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**TruGrocer**  
FEDERAL CREDIT UNION

Just for you

## 2011 MANAGEMENT REPORT

TruGrocer Federal Credit Union continued to effectively navigate the constantly changing financial services landscape during 2011, while maintaining its focus on delivering valuable financial products and services to grocery industry employees and their family members. It has been a year of big challenges, new opportunities and positive results as the Credit Union builds on its reputation as a trusted financial institution dedicated to the grocery industry.

TruGrocer's leadership in the financial services industry has long been exemplified by its strong financial position, its commitment to business practices that insure financial strength and its service to members. The Credit Union's Net Worth Ratio (NWR), a calculation used by the NCUA to determine a credit unions financial strength, remained over 20.0% in 2011. TruGrocer's NWR is twice the peer group average and this strong capital position continues to lessen the impact of a weak economy and changing interest rates on earnings.

The Credit Union had \$584,000 in net income for 2011, after paying the National Credit Union Administration (NCUA) Corporate Credit Union Stabilization Fund assessment of \$416,000. While the assessment increased from the prior year by \$194,000, the NCUA did not charge federally insured credit unions an insurance premium in 2011. As the NCUA stabilizes the corporate credit union system and maintains the strength of the National Credit Union Share Insurance Fund, all federally insured credit unions will continue to pay the stabilization assessment. It is anticipated that the annual assessment will remain in effect for seven more years.

TruGrocer ended the year with \$224 million in assets, no change over 2010, and members' savings dropped from \$177 million to \$176 million. Credit union management worked to stabilize growth and not bring in excess deposits due to sluggish loan demand and a difficult investment environment that has existed since 2008. The lack of high quality investment alternatives for excess cash put pressure on the Credit Union's net income, requiring reductions in deposit rates to limit deposit growth and maintain an adequate spread between yield on assets and cost of funds.

Member loans were at \$70 million at year-end, a small 0.4% increase from 2010. This is the first time since 2005 that the Credit Union has had loan growth. The market for lending remains a challenge as members deal with unemployment, lower home values and less discretionary income. The Credit Union had some mild success at generating new loans during 2011 with loan promotions aimed at members who may have originally financed vehicles through dealer financing in order to obtain incentives.

The sheer volume of new laws and revised regulations has increased regulatory compliance demands on financial institutions, requiring changes to documents, processes and disclosures as well as an increase in paperwork and staff training. The upside to all of the attention being paid to the financial services industry is that credit unions have received widespread media attention as safe havens for consumers, increasing and improving growth opportunities for TruGrocer as members, potential members and grocery partners become frustrated with increasing fees at big banks.

Attracting new members remains difficult with the escalating competitive nature of the financial services industry, which underscores the importance of strengthening relationships with existing members. Convenience remains at the top of the list when establishing and maintaining member relationships and the demand for electronic banking services is driven by convenience. During 2011, the Credit Union enhanced its electronic service offerings by implementing eDeposit, allowing members to use a personal computer and scanner to make check deposits into their TruGrocer accounts, and txtAlerts, to help members monitor important account activity via text message alerts sent to their mobile devices.

The usage of CU OnLine, eStatements, eDeposit and the debit card program are key elements to profitability as these services reduce operating expenses as well as meet member demand for convenience. The Credit Union either met or exceeded all of its 2011 improvement goals for electronic services usage, as more members signed up and utilized these convenient financial management tools. Members may have made fewer purchases during the year, but their credit union debit card was on top in their wallet!

TruGrocer continued its commitment to implement cost reduction measures, support efforts to "go green" and improve efficiency in 2011. Other Operating Expenses dropped 8.2% from 2010 to 2011 as more members utilized electronic services, additional debit card fraud detection tools were implemented and various service contracts were renegotiated. While Compensation & Benefits Expense increased, staff adjustments were made during the year to lower costs and help offset the rising costs of providing health care coverage to TruGrocer employees.

Business development strategies going forward are guided by our grocery partners and the Credit Union formed a Business Development Task Force in 2011 to evaluate those strategies and determine the best way to meet partner employee benefit needs and capitalize on TruGrocer's unique charter to serve the grocery industry. Great ideas are coming from the Task Force, one being the establishment of a National Advisory Council to ensure we remain in touch with what is important to our grocery partners when they are promoting TruGrocer as an employee benefit. The best way to reach the more than 2 million grocery workers in the United States is through their employer and we want to provide the right mix of services, implement products members need most, leverage new technology and seize our unique opportunity to serve grocery industry employees and their family members.

