

2011

ANNUAL REPORT



CELEBRATING
60 YEARS
PFCU

Your savings federally insured to at least \$250,000
and backed by the full faith and credit of the United States Government

NCUA
National Credit Union Administration, a U.S. Government Agency

Federally Insured by NCUA

CHAIRMAN/PRESIDENT'S REPORT

Our 60th Anniversary—Sixty Years of Providing Members with the Resources to Succeed

In 2011, we marked our 60th Anniversary, an honor that we were extremely proud to recognize and celebrate on April 16, 2011. It has been many years since we were chartered as the Credit Union to serve the city of Philadelphia municipal employees. And, our values still hold true today. Providing our members and their immediate family members a means to deposit savings and create funds for affordable loans.

With economic challenges still facing our nation, PFCU continues to provide our members with a safe, strong and stable financial institution that is dedicated to their financial future. This was demonstrated in many areas that reaffirm the decision of our members in choosing us as their financial services provider.

We were awarded the “**DataTrac Great Rate Award**” signifying our auto loan rates outperformed the market rate of other financial institutions in Pennsylvania.

Our accredited financial educator, Karl Bernhard, was named one of the **Top Educators** involved in the financial workshop program offered by the Urban Affairs Coalition (UAC).

Our **partnership with Enterprise Car Sales** presented amazing savings and purchasing opportunities directly to our members several times during the year.

We continued our **encouragement of our electronic services** to help conserve natural resources as well as giving our members the gift of time with added convenience.

And, in celebration of our 60th Anniversary, PFCU offered **special promotions** all year long including the eStatement promotion, an extra low auto loan rate, and special member referral incentives.

Strength

Our continuing growth, strength and stability were a testament to our sound business practices, decisions and members' loyalty. Even as the national economy struggled in its recovery, that strength allowed us to add several new programs in 2011 with confidence.

Motorcycle loans debuted this anniversary year giving our two-wheeled members the opportunity to benefit from low credit union rates like their four-wheeled friends have been doing for years.

We expanded our **mortgage loans** program and can now offer members from all 50 states a chance to fulfill their American dream with a home of their own.

We took advantage of the public's dismay with large, national banks to introduce consumer to the benefits and services that our credit union can afford them. We also promoted our **member referral** program to reward members who spread the word of the credit union movement to others.

PFCU was excited to start a new chapter in our credit card portfolio and introduced a completely **new Visa® Credit Card** program that provide members with more choices and specialty features that best fits their needs.

And only a strong credit union with a proven and successful track record could expand on our **small business services** at a time when many financial institutions were closing those divisions entirely. PFCU can help members who are just starting out or have been around for a while with payroll services, merchant services, lending options, and business checking.

Commitment

To many, just opening our doors every work day for sixty years would define commitment. But at PFCU, we know our commitment to our members, to their families, and to our community runs deeper than that.

We carried on our **commitment to youth** with educational financial seminars, our annual scholarship competition, and our Tuition Rewards program designed to help make college tuition more affordable.

PFCU presented workshops for our members and guests on topics like home buying, understanding and improving your credit, and wealth-building to further **our commitment to improving the financial literacy** levels of all people to help them prepare their paths for a successful financial future.

And, as always, our credit union and our employees enthusiastically expressed our **commitment to the community** with our support of events and organizations with our time, talent, and treasure. Among the many local happenings were:

- The 5th Annual 'Stroll in the Park'
- Mt. Airy Day Festival
- St. Patrick's Day Parade
- Shredding Day Events
- Garden Project
- Walk to Defeat ALS
- Centennial Celebration at Cedar Park

A lot has changed since 1951 when we opened our doors to our members. Gas has risen from 19 cents a gallon to almost \$4.00. Unemployment has climbed to nearly 9% from a low 3.3%. What hasn't changed is our mission to our members—you and your family. You remain a top priority in every decision we make at PFCU. With a vision to see every member financially succeed, we proudly serve and welcome you to your credit union every day. We look forward to providing you with more changes, innovations and products and services. Lastly, more opportunities to exceed your expectations.

Joseph F. McHugh, Jr.
Chairman

James M. McAneney
President/CEO

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statements of financial condition of Philadelphia Federal Credit Union and subsidiary as of September 30, 2011 and 2010, and the related consolidated statements of income, changes in members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Credit Union's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statement referred to above present fairly, in all material respects, the financial position of Philadelphia Federal Credit Union and subsidiary as of September 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Connolly, Grady & Cha, P.C.
Certified Public Accountants
Philadelphia, Pennsylvania

TREASURER'S REPORT

Celebrating 60 years as a successful financial institution has been done by many—but reaching that milestone in the worst economic environment since the Depression, is an accomplishment few have achieved. With the loyal investment of our membership in their credit union and the conservative financial administration of our management team, Philadelphia Federal Credit Union can look back on our 60th Anniversary with pride and satisfaction on reaching our financial goals. As our country continued its struggle to recover and move forward, PFCU added more products and services to provide our members with a complete financial suite to help them succeed. We are looking back for lessons learned but moving forward with confidence as we welcomed over 104,000 members, grew our assets in excess of \$800 million, and created affordable lending opportunities for the entire membership. 2012 will be a memorable year featuring events like a Summer Olympics games and a presidential election. But, no matter what the year holds, PFCU promises to be here for you.

