

Your community. *Your* credit union.

2008
Annual Report





We're celebrating 60 years! We don't mind admitting it; in fact we're thrilled at how much we've "grown up." Today we're able to afford members and their families a wide range of high quality financial solutions with ever-increasing convenience. Years of commitment to excellence and dedication to you have allowed us to continue to get bigger and better, and we don't plan on letting up any time soon. We intend to continue improving and expanding our services to better meet the needs of our members for years to come. After all, our members are a big part in our success, trusting us with their financial dreams for the past 60 years. To commemorate this milestone, we will be offering special deals to our valuable members all year long and giving back to the community that we've called home for 60 proud years!

Your Credit Union

5

Your CU Services

6

Your CU Volunteers

8

Your CU Staff

10

Community Involvement

13

Credit Union Financials

14



Your Credit Union

Our Vision

Lancaster Red Rose Credit Union is a member owned, member operated, not for profit financial institution created to support the financial well being of all members. Our goals are to provide reliable, timely service to our members and to promote growth through community outreach and education.

Our Roots

Established in 1948 to serve employees of RCA-Lancaster, Lancaster Red Rose Credit Union is a member-owned, financial cooperative that operates in Lancaster, Pennsylvania. We have more than 5,000 members – served by two offices in Lancaster County.

Celebrating 60 years in operation, our services have grown to keep pace with the ever-growing needs of our members and their families. Today, Lancaster Red Rose Credit Union serves approximately 70 employers, as well as anyone living in Lancaster County in Pennsylvania.

Our People

The owners of our Credit Union are the very same individuals who save and borrow money here. People like you. Each member has a democratic vote in electing the Board of Directors – the group that's ultimately responsible for setting forth the policies of the credit union to the satisfaction of our membership.

Our members collectively have a vital say in making important decisions, as well as our Credit Union's direction. We're always open to listening to what our members have to say.

Perhaps you've heard the phrase, "the credit union difference." At Lancaster Red Rose Credit Union, you'll see that difference in our money-saving rates, in our time-saving services, and in our warm, caring smiles.

Being a Member

When you join LRRCU, you join people who are working towards a secure, rewarding future.

You'll keep your money in the same place as thousands of other hard-working individuals who enjoy great rates, benefit from fewer fees, and appreciate doing business with people they can truly trust.

Your CU Services

Savings

From your first college checking account, to the money you'll use to travel once you retire, Lancaster Red Rose Credit Union can help you with the financial services you need.

Share Savings

A Share Savings account at LRRCU allows members to not only make saving a priority but access to all the services LRRCU has to offer. With tiered dividend rates, the more you save, the more you earn.

Checking

A LRRCU Checking account combines a host of features into one, complete account. For most people, it's the only checking account they'll ever need.

CU Grow Money Market Accounts

New for Summer 2008

Looking for a higher interest rate on your savings? Look no further. The CU Grow Money Market Account offers higher dividends without losing accessibility to your funds.

Share Certificates

Share Certificates provide investment flexibility, high earnings and the advantage of a fixed rate for the term you choose.

IRAs

IRAs are one of the best savings tools available today and with possible tax advantages who could resist.

Savings Clubs & Specialty Accounts

LRRCU club accounts offer a variety of options to help save for that something special and we also offer specialty accounts ranging from Custodial to Living Trust.

Youth Accounts

Learning to save and manage money is important. Thanks to LRRCU's CU Succeed and Kirby Kangaroo Club, it can be fun too. It's the perfect way to teach your kids the value of saving money on a regular basis.

Mature Advantage

For members over the age of 50 there are great benefits to be had. We'll even throw in a higher interest rate on your checking account for good measure.

Business Accounts

LRRCU business accounts offer the same great benefits of our personal accounts. We won't charge you more just because you're a business.

Your CU Services

Loans

With our line of innovative loan products, we can help make your dreams a reality. LRRCU members enjoy excellent rates and even better customer service on every type of loan we offer.

Signature Loans

Convenient for the unexpected or even the expected, LRRCU personal loans offer flexible choices to meet most budgets.

