

# 2019 ANNUAL REPORT



**POLICE**  
**FEDERAL CREDIT UNION**

# Joint Letter from The Chairman and President

Once again we want to thank you for choosing Police FCU as your financial partner. We know you have many options when it comes to managing your family's financial affairs and we appreciate your decision to share that tremendous responsibility with us.

Police FCU is a non-profit, member-owned financial institution founded by police to help police. We are the only federal credit union in the Washington DC area dedicated exclusively to serving the law enforcement community and their families. As a member of Police FCU, you don't just get an account—you own a little piece of the credit union. The profits we make are distributed to you -the member/owner- through dividends paid monthly on your investments or by lower interest rates on loans you obtain from Police FCU.

Law enforcement is indeed a noble profession. Too often, the public is unaware of the many sacrifices a police officer and their families routinely make to fulfill their sworn duty to serve and protect our communities. At Police FCU, however, we are committed to never forget those who sacrifice in our behalf. Our focus at every level of the organizations is centered on the foundation of "serving your needs... protecting your future." That's what we believe and what we endeavor to do every day. We enthusiastically embrace the mantra "POLICE HELPING POLICE."

To insure credit union assets remain safe and financially sound for today and generations to come, the Board of Directors subject the entire credit union to risk management assessments and internal and external audits throughout the year. These audits are structured not only to test our financial performance in different interest rate environments, but also our internal controls to minimize the credit union's exposure to loss. In today's environment of ever-increasing technology-enabled threats we can never be too safe.

Police FCU ended 2019 with a year over year growth in total assets of 1.2 percent or \$1.7 million. The credit union's net worth climbed to 14.84 percent. Continued demand for loans in 2019 helped further reduce our investment portfolio by 19 percent; these funds in addition to the increase in deposits were used to fund the demand for loans. Our total loan portfolio grew by 7 percent or \$7.3 million year over year. The cost of funds again increased in 2019 over 2018; Police FCU dividend rates remain higher than similarly regulated financial institutions in this region. The decline in short-term rates outpaced the decrease in longer-term rates through the first quarter of 2020. Economists are projecting little change in rates for the remainder of 2020 and into 2021, as the Federal Reserve has withdrawn from additional increases to fed fund rates.

Real Estate lending led the overall loan portfolio growth with a 37 percent increase in 2019. Over \$17 million of first mortgages were closed during this period. The credit card portfolio has continued to grow at an increasing rate; balance has increased 31 percent and the number of cardholders have grown by 42 percent during this past year. As interest rates have declined, strong loan demand is expected to continue through 2020. Share Deposit balances remain sound with stable growth of 2.4 percent or \$2.9 million. Share Draft (Checking) balances increased by \$2.1 million or 20 percent from 2018. In 2019, we introduced the Platinum Money Market Share Account for high balance savers seeking an alternative for their liquid funds.

In April 2019, Police FCU received final approval from NCUA to provide our exclusive financial services to more than 7,000 peace officers, civilians, retirees and their family members. This increase in potential members provides great growth opportunities outside of the District of Columbia and Baltimore metropolitan areas. The access to our financial services for these 61 additional departments and agencies have been very well received.

