

# TREASURER'S REPORT

In 2017, Point Loma Credit Union recorded positive net income of slightly under \$2.40 million after having earned \$3.38 million in 2016. Demand for loans in many sectors of our market remained relatively strong, which kept the member loan growth for PLCU at a modest pace and on an upward trajectory throughout the year. Net loans to members, including the allowance for loan losses, grew by \$27.0 million in 2017 — an increase of 7.6%. Despite the yields remaining low, strong growth in loan balances caused loan interest income to increase by \$1.2 million during the year. Low market yields on investments also generally persisted for much of the year, although investment balances comparable to 2016 resulted in higher investment income in 2017 — an increase of about 4.9%. With an increase of \$543.7K in the total cost of funds during the year, the overall result was an increase in net interest income of \$1.1 million over 2016. The reversal of the provision for loan losses expense reported during the prior year was attributed to the improved performance within the loan portfolio as well as a one-time adjustment recorded to reduce the balance of the allowance for loan losses. As a result of these changes, the provision for loan losses expense to average assets ratio increased by 42 basis points from (0.32%) to 0.10% during the years ended December 31, 2016, and 2017, respectively. Operating expenses modestly increased by about \$973 thousand (6.0%) in 2017.

The increase in the loan portfolio in 2017 was due mostly to continued revitalized consumer and real estate lending along with growth in commercial lending. As of December 31, 2017, approximately 59.9% of the Credit Union's loan portfolio was comprised of real estate loans, 24.2% was comprised of consumer loans, and 15.9% was comprised of commercial loans. Share totals increased by \$14 million in 2017, which is a 3.2% rate of growth, and ended the year at \$445 million. Driven by share draft and share certificate growth, total assets grew by 3.5% in 2017, finishing the year up by about \$16.6 million over 2016.

Balances in regular shares, checking accounts and certificates all grew steadily during the year, although money management deposits declined. This is the tenth consecutive year for substantial core deposit growth, which indicates that a growing number of members continue to use PLCU as their primary financial institution. This remains a healthy, recurring sign of growing member usage of the credit union's services.

The net income figure for 2017 of approximately \$2.40 million corresponds to a return on average assets ratio of 0.49%. The positive earnings, coupled with relatively robust growth in assets caused our net worth ratio to grow from 8.37% at the end of 2016 to 8.47% at the end of 2017. This net worth ratio classifies PLCU as a well-capitalized credit union.

With a continued strong economy, PLCU is steadily growing its capital reserves while implementing effective operating plans in order to maintain the strength to serve its members. We will continue to offer competitive rates to both borrowers and savers, and we will provide first-rate products and services to our entire membership. The Board of Directors, staff, and I look forward to helping PLCU continue to grow and prosper for many years to come.

*Linda O. Stay*  
**Linda O. Stay**  
 Treasurer

"We, the undersigned, have reviewed these financial statements and, based on our knowledge, certify they fairly represent, in all material respects, Point Loma Credit Union's financial condition and results of operations."

*David R. Brooke*      *Matthew Rhead*  
**David R. Brooke**      **Matthew Rhead**  
 President/      Finance/Chief Financial Officer  
 Chief Executive Officer

## STATEMENT OF FINANCIAL CONDITION

### BALANCE SHEET *As of December 31, 2017*

ASSETS	
Cash	\$44,113,364
Interest Bearing Deposits	\$13,580,508
Held-to-Maturity Investments	\$28,592,540
Loans to Members (NET)	\$382,767,708
Accrued Interest Receivable	\$1,230,496
Prepaid and Other Assets	\$15,410,225
Property and Equipment	\$5,460,915
NCUSIF Deposit	\$4,313,590
<b>Total Assets</b>	<b>\$495,469,346</b>

LIABILITIES	
Members' Shares and Savings Accounts	\$445,123,360
Accrued Expenses and Other Liabilities	\$8,734,777
<b>Total Liabilities</b>	<b>\$453,858,137</b>

MEMBERS' EQUITY	
Undivided Earnings	\$41,611,209
<b>Total Liabilities and Members' Equity</b>	<b>\$495,469,346</b>

### STATEMENT OF INCOME *As of December 31, 2017*

INTEREST INCOME	
Loans to Members	\$14,866,551
Investment Securities	\$1,687,736
<b>Total Interest Income</b>	<b>\$16,554,287</b>

INTEREST EXPENSE	
Members' Shares and Savings Accounts	\$1,010,018
Interest on Borrowed Funds	\$408,534
<b>Total Interest Expenses</b>	<b>\$1,418,552</b>

NET INTEREST INCOME	
Provision for Loan Losses	\$501,084
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSS</b>	<b>\$14,634,651</b>

NON-INTEREST INCOME	
Fees and Charges	\$3,093,125
Interchange Income	\$1,388,099
Gain on Sale of Loans	\$420,676
<b>Total Non-Interest Income</b>	<b>\$4,901,900</b>

