

2017

Balance Sheet & Income Statement



*federal credit union

Balance Sheet

as of December 31, **2017** **2016**

ASSETS

Cash and Cash Equivalents

Cash	\$1,107,457	\$1,106,135
Overnight Investments	283,437	1,925,239
Due from Financial Institutions	15,227,831	16,027,348
TOTAL CASH & CASH EQUIVALENTS	16,618,725	19,058,722

Investments

Federal Agency Securities	75,416,977	64,060,456
Mortgage Backed Securities	56,259,560	61,447,503
Certificates of Deposits	23,699,000	25,700,000
NCUA Insurance	2,916,724	2,765,046
Equity Investments	1,676,400	1,717,300
AFS Valuation Reserve	(1,161,073)	(580,119)
TOTAL INVESTMENTS	158,807,588	155,110,186

Loans

Credit Card	9,707,130	9,753,776
Other Unsecured	4,893,005	5,043,489
Share Secured	558,126	532,374
New Vehicle	8,825,705	6,942,776
Used Vehicle	16,716,406	15,361,409
First Mortgage	63,101,981	61,571,375
Other Real Estate	46,839,801	45,968,223
All Other	357,685	352,491
GROSS LOANS	150,999,839	145,525,913
Allowance for Loan Losses	(812,400)	(1,009,546)
TOTAL LOANS, NET	150,187,439	144,516,367

Other Assets

Accrued Interest on Investments	495,743	423,771
Accrued Interest on Loans	293,364	270,506
Other Assets	1,087,303	1,396,442
Fixed Assets	6,847,200	6,617,664
TOTAL OTHER ASSETS	8,723,610	8,708,383
TOTAL ASSETS	\$334,337,362	\$327,393,658

LIABILITIES AND EQUITY

Deposits

Regular Shares	\$179,869,474	\$177,329,157
Share Drafts	52,106,762	50,900,035
Money Market	25,415,211	26,248,638
Share Certificates	32,008,027	27,810,793
IRA Shares	8,923,168	9,464,169
IRA Certificates	6,687,047	6,906,181
TOTAL DEPOSITS	305,009,689	298,658,973
All Other Liabilities	2,493,226	2,154,918
TOTAL LIABILITIES	307,502,915	300,813,891

Equity

Regular Reserves	4,181,642	4,181,642
Undivided Earnings	23,813,877	22,978,244
Net Unrealized Loss on Investments AFS	(1,161,072)	(580,119)
TOTAL EQUITY	26,834,447	26,579,767
TOTAL LIABILITIES & EQUITY	\$334,337,362	\$327,393,658

Income Statement

as of December 31, **2017** **2016**

INTEREST INCOME

Interest on Overnight Investments	\$5,152	\$2,178
Interest on Other Investments	2,748,554	2,213,416
Interest on Loans	5,920,543	5,767,922
TOTAL INTEREST INCOME	8,674,249	7,983,516

TOTAL INTEREST EXPENSE	1,007,330	832,002
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NET INTEREST INCOME	7,666,919	7,151,514
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Provision for Loan Losses	(142,000)	(350,000)
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NET INTEREST INCOME AFTER PROV FOR LOAN LOSSES	7,524,919	6,801,514
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NON-INTEREST INCOME

Fee Income	392,202	363,373
Other Operating Income	1,507,201	1,617,146
Gain on the Sale of Loans	21,735	248,052
Gain (Loss) on Sale of Other Assets	5,716	(367)
TOTAL NON-INTEREST INCOME	1,926,854	2,228,204

NON-INTEREST EXPENSE

Salaries	3,441,840	3,296,301
Benefits	912,455	872,937
Travel & Conference	11,254	15,038
Office Occupancy	546,037	570,720
Office Operations	2,132,689	2,075,123
Marketing	294,775	150,614
Loan Servicing	639,970	670,745
Outside Services	439,978	364,208
NCUA Insurance & Operating	84,018	55,491
Other Operating	113,124	6,940
TOTAL NON-INTEREST EXPENSE	8,616,140	8,078,117
NET INCOME	\$835,633	\$951,601

Letter from the Chairman & CEO

Dear Member,

Over the past year, the credit union has expanded membership, invested in new technology, added new products and services, and supported our community and local merchants. All of these initiatives are beginning to produce encouraging results and will continue to be an important component of our 2018 business plan.

One of the issues facing many credit unions nationwide is the ability to attract new members, especially members in the younger demographic. However, we are happy to report that in 2017, Picatinny Federal Credit Union (PFCU) added 1,814 new members. About 59 percent of these members were under the age of 40, and 69 percent use our mobile app, which is a strong indicator that we have become their primary financial institution. These new members accounted for \$10.4 million of the \$38.5 million in loans made by PFCU in 2017. It is clear that the people in Morris County are seeing the value that is available to them by becoming a member of PFCU.

To offer more convenience and value to our members, PFCU has streamlined two member facing processes. We have upgraded all of our ATMs to allow members to deposit cash and checks at the ATM, and we have implemented a new online loan application process that provides members and non-members an instant decision on their loan request. With the rollout of these two new financial enhancements, we have provided our members with the opportunity to make deposits and withdrawals and apply for a loan 7 days a week, 24 hours a day.

