



# 70<sup>th</sup> Annual Meeting

*April 28, 2009*

*West Chester Golf &  
Country Club  
West Chester, PA*

*5:00 PM*



*The Educated Choice for  
All Your Financial Needs*

# Agenda

**Keystone Federal Credit Union  
70th Annual Meeting of the Membership  
April 28, 2009**

- ✓ Roll Call
- ✓ Reading of the Minutes of the April 2008 Annual Meeting
- ✓ Report of the Chairman
- ✓ Report of the President
- ✓ Report of the Supervisory Committee
- ✓ Report of the Loan Review Committee
- ✓ Financial Statements
- ✓ Old Business
- ✓ New Business
- ✓ Report of the Nominating Committee
- ✓ Elections
- ✓ Installation of Directors and Committee Members
- ✓ Adjournment
- ✓ Awarding of Door Prizes

## **Keystone Federal Credit Union Mission Statement**

***The mission of Keystone Federal Credit Union, a not-for-profit organization, is to provide a wide range of services in a personal and caring manner to meet members' needs in a constantly changing financial market.***



**Keystone Federal  
Credit Union**  
THE EDUCATED CHOICE

## LOCATION

Keystone FCU's West Chester office is located off Phoenixville Pike between Rt. 322 and Boot Road. Keystone's Downingtown office is located on Route 113 in Uwchlan Township, between Route 100 to the north and Route 30. Our mailing addresses:

<i>Keystone Federal Credit Union</i>	<i>Keystone Federal Credit Union</i>
<i>1052 Andrew Drive</i>	<i>370 West Uwchlan Avenue</i>
<i>West Chester, PA 19380-4291</i>	<i>Downingtown, PA 19335-3120</i>

## HOURS

We are open for business during the following hours:

Monday	9:00 a.m. to 5:00 p.m.
Tuesday	9:00 a.m. to 5:00 p.m.
Wednesday	9:00 a.m. to 5:00 p.m.
Thursday	9:00 a.m. to 5:00 p.m.
Friday	9:00 a.m. to 6:00 p.m.
Saturday*	9:30 a.m. to 1:00 p.m.

\* Saturday hours are only available at the Downingtown location.

## PHONES

Downingtown Office	.....610-269-5151
	.....610-269-4047 (fax)
West Chester Office	.....484-356-0400
	.....484-356-0403 (fax)
Toll Free	.....800-662-8801
LoanLink	.....877-866-9971
Key-Response	Local: .....484-356-0500
	Toll free: .....800-725-1403

**Website:** [www.keystonefcu.org](http://www.keystonefcu.org)

**Email:** [kfcu@keystonefcu.org](mailto:kfcu@keystonefcu.org)

In a time of economic uncertainty, Keystone Federal Credit Union remains well-capitalized and is fully able to continue with our mission to meet the financial needs of our members.

News programs have broadcast many stories about the National Credit Union Association (NCUA) placing two corporate credit unions into conservatorship. To help stabilize the entire corporate credit union system, NCUA has assessed a dollar amount to be provided by all federal credit unions. Because of this assessment, Keystone has now been indirectly impacted by the current economic environment and the conservatorship of the corporate credit unions. It is the NCUA's intention that the funding provided by natural person credit unions will help to stabilize the corporate credit union system.

Data breaches also proved to be a hot topic of 2008. Security of our members' information is of the utmost importance to Keystone. Although we cannot control the security of outside vendors, we can make certain that our technology is up-to-date and secure.

Keystone is proud to offer a wide variety of services to our business and individual members. Last year, we welcomed 12 new Select Employee Groups (SEGs) to our field of membership. We have also added commercial lending to our complete list of business services.

Students and Educators are the foundation upon which Keystone was built. This past year, Keystone opened three student-run branches to promote financial education. The partnership between West Chester Area School District and Keystone Federal Credit Union is one of learning and creativity. Students will learn about personal finance in a controlled, classroom environment with the opportunity for real-life application.

As we move forward into the future, the Board and Management, at its 2008 Planning Session set the following Strategic

### Objectives:

- Improve return on assets;
- Increase Keystone brand awareness;
- Increase business loans and deposits; and
- Evaluate Student Branches.

These objectives will help us to focus our efforts so that we may better serve our member-owners in the future.

I appreciate the support that I have received from the Board, Management, Staff and Members of the Credit Union. All of us at Keystone look forward to serving you, the member, in a caring and competent manner and to meeting your needs in a constantly changing financial market.

