

## 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 2007. 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, 2007 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.

Doyle Troyer, Chairman  
Supervisory Committee

## Supervisory Committee

Doyle Troyer, Chairman  
Michele Koci

Roger Belnap  
Matthew McKinlay

## Credit Union Officials and Management Staff

Phyllis A. Adkins, President & CEO  
Michael S. Vickery, Sr. Vice President & COO  
Theresa Koenen, Loan Manager

Ann Cargile, Loan Servicing Supervisor  
Chris Demaray, Manager, Member Service & Human Resources  
Leo Francis, Manager, Branch Operations & Regulatory Compliance  
Ken Smith, Manager, Technology Development & Loss Prevention  
Stacey Devereaux, Manager, Accounting & Electronic Services  
Denise Bardwell, Orlando Branch Manager  
Chalyce Wendel, Dallas/Fort Worth Branch Manager  
Laura Sotelo, Los Angeles Branch Manager

## Board of Directors

Robert P. Baker, Chairman  
Bill Carter, Vice Chairman  
Michael T. Shalz, Treasurer  
Lary Matthews, Secretary  
Kevan Fenderson

Cynthia Forsch  
Doug Gibson  
Pradip Mehta  
Gary Morton

## 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\*\*  
Account Access through the CU  
Service Centers Network  
Electronic Statement Delivery  
Pay Advance Lines-of-Credit

Safe Deposit Boxes\*  
VISA Credit Cards  
with 1% Purchase Rebate  
Personal Loans  
Real Estate Loans  
Home Improvement Loans  
Automobile Loans  
RV Loans  
Stock Loans  
Credit Disability Insurance  
Credit Life Insurance  
Free Cashiers Checks  
Lifetime & Family Membership  
Roth IRA's  
Free Notary Service\*\*  
Toll Free Electronic Teller "ET"  
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  
\$350,000 (\$500,000 for IRA's)  
-- no charge to members  
On-line Loan Applications  
Home Equity Lines-of-Credit (HELOC's)

\*Available Boise Only  
\*\*\*Available at Each Branch Office

\*\* Available at Some Locations  
\*\*\*\*With Direct Deposit to a Share Draft Account



**TruGrocer**  
FEDERAL CREDIT UNION

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

### Boise Main Branch

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

### Dallas / Fort Worth Branch

1327 Brown Trail  
Bedford, TX 76022  
(817) 285-8292

### Orlando Branch

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

### Los Angeles Branch

341 E. Imperial Hwy.  
Fullerton, CA 92835  
(714) 738-4681



## 2007 Annual Report

# healthy greens



**TruGrocer**  
FEDERAL CREDIT UNION

Just for you

# Management Report

We have just completed the most exciting and rewarding year in our history. In 2007, TruGrocer Federal Credit Union celebrated 42 years of providing meaningful, high quality and reasonably priced financial services to its members, while continuing its tradition of strong financial performance. The hallmark of 2007 was a change in the Credit Union's charter to serve the grocery and supermarket industry throughout the United States.

When TruGrocer was first organized in 1965, we started off well grounded with a focus on strength and a vision to provide basic and needed products and services to employees of Albertsons, Inc. and their family members. Over the years, TruGrocer has journeyed through different stages of development by growing and making changes as needed, expanding products and offering new services. A charter change positions the Credit Union for future growth and sustains our position as a leader in the Credit Union industry.

Your Board of Directors initially voted to pursue a charter change in 2005 upon learning that the Credit Union's single sponsor, Albertsons, Inc., was for sale. After working for two years on this project, TruGrocer was granted its new charter in December 2007. The new charter is significant not only because it is the first grocery industry charter to be granted by the National Credit Union Administration (NCUA), but an important aspect of the new charter is that it mitigates the risk of future grocery industry mergers and acquisitions on the financial well being and growth opportunities of the Credit Union, as well as allowing the Credit Union to more effectively serve this ever changing industry.

While 2007 proved to be a challenging year for many credit unions, and the financial industry in general with shrinking margins and sub-prime mortgage woes, TruGrocer maintained strong earnings and continued to thrive in the face of those challenges. TruGrocer has no sub-prime real estate loans on its books and maintains a conservative and well balanced operating philosophy to limit the impact of strains in financial markets.

As the Federal Reserve worked to limit the impact of a weakening economy, interest rates declined in the last half of 2007. Strong earnings allowed your Credit Union to keep its deposit and loan rates competitive throughout the year, as the Board of Directors and the Asset/Liability Management Committee managed the risk of changing interest rates on the financial statements.

The Credit Union had \$3.2 million in net income for 2007, unchanged from the \$3.2 million in net income in 2006, despite additional expenses incurred in 2007 related to the Credit Union's name change, increased marketing and charter change.

