

June 2, 2011

The Board of Directors and Management
Pennsylvania Credit Union Association
and Subsidiary
Harrisburg, Pennsylvania

We have audited the consolidated financial statements of the Pennsylvania Credit Union Association and Subsidiary (the Association) for the year ended December 31, 2010, and have issued our report thereon dated June 2, 2011. Professional standards require that we provide you with information about our responsibilities related to the planned scope and timing of our audit. We have communicated such information in our letter to management dated December 10, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 10, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the consolidated financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association.

The Board of Directors and Management
Pennsylvania Credit Union Association
and Subsidiary
Harrisburg, Pennsylvania

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most significant disclosures affecting the financial statements were Investments, Income Taxes, and Affiliated Organizations.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 2, 2011.

The Board of Directors and Management
Pennsylvania Credit Union Association
and Subsidiary
Harrisburg, Pennsylvania

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of Pennsylvania Credit Union Association and Subsidiary, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McKonly & Asbury, LLP

McKONLY & ASBURY, LLP
Certified Public Accountants

**PENNSYLVANIA CREDIT
UNION ASSOCIATION AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEARS ENDED DECEMBER 31, 2010 AND 2009
AND INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY_{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pennsylvania Credit Union Association
Harrisburg, Pennsylvania

We have audited the accompanying consolidated statements of financial position of Pennsylvania Credit Union Association (a nonprofit corporation) and its subsidiary (collectively the "Association") as of December 31, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association'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 includes examining, on a test basis, evidence supporting 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.

As discussed in Note 10 to the consolidated financial statements, the Association has a controlling financial interest over the Pennsylvania Credit Union Foundation (a nonprofit organization) through approval of the board of directors. In our opinion, accounting principles generally accepted in the United States of America require that a nonprofit organization consolidate a related nonprofit entity in which it has a controlling financial interest. If the financial statements of the Pennsylvania Credit Union Foundation had been consolidated with those of the Pennsylvania Credit Union Association, total assets and total liabilities and net assets would be increased by \$644,846 and \$566,915 as of December 31, 2010 and 2009, total income would be increased by \$234,786 and \$212,769 and operating expenses would be increased by \$157,355 and \$262,718 for the years then ended.

In our opinion, except for the effects of not consolidating the Pennsylvania Credit Union Foundation, as discussed in the preceding paragraph, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Pennsylvania Credit Union Association and its subsidiary as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental information on pages 23-29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
June 2, 2011

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PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

ASSETS

	2010	2009
Current assets		
Cash and cash equivalents	\$ 5,033,356	\$ 6,155,567
Certificates of deposit	2,530,623	2,018,301
Accounts receivable	1,254,449	758,237
Advances and deposits	9,950	37,750
Interest receivable	-	331
Prepaid expenses	177,298	170,838
Prepaid taxes	7,361	39,960
	9,013,037	9,180,984
Property and equipment		
Land	173,943	173,943
Building	3,463,356	3,421,872
Furniture, fixtures, and equipment	1,646,817	1,522,798
	5,284,116	5,118,613
Less accumulated depreciation	(3,524,187)	(3,362,873)
Net property and equipment	1,759,929	1,755,740
Other assets		
Due from affiliates	13,025	13,708
Certificate of deposit - long term	357,105	100,000
Investments	1,603,425	1,121,696
	1,973,555	1,235,404
Total assets	\$ 12,746,521	\$ 12,172,128

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2010	2009
Current liabilities		
Accounts payable	\$ 172,663	\$ 136,702
Corporate taxes payable	73,482	-
Accrued payroll	132,000	132,000
Accrued vacation	244,700	237,300
Deferred revenue - advocacy	490,514	575,988
Deferred revenue - other	963,157	850,585
Total current liabilities	2,076,516	1,932,575
Other liabilities		
Deferred tax liability	23,979	34,126
Deferred compensation	80,744	39,092
Custodial funds (CUNA dues)	427,247	316,022
Total other liabilities	531,970	389,240
Total liabilities	2,608,486	2,321,815
Net assets		
Unrestricted net assets	9,893,053	9,448,198
Temporarily restricted net assets	244,982	402,115
Total net assets	10,138,035	9,850,313
Total liabilities and net assets	\$ 12,746,521	\$ 12,172,128