NON-INTEREST EXPENSES	
Compensation and Benefits	\$9,653,638
Office Operations	\$4,532,202
Other	\$1,097,914
Office Occupancy	\$1,015,000
Loan Servicing	\$839,401
<b>Total Non-Interest Expenses</b>	<b>\$17,138,155</b>
<b>Net Income</b>	<b>\$2,398,396</b>

### STATEMENT OF RETAINED EARNINGS

Balance as of December 31, 2016	\$39,212,813
Net Income 2017	\$2,398,396
<b>Balance as of December 31, 2017</b>	<b>\$41,611,209</b>

## VOLUNTEERS AND STAFF

### BOARD OF DIRECTORS

<b>Steven R. Auguston</b> Chairman	<b>Salvatore J. Lupo</b> Vice Chairman
<b>Linda O. Stay</b> Treasurer	<b>Mark R. Moeller</b> Secretary
<b>Jeffrey M. Goecke</b>	
<b>Malcom C. McCollum</b>	
<b>Jane M. White</b>	
<b>James A. Baldwin, Director Emeritus</b>	
<b>Ellen M. Schmall, President/Chief Executive Officer Emeritus</b>	

### SUPERVISORY COMMITTEE

<b>Thomas E. Kiely</b> Chairman	<b>Dianna L. Ely</b> Secretary
<b>Stephanie Garcia</b>	
<b>Jo Anna Lamott</b>	
<b>Dave Regenhardt</b>	
<b>James A. Ward</b>	
<b>Mitchell B. Weingel</b>	

### EXECUTIVE MANAGEMENT

<b>David R. Brooke</b> President/Chief Executive Officer
<b>Peter S. Butler</b> Senior Vice President, Operations/Chief Operating Officer
<b>Matthew G. Mower</b> Senior Vice President, Information Technology/ Chief Information Officer
<b>Matthew Rhead</b> Senior Vice President, Finance/Chief Financial Officer
<b>Janet M. Mainenti</b> Vice President, Human Resources
<b>Christopher Crockett</b> Vice President, Retail Operations
<b>Heather Dueitt</b> Vice President, Marketing



**POINT LOMA CREDIT UNION**  
 Guiding the way since 1948.

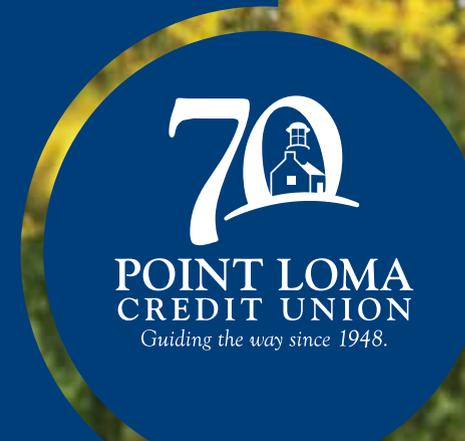
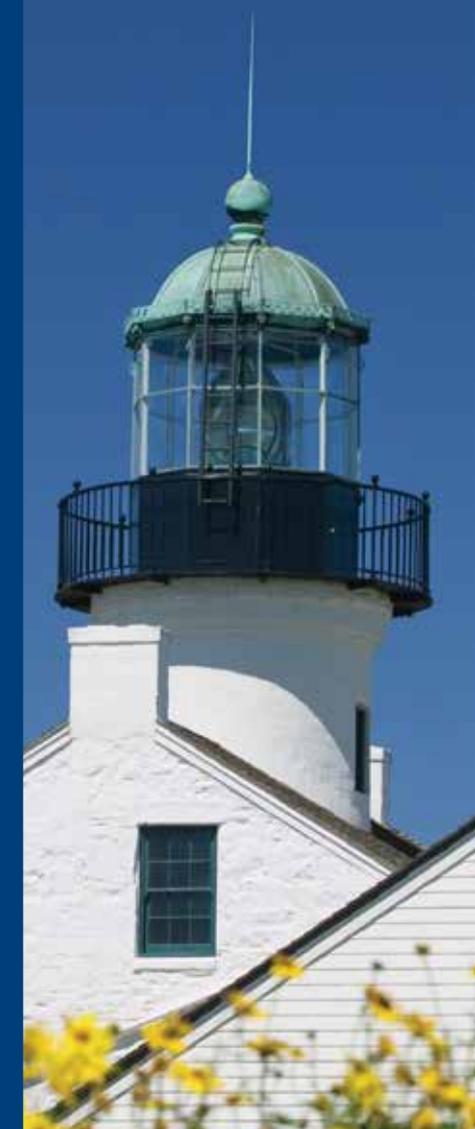
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**2017**  
 ANNUAL REPORT



# CHAIRMAN'S AND PRESIDENT'S REPORT

The year 2018 marks our 70<sup>th</sup> anniversary. So we're not only reflecting on a single good year gone by, but looking back on our success that has spanned seventy years. Our history of determination, innovation, trust, and service has put us in the perfect position to serve a growing membership, and pave the way for a future filled with opportunity.

