to provide quick access for your every need.

It is our vision and goal to be the "first response," i.e.: Law enforcement, Fire and EMT, primary financial institution for the nine bay area counties.

To help us in this endeavor, we acquired the services of C. Myers Corporation, a group of experienced asset and liability management professionals, who have worked together in this field for more than 20 years.

Together, we will constantly reassess and conduct periodic surveys to monitor member satisfaction of SFPCU's performance and image in the financial market place.

In conclusion, with our shares and dividends continuing to grow, I would like to thank the members, management and staff, and the volunteers, i.e.: supervisory and AD Hoc committees for their unwavering and resounding support in the successful achievement of our goals.



**Willie E. Frazier**  
Chairman of the Board of Directors





Law Enforcement • Fire • EMT  
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