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SUPERVISORY COMMITTEE REPORT

Philadelphia Federal Credit Union's Supervisory Committee is responsible for reviewing the audit function of the Credit Union to ensure that PFCU's financial strength is fairly represented. The committee oversees the internal and external auditors who make sure that the Credit Union's financial controls are operationally sound and functioning in accord with the mandated guidelines and policies set forth by all governing bodies.

An external audit was conducted in 2018 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 concluded 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 which is why every year more individuals are choosing credit unions not only because of their cost effective services, but also because, more importantly, they know that their money is safe.

The Supervisory Committee is dedicated to ensuring that these well-founded beliefs and principles are steadfastly maintained for our members' benefit. 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
Chairman

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.



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2018 ANNUAL REPORT

Forbes2018

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CHAIRMAN/PRESIDENT'S REPORT

Working Together For Results

Andrew Carnegie was an industrialist. He was also a businessman; one of the most successful the world has ever known.

However, he didn't do it alone. He did it with teamwork. He once said: "Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results."

At PFCU, we have a common vision of people helping people. We are all working together toward that vision.

This year, we were so successful working together that we achieved an "uncommon" result we didn't expect. We were recognized in July by Forbes' Magazine as a "Best-In-State Credit Union for Pennsylvania." Compiled in partnership with the market research firm, Statista, the list was the result of surveys with more than 25,000 customers and members in the U.S.

The acknowledgment was excellent, but we don't do what we do for recognition. We do it to get results for our members, and because of our combined efforts, we had an extraordinary year in 2018. The team achieved a lot in many different areas, including:

Enhanced our online banking suite of services:

- Upgraded Teller Net, our online banking system, with a responsive design so members can log on through a browser on their mobile devices and perform the same transactions as on their desktop.
- Enhanced our eDeposit service for easy access and same day deposits through our Philadelphia FCU mobile app.
- Offered a new budgeting tool within Teller Net called Money Management which helps members supervise their finances, track their budgets, and watch their spending.
- Streamlined our business loans by moving their processing in-house, further enabling the paperless statement environment within Teller Net.
- Enabled members to file their federal tax returns online for FREE using Teller Net's access to TurboTax® Federal Free Edition.
- Introduced EZ Pay, our new online portal where members can make their loan payments from debit cards and accounts at other financial institutions.
- Updated our Member Referral Program so members could refer their family and friends through our website and earn a \$25 reward.

Cultivated relationships with reliable partners who share our vision:

- Partnered with TruStage® Insurance Agency to offer our members affordable auto, home and life insurance options for every stage of their lives.
- Assisted members with buying and selling their homes with the FREE HomeAdvantage real estate program and, in some cases, earned them cash rewards equal to 20% of their agent's commission.
- Joined forces with Clarifi Financial Counseling to help members build secure financial futures by learning to manage daily expenditures, taking control of and paying off debt, and developing a savings system.
- Provided access to higher education with scholarship programs, and the Smart Option Student Loan™ by Sallie Mae® for students pursuing their advanced degrees.

Improved our connections with our members on social media:

- Created videos to promote the benefits of joining a credit union, as well as various promotions and events throughout the year on our social media platforms.
- Increased our connection with members on social media with growth in our Facebook, Twitter, LinkedIn, and YouTube followers and fans.

Invested in our community:

- Sponsored shredding days and pop up events held throughout the year, as well as supporting other activities in our city like the St. Patrick's and Columbus Day Parades, Kensington Derby and Arts Festival, the Bloomsburg Fair, and the Philly Pride Parade & Festival.
- Hosted the 5th Annual Custom & Classic Benefit Car Show at the PFCU Operations Center in Northeast Philadelphia, donating the proceeds to the Delaware Valley Veterans Home for the residents' personalized and recreational services.
- Championed the Temple University Owls and Bloomsburg University Huskies against competing teams at our sponsored basketball and football games.
- Sponsored the Philadelphia International Unity Cup Games World-Cup style tournament last fall.
- Supported employee- and volunteer-sponsored events, like the 19154 5K race, Delaware River City Corporation Greenway 5K Run/Walk event, SPIN Boo & Brew 5K Run/Walk event, Susan G. Komen Race for the Cure, MS City to Shore Bike Ride, and "freezin' for a reason" at the Eastern Polar Plunge.
- Provided gifts to residents of Gaudenzia's House of Passage compliments of the employee Holiday Giving Tree.
- Supported many other community organizations through sponsorships and donations.

Helped teach our members and the community how to reach their financial goals:

- Counseled the community to promote financial literacy with our Financial Education in Action program, where our Accredited Financial Counselor conducted over 200 seminars for budgeting, credit, and identity theft, as well as provided her insight on several topics featured in national and regional publications.
- Educated the youth in our community through our financial seminars held at local schools and through our youth-oriented products like Moola Moola Kids Club for kids up to age 12, CU Succeed™ Program for the teen members 13-17, and Tuition Rewards for college-bound kids to earn discounts on tuition at participating universities.
- Held homebuying seminars at our local libraries to help first-time homebuyers understand the mortgage process and the steps to financing their home.

We are a member-owned financial institution. The leadership and team here at PFCU work together because we are in the business of putting people first. We are proud to offer an array of financial services our members want. We are passionate about engaging with our members and supporting our community. We are driven to provide our members with tools they need to meet their financial goals.

