

2010 ANNUAL REPORT



We're better. honest.®



CELEBRATING
60 YEARS
PFCU

CHAIRMAN/PRESIDENT'S REPORT

In reviewing 2010, it might be easy for some to dismiss a year riddled with attention grabbing headlines and negativity. Members of Philadelphia Federal Credit Union, however, can celebrate 2010 as a year of positive growth, product and service improvements, and increased value in their membership. With the national economic challenges still lingering, PFCU continues to be a safe, strong, and secure financial institution dedicated to its mission of helping its members—you—build a successful financial future.

Our core business of savings and lending experienced continued activity even as other financial institutions turned away borrowers or shut their doors completely. Our commitment to sound business practices enabled us to lower loan rates on home equity products and auto loans while maintaining our competitiveness in dividend rates. In addition to the inherent value this brings to a PFCU membership, **our members also benefited from the following service enhancements:**

New and improved website: pfcu.com got a facelift and was rebuilt from the inside out giving members not only a better-looking site, but more importantly, a better-functioning resource. Navigation, access, and information retrieval is at your fingertips and providing feedback or asking for help is easier than ever.

Live Chat: Designed to serve more members efficiently, Live Chat was added to our website and Teller Net service. Now members can chat with a PFCU representative one-on-one and in real time.

Teller Net: Improvements to our popular online banking service made the experience more pleasant with some aesthetic changes and more efficient with a reorganized navigation and the addition of Quick Links for frequently used products.

ZashPay: We introduced a new person-to-person payment feature to our Electronic Bill Payer service. Members can now send money to individuals using their email address or mobile phone number.

Payroll Services: To serve the growing needs of our Select Employee Groups and Delaware Valley small businesses, Philadelphia Federal Payroll Services, LLC was formed to offer innovative payroll solutions at an affordable price.

Safe Deposit Boxes: Our South Philadelphia branch introduced safe deposit boxes of various sizes for members to store their valuable documents securely and safely.

West Philadelphia Branch: We reopened our West Philadelphia branch with an official ribbon-cutting ceremony and grand opening celebration for members. The remodel included a redesigned and more spacious interior, additional desks to serve more members, and a coin-counting machine for member convenience. We are especially proud of the LEED Certification we achieved with the remodel that validates our commitment to be stewards of the environment. LEED Certification is a third-party verification that a building is “green,” environmentally responsible, and a healthy place to visit or work.

Scholarships: In addition to the four \$1,000 scholarships we award each year as part of our PFCU Scholarship Program, we instituted an endowment with the Community College of Philadelphia Foundation to award an additional \$400 annual scholarship to a student enrolled at their Northeast Regional Center.

Through company-paid sponsorships and employee and member participation, PFCU reached out to the communities we serve. Our sponsorships this year included the annual “Stroll in the Park” for SPIN (Special People in the Northeast), the 20th Annual “Neighborhood-to-Neighborhood Festival” in West Philadelphia encouraging community interaction, and third annual “Weekend of Peace” promoting anti-violence campaigns and honoring those who lost their lives to senseless acts of violence.

PFCU employees harvested and sold vegetables from our Community Garden again this year donating the money to Aid for Friends, an organization that helps feed needy and isolated residents from the Philadelphia area. The garden itself earned 3rd Place for City Gardens from the Pennsylvania Horticultural Society and was honored at the 2010 Philadelphia Flower Show. PFCU employees also raised funds and participated in the Susan G. Komen Race for the Cure, marched in the St. Patrick's Parade, and along with our generous members, collected coats for Philadelphia Cares 15th Annual Winter Coat Drive.

Additionally, PFCU helped members in 2010 by hosting our annual Shredding Day events, Enterprise Auto Sales, and numerous Financial Educational workshops on topics like home buying, budgeting, and savings.

Looking forward, we've already begun plans to mark our credit union's 60th Anniversary in 2011 and break ground on our 11th branch in Lower Northeast, Philadelphia.

We are very proud of our accomplishments this year and the exceptional value and service we provided our members. It is our mission to serve you and our pleasure to do so.

Joseph F. McHugh, Jr.
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 2010 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

As the number of bank failures and credit union closings continued to climb in 2010, Philadelphia Federal Credit Union celebrated the reopening of our West Philadelphia branch, began plans for a new one, and welcomed over 1,000 new members. We finished the year with an increase of 10.77% in deposits totaling \$703,806,330, while the experts debated the economic recovery and unemployment numbers reached record levels. Instead of instituting new fees or tightening our lending policies like other financial institutions, we were available for our members when they needed to borrow and kept our loan portfolio flexible and robust. A new Congress took office ready to tackle the country's mounting deficit while our assets nearly broke the \$700 million benchmark, signaling our strength.