With uncertainty about the speed or sustainability of economic recovery, we plan to continue cost reduction efforts while preparing for future growth. As TruGrocer enters its 47th year of operations it is positioned well for the future and we are excited about the strong support and cooperation we continue to receive from our grocery partners.

On behalf of the Board of Directors, committees and staff, thank you for being a loyal TruGrocer member and for being part of our continued success. We remain committed to your financial needs and look forward to serving you in the future.

**TruGrocer Federal Credit Union**  
Uniting the Grocery Family with Real Financial Value

**Phyllis A. Adkins**  
President & CEO

**Robert P. Baker**  
Chairman

**Michael T. Shalz**  
Treasurer

(as of December 31st)

	2011*	2010*	2009*
<b>ASSETS</b>			
Cash and Equivalents	\$ 24,322,638	\$ 29,792,424	\$ 24,080,229
Investments	118,015,286	113,277,992	115,707,136
Loans to Members—Net	69,165,551	68,872,799	74,172,662
Accrued Interest Receivable	340,794	370,743	483,277
Property and Equipment—Net	3,267,279	3,376,889	3,496,022
Other Assets	8,600,487	8,242,001	1,931,070
	<b>\$ 223,712,035</b>	<b>\$ 223,932,848</b>	<b>\$ 219,870,396</b>
<b>LIABILITIES</b>			
Notes Payable	\$ 0	\$ 0	\$ 0
Dividends Payable	46,764	69,080	89,542
Other Liabilities	1,285,531	1,033,029	839,905
<b>SHARES</b>			
Share Accounts	176,383,342	177,418,287	174,857,767
Total Liabilities and Shares	177,715,637	178,520,396	175,787,214
<b>MEMBERS' EQUITY</b>			
Regular Reserves	2,567,248	2,567,248	2,567,248
Undivided Earnings	43,429,150	42,845,204	41,515,934
Total Members' Equity	45,996,398	45,412,452	44,083,182
	<b>\$ 223,712,035</b>	<b>\$ 223,932,848</b>	<b>\$ 219,870,396</b>

(as of December 31st)

	2011*	2010*	2009*
<b>INTEREST INCOME:</b>			
Interest on Loans	\$ 3,847,570	\$ 4,255,078	\$ 4,676,396
Interest from Investments	1,911,154	2,718,947	3,975,779
	<b>5,758,724</b>	<b>6,974,025</b>	<b>8,652,175</b>
Dividend and Interest Expense	1,352,842	1,818,035	2,788,315
<b>NET INTEREST INCOME</b>	<b>4,405,882</b>	<b>5,155,990</b>	<b>5,863,860</b>
Provision for Loan Losses	188,242	232,382	370,202
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>4,217,640</b>	<b>4,923,608</b>	<b>5,493,658</b>
<b>Fees and Other Revenues</b>	<b>2,758,178</b>	<b>2,911,247</b>	<b>2,840,053</b>
<b>OPERATING EXPENSES:</b>			
Compensation and Benefits	3,099,385	2,919,207	2,743,649
Other Operating Expenses	**3,292,485	**3,587,780	**3,661,348
	<b>6,391,870</b>	<b>6,506,987</b>	<b>6,404,997</b>
<b>NON-OPERATING INCOME/EXPENSES:</b>			
Extinguished Capital at WesCorp FCU	0	0	2,093,656
Other Non-Operating (Income)/Expense	0	0	0
Disposition of Assets	2	(1,402)	631
<b>NET EARNINGS</b>	<b>\$ 583,946</b>	<b>\$ 1,329,270</b>	<b>\$ (165,573)</b>

\*Taken from Audited Financial Statements

\*\*Includes NCUA Assessments

## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee has ongoing responsibilities to appraise policies, review operational procedures and perform internal audits designed to verify that the accounting records accurately reflect the operations of the Credit Union. The Supervisory Committee verifies that there are adequate internal controls in place to protect the Credit Union, its members, management and employees.

The Supervisory Committee selected Eide Bailly LLP to conduct an independent audit of the Credit Union for calendar year 2011. The audit included examination, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included members' account verification, review of share and loan ledgers, review of loan delinquency and the adequacy of the allowance for loan losses account, review of internal controls and procedures and confirmation of credit union investments.

