



# 2012 ANNUAL REPORT

## CHAIRMAN/PRESIDENT'S REPORT

After More Than Six Decades, We're Still Growing Strong

Despite the economic challenges that many financial institutions continued to face, 2012 was yet another solid and productive year for Philadelphia Federal Credit Union. In fact, throughout the past year, PFCU has done more than simply increase our assets, we've increased our commitment to you—our valued members—by improving and expanding our member services. After all, your continued loyalty is the driving force that has kept our credit union growing strong.

### How We've Improved

Since first opening our doors over 60 years ago, our members' best interests have remained our ultimate priority. This priority was the powering motivation behind the many improvements, additions and money-saving opportunities that were introduced to PFCU members in 2012.

- Now featuring mobile banking, easier online bill pay, and powerful budgeting tools, our *upgraded Teller Net and Electronic Bill Payer* are more efficient, more innovative and more convenient than ever before.
- An enhancement to our previous rewards program, *CU Rewards® Mall* now offers members exclusive online deals from thousands of national and local merchants.
- Our partnership with *Enterprise Car Sales* has presented our members with access to amazing savings and purchasing opportunities several times throughout the year.
- Our presence on *Facebook and Twitter* has allowed members to stay up to date on all PFCU news, 24x7.

### How We've Grown

Our commitment to sound business practices has allowed us to continue offering our members quality products, low loan rates and competitive dividend rates as well as provided us with the opportunity to grow by merging with New Bethel A.M.E. Federal Credit Union in June 2012. This merger has allowed us to share our enhanced services with our new members and to provide them with increased accessibility through our branch network and with access to our full line of money-saving products, such as:

- **Business Banking** – Featuring payroll services, merchant services, business accounts, and loans.
- **Fast Track Mortgage Program** – Offering members the opportunity to refinance with a 15-year term in order to significantly reduce their mortgage interest expense.
- **Home Affordable Refinance Program (HARP 2.0)** – Helping members who owe more than their home is worth find a way to lower their monthly mortgage payment.



### Promoting a Greener Tomorrow

In 2012, PFCU eagerly sought to help our environment by promoting environmentally-friendly services. These eServices, which include eStatements and Online Bill Pay, do more than help our environment—they benefit our members with convenience. We also partnered with PhillyCarShare, a local organization committed to reducing automobile dependence in the Philadelphia region.

### Our Commitment to You and Our Community

PFCU had the privilege of reaching out to our members, their families, and our community by supporting a variety of local events and organizations. We are proud of our credit union and our employees who dedicated their time and efforts to express their commitment to the community by hosting free financial seminars, financial literacy activities, and free shredding day events.

We also had the pleasure of carrying on our commitment to youth—an important part of our credit union family—with financial seminars held at local schools, our annual scholarship competition, and our Tuition Rewards® program designed to help make college tuition more affordable.

### Introducing Our New Board Members

At PFCU, our volunteers are a vital resource and have a significant impact on the wellness of our credit union. In 2012, we welcomed two new members to the PFCU Board of Directors, Elouise Thomas and Timothy Lederer. Elouise, who has served PFCU's Supervisory Committee for 33 years, is serving the vacancy of Matthew Tierney, who retired as Vice Chairman after 42 years of service. Timothy, who has served on PFCU's Supervisory Committee for 11 years and as Chairman of the Committee for 3 years, is serving the vacancy of Kenneth Carlin, who passed away in December 2012.

### Looking Ahead

Since PFCU first opened our doors over sixty years ago, one thing has remained unchanged—our mission to our members—to you and your family. You remain our top priority in every decision we make, and we promise to continue putting your best interests first in everything we do. Thank you for your loyalty and for continuing to choose PFCU to serve your financial needs.

**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, 2012 and 2011, 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, 2012 and 2011, 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

Though every individual and financial institution has been affected by the recent challenges caused by the struggling economy, Philadelphia Federal Credit Union remained financially strong in 2012. Through the dedication of our membership and the conservative financial administration of our management team, we continued to experience growth and progress. We welcomed over 3,200 members and grew our total asset base to \$850 million, an increase of \$41 million from 2011.

In a struggle to recover and move forward during these difficult economic times, many financial institutions have resorted to increasing existing fees and even adding new ones. PFCU on the other hand, has invested both time and money into system enhancements and member services that have directly benefited our members and aided them in reaching their financial goals. During the tumultuous economic environment, we have remained dedicated to our members by continuing to make your best interests our priority.

As we enter a new year, rest assured your credit union will continue to work diligently to ensure we remain strong, stable and secure. And remember, just as we have in the past, we will always hold the interests of our members in the highest regard through every decision we make.

