THE VALUE OF MEMBERSHIP
Celebrating Innovation, People, and Culture
EXECUTIVE MANAGEMENT

SHAWN GILFEDDER  
President/CEO

JOSEPH CONNERS  
Executive Vice President/CFO

MICHAEL SULLIVAN  
Executive Vice President/CIO

BOARD OF DIRECTORS

DEL JOHNSON  
Board Chair  
Director Since 2008  
Credit Union Member Since 2008

MARY A. HERZICH  
Vice Chair  
Director Since 2012  
Credit Union Member Since 1992

MARY BETH DRAKE  
Secretary  
Director Since 2008  
Credit Union Member Since 1988

SUE YOUNG  
Treasurer  
Director Since 2001  
Credit Union Member Since 1979

JOHN DERY  
Board Director  
Director Since 2011  
Credit Union Member Since 1994

PATRICK D. MAHONEY  
Board Director  
Director Since 2013  
Credit Union Member Since 2004

STEPHANIE HOOPES HALPIN, PHD  
Board Director  
Director Since 2010  
Credit Union Member Since 1983

GAIL S. MINER  
Board Director  
Director Since 1991  
Credit Union Member Since 1989

REBECCA SANT, CCP, CEBS  
Board Director  
Director Since 2005  
Credit Union Member Since 2002

TYLER G. HICKS  
Board Director  
Director Since 1962  
Credit Union Member Since 1960

MARYELLEN VALAITIS  
Board Director  
Director Since 2012  
Credit Union Member Since 2010
## FINANCIAL HIGHLIGHTS

*At or for the years ended June 30,*

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td>325,075,837</td>
<td>293,388,211</td>
<td>256,687,538</td>
</tr>
<tr>
<td><strong>LOANS, NET</strong></td>
<td>186,954,134</td>
<td>167,208,168</td>
<td>152,212,631</td>
</tr>
<tr>
<td><strong>DEPOSITS</strong></td>
<td>255,746,920</td>
<td>245,032,506</td>
<td>208,159,060</td>
</tr>
<tr>
<td><strong>NET WORTH</strong></td>
<td>41,358,143</td>
<td>40,633,357</td>
<td>36,924,598</td>
</tr>
<tr>
<td><strong>NET INTEREST INCOME</strong></td>
<td>9,401,254</td>
<td>10,012,045</td>
<td>9,108,896</td>
</tr>
<tr>
<td><strong>PROVISION FOR LOAN LOSSES</strong></td>
<td>778,230</td>
<td>1,098,899</td>
<td>446,437</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>724,781</td>
<td>1,312,815</td>
<td>648,897</td>
</tr>
<tr>
<td><strong>NET INTEREST MARGIN</strong></td>
<td>3.04%</td>
<td>3.64%</td>
<td>3.66%</td>
</tr>
<tr>
<td><strong>NON-PERFORMING ASSETS TO AVERAGE ASSETS</strong></td>
<td>0.38%</td>
<td>0.33%</td>
<td>0.18%</td>
</tr>
<tr>
<td><strong>RETURN ON AVERAGE ASSETS</strong></td>
<td>0.23%</td>
<td>0.48%</td>
<td>0.26%</td>
</tr>
<tr>
<td><strong>NET WORTH TO ASSETS</strong></td>
<td>12.72%</td>
<td>13.85%</td>
<td>14.39%</td>
</tr>
</tbody>
</table>

### Graphs

- **ASSETS**
- **LOANS**
- **DEPOSITS**
The value of membership
Celebrating innovation, people and Culture

Shawn Gilfedder
President/CEO

2013 President/CEO’s Message:

Unmatched Value During Unprecedented Times

McGraw-Hill FCU’s commitment to its members took on new meaning over the past fiscal year. Facing the unprecedented challenges of Hurricane Sandy and the changing landscape of our membership base, we stayed true to our mission of delivering financial wellness while exceeding expectations. Last year’s mantra of "We Hear You" evolved into "We’re Here for You, Now and Always." A pragmatic, caring management approach guided initiatives to assist members dealing with considerable change.

The credit union continued to garner national recognition as an elite provider of value through its Financial Wellness program as we continued to invest in our service and technology platforms. Callahan & Associates, an independent financial research firm based in Washington, D.C., ranked McGraw-Hill FCU 77 of 6,900 credit unions nationally in its Member Value Index at June 30, 2013. The index incorporates growth metrics, dividends and fees, and depth of service offerings to confirm how members are reacting to our business model, values, and financial wellness solutions.

