

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 2015 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.



BOARD OF DIRECTORS

BOARD MEMBERS

Paulette Chambers
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Elaine Melchiorre
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Elouise Thomas
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Bernard B. Lester

TREASURER

Dennis McBride

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Anna DeFusco

EMERITUS

Bertram Levy
Michael J. McAllister, Esq.
Matthew M. Tierney

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

24 HOUR ACCOUNT ACCESS

Teller Phone: 877-835-7328

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

PFCU
PHILADELPHIA
FEDERAL CREDIT UNION

Not here for our profit.
Here for yours.

ESI
Excess Share Insurance



2015 ANNUAL REPORT



PFCU
PHILADELPHIA
FEDERAL CREDIT UNION

Not here for our profit.
Here for yours.

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

CHAIRMAN/PRESIDENT'S REPORT

*Not here for our profit.
Here for yours.*

2016 will mark Philadelphia Federal Credit Union's (PFCU) 65th year serving the community in the Delaware Valley. We have been providing a unique blend of professional financial services and personal relationships with our members since 1951. Back then, PFCU served Philadelphia's municipal employees. Today, we have expanded to include more of our community, serving over 400 organizations throughout the state of Pennsylvania, as well as our neighboring ones. It's a history and a reputation in which we take great pride and for which we have gratitude for those who make it possible: you, our members.

Not Here for Our Profit. Here for Yours.

You might have heard that before from us. We say it because it's true. Our whole reason for our existence was to uphold the principles of the credit union movement, which is "People Helping People." We are a not-for-profit, member-owned financial institution. That means you as a member share in our success through lower rates and higher dividends than you would get at a for-profit institution. Here are just a few of the ways we profited our members in 2015:

- **We maintained low loan rates.** We kept our auto loan rates as low as 1.99% APR, our personal loan rates as low as 9.50%, and continued our Fast Track Mortgage program that allows you to refinance your mortgage to 15 years or less at 3.99% APR.
- **We reduced our rates on some loans.** We lowered rates on Home Equity and Home Equity Line of Credit (HELOC) Loans. We also waived the application fee.
- **We introduced new products and services.** From Recreational Vehicle Loans to ClickSWITCH, an online portal that helps switch direct deposit and recurring payments to your PFCU accounts, we look for ways to serve you better.
- **We updated our website.** Our online branch has never looked better or been easier to use.
- **We made your first auto loan payments.** We hosted Enterprise Car Sale events throughout the year, and if you bought a car we made your first payment up to \$500.
- **We rewarded those of you who spread the word about us.** You earned \$25 for each referral through our Member Referral Program.

At the community level, we also strive to give back. Through PFCU in Action, we use our resources to invest in the communities we serve in a multitude of ways, including:

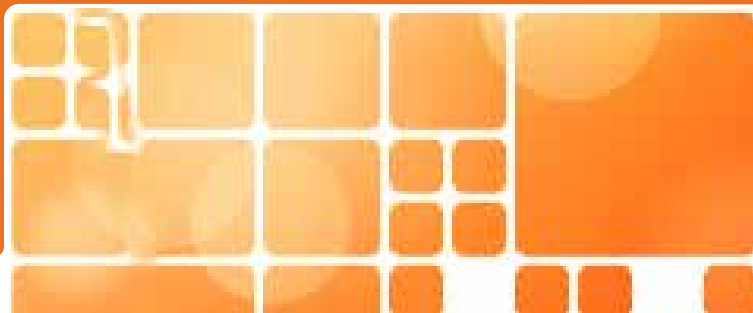
- **Partnering with the City of Philadelphia Mural Arts Program** to commission a mural in the East Kensington-Fishtown neighborhood to be unveiled at the Philadelphia Federal Credit Union Kensington Kinetic Sculpture Derby & Arts Festival in May 2016.
- **Sponsoring important community events** that range from Shredding Days to the St. Patrick's Day Parade to the Community Gardens Day.
- **Educating our members and young people about finances** through our Financial Literacy Seminars and our 2015 Scholarship Award and Tuition Rewards Programs.
- **Expanding our business banking relationships in the community** by hosting small business networking events throughout the year, and inspiring our members to take our commercial loans for their small business needs.
- **Surprising our members and neighbors with Pop-Up Barbecue Events** over the summer at our Northwest, West Philadelphia, and Center City branches.
- **Increasing our social media presence and community ties with fun promotions** like the Pictures of Success Art Contest and the PFCU's Community Ties promotion where members determined where to lend our support for local charities during the holiday season.
- **Supporting employee and volunteer-sponsored events** like the 19154 5K race, SPIN Stroll for Possibilities, Garden Project, Dragon Boat Festival, and Santa for Seniors.

