

*Evolving to meet your needs. Wherever you are.*



BALANCE SHEET AND INCOME STATEMENT

# 2013

**picatinny** 

\*federal credit union

# Picatinny Federal Credit Union

## Balance Sheet

at December 31,	2013	2012
<b>ASSETS</b>		
<b>CASH AND CASH EQUIVALENTS</b>		
CASH	\$ 1,298,838	\$ 1,365,028
OVERNIGHT INVESTMENTS	2,123,635	242,588
DUE FROM FINANCIAL INSTITUTIONS	15,198,773	17,608,302
TOTAL CASH AND CASH EQUIVALENTS	18,621,246	19,215,918
<b>INVESTMENTS</b>		
FEDERAL AGENCY SECURITIES	55,036,813	59,182,265
MORTGAGE BACKED SECURITIES	63,259,021	64,025,170
CERTIFICATES OF DEPOSITS	30,843,192	24,088,697
NCUA INSURANCE	2,622,684	2,527,843
EQUITY INVESTMENTS	1,087,400	862,040
AFS VALUATION RESERVE	590,794	2,777,561
TOTAL INVESTMENTS	153,439,904	153,463,576
<b>LOANS</b>		
LOANS AVAILABLE FOR SALE	-	270,000
CREDIT CARD LOANS	11,063,458	11,601,847
OTHER UNSECURED LOANS	5,717,707	6,218,253
SHARE SECURED LOANS	386,771	465,656
NEW VEHICLE LOANS	7,125,726	7,842,931
USED VEHICLE LOANS	11,029,774	10,775,194
FIRST MORTGAGE LOANS	33,450,835	27,790,614
OTHER REAL ESTATE LOANS	47,087,702	42,523,085
ALL OTHER LOANS	185,875	680,181
GROSS LOANS	116,047,848	107,897,761
ALLOWANCE FOR LOAN LOSSES	(1,230,537)	(1,451,539)
TOTAL LOANS, NET	114,817,311	106,446,222
<b>OTHER ASSETS</b>		
ACCRUED INTEREST ON INVESTMENTS	460,587	517,945
ACCRUED INTEREST ON LOANS	233,056	243,181
OTHER ASSETS	1,052,638	899,063
FIXED ASSETS	7,520,329	7,886,077
TOTAL OTHER ASSETS	9,266,610	9,546,266
TOTAL ASSETS	\$ 296,145,071	\$ 288,941,982
<b>LIABILITIES AND EQUITY</b>		
<b>DEPOSITS</b>		
REGULAR SHARES	\$ 147,552,023	\$ 140,501,144
SHARE DRAFTS	41,767,842	38,505,346
MONEY MARKET ACCOUNTS	29,178,139	27,753,857
SHARE CERTIFICATES	32,447,749	35,767,688
IRA SAVINGS	9,291,551	9,866,583
IRA CERTIFICATES	9,297,995	9,763,079
TOTAL DEPOSITS	269,535,299	262,157,697
ALL OTHER LIABILITIES	1,095,609	2,607,487
TOTAL LIABILITIES	\$ 270,630,908	\$ 264,765,184
<b>EQUITY</b>		
REGULAR RESERVES	4,181,642	4,181,642
UNDIVIDED EARNINGS	20,749,842	18,602,562
NET UNREALIZED GAINS ON INVESTMENTS AFS	590,793	2,777,560
ACCUMULATED OTHER COMPREHENSIVE LOSS	(8,114)	(1,384,966)
TOTAL EQUITY	25,514,163	24,176,798
TOTAL LIABILITIES AND EQUITY	\$ 296,145,071	\$ 288,941,982