This is all reflected in our outstanding financial performance. Our audited fiscal year, ending June 30, 2013, shows loan and deposit balances grew by $19.7 million, or 11.8%, and $10.7 million, or 4.4%, respectively over the previous year. Our total assets grew $31.7 million, or 10.8%, to reach $325.1 million as we serviced more than 20,000 members. Our commitment to deliver financial education, implement an unmatched remote services platform, and adapt to new and unforeseen challenges has us positioned for success as one of the preeminent financial institutions in the nation.

Fiscal-Year Highlights Include:

Member Value and Convenience – over 80% of active online bankers now access their accounts with one of our mobile apps.

Historic Growth for the S3 Account – our premium relationship account added 1,700 new accounts and reached $52 million in total balances.

Expanded Membership Rewards – debit and credit card rewards programs now include cash-back and additional gift card options.

Enhanced Member Services – improved our call center capabilities and invested in our phone system and infrastructure to increase service level capabilities.

Testing the Future of Payments – only institution in the nation to participate in Intuit’s Mobile Money pilot, which enabled members to make over-the-counter purchases with a virtual wallet via their iPhone.

Supporting Members in Time of Need – instituted “Operation Outreach” by visiting members at their employer to answer questions, address issues, and review options; this included our “Hurricane Relief Loan,” featuring expedited turnaround and flexible repayment plans to help restore members' lives back to normal.

Improved Account Security – strengthened online security through enhanced multifactor authentication, a state-of-the-art mechanism mitigating identity theft and fraud.
UNPRECEDEDENTED TIMES

REAL-TIME ANSWERS – introduced McClever, an online self-service resource to help answer member inquiries.

GIVING BACK TO OUR COMMUNITY – raised approximately $70,000 to support causes that strengthen financial education and literacy efforts in our communities through the VOICE Foundation.

MEMBER EDUCATION AND FINANCIAL LITERACY SERIES – surpassed 1,500 attendees, including many N.J. educators who are learning to achieve financial wellness in their personal lives as well as engage students.

ITEMS ON THE HORIZON FOR 2014:

OPTIMIZED WEBSITE – online account opening, automatic consumer loan applications and approvals, and a seamless member experience across various online and mobile channels.

ONLINE FINANCIAL WELLNESS PROGRAMS – continuing to develop and strengthen your financial experience through our wellness programs, innovative services, and dedicated employees.

ENHANCEMENTS IN REMOTE DELIVERY AND ENGAGEMENT – 55 Water Street will provide the basis for a revolutionary financial experience steeped in technology, convenience, and personalized service.

MORE CASH, EVERYWHERE – the addition of the Allpoint network will dramatically expand no-surcharge ATMs for S’ accountholders, from 30,000 to more than 75,000 nationwide.

FINANCIAL PLANNING AND INVESTING – through a newly-formed subsidiary, Lifecycle Financial Advisors, we've made it affordable for members to plan for their future irrespective of their personal net worth.

CAPITAL INVESTMENT – We are planning to make a capital investment in our infrastructure to provide greater support and deepened member engagement.

Steve Jobs said, “Let’s go invent tomorrow instead of worrying about what happened yesterday.” The leadership at McGraw-Hill FCU is implementing innovative, exhilarating ways to provide convenience and security while helping you achieve financial wellness. Our team’s desire to succeed and deliver value puts us all in a very exciting position to deliver financial wellness to you and your family in the future.

Warm regards,

[Signature]

Shawn Gilfedder
President/CEO
Remote Access Services

Enjoy the convenience of banking and paying bills when you want, where you want. Fast, easy, and secure access is closer than ever.

**NAVIGATE TO FINANCIAL WELLNESS**

McGrawHillFCU.org
Your Complete Financial Resource

Being your trusted financial partner means providing tools and resources to make sound financial decisions along your journey to financial wellness. We encourage you to visit our site and take advantage of the true value of your McGraw-Hill FCU membership.

- Gain valuable insights and resources from financial articles and online tutorials
- Find credit union branches and no-surcharge ATMs right from the homepage
- “Like” us on Facebook to comment and interact with us through our daily posts. Click the link on the homepage, or visit Facebook.com/McGrawHillFCU
- View highlights from, and register for, our free monthly Financial Literacy Series Seminar

**ONLINE BANKING AND BILL PAY**

Positive feedback and high adoption of our mobile banking platform inspires us to continue to look for innovative ways to deliver convenience and hassle-free services.

