

**PFCU**

**PHILADELPHIA  
FEDERAL CREDIT UNION**

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# ANNUAL REPORT

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# Chairman/President's Report

Economic anxiety and distress characterized the U.S. in 2009. The new administration responded to the crisis through government bailouts and remedial measures. The Philadelphia Federal Credit Union is proud to remain independent and secure. While many financial institutions are suffering, your Credit Union continues to experience growth. Our capital position remains very strong with ample funds to lend. PFCU's refusal to invest in the subprime market that initiated the economic downturn has reinforced our security in the midst of crisis. We maintain a conservative lending portfolio and adhere to sound investment practices, furthering our ability to endure the economic recession.

Your best interests continue to be the foremost motivation for our decisions, both during times of challenge and confidence. Thus, your support during these difficult economic times is even more significant. Historically, credit unions were formed to help members. PFCU upholds this commitment and prioritizes action with the safety and security of our members in mind. As part of this commitment, all deposits are insured up to \$500,000. Throughout the nation interest rates are at historic lows; and in turn, placed additional pressure on us to maintain the generous interest rates you have enjoyed over the years. Our commitment has resulted in our reducing some of our savings and certificate rates, but we assure you that our products continue to be priced very competitively in the market.

## Accomplishments for 2009

Expansion, renovation, and improvement describes PFCU in 2009. The opening of our South Philadelphia branch was designed to capitalize on convenience for our members. The new branch at 929 Snyder Avenue features a walk-in lobby, drive-thru teller window, ATM, coin counting machine and the same friendly, professional service that members enjoy at our other locations. To increase convenience for members, PFCU partnered with Universal Money Network to provide access to more than 150 surcharge-free ATMs at Kmart® stores in many states with 46 Pennsylvania locations.

PFCU is currently at work reconstructing our West Philadelphia Branch. We are excited about these renovations, expected to be completed in spring 2010. The new branch will boast a more spacious interior for new account openings, accommodations for investment and loan consultations, an internet café and a free coin counting machine. It will also be LEED (Leadership in Energy and Environmental Design) certified, signifying the promotion of sustainability performance in key areas: sustainable site development, water savings, energy efficiency, materials selection and indoor environmental quality.

Our commitment to our members was the driving force in improving many of our services in 2009. We introduced eTransfers to allow for the transfer of funds between your PFCU accounts and accounts at other financial institutions. eSignatures allow you to sign your loan documents electronically, eliminating the need to schedule an appointment. Similarly, joining PFCU can now be



done online, further increasing ease and convenience. Additional online options allow new members to choose a savings, checking or money market account, as well as request a debit card. As a result, there were 970 new accounts opened online in 2009.

In response to the high cost of a post-secondary education, we were proud to introduce our Tuition Rewards Program. This program allows members to earn Tuition Reward points based on their PFCU account balances. Tuition Reward points can be redeemed for tuition discounts at a growing network of participating private four-year colleges and universities. This free service is available to all members and points can be designated to multiple students starting at birth. PFCU is also committed to providing an equal and fair opportunity for our members to make homeownership a reality. To that end, in 2009 we expanded our lineup of home loans to include Federal Housing Administration (FHA) loans. With guidelines that are more consumer-friendly, we were able to extend loans to first-time homeowners and those who may not qualify for a conventional mortgage.

## Community Involvement

In 2009, PFCU made worthy contributions to support the Special People in the Northeast's annual Stroll in the Park event, Cedar Park Neighbors Association's Scholarship Drive and Jazz Series, as well as Rock the Boat for Autism. In continuing our tradition of service, three Shredding Day events were held at several branches to help our members protect themselves from identity theft while furthering recycling efforts. Our Financial Literacy Program continues to thrive as we provided free seminars throughout 2009 to 3,072 attendees on topics including Budgeting & Savings, Credit/ID Theft and Homebuying. Furthermore, we participated in the U.S. Department of Treasury's Community Financial Access Pilot (CFAP), a.k.a Bank on Philadelphia. Their purpose is to increase access to financial services and financial education for low-to-moderate income families and individuals in Philadelphia.

## Looking Ahead

We anticipate 2010 as a year of growth in which we will continue to provide exceptional value and security to our members. Our loyalty was formally recognized in the Philadelphia Daily News as we were voted "Best Banking Services" for their People Paper Award Contest. You have our promise that we will always be a member-owned financial institution that offers better rates and fewer fees than financial competitors. We appreciate your loyalty to PFCU and hope that you continue to choose us for your financial needs and plans.

*Michael J. McAllister, Esq.*  
Chairman

*James M. McAneney*  
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 with the mandated guidelines and policies set forth by the governing bodies.

An external audit was conducted in 2009 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*

## Treasurer's Report

This past year marked the continuation of uncertainty in the financial sector. As we welcomed a new administration into the White House, fear seemed to overshadow the promise of change. Unemployment rates continued to rise while consumers were faced with foreclosures all due to the unscrupulous practices of the nation's top lenders. Despite these challenges, Philadelphia Federal Credit Union continued to grow our assets. In 2009, our total asset base amounted to \$717 million, an increase of \$142 million from 2008. While consumers grew frustrated of the bank bailouts and bonuses, they turned to us for the safety of their hard-earned money. Our deposits increased to \$635,350,264 as proof of our better rates and fewer fees. Savings Certificates increased 41% to \$268,307,605.