## Income Statement

For the Year ended December 31,	2013	2012
<b>INTEREST INCOME</b>		
INTEREST ON OVERNIGHT INVESTMENTS	\$ 611	\$ 2,837
INTEREST ON OTHER INVESTMENTS	1,997,462	2,342,489
INTEREST ON LOANS	5,391,402	5,637,172
TOTAL INTEREST INCOME	7,389,475	7,982,498
<b>INTEREST EXPENSE</b>		
TOTAL INTEREST EXPENSE	892,575	996,934
NET INTEREST INCOME	6,496,900	6,985,564
PROVISION FOR LOAN LOSSES	(181,558)	(941,000)
NET INTEREST INCOME AFTER PROV FOR LOAN LOSSES	6,315,342	6,044,564
<b>NON-INTEREST INCOME</b>		
FEE INCOME	376,354	309,879
NON-OPERATING INCOME	3,312,551	3,830,444
GAIN (LOSS) ON THE SALE OF INVESTMENTS	125,366	111,520
GAIN ON THE SALE OF LOANS	194,643	607,275
GAIN ON DISPOSITION OF ASSETS	-	-
LOSS ON SALE OF OTHER REAL ESTATE	(6,868)	-
TOTAL NON-INTEREST INCOME	4,002,046	4,859,118
<b>NON-INTEREST EXPENSE</b>		
SALARIES	3,401,838	3,407,287
BENEFITS	914,785	1,479,195
TRAVEL AND CONFERENCE	12,568	4,135
OFFICE OCCUPANCY	591,501	536,796
OFFICE OPERATIONS	1,818,215	1,896,743
MARKETING	389,551	402,101
LOAN SERVICING	418,622	425,481
OUTSIDE SERVICES	188,343	392,343
NCUA INSURANCE AND OPERATING	64,882	62,790
OTHER OPERATING	159,988	212,369
TOTAL EXPENSES	7,960,293	8,819,240
NCUA STABILIZATION EXPENSE	209,815	240,145
NET INCOME (LOSS)	\$ 2,147,280	\$ 1,844,297

# Letter From the Chairman and CEO

Dear Member,

Your credit union continued to improve its profitability in 2013. During 2012, we achieved net income of \$1,844,297. Included in this amount were two very different items that were not considered part of our normal operations. First, we received a settlement from our insurance carrier for the previously described CU National mortgage fraud, which accounted for profitability in 2012. We were also required to continue to fund the NCUA for the stabilization of the failed corporate credit unions. While overall net income was positive, our net income from normal operations was actually a loss. This loss was a result of a charge to earnings for the provision for loan losses of \$941,000. In last year's report, we mentioned that we would continue to pursue an additional claim in the CU National fraud through the bankruptcy court, although an amount could not be determined at that time.

In 2013, we realized \$1,990,765 from the bankruptcy court in settlement of our claim. Once again, we also had to pay the NCUA for the corporate stabilization a total of \$209,815. We also achieved net income from normal operations of \$366,330. Total net income for 2013 was \$2,147,280. In addition to the items mentioned above, this net income was a result of a reduction in loan loss provisions of \$759,000 and a reduction in operating expenses of \$842,000. Offsetting these expense reductions was a decline in non-interest income of \$288,000 resulting from a decline in the sale of mortgage loans and a decline in net interest income of \$489,000 resulting from low yielding investments and tepid demand for loans. We do expect to see continued improvement in our income from operations in 2014. We do not anticipate any additional large distributions from the Bankruptcy, and NCUA has informed us that there will be no required stabilization payments in the future.

Total loan balances grew \$8,150,000 or 7.5% in 2013. Almost all of this growth was in mortgages and home equity loans. While this growth is encouraging, total loan balances are still \$15,700,000 lower than their peak total of \$131,700,000 at

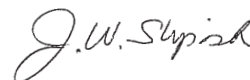
January 31, 2009. On December 31, 2013, loans made up only 39% of assets while investments with an overall yield of 1.2% made up 52% assets. Why is this important? This mix of assets provides a low level of interest income, especially in this rate environment and thereby severely limits the amount of interest we can pay on regular shares and other deposit products. We are trying to run as lean as possible to be able to provide a good return to our members. In order to improve our profitability further and provide better returns on shares and deposits, we will have to improve our loan balances.