Vehicle Loans

Whether it's two wheels, four wheels, or no wheels, chances are you'll find a LRRCU vehicle loan for however you roll.

First Mortgages

New for Fall 2008

It's the American dream and now LRRCU can help make it happen.

Prime Rewards Home Equity Loans

Treat your home like the asset that it is; use it for anything from vacations, major purchases, and unexpected expenses, to bill consolidation and more.

Student Loans

It's a big step with a big price tag. But relax, we're here to help. With affordable student loans and reliable student credit cards, LRRCU is your first step towards that degree.

LRRCU MasterCard® Credit Cards

With no annual fees and ScoreCard rewards, you can dine, shop and travel the world with the convenience of a MasterCard® credit card from LRRCU.

Your CU Services @ LRRCU.org

There's nothing we love more than to see your smiling face in one of our offices. But when you don't have time to visit us in person, you can visit us online. Check your balance, view transaction records, transfer money between accounts, pay bills, apply for loans and communicate with Lancaster Red Rose Credit Union via e-mail – all at your convenience, 24/7.

Chairman's Report

In 2007 the Board of Directors, Supervisory Committee, and the Staff of LRRCU focused their attention to assessing and directing all our efforts to a common goal – “provide the best financial services and customer care to all the members of LRRCU.” I am proud to acknowledge that we have accomplished our goal and will strive to maintain that commitment for all the current and future generations of LRRCU.

2007 was quite a year. In March of 2007, we stood before you and asked permission to seek Community Charter status. As a result of the unanimous vote of acceptance, we applied for state approval. On May 23, 2007, we were granted PA Banking approval for Community Charter. This approval has provided endless opportunities that will be shared by our credit union community.

Review of 2007: The staff at both the main office and the Lancaster Country Courthouse did a tremendous job servicing our members during 2007. Their dedication, enthusiasm and commitment are indicative of true credit union character and spirit. Reviewing the short-term goals established in 2006 for 2007, I am proud to say that a majority of those goals were met to the satisfaction of the Board of Directors. Those goals were: 1) Community Charter – PA Banking approval for Community Charter was granted on May 23, 2007; 2) Increase earnings – the ROA (return on assets) – goal of 0.23 by 10/31/07; actual 0.30 by 10/31/07; 3) Increase membership to 6,000 by 10/31/07 – result 5669 (short of goal). All other procedural and operational goals also met the satisfaction of the Board.

Goals for 2008: On Saturday, October 27, 2007, LRRCU had its “Annual Planning Seminar.” Five goals were established for the 2008 business year. In brief, the key elements of the established goals are: 1) Offer a money market program by March 31, 2008; 2) Run a short-term CD promotion by January 1, 2008; 3) Schedule two annual joint meetings with Board and Staff; 4) Increase marketing budget and present marketing plan to Board of Directors by March 31, 2008; 5) Submit and enhance on-line services plan by June 30, 2008 and plan to include on-line account opening and electronic deposits. The Board of Directors, Supervisory Committee and Management Staff are committed to conducting monthly reviews to assess each goal from progression to completion.

As always, the future of LRRCU is every member's responsibility. The Board of Directors, Supervisory Committee and Staff are committed to servicing each and every member's needs. As Chairman of the Board, I personally urge our membership to utilize all the products and services provided by LRRCU. In closing, I want to thank each and every one of you for your continued support. The Board of Directors, Supervisory Committee and Staff are continually trying to improve our products and services. Please remember this is your Credit Union. Your input is essential to our future success.

Sincerely,



C. Michael Wetzel, Chariman

Your CU Volunteers

Board of Directors

The Board of Directors, made up entirely of LRRCU members, exists to establish policies and maintain the general direction and control of the Credit Union for the benefit of all our members.

C. Michael Wetzel,
Board of Directors Chairperson
Ernie Doerschuk, *Secretary*
Dale Hertzog, *Director*
Charlene F. Kachnoskie, *Treasurer*

Lois Murse, *Director*
Mary Jane Nagle, *Director*
James T. O'Brien, *Vice Chair*
Tracey Rebeck, *Director*
Jay Toms, *Director*

Supervisory Committee

The Supervisory Committee was formed to safeguard the interests and assets of all members of the Credit Union by conducting reviews, annual audits, investigations and evaluations.