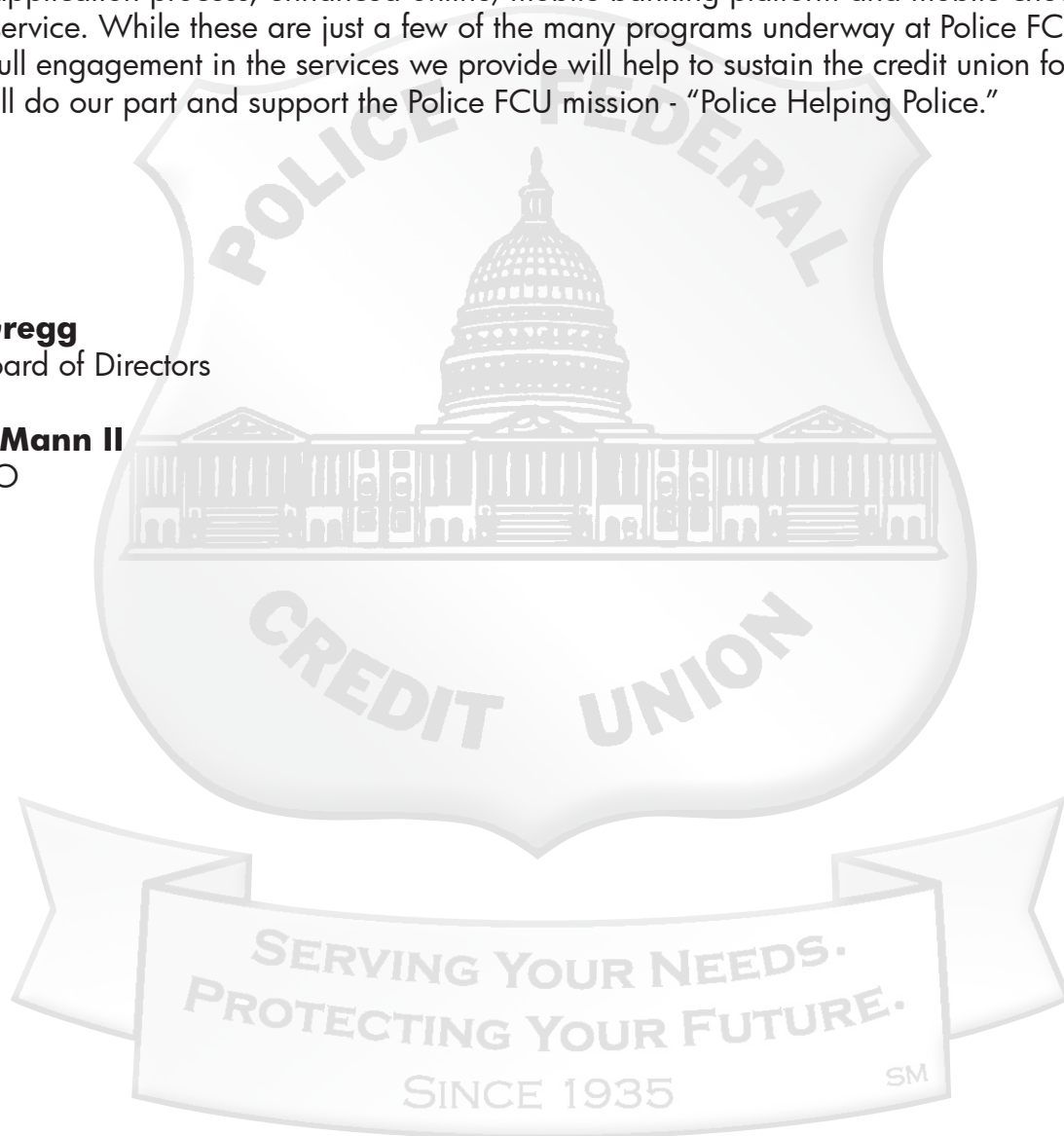
As 2019 came to a close, Gary Hankins retired as Vice Chairman of the Board of Directors for Police Federal Credit Union. Gary served over 30 years on the board with the last 20 years as Vice Chairman. His commitment and counsel to this organization has been invaluable and will resonate for many years.

As all of us are navigating our way through the effects of the COVID-19 pandemic, it has impacted the everyday activities of all Americans but especially, our law enforcement community. Police FCU pledges to continue to do our best to serve you and your family during this challenging period. We are continuing to provide improved digital and remote services to our membership. Our commitment to these enhanced services were solidified during our Strategic Planning session in Fall of 2019. Many of these new platforms have already been implemented in the first half of 2020. These include our new website, online membership application process, enhanced online/mobile banking platform and mobile check deposit and bill pay service. While these are just a few of the many programs underway at Police FCU, your support and full engagement in the services we provide will help to sustain the credit union for years to come. Let's all do our part and support the Police FCU mission - "Police Helping Police."