History does not always predict the future, but it does suggest the shape of things to come. On Friday, March 26, 1948, a credit union charter was granted to a handful of civil service employees from the Navy Electronics Laboratory in San Diego. It was called NEL Employees Federal Credit Union, and its purpose was to provide low-cost loans and a safe place for deposits. That "mission" would act as a solid basis on which to build. The small cooperative would evolve into the complex, competitive, and friendly financial institution now recognized throughout the community.

Today, the Point Loma Credit Union mission statement is succinct and sincere: *"To improve the lives of our members by helping them achieve their financial goals."* Our work is a testament to that mission.

During 2017, we welcomed 2,575 new members, rolled out new products and services, and maintained a strong financial position. We focused on member convenience; not in the simple sense of proximity, but in the modern sense of mobility and ease. We strive to go out of our way so members don't have to go out of theirs. We serve a family of over 30,000 members, and we do it by providing useful financial products and personalized service.

During the past year, we continued our focus on streamlining our processes to be "easier to do business with." We pre-approved members for auto loans and credit cards throughout the year and simplified the member fulfillment process. We significantly reduced loan turnaround times by improving our real estate and consumer loan processes. We enhanced our mobile application with integrated online bill pay. We also rolled out a new, lower rate "Ultra Visa" credit card that makes it easier for members to earn the benefits of our "Ultra Rewards" checking account.

Our credit union continues to offer green loans to help members save money while helping preserve our planet. Loans for solar panels, more efficient heating and air conditioning, and clean energy vehicles top the list. When someone gets a green loan with us, we have the *Arbor Day Foundation* plant a tree in their name; a small but fitting acknowledgment that our members are making a difference. Speaking of green, we also offer members

free access to Green Path, a non-profit, financial wellness organization that has been empowering people to lead financially healthy lives since 1961.

As a community based financial cooperative, we understand the importance of investing in the community. Since 1998, the credit union has given out more than a quarter of a million dollars through our scholarship program. In 2017 we awarded three deserving high school students \$2,500 each for their first year of college. Each scholarship recipient can then earn an additional \$3,000 over their college career.

Point Loma Credit Union is firmly committed to the many communities that make up one of the largest, and certainly the finest county in the country. You'll find us working with Rady Children's Hospital, the Humane Society and other regional and local charities and organizations.

For 2018 our 70th anniversary has been turned into a "Cause for Celebration," theme. We're embracing relationships with more causes throughout the community. As part of our 70th anniversary celebration we've implemented a \$70 auto refinance challenge; if we can't lower a member's monthly auto loan payment at another institution, we'll give them \$70. Saving money for members is something we do every day.

In 2018 and beyond, we'll be releasing new digital tools including a refreshed PLCU.com website, an enhanced mobile consumer loan application integrated with our mobile application, and a new budgeting application called *My Finances*.

For the last seventy years we have not lost sight of the fact that numbers don't always tell the whole story, that character counts, and that trust is earned. Point Loma Credit Union is comprised of a dedicated group of volunteers, staff and membership that are active and enterprising. We value the trust and reliance that our members place on their credit union for any and all financial needs. Like our iconic lighthouse symbol, we are a beacon, a financial guiding light. We expect to be pointing the way for the next 70 years and beyond.



**Steven R. Auguston**  
Chairman,  
Board of Directors



**David R. Brooke**  
President/  
Chief Executive Officer

## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is currently comprised of seven volunteers who are elected by the membership of Point Loma Credit Union (PLCU) to represent their interests. The Supervisory Committee represents the membership's interests by determining whether:

- Internal controls are established and effectively maintained to achieve the credit union's financial reporting objectives;
- The credit union's accounting records and financial reports are promptly prepared and accurately reflect operations and results;
- The relevant plans, policies, and control procedures established by the Board of Directors are properly administered; and
- Policies and control procedures are sufficient to safeguard against error, conflict of interest, self-dealing, and fraud.

The Supervisory Committee engaged the certified public accounting firm of Doeren Mayhew CPAs to perform an independent audit of PLCU's December 31, 2017 financial statements and to conduct a routine verification of a sample of member accounts as of December 31, 2017. In the opinion of Doeren Mayhew, the financial statements referred to above present fairly, in all material respects, the financial position of Point Loma Credit Union, as of December 31, 2017 and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Additionally, PLCU's Internal Audit and Compliance Department assists the Supervisory Committee with its ongoing oversight responsibilities. The Internal Audit and Compliance Department performs periodic audits of the credit union's operations and regularly monitors PLCU's internal control environment and compliance activities. Department staff meets with the Supervisory Committee regularly to report observations and recommendations.

The Supervisory Committee extends its gratitude to the members, staff, and elected officials of PLCU. As PLCU continues to provide members with a safe and sound financial environment, we look forward to serving you throughout 2018.



**Thomas E. Kiely**  
Chairman