Eric J Heiser,
Supervisory Committee Chairperson
Lynn Hershey, *Member*

Mike Lafferty, *Member*
Norm Smith, *Member*

Supervisory Committee Report

On September 19, 2007, Padden, Guerrini & Associates, at the request of the Supervisory Committee, performed our Supervisory Committee examination. The examination consisted of reviewing the financial condition of our Credit Union and the accounts of record for the time period of July 31, 2006 – July 31, 2007.

The examination was performed in accordance with generally accepted accounting principles (GAAP). These standards require that the examination is conducted to obtain reasonable assurance that financial statements are free of material misstatement.

It is the opinion of the Supervisory Committee that the Lancaster Red Rose Credit Union as of July 31, 2007, and the results of its operations and cash flows for the year ended, is in conformity with generally accepted accounting principles.

Sincerely,

Eric J. Heiser

Eric J. Heiser,
Supervisory Committee Chairperson

CEO's Report

"2007"...What can we say that you don't already know? Rates are up... no - wait - now they are down. While most banks in our area raised CD rates and ran high rate / short-term specials to attract new deposits... Lancaster Red Rose Credit Union waited out the storm of rate chasers coming and going. We offered competitive rates but not overly high - because of this we lost deposits. Allowing deposits to leave LRRCU was a conscious decision made by management; paying rates higher than our income was not a strategy we felt best served all of our members. Today's rates are very competitive and members are maintaining and even raising their amount on deposit at LRRCU.


Obtaining a community charter for all of Lancaster County was our best accomplishment in 2007. We now offer services to anyone living, worshipping, working and attending school in Lancaster County; AND we are growing because of it. The overall number of members remains stagnant but member usage of our services is constantly increasing. In January 2008 we received over 10,000 hits on our website; WWW.LRRCU.ORG.

LRRCU Management continues their dedication and commitment to provide financial services to our community. During this upcoming year we will be looking at several new services being requested by members: Money Market Accounts; First Mortgage Program; Personal Line of Credit; and Enhanced Online Services. Also during 2008 our staff and volunteers will be participating in many community events such as: Walk for MS; Relay for Life; Lancaster CROP Walk for Hunger; United Way Day of Caring; Stars Behind Bars; and many more... There are plenty of openings on "Team Red Rose"! Will you consider joining our team?

LRRCU embraces an opportunity of growth during 2008. Our main concentration will be increasing loans, income and overall community awareness of our credit union. Public advertising, direct mail postcards, and community outreach are part of our strategic business plan. All activities will adhere to the mission of Lancaster Red Rose Credit Union:

"Lancaster Red Rose Credit Union is a member owned, member operated, not-for-profit financial institution created to support the financial well-being of ALL members. Our goals are to provide RELIABLE, TIMELY service to our members and to provide growth through COMMUNITY OUTREACH and EDUCATION!"

Sincerely,



Abby R. Achey,
Chief Executive Officer

Your CU Staff



Abby R. Achey, Chief Executive Officer

Justine Bollinger, Member Service Rep

Latesha Boots, Member Service Rep

Selena Caplinger, Marketing Officer

Wanda Carroll, Lead Teller

Amy Dura, Member Service Officer

Robert J. Erb, Chief Financial Officer

Lynn Foley, Membership Officer & Head Teller

David Kilby, Member Service Officer

Judy Kirchner, Assistant Branch Manager

Norm McMillan, Teller

Liz O'Brien, Member Service Rep

Addy Perales, Member Service Officer/Branch Manager

Albert J. Segro, Chief Security Officer

Nicole Smith, Member Service Officer

Milta Vega, Teller

Caryl E. Wade, Chief Operations Officer



Community Involvement

“...to promote growth through community outreach and education.”

Lancaster Red Rose Credit Union has been a part of the Lancaster community for 60 years and 2008 is our year to make it known.