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Income				
Membership fees	\$ 2,242,522	\$ -	\$ -	\$ 2,242,522
Operations	2,656,748	-	-	2,656,748
Service and program revenues	705,253	-	-	705,253
Marketing agreements	2,378,675	-	-	2,378,675
Investment income	139,071	-	-	139,071
Other income	413,876	-	-	413,876
Marketing and advocacy	-	1,420,985	-	1,420,985
Better Choice	-	13,473	-	13,473
PA Defense	-	2	-	2
Net assets released from restrictions	<u>1,591,593</u>	<u>(1,591,593)</u>	<u>-</u>	<u>-</u>
Total income	<u>10,127,738</u>	<u>(157,133)</u>	<u>-</u>	<u>9,970,605</u>
Expenses				
Operating expenses	7,946,067	-	-	7,946,067
Program expenses	<u>1,591,593</u>	<u>-</u>	<u>-</u>	<u>1,591,593</u>
Total expenses	<u>9,537,660</u>	<u>-</u>	<u>-</u>	<u>9,537,660</u>
Increase (decrease) in net assets before other income and expenses and provision for income tax	<u>590,078</u>	<u>(157,133)</u>	<u>-</u>	<u>432,945</u>
Other income (expense)				
Gain on sale of stock	91,714	-	-	91,714
Gain on disposition of assets	7,456	-	-	7,456
Equity in income affiliates	(381)	-	-	(381)
Miscellaneous	<u>(1,128)</u>	<u>-</u>	<u>-</u>	<u>(1,128)</u>
Total other income and expense	<u>97,661</u>	<u>-</u>	<u>-</u>	<u>97,661</u>
Increase (decrease) in net assets before provision for income tax	687,739	(157,133)	-	530,606
Provision for income tax	<u>242,884</u>	<u>-</u>	<u>-</u>	<u>242,884</u>
Increase (decrease) in net assets	<u>444,855</u>	<u>(157,133)</u>	<u>-</u>	<u>287,722</u>
Net assets - beginning of year	<u>9,448,198</u>	<u>402,115</u>	<u>-</u>	<u>9,850,313</u>
Net assets - end of year	<u>\$ 9,893,053</u>	<u>\$ 244,982</u>	<u>\$ -</u>	<u>\$ 10,138,035</u>

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Income				
Membership fees	\$ 2,163,732	\$ -	\$ -	\$ 2,163,732
Operations	2,614,294			2,614,294
Service and program revenues	354,000	-	-	354,000
Marketing agreements	2,098,503	-	-	2,098,503
Investment income	158,939	-	-	158,939
Other income	401,067	-	-	401,067
Marketing and advocacy	-	1,669,157	-	1,669,157
Better Choice	-	103,085	-	103,085
PA Defense	-	125,013	-	125,013
Net assets released from restrictions	<u>1,764,898</u>	<u>(1,764,898)</u>	<u>-</u>	<u>-</u>
Total income	<u>9,555,433</u>	<u>132,357</u>	<u>-</u>	<u>9,687,790</u>
Expenses				
Operating expenses	7,600,573	-	-	7,600,573
Program expenses	<u>1,764,898</u>	<u>-</u>	<u>-</u>	<u>1,764,898</u>
Total expenses	<u>9,365,471</u>	<u>-</u>	<u>-</u>	<u>9,365,471</u>
Increase in net assets before other income and expenses and provision for income tax	<u>189,962</u>	<u>132,357</u>	<u>-</u>	<u>322,319</u>
Other income (expense)				
Gain on sale of stock	275,141	-	-	275,141
Loss on disposition of assets	(2,775)	-	-	(2,775)
Equity in income affiliates	(65)	-	-	(65)
Miscellaneous	<u>(8,875)</u>	<u>-</u>	<u>-</u>	<u>(8,875)</u>
Total other income (expense)	<u>263,426</u>	<u>-</u>	<u>-</u>	<u>263,426</u>
Increase in net assets before provision for income tax	453,388	132,357	-	585,745
Provision for income tax	<u>211,772</u>	<u>-</u>	<u>-</u>	<u>211,772</u>
Increase in net assets	241,616	132,357	-	373,973
Net assets - beginning of year	<u>9,206,582</u>	<u>269,758</u>	<u>-</u>	<u>9,476,340</u>
Net assets - end of year	<u>\$ 9,448,198</u>	<u>\$ 402,115</u>	<u>\$ -</u>	<u>\$ 9,850,313</u>

The accompanying notes are an integral
part of these financial statements.

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 287,722	\$ 373,973
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	238,600	239,746
Equity in earnings of affiliates	381	65
(Gain) loss on disposition of assets	(7,456)	2,775
Gain on sale of investment	-	(65,166)
Reinvested dividends	(22,426)	(9,551)
Deferred tax liability	(10,147)	16,082
Realized gain on sale of stock	(91,714)	(275,141)
Unrealized gain on investment	(82,398)	(42,395)
(Increase) decrease in		
Accounts receivable	(496,212)	99,279
Interest receivable	331	6,980
Prepaid expenses	(6,460)	19,735
Prepaid taxes	32,599	12,329
Due from affiliates	683	(4,725)
Increase (decrease) in		
Accounts payable	35,961	(19,114)
Corporate taxes payable	73,482	(18,000)
Accrued payroll	-	(19,000)
Accrued vacation	7,400	15,800
Deferred revenue	27,098	262,248
Accrued corporate taxes	-	(900)
Deferred compensation	41,652	16,706
Custodial funds	111,225	99,961
	140,321	711,687
Net cash provided by operating activities		
Cash flows from investing activities		
Advances and deposits	27,800	(28,000)
Acquisition of property and equipment	(235,333)	(117,789)
Purchase of certificates of deposit	(2,987,728)	(2,524,328)
Proceeds from redemption of certificates of deposit	2,218,301	1,506,027
Proceeds from sale of stock	91,714	275,141
Purchase of investments	(377,286)	-
Proceeds from the sale of investment	-	132,629
	(1,262,532)	(756,320)
Net cash used in investing activities		

