

## **GPO FEDERAL CREDIT UNION: ANNUAL REPORT 2016**

### **BOARD OF DIRECTORS REPORT**

Dear GPO members,

As we prepare GPO Federal Credit Union's 86th annual report, it has given us time to pause and reflect on all that has been accomplished and as we look ahead, all that we want to accomplish.

The way people manage money has changed so much – and really so quickly. Gone, for the most part, are traditional paychecks that members would bring into the credit union to deposit or cash. While members still come into our branches, more people are opting to use technology to help them manage their finances – whether it be direct deposit, mobile banking, remote deposit capture, electronic bill-pay or use of other innovations.

Every Fall when our board gathers for GPO's strategic planning session, we look ahead to project what technologies our members will want to embrace and we review what traditional banking services members want us to keep. We try to keep in the forefront items that are important to all of us – convenience, value, pricing, and service. We recognize that if we can deliver on these items, our members will continue to make GPO their financial headquarters.

When it comes to convenience, we've made it a point to place branches where our members work or live. We want to make it easy to reach a real person because we know face-to-face discussions matter – especially when it's time to make a big purchase like a car, a home or funding for a child's education or retirement. When out of the Central New York area, we make it convenient for you to access your money through our network of 30,000 fee-free ATMs. With online and mobile options, GPO is never more than a few clicks or taps away – 24 hours a day, seven days a week.

To us, value means we're delivering products and services that enhance your life and your financial well-being. You may already appreciate the fact that GPO has fewer fees and charges than most institutions. We don't charge unnecessary fees to bring you products that only have "perceived" benefits. We try to keep things "real" and offer members products that truly bring a benefit.

Pricing is important too! We all live on a budget and every dollar matters. We don't believe in charging excessive fees. Annually, we survey other banks and credit unions in the region and we make it a point to keep our fees and charges among the lowest – because we don't ever want to take advantage of our members. When it comes to rates, we make sure our loan rates are competitive, if not the lowest. Every year, we offer loan sales to bring our members real savings on interest payments and to give them opportunities to refinance high-rate loans from other institutions. For our members who want to earn the best rate on their deposits, we regularly offer term share certificate specials with terms and rates that are hard to beat.

Finally, we focus on service. Staff work to build long-term relationships with our members – so we know each and every time a member visits a branch or calls, we need to be there with helpful solutions to earn our members' trust and commitment. At GPO, we work hard to deliver quality service that our members deserve. While technologies may change, the value you place on service never will.

**(Board of Directors report continued on Page 2)**

On the reverse side is a snapshot of GPO's financial performance from 2016. We have out-paced both banks and credit unions in most categories. GPO has seen great growth in new members who have joined our credit union family and in the share and loan growth categories. This means that more Central New Yorkers realize the convenience, value, pricing and service that GPO offers its members.

As we look ahead to 2017 and beyond, GPO management and staff will continue to seek out the innovative technologies that enhance our members' ability to connect with GPO. We'll always look to help members save money on interest payments. And, we will be here – in person – to share in our members' most amazing and most challenging moments.

Thank you for making GPO your financial institution. We appreciate your membership.

Respectfully submitted,

**Leo Callari** • Chairman, Board of Directors

**Nicholas Mayhew** • President and Chief Executive Officer

**Dewey Rowlands** • Vice Chairman

**Frank Mazza** • Secretary

**John Prumo** • Director

**Patsy Canarelli** • Director

**James Humphrey** • Director

**Patrick Buckley** • Director

**Mitch Amado** • Director

## STATEMENT OF CONDITIONS • DECEMBER 31, 2016

### ASSETS

Loans .....	\$159,259,704
Allowance for Loan Loss.....	-\$6,857,391
Cash.....	\$5,540,522
Investments .....	\$68,051,269
Fixed Assets .....	\$5,817,004
Prepaid/Receivables .....	\$5,976,625
NCUSIF .....	\$2,133,316
<b>Total.....</b>	<b>\$239,921,050</b>

### LIABILITIES AND EQUITY

Accounts Payable.....	\$2,863,899
Share Savings.....	\$68,973,338
Share Draft Checking .....	\$37,580,212
Money Market Accounts .....	\$52,644,197
Certificates .....	\$50,364,528
Other Savings .....	\$4,888,794
Reserves/Undivided Earnings .....	\$22,606,081
<b>Total.....</b>	<b>\$239,921,050</b>

### STATEMENT OF INCOME

Interest on Loans.....	\$7,524,742
Investment Income .....	\$1,049,891
Other Operating Income.....	\$5,056,980
<b>Total.....</b>	<b>\$13,631,613</b>

### DISTRIBUTION OF INCOME

Compensation.....	\$3,288,416
Employee Benefits .....	\$753,289
Office Occupancy.....	\$526,692
Operational Expense .....	\$1,918,980
Education & Promotion .....	\$263,404
Loan Servicing.....	\$1,082,549
Provision for Loan Loss .....	\$4,200,000
Professional Services .....	\$252,383
Other Expenses .....	\$239,825
<b>Total Expenses .....</b>	<b>\$12,525,538</b>
Dividends Paid .....	\$949,762
Increase To Equity .....	\$156,313
<b>Total Distribution of Income .....</b>	<b>\$13,631,613</b>

### FINANCIAL NOTES

Contingency Commitments For All Loans .....	\$41,227,888
Business Loans/Participations .....	\$20,309,716
Fair Value of Securities Held to Maturity.....	\$15,672,831

## KEY OPERATING HIGHLIGHTS

	2016	2015	Change	GPO Growth	Peer Group Growth
<b>Assets</b>	\$239,921,050	\$227,063,771	\$12,857,279	5.66%	5.63%
<b>Shares</b>	\$214,451,069	\$202,687,146	\$11,763,923	5.80%	5.61%
<b>Loans</b>	\$159,259,704	\$146,120,764	\$13,138,940	8.99%	8.48%
<b>Members</b>	29,180	27,658	1,522	5.50%	2.24%
<b>Reserves</b>	\$22,606,081	\$22,449,769	\$156,313	0.70%	5.55%

## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is appointed by the Board of Directors to represent GPO members. As your representative, the committee attends Board meetings, meets with our Federal regulatory examiners, conducts internal audits, reviews internal controls and hires an independent firm to conduct an audit of the credit union.

The Supervisory Committee, in conjunction with our internal auditor, completed a comprehensive scope and review of the credit union's operation. No major areas of concern were found.

In addition, our 2016 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: James Humphrey, Allan Cornell and JP Kidwell