Working towards positive and lasting impressions in the Lancaster community, financial literacy initiatives for 2008 include seminars for LRRCU members as well as participants of the Clare House of Lancaster and access for all members to the Thrive By Five program through CUNA.

Lancaster Red Rose Credit Union will be out and about in the community this year at local events throughout the county like the Puerto Rican Festival in Lancaster.

Staff and members alike can take part on our teams for upcoming events like the MS Walk, American Cancer Society's Relay for Life and the Lancaster CROP Walk.

Lancaster Red Rose Credit Union is proud to be taking an active role in the community we've called home for 60 years!

Your Community. *Your* Credit Union.

Treasurer's Report

Assets:

The balance in assets at the end of 2007 was \$42,736,028 which is a decrease of \$1,641,695 under the asset balance at the end of 2006. The cash flow resulted in overnight investments equal to \$1,724,932 and a decrease in government securities equal to \$1,749,036. Net loans increased by \$1,236,854.

Shares:

Share balances decreased by \$1,925,659 during 2007. Very competitive Certificate of Deposit rates have prompted some members to invest outside of the credit union.

Equity:

Reserve balances increased by \$324,764. Our capital ratio remains strong at 11.66%.

Gross Income:

Gross income from 2007 was \$2,547,575 which was \$119,624 more than last year. The increase came from increases in loan income and fees and charges.

Expenses:

Operating expenses were slightly lower in 2007 versus 2006 (-\$48,213). The decrease resulted from stronger collection efforts and less loan loss.

Dividends:

The Credit Union returned to our shareholders \$975,986 in dividends or 89.72% of our net earnings. This represents a 10% decrease in percentage of earnings returned to shareholders.

Sincerely,



Charlene Kachnoskie, Treasurer

Five Year Trend Highlights

	Dec. 2007	Dec. 2006	Dec. 2005	Dec. 2004	Dec. 2003
Capital Ratio	11.66%	10.50%	10.62%	10.85%	9.78%
Operating Expense	57.31%	62.12%	54.88%	59.89%	54.84%
Loan/Share Ratio	42.01	36.91%	30.35%	29.49%	26.82%
Delinquent Loans	0.90%	2.04%	2.28%	3.05%	2.60%
Loan Balances	\$15,837,819	\$14,624,263	\$12,145,819	\$11,881,809	\$11,422,466
Members	5676	5725	5719	5688	5688
Total Shares	\$37,699,977	\$39,625,636	\$40,016,979	\$40,285,144	\$42,581,942
Total Investments	\$23,564,869	\$25,313,905	\$27,433,084	\$30,324,855	\$32,918,193
Total Assets	\$42,736,028	\$44,377,723	\$44,925,126	\$45,279,500	\$47,265,993

Credit Union Financials

for the Year Ending December 31, 2007

Statement of Financial Condition

ASSETS

Cash	\$209,432
Investments	\$25,289,801
Loans to Members (Net All)	\$15,768,539
Property and Equipment	\$602,401
NCUA Insurance Deposit Fund	\$383,924
Other Assets	\$481,931

Total Assets \$42,736,028

LIABILITIES

Member Shares	\$37,699,977
Payables	\$53,359

Total Liabilities \$37,753,336

EQUITY

Reserve and Undivided Earnings	\$4,982,692
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**Total Equity
and Liabilities** \$42,736,028

Statement of Income

OPERATING INCOME

Interest Income	\$1,112,780
Investment Income	\$1,168,962
Misc. Operating Income	\$265,832

Total Income \$2,547,575

INTEREST EXPENSES

Dividends Paid	\$975,896
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OPERATING EXPENSES

Salaries and Benefits	\$678,930
Occupancy Expenses	\$130,495
Other Operating Expenses	\$650,485

Total Expenses \$2,435,805

Net Income \$111,770

Statement of Undivided Earnings

Balance, December 31, 2006	\$3,499,661
Net Change in Investment Market Value	\$212,564
Net Income	\$111,770

Balance, December 31, 2007 \$3,823,995



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