We know that safety and security is important to our members and during 2007 Capital and Reserves reached \$42.5 million, an 8.0% increase over 2006. This puts the Credit Union's Capital-to-Asset ratio at 20.5%, and its Net Worth Ratio, a calculation used by the NCUA to determine a credit unions financial strength, at 20.2%. Nationally, credit unions of comparable asset size have an average Net Worth Ratio of 11.9%.

The Credit Union ended the year with \$207.6 million in assets, up from \$189.9 million in 2006. Members' savings rose to \$164.6 million, a 9.5% increase over 2006. Member loans were at \$80.5 million at year end, a 2.4% decrease over 2006. This decrease can be attributed to uncertainty among members about the economy but is also related to a decline in the number of credit union members that has occurred following the sale of Albertsons, Inc.

Now that we have achieved our goal of amending the Credit Union's charter to include all employees who work regularly in the grocery and supermarket industry in the United States, the real work begins. Your Board of Directors has developed a detailed marketing strategy to introduce our products and services to more grocery chains across the country, capturing opportunities and developing new partnerships while remaining committed to serving the needs of those grocery chains and partners that have remained loyal to the Credit Union.

While most of 2007 was devoted to establishing name recognition for TruGrocer and working with the NCUA on a charter change, we also upgraded our computer system to prepare for future membership growth and increased transaction volumes without sacrificing service levels. An online membership application system has been developed that will be unveiled in April 2008 and this dynamic new tool will simplify the enrollment process for potential members, important as we operate under the new charter.

With an increased focus on technology comes greater attention to security functions. In 2006, the entire financial industry was mandated to implement additional levels of security to protect financial transactions. Full multi-factor authentication was implemented on TruGrocer's CU OnLine product mid-2007 insuring ongoing security for our members utilizing this service. Enhanced security was implemented on our Debit Card program in early 2007 and as a result, the Credit Union's losses from Debit Card fraud declined.

Even with tighter controls in place, many people continue to fall victim to a new breed of criminal known as an identity thief. These crooks operate in both physical and virtual worlds, always on the lookout for ways to steal valuable pieces of personal information. Skilled identity thieves go through trash cans, steal from unlocked mailboxes, operate spyware, steal wallets and implement phishing scams to obtain the necessary information to open bank accounts, obtain credit, run up cell phone bills and get cash advances.

Members can protect themselves by shredding all personal and financial information and being careful to not divulge social security numbers, credit card numbers or account details over the phone unless they have initiated the call. It's also important to balance monthly statements, report lost and stolen cards immediately, use anti-spyware and anti-virus software and change online passwords every 90 days. When shopping online, be sure that a website is secure and that a business is legitimate before disclosing bank account and credit card account numbers.

The Credit Union's participation in the Shared Branch Network remains a critical aspect of future membership growth, especially as we work to provide our services to an expanded membership base. Shared branching epitomizes the cooperative spirit of credit unions, allowing members free access to their accounts throughout the country using another credit union's facility. There are now over 3,000 shared branch facilities available nationwide.

As TruGrocer enjoys 42 years, we need to express our gratitude to our members for their loyalty and valuable feedback; our volunteer Board of Directors and Supervisory Committee, who have been dedicated and diligent; our grocery employers who partner with the Credit Union to provide great employee benefits to their associates; and our enthusiastic and service oriented staff, who through their personal service and responsiveness to member needs allow the Credit Union to thrive.

At TruGrocer, we will always embrace change as a way to strengthen our operations. We will continue to evolve and adapt as we face the challenges, possibilities and opportunities that tomorrow brings. We look forward to an exciting and busy year ahead. On behalf of the Board of Directors, committees and staff, we extend our thanks to everyone who helped make 2007 another successful year and to our members and grocery partners for their continued support and loyalty.

## 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

| financial<br>Highlights | 2007          |         | 2006          |         | 2005          |         |
|-------------------------|---------------|---------|---------------|---------|---------------|---------|
|                         |               | %Change |               | %Change |               | %Change |
| Loans                   | \$ 80,479,909 | -2.4%   | \$ 82,449,009 | -1.9%   | \$ 84,045,970 |         |
| Members' Savings        | \$164,561,469 | 9.5%    | \$150,235,073 | -4.7%   | \$157,571,263 |         |
| Cash and Investments    | \$121,624,489 | 19.2%   | \$101,993,051 | -2.5%   | \$104,575,922 |         |
| Total Assets            | \$207,584,321 | 9.3%    | \$189,941,816 | -2.2%   | \$194,137,428 |         |
| Capital and Reserves    | \$ 42,501,174 | 8.0%    | \$ 39,358,022 | 8.7%    | \$ 36,221,485 |         |
| Gross Income            | \$ 14,125,017 | 9.2%    | \$ 12,930,639 | 8.1%    | \$ 11,959,828 |         |
| Net Income              | \$ 3,187,950  | 0.5%    | \$ 3,173,038  | 0.6%    | \$ 3,154,142  |         |
| Dividends Paid          | \$ 4,618,911  | 31.6%   | \$ 3,509,068  | 29.5%   | \$ 2,709,906  |         |
| Number of Members       | 37,978        | -5.5%   | 40,192        | -5.3%   | 42,452        |         |