Our policy of controlled growth has maintained the safety and soundness of your Credit Union through the uncertainty of these economic times. The Board of Directors and senior management team work diligently to ensure that we remain a well-capitalized Credit Union with a net capital to total assets ratio of 11.00% as of September 30, 2010. This ratio, established by the National Credit Union Administration, sets the regulatory standard for the minimum allowable capital level for "well-capitalized credit unions" at 7.00%. As a result of prudent practices, your Credit Union continues to exceed this requirement.

PFCU holds the best interests of our members in the highest regard and will strive to remain competitive while continuing our long history of giving back to the communities that we serve. The next year marks our 60th anniversary, a true testament of our long-standing commitment to grow and prosper in the coming years.

Dennis McBride
Treasurer

BALANCE SHEET

	Sept 2010	Sept 2009	Net Change 2010 - 2009	% Change
ASSETS				
Loans to Members	518,343,439	522,527,735	(4,184,296)	-0.80%
Allow for Loan Loss	(6,019,335)	(5,088,339)	(930,996)	18.30%
Notes Receivable	450,000	0	450,000	0.00%
Receivables	21,604,962	10,872,369	10,732,593	98.71%
Cash in Banks	43,429,453	8,912,102	34,517,351	387.31%
Investments	181,793,821	153,290,276	28,503,545	18.59%
NCUA Share Insurance	6,661,237	4,596,020	2,065,217	44.93%
Prepaid Expenses	7,882,195	5,090,590	2,791,605	54.84%
Land-Bldg. - Equip.	14,656,348	13,716,137	940,211	6.85%
Accrued Income	4,125,560	3,331,333	794,227	23.84%
Other Assets	543,695	0	543,695	0%
Excess Share Insurance	246,131	250,000	(3,869)	-1.55%
Total Assets	793,717,506	717,498,223	76,219,283	10.62%
LIABILITIES				
Accounts Payable	1,342,442	1,164,286	178,156	15.30%
Accrued Expenses	935,162	1,039,856	(104,694)	-10.07%
Borrowing	0	0	0	0.00%
Other Liabilities	366,982	(1,059,421)	1,426,403	-134.64%
Total Liabilities	2,644,586	1,144,721	1,499,865	131.02%
EQUITY				
Shares	436,205,475	367,042,659	69,162,816	18.84%
Certificates	267,600,855	268,307,605	(706,750)	-0.26%
Total Shares	703,806,330	635,350,264	68,456,066	10.77%
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	84,787,118	82,501,911	2,285,207	2.77%
Unreal Gain/Loss-Invest.- Pension FAS158	(6,701,086)	(7,960,530)	1,259,444	-15.82%
Unreal Gain/Loss-Invest.	309,403	4,381	305,022	6962.38%
Net Income/Loss	4,698,886	2,285,207	2,413,679	105.62%
Total Equity	87,266,590	81,003,238	6,263,352	7.73%
Liabilities & Equity	793,717,506	717,498,223	76,219,283	10.62%

INCOME & DISTRIBUTION

	Sept 2010	Sept 2009	Net Change	% Change
Income				
Interest on Loans	35,428,217	35,208,372	219,845	0.62%
Investment Income	3,319,740	1,390,077	1,929,663	138.82%
Fee Income	13,887,683	13,116,925	770,758	5.88%
Gain on Sale of Loans	332,753	113,613	219,140	192.88%
Other Income	1,644,015	168,004	1,476,011	878.56%
Gross Income	54,612,408	49,996,991	4,615,417	9.23%
Distribution of Income				
Dividends to Members	9,680,706	11,546,645	(1,865,939)	-16.16%
Interest on Borrowed \$\$\$	34	77	(43)	-55.84%
Provision Loan Losses	5,301,000	5,100,000	201,000	3.94%
Operational Expenses	32,321,963	29,958,893	2,363,070	7.89%
Non-Operational Expenses	2,609,819	1,106,169	1,503,650	135.93%
Undivided Earnings	4,698,886	2,285,207	2,413,679	105.62%
Total Distribution	54,612,408	49,996,991	4,615,417	9.23%

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statements of financial condition of Philadelphia Federal Credit Union and subsidiary as of September 30, 2010 and 2009, 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, 2010 and 2009, 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

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

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SECRETARY

Anna DeFusco

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