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont'd)

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Net decrease in cash and cash equivalents	(1,122,211)	(44,633)
Cash and cash equivalents, beginning	<u>6,155,567</u>	<u>6,200,200</u>
Cash and cash equivalents, ending	<u>\$ 5,033,356</u>	<u>\$ 6,155,567</u>
Income taxes paid	<u>\$ 148,450</u>	<u>\$ 202,500</u>

The accompanying notes are an integral
part of these financial statements.

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Pennsylvania Credit Union Association (the Association) is a trade association established to promote and lend assistance to member credit unions throughout the state of Pennsylvania. The Association's wholly-owned subsidiary, PACUL Services, Inc. (the Corporation), provides various business and marketing services to member and non-member credit unions. The Association's primary source of revenue is received from credit unions in the form of membership dues, products, and services.

Basis of Accounting

The consolidated financial statements of the Association have been prepared on the accrual basis of accounting. The significant policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

In accordance with accounting principles generally accepted in the United States of America, the Association reports information regarding its financial position and activities according to the existence and nature of donor restrictions in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

The Association also records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

The following are descriptions of the Association's net asset classifications:

Unrestricted Net Assets: Unrestricted net assets include unrestricted resources that are available for the general support of the Association's operations.

Temporarily Restricted Net Assets: Temporarily restricted net assets result from contributions subject to donors' restrictions that expire with the passage of time or by actions of the Association.

When donor restrictions from prior years expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets: Permanently restricted net assets result from contributions subject to donors' restrictions, which do not expire with the passage of time or actions of the Association.

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PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Consolidation

The consolidated financial statements include the accounts of the Corporation after elimination of all material inter-company accounts, transactions, and profits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Reporting Entity

Pennsylvania Credit Union Association consists of several separate divisions providing various services to credit unions. Each division maintains separate revenue and expense accounts. The statements of activities include the revenues and expenses of all divisions.

The Corporation consists of several separate divisions providing various services to credit unions. Each division maintains separate revenue and expense accounts. The statements of activities include the revenues and expenses of all divisions.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, excluding those instruments whose use is restricted.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount. The Association has elected to record bad debts using the direct write-off method. Therefore, no allowance for uncollectible accounts is shown on the statements of financial position. The Association determines the collectability of its accounts receivable based on an analysis of each customer's account after considering past history and current economic conditions. After reasonable collection efforts have been exhausted, the Association writes off the receivable as uncollectible. If a receivable that has been written off is subsequently collected in a later accounting period, the amount collected is booked as income on the consolidated statements of activities.

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are recorded at cost. Depreciation expense is computed using both the straight-line and declining balance methods over the following estimated useful lives:

Furniture and fixtures	3 - 7 years
Equipment	3 - 7 years
Buildings and improvements	7 - 39 years

Expenditures for renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation expense for the years ended December 31, 2010 and 2009, amounted to \$238,600 and \$239,746, respectively.

Revenue Recognition

The Association recognizes revenues when earned. Amounts billed in advance of the period in which service is rendered are recorded as a liability under "Deferred Revenue."

The Corporation recognizes revenue from operations in the period in which services are provided, and products delivered, to its customers.

Marketing agreement revenue represents income from various agreements offered to Association member credit unions by vendors selected and engaged by the Corporation. Revenue is initially recognized based on estimated receipts from these vendors, and then adjusted for actual receipts received.

Pension and Other Employee Benefit Plans

The Association terminated its defined benefit pension plan in 2007.

Certain employees are covered by a defined contribution plan. Information regarding these plans can be found in Note 8.

Advertising

The Association expenses advertising costs as incurred. Advertising expense for the years ended December 31, 2010 and 2009, was \$58,090 and \$56,716, respectively.

Income Taxes

The Association is a non-profit organization exempt from federal income tax under Internal Revenue Code Section 501(c)(6). The Association must pay unrelated business income tax on income not related to its exempt purpose.

