

Annual Report

2007



Continuing a tradition of service



Success
Community
Partnership
Trust
Value

PFCU
PHILADELPHIA
FEDERAL CREDIT UNION
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CHAIRMAN/PRESIDENT'S REPORT

"Human service really is the only reason for the existence of our credit unions." – Charles F. Eikel, Jr., a credit union movement pioneer

Thanks to the ongoing support and loyalty of our members and the dedication of our staff and Board of Directors, 2007 was another successful year for Philadelphia Federal Credit Union, financially speaking. Due to the increase in competition throughout the financial services sector, we continue to struggle with membership growth. For this reason, we truly appreciate the efforts of our members who have referred family, co-workers and neighbors to PFCU and we encourage you to refer more.

Realizing the need to offer more in a competitive market, we listened to your feedback from the 2006 Member Survey and implemented several new products in 2007, such as Money Market accounts, two dividend-bearing checking accounts and a full suite of enhanced business account services.

Because every member's financial well-being is at the heart of everything we do, PFCU continues to be a mortgage lender you can trust. Many Americans made risky mortgages with subprime lenders who wanted a loan on the books even if it was a bad deal for the consumer. We don't operate that way. We offer solid loans with competitive interest rates with monthly payments you can afford.

Although the economic outlook for 2008 appears unclear, rest assured that today and in the future, we are here to serve you, with outstanding benefits, exceptional rates and the personal attention you deserve.

2007 Accomplishments

In 2007, we made a concerted effort to address some specific needs we heard from you, our members:

We joined the CO-OP ATM network to give you access to more than 25,000 surcharge-free ATMs, including thousands of locations in 7-Eleven stores and hundreds in Costco Wholesale Clubs.

Members indicated that they wanted a variety of money management accounts. We introduced a new Money Market Account offering a combination of high yields and flexibility, and enhanced our checking options with Better Checking and Senior Checking Accounts that pay dividends.

Solid, sensible mortgage options are important these days, so we partnered with Fannie Mae to offer MyCommunityMortgage™ and Expanded Approval mortgages.

Since business owners have their own particular financial needs, we now offer a wide range of business banking solutions including, checking, savings and business loans.

Planning for the future

As we move forward, we are excited about the initiatives that will position PFCU for even more effective service in the years to come. The following improvements are coming in 2008:

Online enhancements: We plan to redesign our website with a fresh new look including upgraded services and online account opening.

Branch upgrades: To better serve our members, we will be renovating our West Philadelphia branch, expanding our Northwest Philadelphia branch and opening a new branch in South Philadelphia.

Health Savings Accounts: These innovative accounts can help our members save on health care costs while enjoying some tax advantages. Look for more details in upcoming newsletters and on our website.

Reaching out to our community

We are firm believers in the credit union philosophy of "People Helping People," and we find ways throughout the year to put this into action. In 2007, our dedicated staff and generous members helped us support a variety of causes:

Philabundance: PFCU donated \$1,000 and allowed employees to volunteer during normal working hours at Philabundance, a nonprofit organization working to end hunger and malnutrition in the Delaware Valley.

Aid for Friends: PFCU employees grew fruits and vegetables in the PFCU Garden, harvesting food and raising \$1,000 for the elderly.

Muscular Dystrophy Association: On Labor Day, employees appeared live on the MDA Labor Day Telethon to present a donation of \$5,000 and to help answer phones for incoming donations.

Philadelphia Cares: PFCU teamed up with Greater Philadelphia Cares to collect coats for their 12th Annual Winter Coat Drive.

New Orleans fundraiser & trip: PFCU hosted a benefit that raised \$7,200 for Emergency Communities, a nonprofit organization that provides disaster relief for victims of Hurricane Katrina, and presented a \$1,000 check to a Shared Initiative Inc. for their campaign to revitalize New Orleans' Upper Ninth Ward.

Annual Scholarship Program: Four scholarships of \$1,000 each were awarded to deserving high school seniors.

Looking Toward the Future

The future is bound to bring new ideas, new technologies, and new avenues of service. But as we grow and evolve, we will keep our focus right where it belongs: on you, our valued members. PFCU will continue to be a trusted financial partner, listening to your needs and responding with products and services designed to help you reach your goals.

Our vision is put into action by our wonderful staff and our Board of Directors, and we thank them for all their hard work and dedication. We look forward to continued success and opportunities for service in the years to come.

*Sincerely,
Michael J. McAllister, Esq.
Chairman*

*James M. McAnaney
President/CEO*



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 within the mandated guidelines and policies set forth by the governing bodies.

An external audit was conducted in 2007 by the Certified Public Accounting firm of Connolly, Grady & Cha, P.C. The federal examiners of the National Credit Union Administration (NCUA) also audited the Credit Union. These examinations of PFCU's financial statements 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.