Respectfully,

*Daniel P. Jones*

Daniel P. Jones  
Chairman

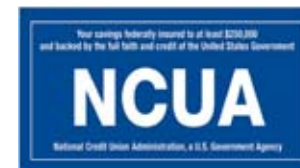
***“All of us at Keystone look forward to serving you, the member, in a caring and competent manner and to meeting your needs in a constantly changing financial market.”***

### SAFETY & CONVENIENCE

- STAR ATM Cards
- MasterCard® Debit Cards
- Classic, Gold, & Platinum MasterCards
- Internet Bill Payer
- **Key Response** Telephone Teller
- **Keystone@Home** Internet Home Banking
- Instant Loan Approval (Web Site)
- LoanLink
- Toll-Free Access Lines
- Money Orders
- VISA® Gift Cards
- VISA® TravelMoney Cards
- Business Services
- Federal Deposit Insurance by NCUA

### SPECIAL MEMBER SERVICES

- No Monthly Service Fees
- Golden-Key Plus Club
- Financial Planning
- **On-the-Spot** Auto Loans at Area Car Dealerships
- Enterprise Car Sales
- Web Site: [www.keystonefcu.org](http://www.keystonefcu.org)
- Vehicle Warranty Protection
- Vehicle Gap Protection
- Payment Protection
- ID Theft Assist™



## Keystone Services

### SAVINGS & CHECKING

- Regular Share (Statement Savings)  
*\$5 minimum deposit to establish membership*
- Holiday Accounts
- Secondary Share Accounts
- Insured Money Market Accounts
- Share Certificates
- IRA Share Certificates
- Wiggly the Worm Savers Club
- Share Draft (Checking)  
*No minimum balance or per-check charges*

### BORROWING

- New and Used Car Loans\*
- 1st Mortgages
- Home Equity Loans\*
- Home Equity Lines of Credit
- Signature Loans\*
- Signature Lines of Credit\*
- Student Loans
- Boat, RV, Motorcycle, Computer & Other Loans\*
- Better Choice Loans
- Auto Loan Draft

\* *Rate Reduction with Direct Deposit or Payroll Deduction with Automatic Transfer of Payment and Payment Protection.*

### BUSINESS SERVICES

- Business Share Draft (Checking)
- Commercial Lending
- Merchant Card Processing
- Electronic Check Processing
- Corporate MasterCard®
- ACH Origination
- Lock Box Processing
- Direct Deposit/Payroll Deduction

## Keystone FCU Board of Directors

Daniel P. Jones  
*Chairman*

C. David Foreman  
*Vice Chairman*

David C. Hemingway  
*Treasurer*

Catherine A. Terpack  
*Secretary*

Dr. Richard I. Bauer  
*Director*

Dr. Paul J. Bentley  
*Director*

Alice M. Bryant  
*Director*

Emil R. Capetola  
*Director*

Thomas J. Tracy, Jr.  
*Director*

## President's Report

2008 was the most challenging year in decades for financial institutions. The implosion of the sub-prime mortgage market created a global financial disaster, resulting in a chain of major financial institutions failing, drastic reductions in interest rates in order to deal with the crisis, and an increase in delinquency, foreclosures, repossessions, and charge-offs for all financial institutions. While Keystone Federal Credit Union has certainly experienced the impact of these events, our Credit Union's strong capital position and conservative fiscal policies have allowed us to continue our practice of providing quality financial products and services to you: our member-owners. Especially during these turbulent economic times, our forward-looking approach to service is vital to our long-term success.

We haven't avoided every obstacle, though. The National Credit Union Administration (NCUA) took two large corporate credit unions into conservatorship and assessed additional premiums to restore the National Credit Union Share Insurance Fund (NCUSIF) to its desired level. These actions and the impairment of our investment in the NCUSIF have contributed to both a negative earning situation for Keystone in 2008 and questions on the part of some of our members about the safety and security of their money in KFCU.

Even after the adjustments for the premium assessment and the impairment, Keystone's capital position remains extremely strong at over 9%. In addition, it is important to note that member deposits in KFCU are insured to at least \$250,000.00 until December 31, 2009 under the Emergency Economic Stabilization Act of 2008. With all of the challenges of the past year, Keystone Federal Credit Union remains safe, secure, and well-positioned to provide our member-owners with products and services to meet their financial needs.