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PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Corporation is a C Corporation subject to federal and state income taxes. The Corporation recognizes deferred tax assets and liabilities resulting from the deferred tax consequences of temporary differences in recognition of assets, liabilities, income, and expenses for financial and income tax reporting purposes.

The resulting deferred tax assets and liabilities are established based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

The Association and Corporation adhere to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes* (ASC 740). ASC 740 establishes rules for recognizing and measuring tax positions taken in an income tax return, including disclosures of uncertain tax positions (UTPs). ASC 740 mandates that companies evaluate all material income tax positions for periods that remain open under applicable statutes of limitation, as well as positions expected to be taken in future returns. The UTP rules then impose a recognition threshold on each tax position. A company can recognize an income tax benefit only if the position has a "more likely than not" (i.e., more than 50 percent) chance of being sustained on the technical merits. For the years ended December 31, 2010 and 2009, the Association and Corporation have taken no material tax positions on its applicable tax filings that do not meet the more likely than not threshold. As a result, no amount for uncertain tax positions has been included in the consolidated financial statements.

Functional Expenses

The Association's classification of expenses by function is as follows for 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Program services	\$ 4,676,144	\$ 4,598,187
Management and general	1,282,945	1,265,545
Fund raising	234,222	238,591
	<u>\$ 6,193,311</u>	<u>\$ 6,102,323</u>

Subsequent Events

Management evaluated subsequent events through June 2, 2011, the date the financial statements were available to be issued.

2. CERTIFICATES OF DEPOSIT

Certificates of deposits are stated at cost, which approximates fair value. For the years ended December 31, 2010 and 2009, interest rates on these certificates ranged from .18% to 2.5%. The interest income is accrued on a monthly basis.

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PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. INVESTMENTS

Investments are held at cost, adjusted cost, and fair value with the exception of Mid-Atlantic Regional Services Corporation (MARS), an affiliate of the Association.

At December 31, 2010, the Corporation owned a 39.07% interest in MARS. The Corporation recorded losses of \$381 and \$65 in 2010 and 2009, accounted for under the equity method, in MARS. The losses reflect the Corporation's proportionate share of MARS' loss recorded in that period.

At December 31, 2010 and 2009, the Association had marketable securities that are carried at fair value based on quoted market prices.

Investments recorded at cost and adjusted cost were not evaluated for impairment because (a) it is not practicable to estimate their fair values due to insufficient information being available and (b) management did not identify any events or changes in circumstances that might have a significant adverse effect on the fair value of those investments.

Investments as of December 31, 2010 and 2009, consisted of the following:

	2010	2009
Investments held at cost:		
Credit Union House, LLC		
- 8.4% equity membership, at cost	\$ 331,090	\$ 331,090
CU Realty of PA		
- 3.77% ownership, at cost	12,000	12,000
CUNA Strategic Services, Inc.		
- 5,270.71 shares, at cost	75,873	75,873
IMPEL Consulting Group, LLC		
- 1 unit, class B stock, at cost	20,000	20,000
HRN Management Group		
- 3 shares, class A stock, at cost	28,096	28,096
League Infosight, Inc.		
- 10 shares, class B common stock, at cost	75,000	75,000
Total investments held at cost	542,059	542,059
Investments held at adjusted cost:		
CU Cooperative Systems (CO-OP)		
- at adjusted cost	53,897	31,471
PA Credit Union Service Centers, Inc.		
- 7 shares, at adjusted cost	105,000	105,000
Total investments held at adjusted cost	158,897	136,471

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PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2010	2009
Investments at fair value:		
Members Mutual - at fair value	213,237	191,951
Merrill Lynch - at fair value	407,584	-
Smith Barney - at fair value	245,365	214,551
	866,186	406,502
Total investments at fair value		
Investments under the equity method:		
Mid-Atlantic Regional Services Corp. - 39.07% equity membership	36,283	36,664
	36,283	36,664
Total investments under the equity method:		
Total investments	\$ 1,603,425	\$ 1,121,696

Investment income on the statements of activities includes reinvested dividends of CU Cooperative Systems of \$22,426 and \$9,551 for the years ended December 31, 2010 and 2009, respectively. The Corporation also received cash distributions from CU Cooperative Systems of \$10,669 and \$9,918 for the years ended December 31, 2010 and 2009, respectively, which are included in investment income. Unrealized and realized gains and losses on investments are also included in investment income in the consolidated statements of activities.

The Association sold shares of Credit Union Service Corporation stock for the amount of \$91,714 and \$275,141 during the years ended December 31, 2010 and 2009, respectively. 360,000 shares were sold in 2010 and 1,080,000 shares were sold in 2009. The Association had 360,000 and 720,000 remaining shares, with an indeterminable cost basis at December 31, 2010 and 2009, respectively. Since these shares do not have a recognized cost basis, no amounts have been included on the consolidated statements of financial position.

Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

FASB ASC 820 *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the FASB ASC are described as follows:

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

The fair values of marketable securities are based on quoted market prices.

The fair values of certificates of deposit are valued at cost, which approximates fair value.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth by level, within the fair value hierarchy, the Association's assets at fair value as of December 31, 2010 and 2009.

Assets at fair value as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$2,887,728	\$ -	\$ -	\$2,887,728
Marketable securities	866,186	-	-	866,186
Total assets at fair value	<u>\$3,753,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,753,914</u>

Assets at fair value as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$2,118,301	\$ -	\$ -	\$2,118,301
Marketable securities	406,502	-	-	406,502
Total assets at fair value	<u>\$2,524,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,524,803</u>

4. PROVISION FOR INCOME TAXES

The federal and state income tax provision is summarized as follows:

	2010	2009
Current		
Federal income taxes expense at the current statutory rate	\$ 187,617	\$ 147,531
State income taxes at the current statutory rate	65,414	48,159
Deferred		
Federal and state income tax expense	(10,147)	16,082
Total provision for income taxes	242,884	211,772
Other taxes		
State franchise taxes at the current statutory rate (included in operating expenses)	5,000	5,000
Total taxes	<u>\$ 247,884</u>	<u>\$ 216,772</u>

For 2010 and 2009, the United States and Pennsylvania statutory tax rates applicable were 34.00% and 9.99%, respectively.

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The current income tax provision computed on the income from continuing operations by the rules of the taxing authorities differs from applying the statutory rates to the income from continuing operations as shown on the financial statements by these major reconciling items: Nondeductible Meals and Entertainment Expense and Tax Depreciation Methods.

Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement and tax basis of assets and liabilities using enacted tax rates expected to apply in the years in which the temporary differences are expected to reverse.

The significant components of deferred tax assets and deferred tax liabilities at December 31, 2010 and 2009, are:

	2010	2009
Deferred tax asset		
Compensation accruals	\$ (19,160)	\$ (20,256)
Deferred tax liabilities		
Depreciation differences	39,560	42,307
Investment in pass-through	4,391	12,075
Other	(812)	-
	\$ 23,979	\$ 34,126
Net deferred tax liability		

5. OPERATING LEASE

The Association leases various office equipment under non-cancelable operating leases with an original term of three to five years. Lease expense for the years ended December 31, 2010 and 2009, was \$27,777 and \$30,368.

The following is a schedule of future minimum payments required under the above operating leases as of December 31, 2010:

2011	\$ 12,350
------	-----------

6. NET ASSETS - TEMPORARILY RESTRICTED

Temporarily restricted net assets consist of the following as of December 31:

	2010	2009
Advocacy and marketing campaign funds	\$ 237,181	\$ 330,130
PA Defense	2,331	15,749
Better Choice funds	5,470	56,236
	\$ 244,982	\$ 402,115

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Advocacy and marketing campaign funds are used to pay for the costs of production related to the *iBelong* campaign, which promotes credit union awareness in Pennsylvania. The PA Defense program is funded by voluntary donations by member credit unions and is used to help the Association lobby against unfavorable legislations. The Better Choice program is funded through a partnership with the Pennsylvania State Treasurer and is used to help absorb losses suffered by credit unions who offer alternatives to pay day lending programs.

7. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Association's operations are concentrated within the Commonwealth of Pennsylvania and a significant portion of their revenues originate from within that geographic region. Significant fluctuations in the region's economy could have a material effect on the Association's operations. Additionally, the merger trend in the industry continues to decrease the rate at which new credit unions are joining the Association as members.

The Association maintains cash balances at several financial institutions located in central Pennsylvania that, at times, may exceed federally insured limits. For the years ended December 31, 2010 and 2009, accounts at each institution are insured by the National Credit Union Administration up to applicable limits. The Association has not experienced any losses on such accounts.

8. RETIREMENT PLAN

The Association sponsors a defined contribution plan (a 401(k) plan) covering substantially all employees. Participants are required, as a condition of employment, to contribute 5% of their compensation to the Plan, and may, at their discretion contribute an additional portion of their current pay into a salary deferral account established in the Plan on a pre-tax basis. Contributions to the plan are made as follows:

- The employee's required contribution of 5% is matched 100% by the Association.
- The first 3% of the employee's voluntary contribution is matched 100% by the Association.
- Based upon the age of the employee on the date of the termination of the Association's defined benefit plan (terminated in 2007), the Association contributes an additional amount between 3% and 5% of the employee's salary. Employees hired after the termination of the defined benefit plan receive an additional contribution of 3% from the Association.

Employer contributions for the year ended December 31, 2010 and 2009, totaled \$392,447 and \$394,373, respectively.

