

Annual Report



2013



PFCU
PHILADELPHIA
FEDERAL CREDIT UNION

Not here for our profit.
Here for yours.



Federally Insured by NCUA

CHAIRMAN/PRESIDENT'S REPORT

A Year of Growth, Giving and Gain

At Philadelphia Federal Credit Union, our priority has always been, and always will be, to meet the financial needs of our members, to exceed their expectations, and to place their best interests first. Our successes and accomplishments in 2013 were exemplary of this precedence. Through physical expansion, electronic improvements, community involvement, and more, PFCU came out of 2013 a stronger and more stable financial institution, and a more adept financial partner than ever before.

Growth in Our Credit Union

Growth is vital to the stability of our credit union. And since growth doesn't come without cultivation, we dedicated much of 2013 to expanding, developing, improving and promoting our financial products and services. In 2013, we:

- Opened a new branch – On April 27, we celebrated the grand opening of our branch located at 2136 E. Dauphin Street in the Fishtown section of Philadelphia.
- Introduced new Teller Net features – Our online banking system was upgraded to provide our members with additional functions and features, including Purchase Rewards.
- Upgraded Teller Phone – Our telephone banking system was also upgraded, providing our members with a simpler, more streamlined experience.
- Expanded business banking relationships – We hosted a Small Business Networking Event in November, which helped us promote our business offerings to the small business owners in the community.
- Expanded community ties – We hosted several social media promotions, including a virtual food drive, a Back-to-Savings Art Contest for our young community members, and many more.

Giving Back to Our Members

Our members are the backbone of our credit union. You are the reason our credit union continues to remain stable and strong. In return for your trust and loyalty to PFCU, we sought new and additional ways to give back to you in 2013, of which included:

- Lowering our loan rates – By dropping our auto rates to 1.99% APR and lowering our personal loan rates, our members were presented with even more affordable financing options.
- Continuing to offer the Fast Track Mortgage program – This allowed us to help even more members significantly reduce their mortgage interest expense by refinancing the term of their mortgage loan to 15 years or less.
- Hosting Enterprise Car Sale events – These special events presented our members with access to amazing savings and purchasing opportunities several times throughout the year.
- Providing free shredding service – Several times throughout

the year, we also hosted Free Shredding Days where members could have their sensitive documents shredded on site and then recycled.

Giving Back to Our Community

At PFCU, our commitment to our community runs deep. We are proud of our credit union and our employees, who enthusiastically express this commitment, year after year. By dedicating their time and talents, our staff has helped the quality of life in our community this past year through their participation in numerous local events, including:

- Philly Cycling Classic
- SPIN Stroll for Possibilities
- St. Patrick's Day Parade
- Garden Project
- Dragon Boat Festival
- MS 150 City to Shore Ride
- Santa for Seniors

Just as we are dedicated to the betterment of our community as a whole, we are also devoted to improving the financial literacy levels of all members of our community—whether young or old. We have displayed this commitment by hosting a variety of financial literacy activities and free financial seminars, as well as our annual scholarship competition, and our Tuition Rewards program.

Gaining More Than Numbers

2013 was more than a year of growth and giving for our credit union. It was also a year of great gain. Not only did we see a large increase in assets, but through our growth and commitment, we gained the respect and loyalty of the people who matter most to our credit union—you, our valued members. Thank you for continuing to choose Philadelphia Federal Credit Union as your financial partner and for giving us the opportunity to continue exceeding your expectations for many years to come.

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, 2013 and 2012, 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, 2013 and 2012, 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

I am pleased to share with you that Philadelphia Federal Credit Union extended its favorable financial trend into 2013. While many financial institutions continue to struggle through the slowly recovering economy, PFCU remains financially strong and has experienced year-after-year improvement in net worth, net income, and credit quality.

Our management team's conservative financial approach, alongside the loyal investment of our membership in their credit union, has led to the continued growth and progress of PFCU. In 2013, we welcomed 1,634 new members and increased our total asset base from \$850 million in 2012 to \$881 million.

