



**proud of our past & prepared for our future...**

## 2015 MANAGEMENT REPORT

This past November, TruGrocer Federal Credit Union celebrated its 50th year of providing financial services to grocery industry employees and their families. In our early years, TruGrocer offered only a few simple deposit and loan products to members. Fast forward to 2015, and TruGrocer now offers a full array of financial products and services. We have worked hard to understand and stay heavily connected to the business that connects us all – the Grocery Industry – and over the years have tailored our financial services to embrace new technologies and meet Member needs.

The TruGrocer Board of Directors is proud to once again report strong and stable financial performance in 2015. The Credit Union ended the year with \$239 million in Assets, a 2.5% increase over 2014, and Member Share Accounts increased to \$189 million, a 4.2% increase over 2014. Capital and Reserves, which includes Allowance for Loan Losses, increased to just over \$49 million, putting the Credit Union's Net Worth Ratio at 20.5%. To put that in perspective, 7.0% is the industry standard for a "well capitalized" credit union. TruGrocer's strong Capital and Reserves allows for maintaining its "LOW and NO" fee structure and has kept the Credit Union on the BauerFinancial 5-Star Superior Rating List for 24 consecutive years.

TruGrocer benefitted in 2015 from improved Loan demand and refinance activity in a low interest rate environment. Strong marketing efforts and competitive lending rates helped grow Loans to \$78 million in 2015, an 8.0% increase over 2014. Solid Loan growth, and controlled Operating Expenses, helped the Credit Union achieve improved Net Income in 2015. The Credit Union ended 2015 with \$525,935 in Net Income, up \$156,390 from 2014 – a 42.3% increase!

Existing relationships with Grocery Partners were strengthened during 2015 by co-branding enrollment forms, installing ATM's at Distribution and Store Support Centers, and participation in Benefit Open Enrollment Fairs, which has evolved into an effective way to market to potential Members. We also brought on new Independent Grocery chains as Partners during 2015 due to our continued partnership with a national company that provides back-office processing solutions for the Grocery Industry. For the first time in over 14 years, TruGrocer realized a net increase in the number of TruGrocer Members in 2015.

TruGrocer Management spent much of 2015 analyzing ways to modernize Member services by vetting out the best core processor, VISA card processor and electronic services provider. By upgrading these processing systems to more flexible platforms, the Credit Union will be able to embrace technology advances and improve/enhance service delivery with greater ease, ensuring stability and sustainability for many years to come. One of our goals is to combine online, mobile and bill payment features into a single User ID and log-in, which will make banking electronically more streamlined and convenient.

The core and electronic services upgrade is scheduled for October 2016 and there will be significant communication ahead of time to educate the membership on what to expect. We are excited about the enhancements this modernization project will bring to our membership and ask that you please open, and read, all communication received from TruGrocer. As we get closer to October, information will also be available on our Website.

In the final month of 2015, the Federal Reserve raised its target Fed Funds rate by 25 basis points. The Fed's outlook for interest rates going forward depends on its outlook for the economy, the rate of inflation and unemployment statistics. Rising interest rates will put pressure on TruGrocer's earnings in 2016 and 2017, with other income pressures coming from the upgrade to TruGrocer's product and service delivery systems. Strong Capital and Reserves helps mitigate this pressure, allowing the Credit Union to move forward with its system modernization projects in 2016.

In April 2016, TruGrocer will complete its much anticipated VISA Credit Card migration to chip technology. While it will not eliminate fraud, chip technology protects Members by making transactions more secure and harder for thieves to exploit. By making each transaction code unique, chip technology keeps thieves from using duplicate cards to conduct fraudulent transactions. Members with TruGrocer VISA Credit Cards will receive new plastic in April, with new Credit Card numbers, along with instructions on when to use and activate the new card(s). More information is currently available on the TruGrocer Website at [www.trugrocer.com](http://www.trugrocer.com). MasterCard ATM/POS/Debit Card migration to chip technology has not yet been scheduled.

Credit unions face increasing challenges as they seek to thrive in a fiercely competitive financial services industry. A credit union must be led by a strong leadership team, offer competitive pricing, give unparalleled Member service, provide easily accessible service delivery channels and consistently evaluate product offerings to meet membership demands. Your volunteer Board of Directors, and Management Team, have focused on understanding your needs; for 50 years, Member needs have been at the forefront of our decision making process and we continue to adhere strongly to the fundamental credit union philosophy of "not for profit, but for service".

As we look to 2016, we approach the year with optimism for an economy that continues to help our Members, and our Grocery Partners, remain financially strong and prosperous. As a financial cooperative, TruGrocer's success is your success. When you participate in the Credit Union, you are utilizing a valuable benefit offered to you and your family by our Grocery Partners. **Thank you for your loyalty to TruGrocer over the past 50 years!** We feel privileged to serve you, and serve multiple generations of your families.

As always, we also thank our volunteer Board of Directors and Supervisory Committee for their dedicated leadership, the Credit Union staff for their efforts and commitment to creating value for our Members, and our Grocery Partners, who support the Credit Union as a valuable employee benefit. Together, we have made 2015 a huge success, and together we will continue to make a positive difference in the lives of the Members we serve.