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. REVENUE REBATE

During the year ended December 31, 2010, the Corporation distributed a revenue rebate to its customers in the aggregated amount of \$482,177. In accordance with FASB ASC 605, *Revenue Recognition*, the rebate is recognized as a reduction of Marketing Agreement revenue on the consolidated statements of activities. The rebate was distributed to all members of the Association and was calculated based on the usage of products and services of the Corporation, with a minimum rebate of \$100. No revenue rebates were distributed during the year ended December 31, 2009.

10. RELATED PARTY TRANSACTIONS

PACUL Services, Inc. shares office space and key managerial personnel with Pennsylvania Credit Union Service Centers, Inc. (PaCUSC), a Pennsylvania corporation, of which the Association owns 5.56% of the outstanding shares. The Corporation entered into a management service agreement to provide services to the service centers.

Monies received for the years ended December 31, 2010 and 2009, represent management fee income and minor expense reimbursements. Management fee income totaled \$87,147 and \$60,315, respectively. At December 31, 2010 and 2009, PACUL Services, Inc. had an outstanding receivable due from PaCUSC of \$8,003 and \$6,118, respectively.

For the years ended December 31, 2010 and 2009, PACUL Services, Inc. contributed monies to the Pennsylvania Credit Union Foundation an affiliated organization in the amounts of \$25,000 and \$5,000, respectively. At December 31, 2010 and 2009, PACUL Services, Inc. had an outstanding receivable due from Pennsylvania Credit Union Foundation of \$43 and \$115, respectively, for miscellaneous operating expenses.

The Association approves the board of directors of the Pennsylvania Credit Union Foundation (the Foundation), a not-for-profit organization. The Association shares office space and key management personnel with the Foundation. The Association incurs expenses, such as administrative salaries and related benefits, on behalf of the Foundation, and is generally reimbursed for these expenses. Total expenses incurred on behalf of the Foundation for the year ended December 31, 2010 and 2009, totaled \$48,604 and \$48,585, respectively, and were netted against the Association's expenses. \$4,655 and \$7,332 was due from the Foundation for reimbursable expenses as of December 31, 2010 and 2009, respectively.

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. INTERORGANIZATION TRANSACTIONS

The following describe the inter-organization transactions between the Pennsylvania Credit Union Association and its wholly-owned subsidiary PACUL Services, Inc. that have been eliminated in the consolidated financial statements:

Management Service Fees and Data Processing Fees

PACUL Services, Inc. is provided with use of its parent company's administrative and technical support and data processing services for which it pays a monthly management fee. As of December 31, 2010 and 2009, the total amount under these agreements was \$1,090,100 and \$1,034,300, respectively.

Facilities Contract

PACUL Services, Inc. is provided with the use of its parent company's facilities for which it pays a monthly rental charge. As of December 31, 2010 and 2009, the total amount under this agreement was \$24,000.

Accounts Payable/Receivable

As of December 31, 2010 and 2009, PACUL Services, Inc. had outstanding accounts payable of \$224,388 and \$150,091, respectively, due to its parent company for the expenses listed above as well as other general operating expenses, such as telephone use, travel reimbursement, office supplies, maintenance contracts and governance costs.

Corporate Sponsorship

PACUL Services, Inc. donated \$92,000 and \$55,500 during 2010 and 2009, respectively, to sponsor various activities of its parent company.

12. EQUITY IN SUBSIDIARY

PACUL Services, Inc. common stock consists of the following: \$1 par value; 100,000 shares authorized; 5,000 shares issued and outstanding. Additional equity is provided by \$30,000 of additional paid in capital.

The parent company's net investment in PACUL Services, Inc. as of December 31, 2010 and 2009, is as follows:

	2010	2009
Common stock	\$ 5,000	\$ 5,000
Additional paid in capital	30,000	30,000
Retained earnings	4,034,566	3,696,048
Net investment in PACUL Services, Inc.	<u>\$4,069,566</u>	<u>\$3,731,048</u>

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. COMPENSATED ABSENCES

Employees of the Association are entitled to paid vacation, depending on job classification, length of service, and other factors. Amounts not used in the current year may be carried over to the subsequent year and are recorded as accrued vacation.

The Association also provides for post employment benefits to select personnel based on job classification, length of service, and other factors. This benefit is provided solely at management's discretion and may be terminated at any time.

Total accrued vacation at December 31, 2010 and 2009, was \$244,700 and \$237,300, respectively.