Kathleen Meyer, Chair

Treasurer's REPORT

Despite the challenges facing financial institutions in 2007, including a slowing housing market and increased competition for new account growth, PFCU had another successful year, financially speaking. We ended the year with a healthy capital ratio of 15.14% and earning R.O.A of 1.35%, allowing us to confidently plan to expand our facilities and introduce new products and services for the benefit of our membership and to attract new business.

Our attractive interest rates reinforced our members need to save and they responded, by investing nearly \$23.3 million into savings certificates, an increase of 16.93% over 2006. In addition, we experienced an increase of 3.35% in our total loan portfolio to \$441,905,707. Overall, PFCU increased total assets by nearly \$15.9 million or 3.02% over the previous year to \$540,575,328.

As a member-owner, you are the reason for our success. By taking advantage of all PFCU has to offer and by referring your family, co-workers and neighbors, you play an important role in maintaining the strength and stability of your Credit Union.



Balance Sheet

	Dec 2007	Dec 2006	Net Change 2007-2006	% Change
ASSETS				
Loans to Members	441,905,707	427,587,601	14,318,106	3.35%
Allow for Loan Loss	(4,341,273)	(3,169,543)	(1,171,730)	36.97%
Notes Receivable	0	0	0	0.00%
Receivables	6,296,737	6,325,755	(29,018)	-0.46%
Cash in Banks	7,372,726	6,254,424	1,118,302	17.88%
Investments	65,053,577	60,396,607	4,656,970	7.71%
NCUA Share Insurance	4,251,222	4,211,053	40,169	0.95%
Prepaid Expenses	3,649,933	5,876,116	(2,226,183)	-37.89%
Land-Bldg. - Equip.	13,801,452	14,809,279	(1,007,827)	-6.81%
Accrued Income	2,577,505	2,384,961	192,544	8.07%
Other Assets	7,742	46,311	(38,569)	-83.28%
Total Assets	540,575,328	524,722,564	15,852,764	3.02%
LIABILITIES				
Accounts Payable	109,604	1,607,517	(1,497,914)	-93.18%
Accrued Expenses	469,676	1,556,351	(1,086,674)	-69.82%
Borrowing	10,000,000	10,000,000	0	0.00%
Other Liabilities	(1,401,066)	2,630,107	(4,031,173)	-153.27%
Total Liabilities	9,178,214	15,793,975	(6,615,761)	-41.89%
EQUITY				
Shares	290,861,542	295,916,969	(5,055,428)	-1.71%
Certificates	161,097,662	137,773,620	23,324,042	16.93%
Total Shares	451,959,204	433,690,589	18,268,614	4.21%
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	71,063,192	60,801,611	10,261,581	16.88%
Unreal Gain/Loss-Pension FAS 158	(3,158,887)	0	(3,158,887)	-100.00%
Unreal Gain/Loss-Invest	2,789	2,539	250	9.85%
Net Income/Loss	7,358,549	10,261,581	(2,903,033)	-28.29%
Total Equity	79,437,911	75,238,000	4,199,911	5.58%
Liabilities & Equity	540,575,328	524,722,564	15,852,764	3.02%

Income & Distribution

	Dec 2007	Dec 2006	Net Change 2007-2006	% Change
INCOME				
Income				
Interest on Loans	34,170,773	33,760,626	410,147	1.21%
Investment Income	2,476,134	2,349,109	127,025	5.41%
Fee Income	8,988,616	9,000,709	(12,093)	-0.13%
Gain on Sale of Loans	100,724	7,963,452	(7,862,728)	-98.74%
Other Income	3,929,767	3,897,835	31,932	0.82%
Gross Income	49,666,014	56,971,731	(7,305,717)	-12.82%
Distribution of Income				
Dividends to Members	10,495,142	8,255,595	2,239,547	27.13%
Interest on Borrowed \$\$\$	414,973	1,141,790	(726,817)	-63.66%
Provision Loan Losses	4,425,000	6,700,000	(2,275,000)	-33.96%
Operational Expenses	26,561,217	29,528,946	(2,967,729)	-10.05%
Non-Operational Expenses	411,133	1,083,819	(672,686)	-62.07%
Undivided Earnings	7,358,549	10,261,581	(2,903,032)	-28.29%
Total Distribution	49,666,014	56,971,731	(7,305,717)	-12.82%

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Independent Auditors' REPORT

We have audited the accompanying consolidated statements of financial condition of Philadelphia Federal Credit Union and subsidiary as of September 30, 2007 and 2006, 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 statements referred to above present fairly, in all material respects, the financial position of Philadelphia Federal Credit Union and subsidiary as of September 30, 2007 and 2006, 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
December 13, 2007

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.

Board of Directors

Board Members

Kenneth Carlin
Paulette Chambers
Marian Elwell
Bernard Lester
Joseph McHugh
Elaine Melchiorre
Charles Zacney

Chairman

Michael J. McAllister, Esq.

Vice Chairman

Matthew M. Tierney

Treasurer

Dennis McBride

Secretary

Anna DeFusco

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24 Hour Account Access

Teller Phone: 877-835-7328

Teller Net: enter through our web
site at pfcu.com