## Field of Membership

Keystone Federal Credit Union's Field of Membership includes Employees and Volunteers of Public School Districts in Chester County and contiguous counties; Students of Coatesville Area, Downingtown Area, Great Valley, and Kennett Consolidated School Districts; Students of CCIU and West Goshen Goddard School; Employees and Volunteers of Keystone FCU's Select Employee Groups\* and the following organizations that joined in 2008:

**Students of Phoenixville Area School District**  
**Baja Beach Tanning Club**  
**Gourmet's Finest**  
**Brandywine Learning Center**  
**Students of Great Valley School District**  
**David's Mighty Men**  
**Students attending Owen J. Roberts Middle School**  
**Students attending West Chester Area School District**  
**David Taylor Home & Business Improvements**  
**Artworks Fine Arts & Crafts Gallery**  
**Artworks Painting, LLC**  
**Compusign & Graphics**

\*Visit [www.keystonefcu.org](http://www.keystonefcu.org) for a complete list



Avon Grove School District — *MaryAnn Maloney*

CCIU — *Richard Klinedinst*

Coatesville Area School District — *Michael DeHaut*

Downingtown Area School District — *JoAnn MacBrine*

Garnet Valley School District — *Ruth Byerly*

Great Valley School District — *Adam Search*

Interboro School District — *Michael Black*

Kennett Consolidated School District — *Sally Harne*

Octorara Area School District — *Vicky Mundy*

Owen J. Roberts School District — *Marie Robinson*

Retired Delaware Valley PSEA — *Tema Tiller*

Retired West Chester PSEA — *Jackie McCalla*

Tredyffrin-Eastown School District — *Debbie Dooling*

Twin Valley School District — *Marcia Zinkel*

### Marketing Committee

Alice M. Bryant, *Chair*

William F. Bittle, Jr.

Michelle E. Merkley

Jennifer Bachulski

Christine M. Woods

In 2008, we added commercial loans to our menu of products. We recognize that many of our members own small businesses and offering small commercial loans allows us to better meet their needs. We've also enhanced the Spanish version of our home banking website in order to meet the financial needs of another large segment of our membership. Our first-ever Shining Star contest was a huge success, receiving positive comments from many of the educators in the school districts we reach.

Finally, as we look back at 2008, we are proud of the way that the Board, Staff, and Management of Keystone Federal Credit Union kept the long-term success of the Credit Union as their focus. Their collective enthusiasm, dedication, and support is what allowed us to successfully weather 2008's financial storm and position the Credit Union so that we could all focus on our mission of providing a wide range of services in a personal and caring manner to meet members' needs in a constantly changing financial market.

Respectfully,

*Christine M. Woods*

Christine M. Woods, CCUE, CUCE

President / CEO

***"...our Credit Union's strong capital position and conservative fiscal policies have allowed us to continue our practice of providing quality financial products and services to you: our member-owners."***

## Keystone FCU Staff

Jayne Ammon, *Member Services Support Assistant*

Jennifer Bachulski, *Marketing Assistant*

Ibrahim Bakir, *Collections Specialist*

Charlotte Braxton-Ahmed, *Senior Loan Officer*

Karin Brenner, *Accounting Manager*

Stephanie Burkey, *Member Service Representative*

José Colón, *Director, Lending & Member Services*

Neal Herring, *Student Member Service Representative*

Doris Houck, *Member Service Representative*

Christine Hubley, *Student Branch Supervisor*

Charles Jackson, *Director, Information Technology*

Susan Johnson, *Member Service Representative*

Jacqueline Lafferty, *Student Member Service Representative*

Ann Mannion, *Automated Services Representative*

Karen Matish, *Member Service Representative*



## Nominating Committee Report

The Nominating Committee wishes to place the following persons in nomination for the positions and terms indicated:

### Board of Directors

Paul J. Bentley - 3 year term

C. David Foreman - 3 year term

Daniel P. Jones - 3 year term

Respectfully submitted,

*Catherine A. Terpack*

Catherine A. Terpack  
Nominating Committee Chair

### Nominating Committee

Catherine A. Terpack, *Chair*

Thomas J. Tracy, Jr.