In September, the credit union rolled out two new Visa Credit Cards. Members can choose the Visa card that suits their needs and lifestyle. The Premium Rewards Credit Card allows members to earn generous rewards points that don't expire and can be redeemed for statement credits, gift cards, merchandise and travel. The Personal Choice Card offers the lowest variable rates in the area and was designed for the member who is more interested in a lower rate than a rewards program. Both cards offer members a 0% annual percentage rate on new purchases, balance transfers for 12 months, no balance transfer fees, fraud monitoring, and 0% liability for fraudulent transactions.

In October, we invited the public to the Denville Branch to celebrate our 5th Anniversary at that location. We hosted an event, which was attended by more than 100 guests. To support the downtown Denville business owners, all refreshments and raffle prizes were purchased from Denville merchants. The event created excitement and increased PFCU's awareness within the Denville community and surrounding towns.

Beyond Denville, PFCU has developed relationships and provided sponsorship dollars to the towns surrounding all of our branch locations. The Mount Olive Police Unity Tour, Picatinny Arsenal Community Day, Wharton Canal Day, and Eleventh Hour Rescue's Puptoberfest held in Succasunna are just some of the events that allowed the credit union staff to volunteer and to interact directly with Morris County residents and share the benefits of a credit union membership.

We have also started to "Cash Mob" local merchants. A Cash Mob consists of a group of employees planning a surprise visit to a local restaurant with a large lunch crowd. The employees create excitement by supporting the local eatery, distributing small gifts, and buying lunch for some unsuspecting patrons. Last year, we cash mobbed Frank's Pizzeria, the Rockaway Townsquare Diner, Summit and Main Deli, Mara's Café, and the Rockaway Townsquare Mall Food Court.

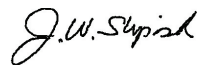
Because of these and other efforts, PFCU had net income of \$835,633 in 2017, which provides PFCU with additional capital for growth. Dividends paid to members increased by \$175,328 or 21%.

2018 is going to be an exciting year for the credit union as we announce the opening of a new PFCU branch. In November, we signed a lease agreement for a storefront at the Baldwin Shopping Center at 200 Baldwin Road. We look forward to serving our members who live in the Parsippany-Troy Hills area and hope to welcome many new members. In the coming weeks and months, we will share announcements and prospective dates for opening.

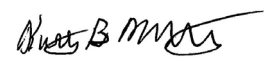
We believe that we can compete with any financial institution in Morris County and that when new members join the credit union we become their primary financial institution. They may come in for a great rate on a loan, but they stay to enjoy the many benefits of maintaining a PFCU relationship.

We thank you for your confidence and support and look forward to providing the financial solutions that will help you achieve your goals and realize your dreams.

Sincerely,



Joe Shiposh
Chairman of the Board



Keith McCarthy
President & CEO

Board of Directors

Chairman Joe Shiposh
Vice Chairperson Nancy Mueller-Davis
Treasurer Jay Decker
Assistant Treasurer Gary Caltobilotta
Secretary Leon Moreau, IV
Director Matthew Adams

Director Joe Carroll
Director Anthony Hawthorne
Director Kim Jones
Director Valerie Morgan
Director Ray Rokicki
Associate Director Ken Miner

Credit Union CEO

President & CEO Keith McCarthy

Supervisory Committee

Acting Chairperson Kim Jones
Committee Member Frank Cautero
Committee Member Dominick Moreo
Committee Member Lawrence Pinder
Committee Member Rudolph Sabatino

PICATINNY FEDERAL CREDIT UNION

Branches & Locations

Rockaway Branch
100 Mineral Springs Drive
Rockaway, NJ 07801
Monday–Friday: 8:00am–6:00pm
Saturday: 8:30am–12:00pm
ATM

Mt. Olive Branch
10 International Drive South
Flander, NJ 07836
Monday–Friday: 8:00am–6:00pm
Saturday: 8:30am–12:00pm
ATM (Drive Up)

Denville Branch
340 E. Main Street
Denville, NJ 07834
Monday–Friday: 8:00am–6:00pm
Saturday: 8:30am–12:00pm
ATM (Drive Up)

Arsenal Branch
Building 30 South
Picatinny Arsenal, NJ 07806
Monday–Wednesday and Friday: 8:00am–3:30pm
Thursday: 8:00am–6:00pm
ATM

For a complete set of 2017 audited financial statements & footnotes contact: Ray Silfies, Chief Financial Officer, Picatinny Federal Credit Union, 100 Mineral Springs Drive, Dover, NJ 07801, rsilfies@picacreditunion.com

The 5300 quarterly report filed with the NCUA for Picatinny Federal Credit Union for December 31, 2017 can be obtained at www.NCUA.gov under Credit Union Data. Our charter number is 3291. The address for the NCUA is: NCUA, 3375 Duke Street, Alexandria, VA 22314-3428

Mission: Caring about our family of members by offering financial solutions to help them achieve their goals and realize their dreams