

CEO Message



Our single most important goal at PA HealthCare Credit Union is to remain a strong financial institution and to protect your present and future financial interests. Because you are a member/owner, we are constantly looking out for your financial well-being. The credit and financial crisis continued in 2009

and credit unions across the country were not able to avoid some of the most significant impacts. As a result, your Credit Union has been negatively impacted in the failure from U.S. Central FCU, the primary provider of liquidity to corporate credit unions that in turn provide services and liquidity to individual credit unions. As a result of the failure of U.S. Central, the National Credit Union Share Insurance Fund (NCUSIF) has imposed assessments to insured credit unions to recover the impairment to the insurance fund. These assessments will continue in the coming years as the credit union industry recovers from the financial crisis, just as the banking industry does the same. Additionally, our investment in Mid-Atlantic Corporate FCU, our corporate credit union was impaired as the losses from U.S. Central got passed through.

These extra-ordinary items are separated within the financials as not to distract from our normal operational performance which has continued to be strong both on earnings and growth. The result is total assets increased over 12% and new loans generated throughout the year increased nearly over 20%. During dramatic economic and financial times, rest assured that we take great efforts to provide our members the financial stability you deserve. PA HealthCare Credit Union is committed to making your financial health better.

Paul Fero
Paul Fero, CEO

Balance Sheet

(amounts in whole \$)	2007	2008	2009	% change
Loans to Members	\$6,289,291	\$7,055,143	\$8,251,533	16.96%
Allowance for Loan Loss (70,076)	(67,738)	(77,738)	(77,658)	14.64%
Cash in Banks	1,821,566	1,392,100	2,740,564	96.87%
Investments	12,843,666	15,954,382	16,356,707	2.52%
Fixed Assets	30,299	29,544	41,109	39.15%
Other Assets	440,753	207,623	267,535	28.86%
Total Assets	21,355,497	24,571,053	27,579,791	12.25%
Dividends Payable	45,321	40,583	19,786	-51.25%
Accountns Payable	149,361	71,388	75,729	6.08%
Loans Payable	-	-	-	0.00%
Total Liabilities	194,682	111,971	95,515	-14.70%
Shares and Deposits	17,838,925	21,086,233	24,307,460	15.28%
Regular Reserve	433,748	433,957	434,150	0.04%
Undivided Earnings	2,888,142	2,938,892	2,742,667	-6.68%
Total Equity	21,160,815	24,459,082	27,484,277	12.37%
Total Liabilities & Equity	21,355,497	24,571,053	27,579,791	12.25%
Cost of Funds	2.82%	2.75%	2.05%	-25.45%
Return on Average Assets before extra-ordinary items	0.28%	0.49%	0.35%	-28.57%
Return on Average Assets after extra-ordinary items	0.28%	0.49%	0.03%	-93.88%
Return on Member Loans	7.32%	7.14%	6.60%	-7.56%
Return on Investments	4.78%	4.64%	3.38%	-27.16%
Capital Ratio	15.56%	13.73%	11.52%	-16.10%

Balance Sheet Management Commentary

The increase in asset levels is attributed to an increase of investments and loans made to members. All of which is a result of increased member deposits, primarily money market accounts and share certificates (CDs) as a result of uncertainty with other financial institutions and financial markets along with various marketing efforts.

Cost of funds decreased with declining interest rates. Return on average assets declined as earnings declined and asset levels increased, which decreases significantly with the impact of extra-ordinary items. Return on investments decreased with declining interest rates. Capital ratio declined as asset growth was greater than growth in retained earnings.

Income Statement

(amounts in whole \$)	2007	2008	2009	% change
Interest Income	\$470,907	\$476,442	\$507,750	6.57%
Investment Income	650,205	742,226	631,134	-14.97%
Other Income	127,878	144,857	132,165	-8.76%
Total Income	1,248,990	1,363,525	1,271,049	-6.78%
Employee Compensation	334,578	338,036	341,485	1.02%
Provision for Loan Loss	16,500	22,500	34,346	52.65%
Operating Expenses	360,332	355,867	324,951	-8.69%
Dividend Expenses	480,991	534,537	471,619	-11.77%
Total Expenses	1,192,400	1,250,940	1,172,401	-6.28%
Net Income before Extra-ordinary Items	56,590	112,584	98,648	-12.38%
Mid-Atlantic Corporate FCU	-	-	(57,944)	n/a
NCUSIF Impairment/Assessment	-	-	(31,629)	n/a
Net Income after Extra-ordinary Items	56,590	112,584	9,075	-91.94%

Income Statement Management Commentary

Interest income increased as loan volumes increased through various marketing efforts. Investment income decreased as interest rates have decreased. Other income decreased from 2008 as last year saw a one-time distribution from VISA® initial public offering.

Employee compensation remained relatively flat. Provision for loan loss increased to maintain adequate allowance in event of write-offs and bankruptcies as loans have increased. Operating costs decreased through increased cost savings. Dividend expense declined as interest rates have declined.



Audit & Compliance Committee Report

The Credit Union has conducted all audit and compliance requirements which include an account verification, annual audit, Bank Secrecy Act (BSA) audit and Automated Clearing House (ACH) audit. In addition the PA Department of Banking, which oversees state chartered credit unions, conducted its annual exam of the Credit Union. The Credit Union continues to perform well in the above areas and continues to improve their processes to further enhance and improve these audit and compliance related areas.

Volunteer Board of Directors

Barbara Eberle..... Chairperson
 Terry Biss..... Vice Chairman/Treasurer
 & Compensation Chair
 Marlene Koledin..... Audit & Compliance Chair
 John Knallay Asset & Liability Mgmt. Chair
 Linda Homyk Budget & Finance Chair
 David Deasy Audit & Compliance
 Committee Member
 Linda Schaefer Audit & Compliance
 Committee Member

Outside Advisors

David W. Oster, CPA Accountant
 James A. Steiner, Esq. Legal Counsel

Staff

Paul Fero Chief Executive Officer
 Shirley Hites..... Vice President of Operations
 Paula Waldron Branch Manager
 Christine Gilbert Member Services Representative
 Janice Stepanian Member Services Representative
 Amy Toth Member Services Representative

Popa & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS

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 www.popacpas.com

PA HealthCare Credit Union
 720 Blackburn Road
 Sewickley, PA 15143-1498

Board of Directors and Committee Members:

We have performed an independent audit applying certain agreed-upon procedures to selected accounting records and transactions of PA HealthCare Credit Union for the twelve months ended September 30, 2009. These procedures were performed in accordance with the arrangements set forth in our letter to you dated August 28, 2009.

October 28, 2009
 Popa & Associates, PC
 Bethel Park, PA 15102



Making your financial health better.

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 Sewickley, PA 15143

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www.PAHealthCareCU.com

PA HealthCare
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Annual Report
 2009