SUPPLEMENTAL INFORMATION

PENNSYLVANIA CREDIT UNION ASSOCIATION

UNCONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

ASSETS

	2010	2009
Current assets		
Cash and cash equivalents	\$ 2,861,571	\$ 4,069,311
Certificates of deposit - short term	2,530,623	2,018,301
Accounts receivable	52,149	72,011
Advances and deposits	7,300	7,500
Interest receivable	-	331
Prepaid expenses	127,125	116,220
Prepaid corporate taxes	7,361	3,861
Total current assets	5,586,129	6,287,535
Property and equipment		
Land	173,943	173,943
Building	1,967,746	1,926,262
Furniture, fixtures, and equipment	1,164,304	1,099,933
Total property and equipment	3,305,993	3,200,138
Less accumulated depreciation	(2,227,601)	(2,160,509)
Net property and equipment	1,078,392	1,039,629
Other assets		
Due from affiliates	229,367	157,566
Certificate of deposit - long term	357,105	100,000
Investments	1,095,155	635,471
Investment in subsidiary	4,069,566	3,731,048
Total other assets	5,751,193	4,624,085
Total assets	\$ 12,415,714	\$ 11,951,249

LIABILITIES AND STOCKHOLDERS' EQUITY

	2010	2009
Current liabilities		
Accounts payable	\$ 34,617	\$ 45,449
Accrued payroll	85,900	86,400
Accrued vacation	197,500	187,400
Deferred revenue - advocacy	490,514	575,988
Deferred revenue - other	961,157	850,585
	1,769,688	1,745,822
Other liabilities		
Deferred compensation	80,744	39,092
Custodial funds (CUNA dues)	427,247	316,022
	507,991	355,114
Total other liabilities		
	2,277,679	2,100,936
Net assets		
Unrestricted net assets	9,893,053	9,448,198
Temporarily restricted net assets	244,982	402,115
	10,138,035	9,850,313
Total net assets		
	10,138,035	9,850,313
	\$ 12,415,714	\$ 11,951,249

PENNSYLVANIA CREDIT UNION ASSOCIATION

UNCONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Income				
Membership fees	\$ 2,242,522	\$ -	\$ -	\$ 2,242,522
Operations	164,886	-	-	164,886
Investments	95,500	-	-	95,500
Rents	24,000	-	-	24,000
Conference and training	393,520	-	-	393,520
Management/service fee	1,090,100	-	-	1,090,100
Annual Convention	311,733	-	-	311,733
Other	287,752	-	-	287,752
Marketing and advocacy	-	1,420,985	-	1,420,985
Better Choice	-	13,473	-	13,473
PA Defense	-	2	-	2
Net assets released from restrictions	1,591,593	(1,591,593)	-	-
Total income	6,201,606	(157,133)	-	6,044,473
Operating expenses				
Salaries	2,385,828	-	-	2,385,828
Employee benefits	597,203	-	-	597,203
Payroll taxes	160,877	-	-	160,877
Annual Convention	145,790	-	-	145,790
Audit expenses	15,975	-	-	15,975
Building operations	128,151	-	-	128,151
Conference and training	197,127	-	-	197,127
Depreciation	140,251	-	-	140,251
Governance expense	70,911	-	-	70,911
Governmental affairs	118,488	-	-	118,488
Insurance	38,581	-	-	38,581
Operating fees	17,186	-	-	17,186
Other	52,891	-	-	52,891
Postage	31,925	-	-	31,925
Professional fees	18,856	-	-	18,856
Public relations	83,312	-	-	83,312
Publications	91,969	-	-	91,969
Research and development	8,500	-	-	8,500
Staff travel	64,202	-	-	64,202
Staff training	32,441	-	-	32,441
Supplies and services	154,116	-	-	154,116
Telephone/network services	47,138	-	-	47,138
Total operating expenses	4,601,718	-	-	4,601,718

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION

UNCONSOLIDATED STATEMENT OF ACTIVITIES (Cont'd)

YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Program expenses				
Marketing and advocacy	1,513,933	-	-	1,513,933
Better Choice	64,240	-	-	64,240
PA Defense	13,420	-	-	13,420
Total program expenses	<u>1,591,593</u>	<u>-</u>	<u>-</u>	<u>1,591,593</u>
Increase (decrease) in net assets before other income	<u>8,295</u>	<u>(157,133)</u>	<u>-</u>	<u>(148,838)</u>
Other income (expense)				
Gain on sale of stock	91,714	-	-	91,714
Gain on disposition of assets	7,456	-	-	7,456
Equity income in affiliate	338,518	-	-	338,518
Miscellaneous	(1,128)	-	-	(1,128)
Total other income	<u>436,560</u>	<u>-</u>	<u>-</u>	<u>436,560</u>
Increase (decrease) in net assets	444,855	(157,133)	-	287,722
Net assets - beginning of year	<u>9,448,198</u>	<u>402,115</u>	<u>-</u>	<u>9,850,313</u>
Net assets - end of year	<u>\$ 9,893,053</u>	<u>\$ 244,982</u>	<u>\$ -</u>	<u>\$ 10,138,035</u>