As 2013 was another year of improved earnings, net worth, asset quality, and loan and savings growth, I am pleased to assure you that your credit union is a safe and sound financial cooperative. We are well-positioned for financial success, enabling us to achieve our mission to improve your financial well-being.

As always, we thank you for your continued support of Philadelphia Federal Credit Union, and want you to know that we take your trust in our credit union very seriously.

Dennis McBride
 Treasurer

BALANCE SHEET

	Sept 2013	Sept 2012	Net Change 2013 - 2012	% Change
ASSETS				
Cash and cash equivalents	204,683,065	229,998,995	(25,315,930)	-11.01%
Investment Securities (Available for Sale)	103,087,852	70,219,897	32,867,955	46.81%
Loans Receivable	527,226,402	504,647,064	22,579,338	4.47%
Allowance for Loan Losses	(7,710,884)	(7,025,563)	(685,321)	9.75%
Accrued Interest Receivable	3,187,370	3,305,819	(118,449)	-3.58%
Premises & Equipment	13,300,003	13,940,866	(640,863)	-4.60%
Note Receivable	312,000	381,000	(69,000)	-18.11%
Prepaid Expense and Other Assets	22,267,538	18,765,247	3,502,291	18.66%
Other Real Estate Owned	7,344,697	9,023,885	(1,679,188)	-18.61%
NCUSIF Deposit	7,584,874	7,023,663	561,211	7.99%
Total Assets	881,282,917	850,280,873	31,002,044	3.65%
LIABILITIES				
Accounts Payable & Accrued Expense	3,709,053	5,936,955	(2,227,902)	-37.53%
Advance Payments by Borrowers for Taxes & Ins	1,817,776	1,526,706	291,070	19.07%
Borrowing	0	0	0	0.00%
Other Liabilities	0	0	0	0.00%
Total Liabilities	5,526,829	7,463,661	(1,936,832)	-25.95%
EQUITY				
Shares	545,509,031	508,242,284	37,266,747	7.33%
Certificates	227,095,859	235,362,478	(8,266,619)	-3.51%
Total Shares	772,604,890	743,604,762	29,000,128	3.90%
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	102,656,131	95,927,815	6,728,316	7.01%
Unreal Gain/Loss-Invest.- Pension FAS158	(6,467,827)	(7,695,906)	1,228,079	-15.96%
Unreal Gain/Loss-Invest.	(3,970,939)	79,956	(4,050,895)	-5066.41%
Net Income/Loss	6,761,564	6,728,316	33,248	0.49%
Total Equity	103,151,198	99,212,450	3,938,748	3.97%
Liabilities & Equity	881,282,917	850,280,873	31,002,044	3.65%

INCOME & DISTRIBUTION

	Sept 2013	Sept 2012	Net Change	% Change
INCOME				
Interest on Loans	33,988,446	33,832,552	155,894	0.46%
Investment Income	1,766,026	1,662,972	103,054	6.20%
Fee Income	14,942,976	14,518,136	424,840	2.93%
Gain on Sale of Loans	987,704	758,803	228,901	30.17%
Other Income	627,503	753,344	(125,841)	-16.70%
GROSS INCOME	52,312,655	51,525,807	786,848	1.53%
Distribution of Income				
Dividends to Members	4,340,030	5,140,524	(800,494)	-15.57%
Interest on Borrowed \$\$\$	0	-	0	0.00%
Provision Loan Losses	5,500,000	5,301,000	199,000	3.75%
Operational Expenses	35,521,175	34,219,740	1,301,435	3.80%
Non-Operational Expenses	189,886	136,227	53,659	39.39%
Undivided Earnings	6,761,564	6,728,316	33,248	0.49%
Total Distribution	52,312,655	51,525,807	786,848	1.53%

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 2013 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

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TREASURER

Dennis McBride

SECRETARY

Anna DeFusco

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