**Check out our online banking services to access, activate, and accomplish your financial goals.**

- View account balances and detailed payment history
- Make one-time scheduled or recurring transfers and payments
- Access FinanceWorks™ – an online financial management tool to help manage your spending, track expenses, and see if you’re living within your means
we hear you

apps for iphone,
droid, and ipad

The power of Online Banking at your fingertips.
- View account balances, transaction history, and pay bills
- Make mobile transfers
- Locate ATMs, branches, and shared branches
- Activate Purchase Rewards
- Contact our Member Care Team

mobile my deposit

- Snap a picture of a check and deposit it instantly
- Available 24-hours a day, 365 days a year
- Have check images emailed to you
- Receive instant confirmation of receipt

functionality available for iphone and droid

Scan the QR code to learn more about Mobile Banking.

get your app now, optimize your financial experience

available on the app store

search: “mcgraw-hill fcu”
scan:

android app on google play

search: “mcgraw-hill fcu”
scan:

once you’ve downloaded the app, access your accounts anywhere, anytime with the same credentials you use for online banking.
To Members of
McGraw-Hill Federal Credit Union

We have audited the consolidated financial statements of financial condition of McGraw-Hill Federal Credit Union and Subsidiary (the Credit Union), as of June 30, 2013 and 2012, and the related consolidated statements of income, comprehensive income (loss), members’ equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements. In our report dated August 26, 2013, we expressed an unqualified opinion on those consolidated financial statements.

To obtain a copy of the audited financials, please contact the Credit Union’s Executive Administrator at 609-426-6508.

Baltimore, Maryland
August 26, 2013
STATEMENT OF FINANCIAL CONDITION

JUNE 30, 2013 2012

ASSETS
Cash and cash equivalents $ 9,676,190 $ 13,726,402
Certificates of deposit 97,000 97,000

INVESTMENT SECURITIES
Securities available-for-sale 108,411,066 101,664,129
Federal Home Loan Bank stock 2,336,600 670,200
Loans receivable, net 186,954,134 167,208,168
Accrued interest receivable 846,464 913,267
Premises and equipment, net 5,521,950 5,728,338
NCUSIF deposit 2,268,979 1,958,266
Investment in life insurance 7,667,556 -
Prepaid expenses and other assets 1,295,898 1,422,441
TOTAL ASSETS $ 325,075,837 $ 293,388,211

LIABILITIES AND MEMBERS’ EQUITY
Members’ shares $ 255,746,920 $ 245,032,506
Accrued expenses and other liabilities 2,641,308 1,504,777
Borrowed funds 29,750,000 3,000,000
TOTAL LIABILITIES 288,138,228 249,537,283

MEMBERS’ EQUITY, SUBSTANTIALLY RESTRICTED 36,937,609 43,850,928

TOTAL LIABILITIES AND MEMBERS’ EQUITY $ 325,075,837 $ 293,388,211

Net Worth* $ 41,358,143 $ 40,633,357
Net Worth Ratio 12.72% 13.85%

*Net Worth excludes from equity unrealized, accumulated gains/losses on available-for-sale investments.
## STATEMENT OF INCOME

**YEAR ENDED JUNE 30, 2013**

### INTEREST INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on loans</td>
<td>$8,547,421</td>
<td>$8,934,583</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>2,682,466</td>
<td>3,091,569</td>
</tr>
<tr>
<td><strong>Total Interest Income</strong></td>
<td><strong>11,229,887</strong></td>
<td><strong>12,026,152</strong></td>
</tr>
</tbody>
</table>

### INTEREST EXPENSE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends on share accounts</td>
<td>1,724,835</td>
<td>1,841,077</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>103,798</td>
<td>173,030</td>
</tr>
<tr>
<td><strong>Total Interest Expense</strong></td>
<td><strong>1,828,633</strong></td>
<td><strong>2,014,107</strong></td>
</tr>
</tbody>
</table>

### PROVISION FOR LOAN LOSSES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Provision for Loan Losses</strong></td>
<td><strong>778,230</strong></td>
<td><strong>1,098,899</strong></td>
</tr>
</tbody>
</table>