Amidst the turmoil, members knew that they could still rely on us for their borrowing needs. Our loan portfolio grew by 11.53% to \$522,527,735. PFCU will grow and prosper because of our loyal member-owners. Our credit union family includes workers from all walks of life including doctors, sanitation workers, teachers and administrative assistants all looking to achieve their financial goals. Collectively, we are all owners of this institution and you have our assurance that we have taken the necessary steps to protect the financial stability of Philadelphia Federal Credit Union for years to come and we thank you for your business.

*Dennis McBride, Treasurer*

## Balance Sheet

	Sept 2009	Sept 2008	Net Change 2009-2008	% Change
<b>ASSETS</b>				
Loans to Members	522,527,735	468,501,176	54,026,559	11.53%
Allow for Loan Loss	(5,088,339)	(4,353,444)	(734,895)	16.88%
Notes Receivable	0	0	0	0.00%
Receivables	10,872,369	5,524,171	5,348,198	96.81%
Cash in Banks	8,912,102	4,023,438	4,888,664	121.50%
Investments	153,290,276	76,285,832	77,004,444	100.94%
NCUA Share Insurance	4,596,020	4,143,244	452,776	10.93%
Prepaid Expenses	5,090,590	3,967,178	1,123,412	28.32%
Land-Bldg. - Equip.	13,716,137	13,969,724	(253,587)	-1.82%
Accrued Income	3,331,333	3,033,865	297,468	9.80%
Other Assets	0	7,742	(7,742)	-100.00%
Excess Share Insurance	250,000	250,000	0	100.00%
<b>Total Assets</b>	<b>717,498,223</b>	<b>575,352,926</b>	<b>142,145,297</b>	<b>24.71%</b>
<b>LIABILITIES</b>				
Accounts Payable	1,164,286	208,326	955,960	458.88%
Accrued Expenses	1,039,856	926,579	113,277	12.23%
Borrowing	0	0	0	0.00%
Other Liabilities	(1,059,421)	(2,140,571)	1,081,150	-50.51%
<b>Total Liabilities</b>	<b>1,144,721</b>	<b>(1,005,666)</b>	<b>2,150,387</b>	<b>-213.83%</b>
<b>EQUITY</b>				
Shares	367,042,659	304,989,128	62,053,531	20.35%
Certificates	268,307,605	190,141,937	78,165,668	41.11%
<b>Total Shares</b>	<b>635,350,264</b>	<b>495,131,065</b>	<b>140,219,199</b>	<b>28.32%</b>
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	78,753,591	78,421,740	331,851	0.42%
Unreal Gain/Loss-Invest Pension FAS15	(7,960,530)	(5,449,355)	(2,511,175)	46.08%
Unreal Gain/Loss-Invest	4,381	2,702	1,679	62.14%
Net Income/Loss	6,033,527	4,080,171	1,953,356	47.87%
<b>Total Equity</b>	<b>81,003,238</b>	<b>81,227,527</b>	<b>(224,289)</b>	<b>-0.28%</b>
<b>Liabilities &amp; Equity</b>	<b>717,498,223</b>	<b>575,352,926</b>	<b>142,145,297</b>	<b>24.71%</b>

## Income & Distribution

	Sept 2009	Sept 2008	Net Change 2009-2008	% Change
<b>INCOME</b>				
Interest on Loans	35,208,372	33,981,472	1,226,900	3.61%
Investment Income	1,390,077	2,093,729	(703,652)	-33.61%
Fee Income	13,116,925	12,795,465	321,460	2.51%
Gain on Sale of Loans	113,613	66,235	47,378	100.00%
Other Income	168,004	1,717,268	(1,549,264)	-90.22%
<b>Gross Income</b>	<b>49,996,991</b>	<b>50,654,168</b>	<b>(657,177)</b>	<b>-1.30%</b>
<b>DISTRIBUTION OF INCOME</b>				
Dividends to Members	11,546,645	11,258,853	287,792	2.56%
Interest on Borrowed \$	77	138,741	(138,664)	-99.94%
Provision Loan Losses	5,100,000	4,000,000	1,100,000	27.50%
Operational Expenses	29,958,893	29,493,354	465,539	1.58%
Non-Operational Expenses	1,106,169		1,106,169	0.00%
Undivided Earnings	2,285,207	5,763,220	(3,478,013)	-60.35%
<b>Total Distribution</b>	<b>49,996,991</b>	<b>50,654,168</b>	<b>(657,177)</b>	<b>-1.30%</b>

## 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.



## Independent Auditors' Report

We have audited the accompanying consolidated statements of financial condition of Philadelphia Federal Credit Union and subsidiary as of September 30, 2009 and 2008, 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, 2009 and 2008, 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

## Board of Directors

### Board Members

Kenneth Carlin  
Paulette Chambers  
Bernard B. Lester  
Joseph McHugh  
Elaine Melchiorre  
Kathleen Meyer  
Charles Zacney

### Chairman

Michael J. McAllister, Esq.

### Vice Chairman

Matthew M. Tierney

### Treasurer

Dennis McBride

### Secretary

Anna DeFusco

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### Web Site

[pfcu.com](http://pfcu.com)

### 24 Hour Account Access

Teller Phone: 877-835-7328

Teller Net: enter through our website at [pfcu.com](http://pfcu.com)

