



Not here for our profit.
Here for yours.



2019 ANNUAL REPORT

Insured by NCUA



CHAIRMAN AND PRESIDENT'S REPORT

Benjamin Franklin once said, "Without continual growth and progress, such words as improvement, achievement, and success have no meaning." With his words in mind, we are proud to inform our members that 2019 was a year of notable success for Philadelphia Federal Credit Union. With a steady pattern of growth and transformation throughout the past 12 months, it was indeed a year of profit and progress. We recognize the success of this remarkable year is not only due to the diligence and hard work of the board, staff and management of PFCU, but also to the members who have remained committed to the credit union by allowing us to serve your financial needs. We are grateful for your support and honored to be your trusted financial institution.

As you know, PFCU is a not-for-profit, member-owned financial institution, so the profits of 2019's progress aren't sent off to shareholders and stakeholders, they are rightfully returned back to you—the membership, which means a successful year for your credit union is a profitable year for you. Over the past year, the profits we've experienced through growth and advancement have been diligently placed back into the hands of our membership and community in many ways, including:

FOR THE MEMBERSHIP

Branch improvements – We relocated our Center City branch to a new state-of-the-art location in the Center City Business District, where we are pleased to now offer Saturday branch hours for enhanced member convenience.

Rebranding – In an effort to engage members and enhance the in-branch experience, we initiated an interior branch rebranding that will soon resonate throughout our entire branch network and better reflect the character and heart of our credit union.

New services – We expanded our line of products and services to include Card Management, extended terms on Savings Certificates, and Hospital Accident Protection and Recuperative Care Insurance products.

- **Card Management** features the capability to turn your PFCU debit card on and off within Teller Net or the mobile app in order to prevent unauthorized card transactions and fraud.
- The new **18-Month Savings Certificate** makes it easier for members to tailor a savings plan more specifically to their needs.
- **Hospital Accident Protection and Recuperative Care Insurance** provide peace of mind in the event of hospitalization and subsequent recuperation with lump sum payments made directly to the insured in order to help defray the cost of incidentals resulting from an unplanned hospital stay.

Member education – To help members better guard themselves against cyber criminals, identity theft, and scams, we provided ongoing communications featuring security tips and guidelines for keeping accounts and personal information more secure.

Discounted insurance options – We helped members obtain more affordable auto, home, and life insurance coverage through TruStage® Insurance Agency and their exclusive credit union member discount.

Social expansion – Throughout the year, we continued to expand our member and community ties through Facebook, Instagram, Twitter, LinkedIn and YouTube via a variety of blogs, posts, videos, promotions, and events. These efforts were rewarded with a steady growth in social media fans, followers and relationships.

FOR THE COMMUNITY

Community events – We sponsored a variety of important community events, including free Shredding Days, the St. Patrick's Day and Columbus Day Parades, Bloomsburg and Temple University Men's Basketball and Football games, PFCU Kensington Derby & Arts Festival, and more.

Employee/volunteer-sponsored events – In addition to events hosted by PFCU, we also had the privilege of supporting employee and volunteer-sponsored events, including the Eastern Polar Plunge for Special Olympics, 19154 5K race, Delaware River City Corporation Greenway 5K Run/Walk event, Philly Pride Festival, SPIN Boo & Brew 5K Run/Walk event, and the MS City to Shore Ride.

Commitment to youth – We committed to financially educating the young people in our community through a variety of seminars and workshops and supported them in their goals of higher education with our 2019 Scholarship Award and Tuition Rewards Program.

Employee holiday giving tree – Our staff and management teamed up to provide gifts for low-income families through Turning Points for Children, a local nonprofit serving low-income children and families.

Season of Giving – With the launching of our "Season of Giving" campaign, PFCU donated a total of \$5,000 throughout the month of December to five local nonprofit organizations that positively impact the communities we serve.

Financial education – Through our Financial Education Program, our Accredited Financial Counselor led numerous seminars throughout our communities and provided insight on several topics that were featured in national and regional publications.

Our philosophy of "People Helping People" is one that continues to inspire and mold PFCU into a credit union that consistently puts people first. We remain passionate about engaging our members, supporting our community, and steadily improving your credit union with each passing year. As we reflect on the success of 2019, we look forward to opportunities for further growth in the coming year. Thank you for joining us on this journey as we strive to make you proud to be a member of Philadelphia Federal Credit Union.