### NET INTEREST INCOME, AFTER PROVISION FOR LOAN LOSSES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Non-Interest Income</strong></td>
<td><strong>3,616,917</strong></td>
<td><strong>2,376,598</strong></td>
</tr>
</tbody>
</table>

### NON-INTEREST INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees and other income</td>
<td>1,647,490</td>
<td>1,370,478</td>
</tr>
<tr>
<td>Gain on sale of investments</td>
<td>1,969,427</td>
<td>1,006,120</td>
</tr>
<tr>
<td><strong>Total Non-Interest Income</strong></td>
<td><strong>3,616,917</strong></td>
<td><strong>2,376,598</strong></td>
</tr>
</tbody>
</table>

### NON-INTEREST EXPENSE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation &amp; benefits</td>
<td>4,836,004</td>
<td>4,104,939</td>
</tr>
<tr>
<td>Office operations</td>
<td>1,698,105</td>
<td>1,378,509</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1,199,292</td>
<td>982,112</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1,159,074</td>
<td>1,216,382</td>
</tr>
<tr>
<td>Loan servicing</td>
<td>1,037,735</td>
<td>853,964</td>
</tr>
<tr>
<td>Other expense</td>
<td>705,147</td>
<td>377,990</td>
</tr>
<tr>
<td>Marketing</td>
<td>677,001</td>
<td>766,034</td>
</tr>
<tr>
<td>Corporate stabilization assessments</td>
<td>202,802</td>
<td>296,999</td>
</tr>
<tr>
<td><strong>Total Non-Interest Expense</strong></td>
<td><strong>11,515,160</strong></td>
<td><strong>9,976,929</strong></td>
</tr>
</tbody>
</table>

### NET INCOME (LOSS)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount 2013</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Net Income</strong></td>
<td><strong>$724,781</strong></td>
<td><strong>$1,312,815</strong></td>
</tr>
</tbody>
</table>
We’re Here for You, Now and Always. Celebrating Our People.

Each day, a dedicated team of experts works tirelessly to ensure our members have what they need, when they need it. Ensuring Financial Wellness is our top priority.

Lou Bakacs
Accounting Specialist
“The work that I do each day is done with the ultimate goal of helping our members achieve financial wellness. With this diligent focus and teamwork with my colleagues, we’re able to provide members with some of the best tools available to achieve their financial objectives.”

Cindy Burke
Vice President of Human Resources
“The Human Resources Department promotes a culture that instills an environment of personal and team development. This creates strategic core competencies through innovative thinking coupled with education and accountability moving the credit union closer to our goals. These core competencies will lead to a competitive advantage and employee enrichment, ultimately improving the member experience.”

Annmarie MacDonald
Marketing Research Specialist
“I communicate the value of our loan and deposit products via clear and thoughtful channels. Touting our products, services, and constantly evolving mobile suite to our members helps them become more empowered consumers. This enables them to make smarter financial decisions and achieve financial wellness.”

Marlene Reynoso
Teller and Remote Services Specialist
“As a representative of McGraw-Hill FCU, I ensure every member is treated with integrity, respect, and of the utmost priority. By doing what’s right for the member, I establish a deep bond and a high level of trust between members and the organization. This creates a more engaged member and greater opportunity to expand our relationships.”

Katherine Hoagland
Mortgage Processing Manager
“Integrity and accountability are two of the most important values that I follow here at McGraw-Hill Federal Credit Union. The First Mortgage process can be challenging to an inexperienced borrower and can often lead to frustration and miscommunication if you do not have a true “friend” to guide you through the process. Because of the values MHFCU has instilled in us, it is so rewarding during the final steps of a lengthy process to watch our members achieve financial wellness.”

Ajaiah Roulette
Assistant Vice President, Information Systems and Technology
“As technology continues to evolve, our members expect a high level of service and accessibility. My role in the organization is to ensure that our membership has access to the financial information they need, when they need it, and in the most secure manner possible. My primary goal is to move the mission of the organization forward by helping provide innovative and secure solutions for our membership.”

Matt Barbell
Member Advantage Consultant
“My position at MHFCU gives me the opportunity to develop and grow trusted relationships with our members and corporate partners. I have the privilege of engaging these groups by offering industry-leading services to help them reach their financial goals. Our enhanced financial literacy and educational offerings allow me to assist our members in achieving financial wellness.”