Respectfully,

**Danny C. Gregg**  
Chairman, Board of Directors

**Norman F. Mann II**  
President/CEO





# Treasurer's Report

The Police Federal Credit Union is required to submit a comprehensive financial report to the National Credit Union Administration (NCUA) following the closeout of each quarter of a calendar year. The NCUA uses these financial reports to compare the performance of credit unions in relationship to industry standards and the credit union's respective asset-sized peer groups. I am once again proud to report that Police FCU ended 2019 with a net worth ratio to total assets well above the regulatory requirement of 6.00 percent. At year-end, the net worth of Police FCU stood at 14.84 percent of total assets thereby once again earning the distinction of a "well capitalized" financial institution.

Police FCU ended 2019 with total shares at \$125,080,269; total loans at \$107,524,179, (with an allowance for future loan losses at \$1,243,264); and total investments at \$24,919,493. Police FCU ended 2019 with over \$148 million in assets. Our net income for 2019 was \$1,425,278, and our reserves and undivided earnings was a very strong \$21,961,153.

The Police FCU loan portfolio experienced a 7.29 percent increase over the prior year. Throughout 2019, the yield on the loan portfolio continued the previous year's trend with an increase with the run off of seasoned loans replaced by loans with higher interest rates. This increase was also supported by strong mortgage loan growth. As interest rates declined in the second half of 2019 followed by a 1.50% in rates cuts in March, we expect future loan yields to subside in 2020.

At year-end, our cost of funds (dividends paid) to average assets was 0.91 percent whereas the national average of our peer group paid 0.63 percent. The additional 28 basis points paid to the Police FCU membership in the form of dividends is about \$344,256. Despite a higher cost of funds, Police FCU's overall net operating expense to average asset ratio was 3.33 percent, well below peer group of credit unions that registered a net operating expense of 3.82 percent.

Herein are just a few of the indicators the Board of Directors review regularly to discern how Police FCU is performing in relationship to similarly asset-sized financial institutions. The Board of Directors is unrelenting when it comes to a sound balance sheet and a net worth well above regulatory requirement. Our collective commitment to these fundamental principles is what helps to make Police FCU standout from among its peers.

*(The accompanying figures and charts will provide you with a snapshot of your credit union's performance for the year 2019.)*

Respectfully Submitted,

**Robert V. Boggs**  
Treasurer, Board of Directors

SERVING YOUR NEEDS.  
PROTECTING YOUR FUTURE.  
SINCE 1935

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# Supervisory Committee Report

The Supervisory Committee, created under the Federal Credit Union Act and appointed by the Board of Directors, operates independently on behalf of Police Federal Credit Union members to assure the financial integrity of the credit union. The Committee is responsible for ensuring credit union compliance with the Credit Union Act, the Credit Union bylaws and related policies and procedures, and the regulations of the National Credit Union Administration. In addition, the Supervisory Committee serves as your representative and the official auditor of Police Federal Credit Union.

One of the primary duties of the Supervisory Committee is to ensure an independent financial audit and a verification of member accounts are completed annually. To fulfill this obligation, the Supervisory Committee in 2019 contracted with the auditing firm of CliftonLarsonAllen to perform financial audits in accordance with generally accepted accounting standards. It is the opinion of CliftonLarsonAllen that the financial records and statements fairly reflect the financial condition of the credit union.

Along with the Board of Directors, our mutual goal is for all Police FCU members to receive quality service in a professional manner. The credit union's service standards serve as a benchmark to which you can measure staff performance. *Should you find an error or experience a problem of any kind with your financial statements or with services provided to you by the credit union or its staff, we encourage you to write to the Supervisory Committee at the following address:*

**Supervisory Committee**  
**P.O. Box 471293**  
**District Heights, MD 20747**

The Committee appreciates the cooperation and support of management and staff during the past year, and we look forward to continuing our work on behalf of the membership in 2020.