Alice M. Bryant

# Financial Statements

# Keystone FCU Staff

## Statements of Financial Condition, 12-31-08 and 12-31-07

ASSETS	2008	2007
Loans to members, net	\$41,630,057	\$41,010,235
Cash and cash equivalents	720,290	524,369
Interest bearing accounts	20,569,198	18,368,631
Accrued interest receivable	134,579	151,623
Property and equipment, net	1,913,589	1,818,505
NCUSIF deposit	186,767	519,881
Prepaid expenses and other assets	<u>384,665</u>	<u>1,071,000</u>
	<b>\$65,539,145</b>	<b>63,464,244</b>

## LIABILITIES AND MEMBERS' EQUITY

### Liabilities:

Members' shares and savings accounts	\$59,198,961	\$56,553,032
Accounts payable and accrued expenses	<u>634,459</u>	<u>478,433</u>
<b>Total Liabilities</b>	<b>\$59,833,420</b>	<b>\$57,031,465</b>

### Commitments and contingencies:

Members' equity, retained earnings	<u>5,705,725</u>	<u>6,432,779</u>
	<b>\$65,539,145</b>	<b>\$63,464,244</b>

## Statements of Income, 12-31-08 and 12-31-07

Interest income:	2008	2007
Interest and fees on loans	\$ 3,251,613	\$ 3,287,909
Interest on interest bearing accounts	<u>494,269</u>	<u>816,390</u>
	<b>3,745,882</b>	<b>4,104,299</b>

Interest expense, dividends on members' shares and savings accounts	<u>1,288,466</u>	<u>1,363,699</u>
Net interest income	<b>2,457,416</b>	<b>2,740,600</b>
Provision for possible loan losses	<u>206,700</u>	<u>166,200</u>
Net interest income after provision for losses	<u><b>2,250,716</b></u>	<u><b>2,574,400</b></u>

### Non-interest income:

Service fees	274,209	301,649
Other	<u>262,407</u>	<u>244,432</u>
	<b><u>536,616</u></b>	<b><u>546,081</u></b>

### Non-interest expenses:

Salaries, benefits, payroll taxes	1,186,517	1,259,949
Occupancy and office expense	1,132,554	1,093,450
Other*	<u>992,893</u>	<u>352,948</u>
	<u><b>3,311,964</b></u>	<u><b>2,706,347</b></u>

Loss on Investment in CUSO	100,000	
OTTI Mid-Atlantic MCA	102,422	

Net income (loss)	<b>\$ (727,054)</b>	<b>\$ 414,134</b>
-------------------	---------------------	-------------------

Jeanne McFeely, *Branch Supervisor*

Michelle Merkley, *Director, Marketing & Business Development*

Peg Natalie, *Member Service Representative*

Connie Roop, *Human Resources Coordinator*

Kelly Rule, *Student Member Service Representative*

Christine Schmidt, *Senior Member Service Representative*

Amy Taylor, *Loan Officer*

Joyce A. Wise, *Member Service Representative*

Christine M. Woods, *President/C.E.O.*

Jo D. Worthington, *Vice President, Finance*

Michelle Valway, *Member Service Representative*

Cassandra Van Ryn, *Student Member Service Representative*

Janet Wyatt, *Loan Officer*

Emily Wylie, *Student Member Service Representative*

Doug Zimmerman, *Information Systems Operator*



## Supervisory Committee Report

The accounts and books of Keystone Federal Credit Union were audited as of December 31, 2008 by the Certified Public Accounting firm of Reinsel, Kuntz, Leshner LLP.

As required by Federal regulations, the audit was conducted according to Generally Accepted Accounting Principles under the guidance of the Supervisory Committee. These standards require that the audit be planned and performed in such a manner that reasonable assurance can be obtained that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. Also included in the audit is the assessment of accounting principles used and significant estimates made by Management, as well as internal controls and accounting procedures.

The firm of Reinsel, Kuntz, Leshner LLP has advised the Supervisory Committee that our Financial Statements are presented in accordance with Generally Accepted Accounting Principles and are free from material errors or misstatements.

The Supervisory Committee continues to work very closely with NCUA, our federal examiners, to ensure the ongoing safety and security of all phases of Internet banking.

Respectfully,

*Catherine A. Terpack*

Catherine A. Terpack  
Supervisory Committee Chair

### Supervisory Committee

Catherine A. Terpack, <i>Chair</i>	Robert P. Brendza, ESQ.
Roland C. Boyle	Dr. Pamela A. Gray

## Review Committee Report

The Loan Review Committee is board-appointed to review loan denials and written member loan appeals.

The Committee meets periodically to review applications.

The following is data covering regular loans disbursed for:

<u>2008</u>	<u>2007</u>
844 - \$13,324,647	819 - \$12,835,928

Write-offs and Recoveries against loans:

	<u>2008</u>	<u>2007</u>
<b>Write-offs</b>	\$ 213,643	\$185,932
<b>Recoveries</b>	\$ 36,131	\$ 61,392

Respectfully,

Loan Review Committee

### Loan Review Committee

Alice M. Bryant	Michael Williford
-----------------	-------------------