

GPO FEDERAL CREDIT UNION: ANNUAL REPORT 2018

BOARD OF DIRECTORS REPORT

Dear GPO members,

Staying relevant and competitive in the financial industry is sometimes easier said than done. Consumers have many options. There are banks, online lenders, remote banking options and other entities vying for market share. During the last 20 years, trends to merge smaller institutions into bigger regional or national institutions happened quite regularly – and this trend is still happening.

At GPO Federal Credit Union we are proud of our niche in the marketplace. We've been meeting the needs of our members for 87 years. The credit union has grown to serve a membership of 31,000 – but the bonds of membership are changing. GPO no longer serves just employees of affiliated businesses. Our membership is diverse. Members come from the community; or they are related to existing members; or they are people looking for a place to “bank” locally because they believe in supporting the local economy.

The ways in which we deliver our products and services are changing too. Many of our members never visit a branch. To better serve our members, we spent much of 2018 seeking out the best ways in which we can deliver on our mission statement, which is “our focus is you.” We've invested in technology like online banking which has been enhanced to allow members the option of applying and getting near-instant decisions on loan applications. We've added a centralized contact center so members can reach out to GPO and get questions answered by staff experts. And, there's more to come. There will be many new technology enhancements taking place in 2019 – from additional security measures to giving members the ability to do more online.

While technology is an important way to make sure GPO is keeping pace with member needs, we always want to be sure we are delivering on other things our members value. Back in the early days of the Twentieth Century, credit unions were founded to give members low-cost access to financial services. In 2018, credit unions nationally saved members more than \$12 billion in interest payments, according to the Credit Union National Association. Annually at GPO, we keep track of how much we save our members – and it is consistently more than \$1 million each year. That's a really big number. GPO staff members constantly look for ways to help members save – maybe by refinancing high-rate loans, saving money on fees and service charges, or educating members on budgeting and on making smart financial decisions. In fact, GPO won the prestigious Dora Maxwell Award for New York State by delivering financial literacy programming to members and non-members alike. GPO was also recognized by Owners Choice Funding as the Partner of the Year because of our supportiveness, commitment, integrity and passion in helping our home-buying members secure mortgage funding.

While the way in which we serve members continues to evolve, all of us at GPO are committed to our membership by delivering on our promises and being the best possible choice for members when it comes to financial products and services.

Respectfully submitted,

Leo Callari • Chairman, Board of Directors

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Nicholas Mayhew • President and Chief Executive Officer

Dewey Rowlands • Vice Chairman

Frank Mazza • Secretary

John Prumo • Director

Patsy Canarelli • Director

Andrea LaGatta • Director

Patrick Buckley • Director

Mitch Amado • Director

STATEMENT OF CONDITIONS • DECEMBER 31, 2018

ASSETS

Loans	\$173,687,399
Allowance for Loan Loss.....	-\$4,494,021
Cash.....	\$4,307,622
Investments	\$86,614,874
Fixed Assets	\$6,029,653
Prepaid/Receivables	\$5,996,292
NCUSIF	\$2,415,804
Total.....	\$274,557,622

LIABILITIES AND EQUITY

Accounts Payable.....	\$2,491,353
Share Savings.....	\$87,413,401
Share Draft Checking	\$46,099,237
Money Market Accounts	\$55,555,159
Certificates	\$50,740,837
Other Savings	\$6,049,223
Reserves/Undivided Earnings	\$26,208,412
Total.....	\$274,557,622

STATEMENT OF INCOME

Interest on Loans.....	\$8,718,798
Investment Income	\$1,758,792
Other Operating Income.....	\$6,272,478
Total.....	\$16,750,068

DISTRIBUTION OF INCOME

Compensation.....	\$3,765,681
Employee Benefits	\$925,960
Office Occupancy.....	\$602,393
Operational Expense	\$2,233,246
Education & Promotion	\$305,549
Loan Servicing.....	\$1,182,591
Provision for Loan Loss	\$3,405,000
Professional Services	\$201,621
Other Expenses	\$273,859
Total Expenses	\$12,895,900
Dividends Paid	\$1,175,995
Increase To Equity	\$2,678,172
Total Distribution of Income	\$16,750,068

FINANCIAL NOTES

Contingency Commitments For All Loans	\$51,930,002
Business Loans/Participations	\$11,101,612
Fair Value of Securities Held to Maturity.....	\$29,979,022

KEY OPERATING HIGHLIGHTS

	2018	2017	Change	GPO Growth	Peer Group Growth
Assets	\$274,557,622	\$255,457,027	\$19,100,595	7.48%	4.09%
Shares	\$245,857,857	\$228,720,982	\$17,136,875	7.49%	3.78%
Loans	\$173,687,399	\$164,591,555	\$9,095,844	5.53%	8.54%
Members	31,554	30,362	1,192	3.93%	3.12%
Reserves	\$26,208,412	\$23,530,240	\$2,678,172	11.38%	7.29%

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is appointed by the Board of Directors to represent GPO members. In this capacity, the committee attends board meetings, meets with our Federal regulatory examiners from the National Credit Union Administration, conducts internal audits, reviews internal controls and hires an independent firm to conduct regular audits of the credit union.

The Supervisory Committee, in conjunction with our internal auditor, completed a comprehensive scope and review of the credit union's operations. No major areas of concern were found. The annual NCUA exam was conducted and no significant findings were noted as presented to the Supervisory Committee.

In addition, our 2018 independent CPA audit was performed. The findings indicated that GPO's financial statements are presented fairly and in all material respects, the financial position of the credit union and its operations are in conformity and are within generally accepted accounting principles.

We appreciate the opportunity to be of service to GPO members and commend management, staff and the Board of Directors for a job well done.

Respectfully submitted,

GPO's Supervisory Committee: Patrick Buckley, Allan Cornell and Mitch Amado