Respectfully Submitted,

**George Hill, II**  
Chairman, Supervisory Committee

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PROTECTING YOUR FUTURE.  
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# POLICE FEDERAL CREDIT UNION

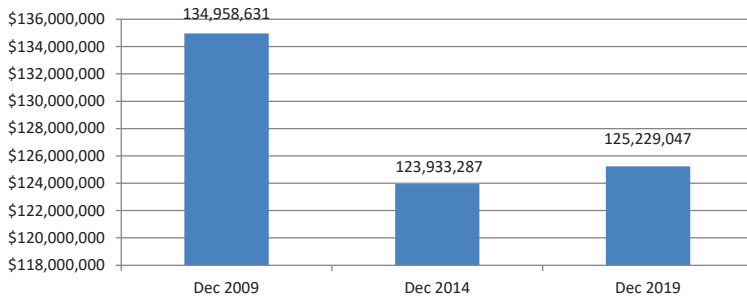
## STATEMENT OF FINANCIAL CONDITION

### *Ending December 31st*

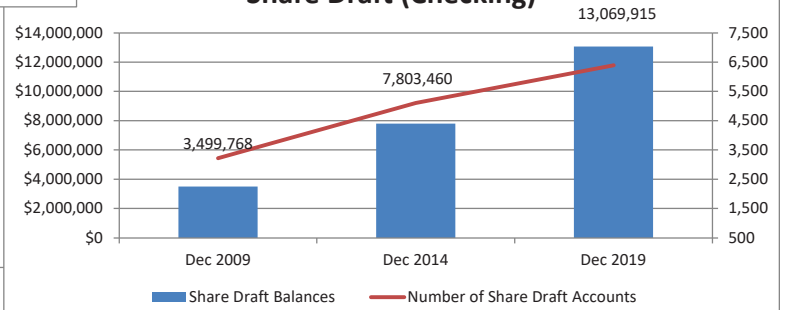
<b>Assets:</b>	<b>2019</b>	<b>2018</b>
Cash	\$ 2,635,379	\$ 1,526,917
Loans (net of Allowance for Loan Loss)	106,280,915	98,871,366
Investments	24,919,493	32,034,190
Prepaid Expenses	263,569	223,785
Fixed Assets	6,973,880	7,043,855
Accrued Income & Other Assets	5,654,751	5,339,646
 NCUA SIF	 \$ 1,186,946	 \$ 1,208,139
 <b>Total Assets:</b>	 <b>\$ 147,914,934</b>	 <b>\$ 146,247,898</b>
 <b>Liabilities &amp; Equity:</b>		
Accounts Payable/Other	\$ 908,724	\$ 4,089,293
Dividends Payable	116,884	94,400
Regular/Draft Shares/CD/Money Market Funds	125,080,269	122,195,442
Reserve	3,707,139	3,707,139
Undivided Earnings	18,254,014	16,828,736
Accumulated Unrealized Gain/(Loss)	(152,096)	(667,112)
 <b>Total Liabilities &amp; Equity:</b>	 <b>\$ 147,914,934</b>	 <b>\$ 146,247,898</b>
 <b>Income &amp; Expenditures:</b>		
Operating Income	\$ 7,599,278	\$ 7,246,739
Dividends Paid & Interest on Borrowed Money	(1,332,712)	(1,050,721)
Operating Expense	(4,881,258)	(4,794,492)
Provision for Loan Losses	(48,860)	(577,198)
 <b>Net Income/(Loss) Before Non-Operating Income</b>	 <b>\$ 1,336,448</b>	 <b>\$ 824,328</b>
 Non-Operating Income	 \$ 88,830	 \$ 136,054
 <b>Net Income/(Loss):</b>	 <b>\$ 1,425,278</b>	 <b>\$ 960,382</b>

*If you desire more detailed information, a copy of the credit union's audited financial statement is available for inspection in our main office during regular business hours.*