# statement of FINANCIAL CONDITION

	(as of December 31st)	2015*	2014*	2013*
<b>ASSETS</b>				
Cash and Equivalents	\$	18,620,048	\$ 21,423,243	\$ 15,324,930
Investments		130,021,235	127,658,683	128,346,065
Loans to Members—Net		77,805,910	71,932,144	68,236,832
Other Real Estate Owned (OREO's)		0	150,219	113,750
Accrued Interest Receivable		242,715	242,929	231,337
Property and Equipment—Net		2,706,787	2,761,700	2,881,153
Other Assets		9,911,047	9,276,087	9,139,473
		<b>\$ 239,307,742</b>	<b>\$ 233,445,005</b>	<b>\$ 224,273,540</b>
<b>LIABILITIES</b>				
Notes Payable	\$	0	\$ 0	\$ 0
Dividends Payable		37,752	31,273	24,882
Other Liabilities		1,592,096	3,833,403	1,286,829
<b>SHARES</b>				
Share Accounts		188,588,902	181,017,272	174,768,317
Total Liabilities and Shares		190,218,750	184,881,948	176,080,028
<b>MEMBERS' EQUITY</b>				
Regular Reserves		2,567,248	2,567,248	2,567,248
Undivided Earnings		46,521,744	45,995,809	45,626,264
Total Members' Equity		49,088,992	48,563,057	48,193,512
		<b>\$ 239,307,742</b>	<b>\$ 233,445,005</b>	<b>\$ 224,273,540</b>

# statement of EARNINGS

	(as of December 31st)	2015*	2014*	2013*
<b>INTEREST INCOME:</b>				
Interest on Loans	\$	3,073,813	\$ 3,102,752	\$ 3,250,055
Interest from Investments		1,275,361	1,099,523	1,058,172
		<b>4,349,174</b>	<b>4,202,275</b>	<b>4,308,227</b>
Dividend and Interest Expense		613,407	569,439	601,526
<b>NET INTEREST INCOME</b>		<b>3,735,767</b>	<b>3,632,836</b>	<b>3,706,701</b>
Provision for Loan Losses	(130,632)	(12,613)	51,371	
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>		<b>3,866,399</b>	<b>3,645,449</b>	<b>3,655,330</b>
<b>Fees and Other Revenues</b>		<b>2,722,399</b>	<b>2,795,327</b>	<b>2,615,611</b>
<b>OPERATING EXPENSES:</b>				
Compensation and Benefits		2,764,463	2,840,408	3,091,351
Other Operating Expenses		3,272,408	3,206,340	2,948,441
		<b>6,036,871</b>	<b>6,046,748</b>	<b>6,039,792</b>
<b>NON-OPERATING INCOME/EXPENSES:</b>				
Other Non-Operating (Income)/Expense	25,992	25,483	18,956	
Disposition of Assets	0	(1,000)	0	
<b>NET EARNINGS</b>		<b>\$ 525,935</b>	<b>\$ 369,545</b>	<b>\$ 212,193</b>

\*Taken from Audited Financial Statements

## 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 2015. 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 balances, 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, 2015 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	John McMurdie
Bill Carter, Vice Chairman	Cynthia Forsch	Pradip Mehta
Michele Koci, Treasurer	Mike Shalz	Doyle Troyer

## CREDIT UNION OFFICIALS AND MANAGEMENT STAFF

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

## SUPERVISORY COMMITTEE

Matt McKinlay, Chairman	Jeff Kleveland	Devon Hart	Joel Monsen
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# 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)*  
*Mobile Banking and Deposit*  
*Toll Free Electronic Teller "ET"*  
*Money Gram & Express Pay*  
*VISA Travel Money\*\**  
*VISA Gift Cards\*\**  
*Discount Movie Tickets\*\**  
*Home Banking CU OnLine*  
*Drive Through Window\*\*\**  
*Account Access through the CU*  
*Service Centers Network*  
*txtAlerts - text messaging*  
*Electronic Statement Delivery*  
*Apple Pay®*  
*Access to Nearly 30,000 Surcharge Free ATM's*

*Safe Deposit Boxes\**  
*VISA Credit Cards with 1% Purchase Rebate*  
*Personal Loans*  
*Real Estate Loans*  
*Home Improvement Loans*  
*Automobile Loans*  
*Stock Loans*  
*RV Loans*  
*Credit Disability Insurance*  
*Credit Life Insurance*  
*Free Cashiers Checks*  
*Lifetime & Family Membership*  
*Roth IRA's*  
*Free Notary Service\*\**  
*CUNA Brokerage Services - TruStage*  
*Guaranteed Asset Protection (GAP)*  
*Mechanical Breakdown Protection (MBP)*  
*ATM/Point-of-Sale/MasterCard Debit*  
*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*  
*Pay Advance Lines-of-Credit*  
*Home Equity Lines-of-Credit (HELOC's)*  
*Popmoney Person-2-Person Payments*

\*Available Boise Only \*\* Available at Some Locations \*\*\*Available at Each Office, excluding Wells



### National Service Locations

<b>Main Office</b> P.O. Box 8145 Boise, ID 83707 (208) 385-5200	<b>Los Angeles Branch</b> 341 E. Imperial Hwy. Fullerton, CA 92835 (714) 738-4681	<b>Wells Satellite Office</b> 205 Spencer Drive Wells, ME 04090 (207) 646-4989
<b>Dallas / Fort Worth Branch</b> 1327 Brown Trail Bedford, TX 76022 (817) 285-8292	<b>Orlando Branch</b> 3305 Lake Breeze Dr. Orlando, FL 32808 (407) 292-2006	<b>Meridian Satellite Office</b> 3335 E. Overland Road Meridian, ID 83646 (208) 385-5200

Over 5,000 Shared Branches

Nearly 30,000 ATMs



CREDIT UNION SERVICE CENTERS.  
The Member-Friendly Financial Network



[www.trugrocer.com](http://www.trugrocer.com)



Additional coverage up to \$250,000 provided by Excess Share Insurance Corporation, a licensed insurance company.