And we don't do it for awards; we do it because it is the right thing to do.

We are excited and inspired to see where our spirit of teamwork takes us in 2019.

Bernard B. Lester Chairman
James M. McAnaney President/CEO

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statements of financial condition of Philadelphia Federal Credit Union and its Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements. 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 involves performing procedures to obtain audit evidence about 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 its Subsidiaries as of September 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Connolly, Grady & Cha, P.C.
Certified Public Accountants
Springfield, Pennsylvania

TREASURER'S REPORT

Philadelphia Federal Credit Union (PFCU) had another excellent year in 2018. Total assets for 2018 were \$1,135,382,979, an increase of four percent (4.01%) over 2017. Also, our total shares were up nearly four percent (3.98%) to \$982,413,601, which was an increase of \$37,605,504 over 2017.

We continued our trend for loan growth again in 2018, increasing by nearly three percent to a total of \$667,992,904, an increase of \$18,845,463 over the previous year. Furthermore, our gross income continued to grow by over seven percent (7.13%) to \$66,652,513 million. We achieved steady growth in all areas, including net worth, net income and credit quality, which resulted in the increase of over 23 percent (23.10%) in dividends to our members.

These results are not because of any one person on our team. They are the rewards we gain from the combined efforts of all of us here at the credit union, and that includes you, our members. We are a team of people helping people. I feel a sense of gratitude and pride to be a part of a financial institution that believes in working together to accomplish goals that benefit us all.

As always, I appreciate your continued support along with the Board of Directors and our PFCU staff. We all feel it is a privilege to serve you, our members and are excited to see what we can accomplish in 2019.

Joseph F. McHugh, Jr.
Treasurer



BALANCE SHEET

	Sept 2018	Sept 2017	Net Change 2018 - 2017	% Change
ASSETS				
Cash and cash equivalents	235,981,389	241,908,401	(5,927,012)	-2.45%
Investment Securities (Available for Sale)	158,719,571	141,473,078	141,473,078	12.19%
Loans Receivable	667,992,904	649,147,441	18,845,463	2.90%
Allowance for Loan Losses	(8,311,575)	(9,904,236)	1,592,661	-16.08%
Accrued Interest Receivable	2,786,671	2,625,545	161,126	6.14%
Premises & Equipment	13,458,826	13,952,067	(493,241)	-3.54%
Restricted Stock	436,300	420,800	15,500	3.68%
Prepaid Expense and Other Assets	11,188,101	5,345,292	5,842,809	109.31%
Prepaid Pension Obligation	23,856,750	22,540,937	1,315,813	5.84%
Insurance Funding Receivable	19,339,853	14,842,931	4,496,922	30.30%
Other Real Estate Owned	795,223	481,696	313,527	65.09%
NCUSIF Deposit	9,138,966	8,730,697	408,269	7.05%
Total Assets	1,135,382,979	1,091,564,649	43,818,330	4.01%
LIABILITIES				
Accounts Payable & Accrued Expense	4,806,320	8,887,932	(4,081,612)	-45.92%
Advance Payments by Borrowers for Taxes & Ins	1,814,898	1,928,292	(113,394)	-5.88%
Borrowing	0	0	0	0.00%
Other Liabilities	731,000	754,629	(23,629)	-3.13%
Total Liabilities	7,352,218	11,570,853	(4,218,635)	-36.46%
EQUITY				
Shares	780,905,849	732,529,875	48,375,974	6.60%
Certificates	201,507,752	212,278,222	(10,770,470)	-5.07%
Total Shares	982,413,601	944,808,097	37,605,504	3.98%
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	141,631,244	130,107,332	11,523,912	8.86%
Unreal Gain/Loss-Invest. -Pension FAS158	(11,898,225)	(9,475,924)	(2,422,301)	25.56%
Unreal Gain/Loss-Invest.	(3,698,021)	(1,141,890)	(2,556,131)	223.85%
Net Income/Loss	15,409,893	11,523,912	3,885,981	33.72%
Total Equity	145,617,160	135,185,699	10,431,461	7.72%
Liabilities & Equity	1,135,382,979	1,091,564,649	43,818,330	4.01%

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INCOME & DISTRIBUTION

	Sept 2018	Sept 2017	Net Change	% Change
INCOME				
Interest on Loans	39,953,971	37,717,147	2,236,824	5.93%
Investment Income	5,990,249	3,954,547	2,035,722	51.48%
Fee Income	18,647,586	17,767,312	880,274	4.95%
Gain on Sale of Loans	347,349	238,267	109,082	45.78%
Other Income	1,713,358	2,537,565	(824,207)	-32.48%
Gross Income	66,652,513	62,214,818	4,437,695	7.13%
DISTRIBUTION OF INCOME				
Dividends to Members	5,464,371	4,438,857	1,025,514	23.10%
Interest on Borrowed \$\$\$	0	0	0	0.00%
Provision Loan Losses	4,100,000	6,200,000	(2,100,000)	-33.87%
Operational Expenses	41,266,152	39,422,417	1,843,735	4.68%
Non-Operational Expenses	412,097	629,632	(217,535)	-34.55%
Undivided Earnings	15,409,893	11,523,912	3,885,981	33.72%
Total Distribution	66,652,513	62,214,818	4,437,695	7.13%