BERNARD B. LESTER

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 its Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2019 and 2018, 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, 2019 and 2018, 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

BALANCE SHEET

	September 2019	September 2018	Net Change 2019-2018	% Change
ASSETS				
Cash and Cash Equivalents	\$ 239,182,761	\$ 235,981,389	\$ 3,201,372	1.36%
Investment Securities (Available for Sale)	141,896,443	158,719,571	(16,823,128)	-10.60%
Loans Receivable	724,050,328	667,992,904	56,057,424	8.39%
Allowance for Loan Losses	(6,545,187)	(8,311,575)	1,766,388	-21.25%
Accrued Interest Receivable	2,690,631	2,786,671	(96,040)	-3.45%
Premises and Equipment	14,437,067	13,458,826	978,241	7.27%
Restricted Stock - FHLB Pittsburgh	454,900	436,300	18,600	4.26%
Prepaid Expense and Other Assets	12,037,118	11,188,101	849,017	7.59%
Prepaid Pension Obligation	27,403,125	23,856,750	3,546,375	14.87%
Insurance Funding Receivable	23,080,787	19,339,853	3,740,934	19.34%
Other Real Estate Owned	1,815,542	795,223	1,020,319	128.31%
NCUSIF Deposit	9,839,823	9,138,966	700,857	7.67%
Total Assets	\$ 1,190,343,338	\$ 1,135,382,979	\$ 54,960,359	4.84%
LIABILITIES AND EQUITY				
LIABILITIES				
Accounts Payable and Accrued Expense	\$ 2,876,959	\$ 4,806,320	\$ (1,929,361)	-40.14%
Advance Payments by Borrowers for Taxes and Insurance	1,757,824	1,814,898	(57,074)	-3.14%
Borrowings	10,000	0	10,000	0.00%
Other Liabilities	381,132	731,000	(349,868)	-47.86%
Total Liabilities	5,025,915	7,352,218	(2,326,303)	-31.64%
EQUITY				
Shares	817,079,520	780,905,849	36,173,671	4.63%
Certificates	209,289,808	201,507,752	7,782,056	3.86%
Total Shares	1,026,369,328	982,413,601	43,955,727	4.47%
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	157,041,137	141,631,244	15,409,893	10.88%
Unreal Gain/Loss-Invest.-Pension FAS158	(343,636)	(11,898,225)	11,554,589	-97.11%
Unreal Gain/Loss-Invest.	(19,691,401)	(3,698,021)	(15,993,380)	432.48%
Net Income/Loss	17,769,726	15,409,893	2,359,833	15.31%
Total Equity	158,948,095	145,617,160	13,330,935	9.15%
Total Liabilities and Equity	\$ 1,190,343,338	\$ 1,135,382,979	\$ 54,960,359	4.84%

INCOME & DISTRIBUTION

	September 2019	September 2018	Net Change 2019-2018	% Change
INCOME				
Interest on Loans	\$ 42,176,514	\$ 39,953,971	\$ 2,222,543	5.56%
Investment Income	7,454,735	5,990,249	1,464,486	24.45%
Fee Income	19,787,629	18,647,586	1,140,043	6.11%
Gain on Sale of Premises	2,373,515	0	2,373,515	0.00%
Gain on Sale of Loans	236,823	347,349	(110,526)	-31.82%
Other Income	1,301,925	1,713,358	(411,433)	-24.01%
Gross Income	\$ 73,331,141	\$ 66,652,513	\$ 6,678,628	10.02%
DISTRIBUTION OF INCOME				
Dividends to Members	\$ 7,463,207	\$ 5,464,371	\$ 1,998,836	36.58%
Interest on Borrowed \$\$\$	0	0	0	0.00%
Provision Loan Losses	3,656,124	4,100,000	(443,876)	-10.83%
Operational Expenses	44,145,031	41,266,152	2,878,879	6.98%
Non-Operational Expenses	297,053	412,097	(115,044)	-27.92%
Undivided Earnings	17,769,726	15,409,893	2,359,833	15.31%
Total Distribution	\$ 73,331,141	\$ 66,652,513	\$ 6,678,628	10.02%



TREASURER'S REPORT

I am pleased to share that Philadelphia Federal Credit Union continued a trend of success and stability throughout 2019. As in previous years, 2019 followed a steady pattern of growth, bringing a solid increase in all areas, including net worth, net income, and credit quality.

Ending the year at \$1,190,343,338 in assets, we experienced a five percent (4.84%) increase over the previous year's assets. In addition, we closed the year out with member shares reaching a total of \$817 million, an increase of 4.63% from 2018. Loan growth increased by \$56 million to \$724 million, a 8.39 percent increase over the past 12 months, while net income increased by 15.31 percent to \$17.8 million. This sustained growth resulted in an increase of over 36 percent (36.58%) in dividends paid out to our members.

Despite uncertainty in the global economy, you can see that PFCU continued a path of positive performance in all aspects of credit union growth. This success would not have been possible without you, our members, who utilize our loan and deposit services, as well as the efforts of our dedicated credit union staff. We appreciate your support, and on behalf of all PFCU staff, management, and Board of Directors, I thank you for making a difference in helping our credit union remain strong and prosperous with each passing year.

JOSEPH F. McHUGH, JR.
Treasurer

SUPERVISORY COMMITTEE'S 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 2019 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

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Chairman

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