

# CEO Message



As a member/owner of the PA HealthCare Credit Union our single most important goal is to remain a strong financial institution to protect your present and future financial interests.

As the Great Recession continued into 2010 credit unions across the country were not able to avoid some of the most significant impacts. As a result, the National Credit Union Share Insurance Fund (NCUSIF) has imposed continued 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. These extraordinary items are separated within the financials as not to distract from our regular operational performance which has continued to be slightly impacted on reduced earnings and have seen moderate growth.

The result is total assets increased over 5% and new loans generated throughout the year increased nearly over 20%. 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 \$)	2008	2009	2010	% change
Loans to Members	\$7,055,143	\$8,251,533	\$7,667,641	-7.08%
Allowance for Loan Loss	(67,738)	(77,658)	(75,541)	-2.73%
Cash in Banks	1,392,100	2,740,564	1,741,487	-36.46%
Investments	15,954,382	16,356,707	19,289,524	17.93%
Fixed Assets	29,544	41,109	31,780	-22.69%
Other Assets	207,623	267,535	359,144	34.24%
<b>Total Assets</b>	<b>\$24,571,053</b>	<b>\$27,579,791</b>	<b>\$29,014,034</b>	<b>5.20%</b>
Dividends Payable	\$40,853	\$19,786	\$5,127	-74.09%
Accounts Payable	71,388	75,729	58,573	-22.65%
Loans Payable	-	-	-	0.00%
<b>Total Liabilities</b>	<b>111,971</b>	<b>95,515</b>	<b>63,700</b>	<b>-33.31%</b>
Shares and Deposits	21,086,233	24,307,460	25,803,007	6.15%
Regular Reserve	433,957	434,150	434,301	0.03%
Undivided Earnings	2,938,892	2,742,667	2,713,026	-1.08%
<b>Total Equity</b>	<b>24,459,082</b>	<b>27,484,277</b>	<b>28,950,334</b>	<b>5.33%</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$24,571,053</b>	<b>\$27,579,791</b>	<b>\$29,014,034</b>	<b>5.20%</b>
Cost of Funds	2.75%	2.05%	1.21%	-40.98%
Return on Average Assets before Extra-ordinary Items	0.49%	0.35%	0.16%	-54.29%
Return on Average Assets after Extra-ordinary Items	0.49%	0.03%	-0.06%	-300.00%
Return on Member Loans	7.14%	6.60%	6.71%	1.67%
Return on Investments	4.64%	3.38%	2.05%	-39.35%
Capital Ratio	13.73%	11.52%	11.42%	-0.87%

## Balance Sheet Management Commentary

The increase in asset levels is attributed to an increase of investments due to an increase of member deposits, primarily money market accounts and share certificates (CDs) as 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 year over year, and decreases significantly with the 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 \$)	2008	2009	2010	% change
Interest Income	\$476,442	\$507,750	\$533,575	5.09%
Investment Income	742,226	631,134	510,385	-34.98%
Other Income	144,857	132,165	154,619	16.99%
<b>Total Income</b>	<b>1,363,525</b>	<b>1,271,049</b>	<b>1,098,580</b>	<b>-13.57%</b>
Employee Compensation	338,036	341,485	331,269	-2.99%
Provision for Loan Loss	22,500	34,346	26,555	22.69%
Operating Expenses	355,867	324,951	352,177	8.38%
Dividend Expenses	534,537	471,619	343,533	-27.16%
<b>Total Expenses</b>	<b>1,250,940</b>	<b>1,172,401</b>	<b>1,053,533</b>	<b>-10.14%</b>
Net Income before Extra-ordinary Items	112,584	98,648	45,047	-54.34%
Mid-Atlantic Corporate FCU		(57,944)	n/a	
NCUSIF				
Impairment/Assessment		(31,629)	(61,495)	94.43%
Net Income after Extra-ordinary Items	<b>\$112,584</b>	<b>\$9,075</b>	<b>(\$16,448)</b>	<b>-281.25%</b>

## 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 increased as fees increased from member usage of various products and services.

Employee compensation remained relatively flat. Provision for loan loss decreased as 2009 saw an increase to maintain adequate allowance in event of write-offs and bankruptcies. Operating costs increased through increased member product and service offerings. 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.

## Popa & Associates, PC CERTIFIED PUBLIC ACCOUNTANTS

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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, 2010. These procedures were performed in accordance with the arrangements set forth in our letter to you dated August 27, 2010.

October 29, 2010  
Popa & Associates, PC  
Bethel Park, PA 15102

## Volunteer Board of Directors and Committee Chairpersons

Terry Biss ..... Chairman and  
Compensation & Executive Chair

David Deasy ..... Vice Chairman and Treasurer

Linda Homyk ..... Secretary and  
Budget & Finance Chair

Anna Segner ..... Investment &  
Asset-Liability Mgmt Chair

Marlene Koledin ..... Audit & Compliance Chair

Linda Schaefer ..... Director

Barbara Eberle ..... Director

## Staff

Paul Fero ..... Chief Executive Officer

Shirley Hites ..... Vice President of Operations

Paula Waldron ..... Branch Manager

Christine Gilbert ..... Member Services Representative



# Annual Report 2010



**Making your financial health better.**

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