To that end, we continually monitor our loan rates to assure they are among the most competitive in our market. During 2013, we began offering a flat fee mortgage product. For one flat fee of \$479 on a refinance and \$1,500 for a purchase, members can obtain a mortgage with no additional hidden fees or last minute surprises. Combined with our very competitive rates, this product provides a great value to our members. We have also contracted with a new Visa Card processor and a new rewards company while simultaneously introducing our Platinum Visa card. We will be talking more about this product in 2014 and hope to add additional value.

We will be increasing our marketing efforts to grow loans in 2014. However, the best ambassadors for the credit union in the Morris County communities are our members.

We thank our members for their continued loyalty and our employees for their hard work and dedication to serving your needs. We look forward to a successful and profitable 2014.

Sincerely,



Joe Shiposh  
Chairman of the Board



Bill Darling  
President & CEO

## Board of Directors

Chairman.....	Joe Shiposh
Vice Chairperson .....	Nancy Mueller-Davis
Treasurer.....	Jay Decker
Assistant Treasurer.....	Mark Sauvageau
Secretary .....	Joe Carroll
Director .....	George Cherenack
Director .....	John Doonan
Director .....	Kim Jones
Director .....	David Lee
Director .....	Valerie Morgan
Director .....	Gary Caltobilotta
Associate Director .....	William Crepeault
Associate Director .....	Thomas Regner

## Credit Union CEO

President and CEO .....	Bill Darling
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## Supervisory Committee

Acting Committee Chair.....	Kim Jones
Committee Member.....	Frank Cautero
Committee Member.....	Rosario Locascio
Committee Member.....	Dominick Moreo

## Credit Committee

Committee Member .....	Frank Cautero
Committee Member.....	Andrew Harder
Committee Member.....	Gordon Winch

**Rockaway Branch**  
100 Mineral Springs Dr  
Rockaway, NJ 07801

Monday and Thursday 8:00 AM - 6:00 PM  
Tuesday, Wednesday & Friday 8:00 AM - 3:30 PM  
Saturday 9:00 AM - 12:00 noon  
**ATM**

**Mt. Olive Branch**  
10 International Drive South  
Flanders, NJ 07836

Monday, Tuesday, Wednesday & Friday - Lobby 8:00 AM - 3:30 PM - Drive-Up 8:00 AM - 5:00 PM  
Thursday - Lobby 8:00 AM - 6:00 PM - Drive-Up 8:00 AM - 6:00 PM  
Saturday - Lobby 9:00 AM - 12:00 noon - Drive-Up 9:00 AM - 12:00 noon  
**ATM (Drive Up)**

**Denville Branch**  
340 E. Main Street  
Denville, NJ 07834

Monday, Tuesday, Wednesday & Friday - Lobby 8:00 AM - 3:30 PM - Drive-Up 8:00 AM - 6:00 PM  
Thursday - Lobby 8:00 AM - 6:00 PM - Drive-Up 8:00 AM - 6:00 PM  
Saturday - Lobby 9:00 AM - 12:00 noon - Drive-Up 9:00 AM - 12:00 noon  
**ATM (Drive Up)**

**Arsenal Branch**  
Building 30 South  
Picatinny Arsenal, NJ 07806

Monday, Tuesday, Wednesday & Friday - 8:00 AM - 3:30 PM  
Thursday - 8:00 AM - 6:00 PM  
**ATM**

*If you live, work, worship or attend school in Morris County  
you can join Picatinny Federal Credit Union.*

**[www.PicaCreditUnion.com](http://www.PicaCreditUnion.com)**

For a complete set of 2013 audited financial statements and footnotes contact:

Keith B. McCarthy  
Chief Financial Officer  
Picatinny Federal Credit Union  
100 Mineral Springs Drive  
Dover, NJ 07801  
Or email: [kmccarthy@picacreditunion.com](mailto:kmccarthy@picacreditunion.com)

The 5300 quarterly report filed with the NCUA for Picatinny Federal Credit Union for December 31, 2013 can be obtained at [www.NCUA.gov](http://www.NCUA.gov) under Credit Union Data. Our charter number is 3291. The address for the NCUA is:  
NCUA  
3775 Duke Street  
Alexandria, Va. 22314-3428



\*federal credit union