**Dennis McBride**  
Treasurer

## BALANCE SHEET

	Sept 2012	Sept 2011	Net Change 2012 - 2011	% Change
<b>ASSETS</b>				
Cash and cash equivalents	229,998,995	208,886,916	21,112,079	10.11%
Investment Securities (Available for Sale)	70,219,897	54,419,469	15,800,428	29.03%
Loans Receivable	504,647,064	506,435,359	(1,788,295)	-0.35%
Allowance for Loan Losses	(7,025,563)	(7,175,674)	150,111	-2.09%
Accrued Interest Receivable	3,305,819	4,082,937	(777,118)	-19.03%
Premises & Equipment	13,940,866	13,969,359	(28,493)	-0.20%
Investment in East Coast Business Lenders	0	104,887	(104,887)	-100.00%
Note Receivable	381,000	450,000	(69,000)	-15.33%
Prepaid Expense and Other Assets	18,765,247	14,715,947	4,049,300	27.52%
Other Real Estate Owned	9,023,885	6,057,172	2,966,713	48.98%
NCUSIF Deposit	7,023,663	7,068,802	(45,139)	-0.64%
<b>Total Assets</b>	<b>850,280,873</b>	<b>809,015,174</b>	<b>41,265,699</b>	<b>5.10%</b>
<b>LIABILITIES</b>				
Accounts Payable & Accrued Expense	5,936,955	4,403,533	1,533,422	34.82%
Advance Payments by Borrowers for Taxes & Ins	1,526,706	1,397,287	129,419	9.26%
Borrowing	0	0	0	0.00%
Other Liabilities	0	0	0	0.00%
<b>Total Liabilities</b>	<b>7,463,661</b>	<b>5,800,820</b>	<b>1,662,841</b>	<b>28.67%</b>
<b>EQUITY</b>				
Shares	508,242,284	456,636,529	51,605,755	11.30%
Certificates	235,362,478	255,454,316	(20,091,838)	-7.87%
<b>Total Shares</b>	<b>743,604,762</b>	<b>712,090,845</b>	<b>31,513,917</b>	<b>4.43%</b>
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	95,927,815	89,303,449	6,624,366	7.42%
Unreal Gain/Loss-Invest.- Pension FAS158	(7,695,906)	(8,853,992)	1,158,086	-13.08%
Unreal Gain/Loss-Invest.	79,956	59,972	19,984	33.32%
Net Income/Loss	6,728,316	6,441,811	286,505	4.45%
<b>Total Equity</b>	<b>99,212,450</b>	<b>91,123,509</b>	<b>8,088,941</b>	<b>8.88%</b>
<b>Liabilities &amp; Equity</b>	<b>850,280,873</b>	<b>809,015,174</b>	<b>41,265,699</b>	<b>5.10%</b>

## INCOME & DISTRIBUTION

	Sept 2012	Sept 2011	Net Change	% Change
<b>INCOME</b>				
Interest on Loans	33,832,552	34,880,027	(1,047,475)	-3.00%
Investment Income	1,662,972	2,696,098	(1,033,126)	-38.32%
Fee Income	14,518,136	14,454,830	63,306	0.44%
Gain on Sale of Loans	758,803	247,221	511,582	206.93%
Other Income	753,344	737,024	16,320	2.21%
<b>GROSS INCOME</b>	<b>51,525,807</b>	<b>53,015,200</b>	<b>(1,489,393)</b>	<b>-2.81%</b>
<b>Distribution of Income</b>				
Dividends to Members	5,140,524	6,636,388	(1,495,864)	-22.54%
Interest on Borrowed \$\$\$	-	-	0	0.00%
Provision Loan Losses	5,301,000	5,211,000	90,000	1.73%
Operational Expenses	34,219,740	34,499,605	(279,865)	-0.81%
Non-Operational Expenses	136,227	226,396	(90,169)	-39.83%
Undivided Earnings	6,728,316	6,441,811	286,505	4.45%
<b>Total Distribution</b>	<b>51,525,807</b>	<b>53,015,200</b>	<b>(1,489,393)</b>	<b>-2.81%</b>

## 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 2012 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.

**Vincent Colaberdino**  
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.



## BOARD OF DIRECTORS

### BOARD MEMBERS

Paulette Chambers  
Timothy Lederer  
Bernard B. Lester  
Elaine Melchiorre  
Kathleen Meyer  
Elouise Thomas  
Charles Zacney

### CHAIRMAN

Joseph F. McHugh, Jr.

### VICE CHAIRMAN

Michael J. McAllister, Esq.

### TREASURER

Dennis McBride

### SECRETARY

Anna DeFusco

## OPERATIONS CENTER/ MAILING ADDRESS

12800 Townsend Road, Philadelphia, PA 19154-1003  
215-934-3500 • 800-832-PFCU  
(outside metropolitan area)  
TDD: 215-934-4000

### WEB SITE

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

### 24 HOUR ACCOUNT ACCESS

Teller Phone: 877-835-7328

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