## Statement of financial Condition (as of December 31st)

|                              | 2007*                 | 2006*                 | 2005*                 |
|------------------------------|-----------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                |                       |                       |                       |
| Cash and Equivalents         | \$ 21,719,974         | \$ 28,371,617         | \$ 20,850,809         |
| Investments                  | 99,904,515            | 73,621,434            | 83,725,113            |
| Loans to Members—Net         | 79,874,955            | 81,799,257            | 83,359,716            |
| Accrued Interest Receivable  | 638,768               | 534,086               | 533,787               |
| Property and Equipment—Net   | 3,604,705             | 3,656,784             | 3,854,053             |
| Other Assets                 | 1,841,404             | 1,958,638             | 1,813,950             |
|                              | <b>\$ 207,584,321</b> | <b>\$ 189,941,816</b> | <b>\$ 194,137,428</b> |
| <b>LIABILITIES</b>           |                       |                       |                       |
| Notes Payable                | \$ 0                  | \$ 0                  | \$ 0                  |
| Dividends Payable            | 261,766               | 246,016               | 212,400               |
| Other Liabilities            | 864,866               | 752,457               | 818,534               |
| <b>SHARES</b>                |                       |                       |                       |
| Share Accounts               | 164,561,469           | 150,235,073           | 157,571,263           |
| Total Liabilities and Shares | 165,688,101           | 151,233,546           | 158,602,197           |
| <b>MEMBERS' EQUITY</b>       |                       |                       |                       |
| Regular Reserves             | 2,567,248             | 2,567,248             | 2,567,248             |
| Undivided Earnings           | 39,328,972            | 36,141,022            | 32,967,983            |
| Total Members' Equity        | 41,896,220            | 38,708,270            | 35,535,231            |
|                              | <b>\$ 207,584,321</b> | <b>\$ 189,941,816</b> | <b>\$ 194,137,428</b> |

## Statement of earnings (as of December 31st)

|  | 2007*               | 2006*               | 2005*               |
|--|---------------------|---------------------|---------------------|
| <b>INTEREST INCOME:</b>                                    |                     |                     |                     |
| Interest on Loans  | \$ 5,083,017        | \$ 5,150,473        | \$ 4,937,326        |
| Interest from Investments                                  | 5,989,731           | 4,461,019           | 3,594,231           |
|  | <b>11,072,748</b>   | <b>9,611,492</b>    | <b>8,531,557</b>    |
| Dividend and Interest Expense                              | 4,618,911           | 3,509,068           | 2,709,906           |
| <b>NET INTEREST INCOME</b>                                 | <b>6,453,837</b>    | <b>6,102,424</b>    | <b>5,821,651</b>    |
| Provision for Loan Losses                                  | 200,453             | 213,191             | 460,217             |
| <b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> | <b>6,253,384</b>    | <b>5,889,233</b>    | <b>5,361,434</b>    |
| <b>Fees and Other Revenues</b>                             | <b>3,052,269</b>    | <b>3,319,147</b>    | <b>3,428,271</b>    |
| <b>OPERATING EXPENSES:</b>                                 |                     |                     |                     |
| Compensation and Benefits                                  | 2,525,772           | 2,268,341           | 2,230,854           |
| Other Operating Expenses                                   | 3,647,481           | 3,784,627           | 3,428,484           |
|  | <b>6,173,253</b>    | <b>6,052,968</b>    | <b>5,659,338</b>    |
| <b>NON-OPERATING INCOME/EXPENSES:</b>                      |                     |                     |                     |
| Provision for (Recovery of) Investment Loss                | 0                   | (17,629)            | 0                   |
| Other Non-Operating (Income)/Expense                       | 0                   | 0                   | 0                   |
| Disposition of Assets                                      | (55,550)            | 3                   | (23,775)            |
| <b>NET EARNINGS</b>  | <b>\$ 3,187,950</b> | <b>\$ 3,173,038</b> | <b>\$ 3,154,142</b> |

\*Taken from Audited Financial Statements