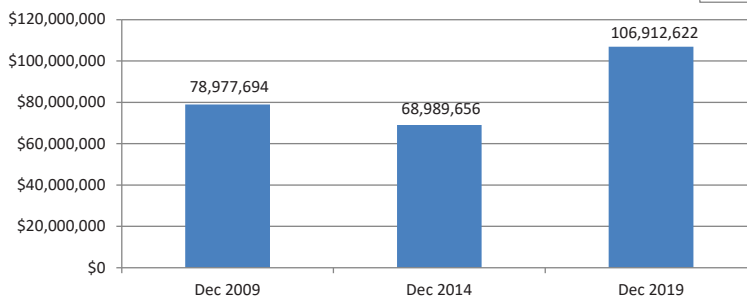
### Shares



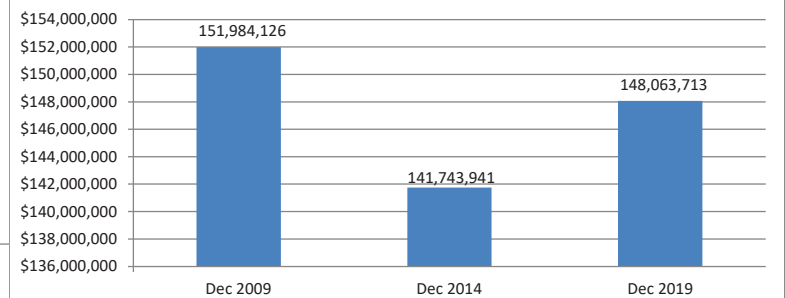
### Share Draft (Checking)



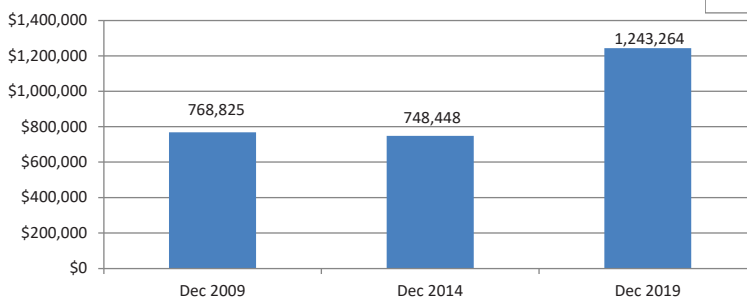
### Loans



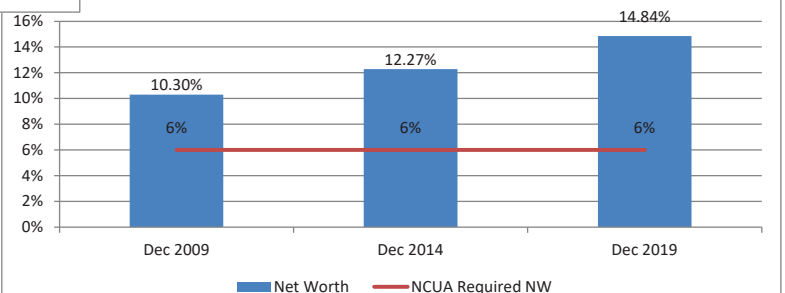
### Assets



### Provision for Loan Losses



### Net Worth



# POLICE FEDERAL CREDIT UNION

## 2020 Board of Directors and Committee Members

### **BOARD OF DIRECTORS**

Danny C. Gregg, Chairman  
Robert V. Boggs, Vice Chairman  
Alfonza Kelly, Treasurer  
Anthony J. Medoro, Secretary  
Henry C. Banks, Director  
Junis T. Fletcher, Director  
George Hill, II, Director  
Joseph C. Akers, Director Emeritus  
Clay W. Goldston, Director Emeritus  
Gary W. Hankins, Director Emeritus

### **LOAN REVIEW COMMITTEE**

Jenny McIntire, Chair  
Stanley Organ, Member  
Robert Short, Member

### **SUPERVISORY COMMITTEE**

George Hill, II, Chairman  
Will Goodwin, Member  
Ronald Oliver, Jr., Member  
Henry Banks, Consultant  
Alfonza Kelly, Consultant  
Anthony Medoro, Consultant

### **PRESIDENT/CHIEF EXECUTIVE OFFICER**

Norman F. Mann II

### **Headquarters and Branch**

9100 Presidential Parkway  
Upper Marlboro, MD 20772

### **Downtown DC Branch**

300 Indiana Avenue NW, #4067  
Washington, DC 20001

### **Metropolitan Police Academy Branch**

4665 Blue Plains Dr. SW  
Washington, DC 20032

Telephone: 301-817-1200  
Toll-Free: 877-ARU-PFCU  
Website: [www.policefcu.com](http://www.policefcu.com)



Serving Your Needs. Protecting Your Future.