Dennis McBride
Treasurer

BALANCE SHEET

	Sept 2011	Sept 2010	Net Change 2011 - 2010	% Change
ASSETS				
Loans to Members	507,456,169	519,306,193	(11,850,024)	-2.28%
Allow for Loan Loss	(7,175,674)	(6,019,335)	(1,156,339)	19.21%
Notes Receivable	450,000	450,000	0	0.00%
Receivables	7,502,924	21,604,962	(14,102,038)	-65.27%
Cash and Cash Equivalents	208,886,916	133,430,877	75,456,039	56.55%
Investments	54,419,469	110,120,627	(55,701,158)	-50.58%
NCUA Share Insurance	7,068,802	6,661,237	407,565	6.12%
Prepaid Expenses				
& Other Assets	6,050,968	(9,831,853)	15,882,821	-161.54%
Land-Bldg. - Equip.	13,969,359	14,656,348	(686,989)	-4.69%
Accrued Income	4,082,937	3,830,244	252,693	6.60%
Other Real Estate Owned	6,057,172	543,695	5,513,477	1014.08%
Excess Share Insurance	246,131	246,131	0	0.00%
Total Assets	809,015,173	794,999,126	14,016,047	1.76%
LIABILITIES				
Accounts Payable & Accrued Expenses	4,403,533	4,218,959	184,574	4.37%
Advanced Payments by Borrowers	1,397,287	1,492,818	(95,531)	-6.40%
Borrowing	0	0	0	0.00%
Other Liabilities	0	-	0	0.00%
Total Liabilities	5,800,820	5,711,777	89,043	1.56%
EQUITY				
Shares	456,453,973	434,419,904	22,034,069	5.07%
Certificates	255,454,316	267,600,855	(12,146,539)	-4.54%
Total Shares	711,908,289	702,020,759	9,887,530	1.41%
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	89,486,004	84,787,118	4,698,886	5.54%
Unreal Gain/Loss- Invest.-Pension FAS158	(8,853,992)	(6,701,086)	(2,152,906)	32.13%
Unreal Gain/Loss-Invest.	59,972	309,403	(249,431)	-80.62%
Net Income/Loss	6,441,811	4,698,886	1,742,925	37.09%
Total Equity	91,306,064	87,266,590	4,039,474	4.63%
Liabilities & Equity	809,015,173	794,999,126	14,016,047	1.76%

INCOME & DISTRIBUTION

	Sept 2011	Sept 2010	Net Change	% Change
INCOME				
Interest on Loans	34,880,027	35,428,217	(548,190)	-1.55%
Investment Income	2,696,098	3,319,740	(623,642)	-18.79%
Fee Income	14,455,028	13,887,683	567,345	4.09%
Gain on Sale of Loans	247,221	332,753	(85,532)	-25.70%
Other Income	736,826	1,644,015	(907,189)	-55.18%
GROSS INCOME	53,015,200	54,612,408	(1,597,208)	-2.92%
Distribution of Income				
Dividends to Members	6,636,388	9,680,706	(3,044,318)	-31.45%
Interest on Borrowed \$\$\$	-	-	0	0.00%
Provision Loan Losses	5,211,000	5,301,000	(90,000)	-1.70%
Operational Expenses	32,640,684	32,321,997	318,687	0.99%
Non-Operational Expenses	2,085,317	2,609,819	(524,502)	-20.10%
Undivided Earnings	6,441,811	4,698,886	1,742,925	37.09%
Total Distribution	53,015,200	54,612,408	(1,597,208)	-2.92%

SUPERVISORY COMMITTEE REPORT

Philadelphia Federal Credit Union's Supervisory Committee is charged with the audit function of the Credit Union to ensure that PFCU's strength is fairly represented. The committee oversees the internal and external auditors who make sure that the Credit Union is sound and functioning well with the mandated guidelines and policies set forth by the governing bodies.

An external audit was conducted in 2011 by the Certified Public Accounting firm of Connolly, Grady and Cha, P.C. The federal examiners of the National Credit Union Administration (NCUA) also audited the Credit Union. These examinations of PFCU's financial statement and practices, along with audits conducted by the Internal Audit Department, have revealed Philadelphia Federal Credit Union to be in excellent condition, both financially and administratively.

Due in part to the efforts of the Supervisory Committee and auditors throughout the credit union movement, credit unions as a whole are very sound financial institutions. Credit Unions provide an alternative to consumers and the fact is more individuals are choosing credit unions not only because of their services, but also because they know that their money is safe. The Supervisory Committee is dedicated to ensuring that these beliefs are well founded. The committee welcomes all comments and suggestions from our members. You are invited to use the following address: PFCU Supervisory Committee, P.O. Box 21004, Philadelphia, PA 19114.

Timothy Lederer
Chair

MISSION STATEMENT

The mission of the Philadelphia Federal Credit Union is to provide for the financial well-being of our membership through a dedicated and unique combination of professional and personal service. As a member-owned institution, we will invest daily in building one-on-one relationships with our membership community through uncompromising service, convenience and a complete offering of competitive financial products and services. It is our fundamental belief, and the pride of the Philadelphia Federal Credit Union, that our members and employees are owners of this institution. Therefore, we will become the leading credit union in the Delaware Valley, in recognition of our commitment to their ownership and as stewards of their financial independence.



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