The Supervisory Committee received a copy of the Independent Auditors' Report for the year ended December 31, 2011 and a copy of this report is available at the Boise Credit Union Office for members to review. It is the opinion of the Supervisory Committee that TruGrocer Federal Credit Union is operating effectively, that the financial statements present fairly its financial position and that operations are handled in accordance with generally accepted accounting principles and related federal regulations.

## Matt McKinlay, Chairman

Supervisory Committee

## BOARD OF DIRECTORS

Robert P. Baker, Chairman	Doug Gibson, Secretary	Pradip Mehta
Bill Carter, Vice Chairman	Kevan Fenderson	Michele Koci
Michael T. Shalz, Treasurer	Cynthia Forsch	Doyle Troyer

## CREDIT UNION OFFICIALS AND MANAGEMENT STAFF

Phyllis Adkins, President & CEO  
 Michael S. Vickery, Sr. Vice President & COO  
 D. Jack Snow, Vice President, Business Development  
 Chris Demaray, Director, Member Service & Human Resources  
 Leo Francis, Director, Lending, Branch Operations & Regulatory Compliance  
 Stacey Devereaux, Manager, Accounting & Electronic Services  
 Ken Smith, Manager, Technology Development & Loss Prevention  
 Ann Cargile, Loan Servicing Supervisor  
 Denise Bardwell, Orlando Branch Manager  
 Chalyce Ward, Dallas/Fort Worth Branch Manager  
 Laura Sotelo, Los Angeles Branch Manager

## SUPERVISORY COMMITTEE

Matt McKinlay, Chairman	John McMurdie
Jeff Kleveland	Dave Mulcock

## MEMBER SERVICES

NCUA Deposit Insurance  
 Payroll Deduction  
 Share Draft Checking  
 Overdraft Protection -- Line of Credit  
 Direct Deposit -- Government & Payrolls  
 Savings Accounts  
 Vacation & Christmas Club  
 IRA's  
 Money Market Accounts  
 Time Share Certificates  
 Health Savings Accounts (HSA's)  
 Western Union Quick Collect  
 24/7 Loan Link Call Center  
 Money Gram & Express Pay  
 CUNA Brokerage Services  
 Free Travelers Checks  
 Discount Movie Tickets\*\*  
 Free Home Banking CU OnLine  
 Drive Through Window\*\*\*  
 Quick Cash Dispensing Machines\*\*  
 Electronic Statement Delivery  
 Pay Advance Lines-of-Credit  
 ZashPay Person-2-Person Payments  
 Free Cashiers Checks  
 ATM/Point-of-Sale/MasterCard Debit

Safe Deposit Boxes\*  
 VISA Credit Cards with 1% Purchase Rebate  
 Account Access through the CU Service Centers Network  
 Personal Loans  
 Real Estate Loans  
 Home Improvement Loans  
 Automobile Loans  
 RV Loans  
 Stock Loans  
 Credit Disability Insurance  
 Credit Life Insurance  
 Lifetime & Family Membership  
 Roth IRA's  
 Free Notary Service\*\*  
 Toll Free Electronic Teller "ET"  
 Guaranteed Asset Protection (GAP)  
 Mechanical Breakdown Protection (MBP)  
 Internet Home Page  
 Free CU OnLine Bill Payer  
 Excess Share Insurance Coverage up to \$500,000 per member  
 -- no charge to members  
 On-line Loan Applications  
 Home Equity Lines-of-Credit (HELOC's)  
 eDeposit -- make check deposits from home  
 txtAlerts -- text message alerts to mobile devices

\*Available Boise Only

\*\* Available at Some Locations

\*\*\*Available at Each Branch Office



## National Service Locations

**Boise Main Branch**  
 P.O. Box 8145  
 Boise, ID 83707  
 (208) 385-5200

**Orlando Branch**  
 3305 Lake Breeze Dr.  
 Orlando, FL 32808  
 (407) 292-2006

**Dallas / Fort Worth Branch**  
 1327 Brown Trail  
 Bedford, TX 76022  
 (817) 285-8292

**Los Angeles Branch**  
 341 E. Imperial Hwy.  
 Fullerton, CA 92835  
 (714) 738-4681

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