2015 Was a Great Year, Let's Make 2016 Even Greater

We are proud of our accomplishments in 2015. We are even more excited about what's in store for our members in 2016. We are growing in members, in assets, and in our footprint of influence here in the community. Last year, this year, and for many years to come, we are proud to be your credit union, proud of our community and proud of where we're headed for the future. It's an honor to be a part of the team that is here to serve you.

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, 2015 and 2014, 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, 2015 and 2014, 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

We continue a trend of growth and stability at Philadelphia Federal Credit Union (PFCU). We made significant financial gains as an institution and saw substantial growth in the areas of loans, total assets, and shares equity.

Total assets for 2015 were \$941 million, an increase of 3.29% from 2014, and total member shares ended at \$818 million, an increase of 3.06% from 2014. We continued our trend of loan growth again in 2015, growing over \$32 million to \$572 million in the past year, an increase of 6.12% over the previous year. Moreover, our Net Income increased to \$7.3 million, a 30% increase over 2014.

We are pleased to have another solid financial year at PFCU. This type of growth doesn't happen by accident, but instead by the careful and continued efforts of our executive team and knowledgeable staff. Most importantly, it happens through support from you, our loyal members. It also shows that the spirit of people helping people continues to thrive today as it did over 65 years ago when our credit union was founded. It is an honor to be a part of it and to see this important concept continue to progress the credit union movement to the benefit of all of us.

You are what makes our credit union what it is today. The Board of Directors, the PFCU staff and I thank you for your continued support.

Dennis McBride
 Treasurer

BALANCE SHEET

	Sept 2015	Sept 2014	Net Change 2015 - 2014	% Change
ASSETS				
Cash and cash equivalents	200,894,961	216,905,134	-16,010,173	-7.38%
Investment Securities (Available for Sale)	111,570,956	109,127,598	2,443,358	2.24%
Loans Receivable	572,169,187	539,196,881	32,972,306	6.12%
Allowance for Loan Losses	-9,281,282	-9,082,269	-199,013	2.19%
Accrued Interest Receivable	2,796,343	3,019,504	-223,161	-7.39%
Premises & Equipment	13,104,156	13,971,372	-867,216	-6.21%
Note Receivable	174,000	243,000	-69,000	-28.40%
Prepaid Expense and Other Assets	5,625,219	5,558,634	66,585	1.20%
Prepaid Pension Obligation	15,832,219	15,681,154	151,065	0.96%
Insurance Funding Receivable	13,475,292	1,949,073	11,526,219	NA
Other Real Estate Owned	6,499,542	6,414,765	84,777	1.32%
NCUSIF Deposit	7,892,530	7,839,501	53,029	0.68%
Total Assets	940,753,123	910,824,347	29,928,776	3.29%
LIABILITIES				
Accounts Payable & Accrued Expense	4,495,932	3,726,578	769,354	20.65%
Advance Payments by Borrowers for Taxes & Ins	1,890,175	1,841,550	48,625	2.64%
Borrowing	0	0	0	0.00%
Other Liabilities	731,000	731,000	0	0.00%
Total Liabilities	7,117,107	6,299,128	817,979	12.99%
EQUITY				
Shares	616,413,906	579,482,772	36,931,134	6.37%
Certificates	201,551,282	214,177,567	-12,626,285	-5.90%
Total Shares	817,965,188	793,660,339	24,304,849	3.06%
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	115,106,148	109,417,695	5,688,453	5.20%
Unreal Gain/Loss-Invest.-Pension FAS158	-10,962,814	-5,693,367	-5,269,447	92.55%
Unreal Gain/Loss-Invest.	-36,648	-2,720,170	2,683,522	-98.65%
Net Income/Loss	7,391,873	5,688,453	1,703,420	29.95%
Total Equity	115,670,828	110,864,880	4,805,948	4.33%
Liabilities & Equity	940,753,123	910,824,347	29,928,776	3.29%

INCOME & DISTRIBUTION

	Sept 2015	Sept 2014	Net Change	% Change
INCOME				
Interest on Loans	34,629,313	34,068,556	560,757	1.65%
Investment Income	2,083,213	2,181,319	-98,106	-4.50%
Fee Income	15,500,766	15,418,391	82,375	0.53%
Gain on Sale of Loans	280,450	155,698	124,752	80.12%
Other Income	898,666	623,198	275,468	44.20%
Gross Income	53,392,408	52,447,162	945,246	1.80%
DISTRIBUTION OF INCOME				
Dividends to Members	3,790,031	3,918,851	-128,820	-3.29%
Interest on Borrowed \$\$\$	0	0	0	0.00%
Provision Loan Losses	6,650,000	7,225,000	-575,000	-7.96%
Operational Expenses	35,395,932	35,205,672	190,260	0.54%
Non-Operational Expenses	164,572	409,186	-244,614	-59.78%
Undivided Earnings	7,391,873	5,688,453	1,703,420	29.95%
Total Distribution	53,392,408	52,447,162	945,246	1.80%