PENNSYLVANIA CREDIT UNION ASSOCIATION

UNCONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Income				
Membership fees	\$ 2,163,732	\$ -	\$ -	\$ 2,163,732
Operations	73,101	-	-	73,101
Investments	98,181	-	-	98,181
Rents	24,000	-	-	24,000
Conference registration	80,957	-	-	80,957
Management/service fee	1,034,300	-	-	1,034,300
Annual meeting	273,043	-	-	273,043
Other	267,278	-	-	267,278
Marketing and advocacy	-	1,669,157	-	1,669,157
Better Choice	-	103,085	-	103,085
PA Defense	-	125,013	-	125,013
Net assets released from restrictions	1,764,898	(1,764,898)	-	-
Total income	5,779,490	132,357	-	5,911,847
Operating expenses				
Salaries	2,328,995	-	-	2,328,995
Employee benefits	551,919	-	-	551,919
Payroll taxes	165,519	-	-	165,519
Annual meeting	195,675	-	-	195,675
Audit expenses	18,518	-	-	18,518
Building operations	127,827	-	-	127,827
Conference and training	21,242	-	-	21,242
Depreciation	138,409	-	-	138,409
Governance expense	97,342	-	-	97,342
Governmental affairs	99,665	-	-	99,665
Insurance	36,728	-	-	36,728
Operating fees	10,930	-	-	10,930
Other	46,263	-	-	46,263
Postage	33,852	-	-	33,852
Professional fees	22,740	-	-	22,740
Public relations	73,286	-	-	73,286
Publications	71,586	-	-	71,586
Research and development	16,988	-	-	16,988
Staff travel	61,320	-	-	61,320
Staff training	30,672	-	-	30,672
Supplies and services	138,769	-	-	138,769
Telephone/network services	49,180	-	-	49,180
Operating expenses	4,337,425	-	-	4,337,425

(continued)

PENNSYLVANIA CREDIT UNION ASSOCIATION

UNCONSOLIDATED STATEMENT OF ACTIVITIES (Cont'd)

YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Program expenses				
Marketing and advocacy	1,564,170	-	-	1,564,170
Better Choice	76,990	-	-	76,990
PA Defense	123,738	-	-	123,738
Total program expenses	<u>1,764,898</u>	<u>-</u>	<u>-</u>	<u>1,764,898</u>
Increase (decrease) in net assets before other income	<u>(322,833)</u>	<u>132,357</u>	<u>-</u>	<u>(190,476)</u>
Other income and expense				
Gain on sale of stock	275,141	-	-	275,141
Loss on disposition of asset	(2,775)	-	-	(2,775)
Equity income in affiliate	300,958	-	-	300,958
Miscellaneous	(8,875)	-	-	(8,875)
Total other income	<u>564,449</u>	<u>-</u>	<u>-</u>	<u>564,449</u>
Increase in net assets	241,616	132,357	-	373,973
Net assets - beginning of year	<u>9,206,582</u>	<u>269,758</u>	<u>-</u>	<u>9,476,340</u>
Net assets - end of year	<u>\$ 9,448,198</u>	<u>\$ 402,115</u>	<u>\$ -</u>	<u>\$ 9,850,313</u>

PENNSYLVANIA CREDIT UNION ASSOCIATION

UNCONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	\$ 287,722	\$ 373,973
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	140,251	138,409
Undistributed income of subsidiary	(338,518)	(300,958)
(Gain) loss on disposition of assets	(7,456)	2,775
Realized gain on sale of stock	(91,714)	(275,141)
Unrealized gain on investments	(82,398)	(42,395)
(Increase) decrease in		
Accounts receivable	19,862	33,185
Interest receivable	331	5,639
Prepaid expenses	(10,905)	21,814
Prepaid corporate taxes	(3,500)	(3,097)
Due from affiliates	(71,801)	13,536
Increase (decrease) in		
Accounts payable	(10,832)	(10,742)
Accrued payroll	(500)	(16,400)
Accrued vacation	10,100	23,800
Deferred revenues	25,098	267,763
UBIT payable	-	(900)
Deferred compensation	41,652	39,092
Custodial funds	111,225	99,961
	18,617	370,314
Net cash provided by operating activities		
Cash flows from investing activities		
Advances and deposits	200	-
Acquisition of property and equipment	(171,558)	(45,158)
Purchase of investments	(377,286)	(385,556)
Purchase of certificates of deposit	(2,987,728)	(2,524,328)
Proceeds from sale of stock	91,714	275,141
Proceeds from redemption of certificates of deposit	2,218,301	1,256,027
	(1,226,357)	(1,423,874)
Net cash used in investing activities		
Net decrease in cash and cash equivalents	(1,207,740)	(1,053,560)
Cash and cash equivalents, beginning	4,069,311	5,122,871
Cash and cash equivalents, ending	\$ 2,861,571	\$ 4,069,311



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