

## **GPO FEDERAL CREDIT UNION: ANNUAL REPORT 2017**

### **BOARD OF DIRECTORS REPORT**

Dear GPO members,

At the conclusion of GPO Federal Credit Union's 86th year of serving an ever-growing membership, there is so much credit union news to share.

First, in 2017, the credit union hit a new milestone – we now have more than 30,000 members! That's 30,000 residents of the Mohawk Valley – including many of your own family members and friends. When GPO was originally founded, it was to serve postal workers in Utica. From there, our field of membership expanded to include most municipalities in Oneida County, all of Herkimer County and portions of Madison County. We are also proud to be the credit union of choice for more than 100 sponsor employer groups. This means that more area residents have access to GPO's products and services.

Being the credit union for tens of thousands of members, means we have to be responsive to the needs of many. As you can imagine, those needs vary – whether it be a child opening a first-ever savings account or a young couple purchasing their first-ever home – we are here to help.

In 2017, the board of directors projected the future needs of our membership and management made strides to ensure those needs are met. For example, after nearly a year of development, testing and training, we are ready to roll out two exciting new services for members that will bring them the latest in time-saving technology.

The first new service is DocuSign – a convenient way for members to remotely and securely provide a signature upon request. This means members can initiate requests for address changes, stop payments and more without making a trip to the credit union. The second, is online lending. Members will be able to apply for loans online and receive rapid approvals. This will speed up the lending process and help members know how much they are qualified to borrow.

Another member-focused benefit that we will be rolling out in mid-2018 is our new contact center. We recognize that even with technology that allows members credit union access 24/7, there is still a need for one-on-one conversations. That's why we are establishing a contact center that will give members direct access to credit union employees who will be able to answer questions, take loan applications and help members with account questions.

In the heavily-regulated and ever-changing world of financial services, our board recognizes the value of staff education. In 2017, we provided hundreds of hours of staff training to both those on the front-line and those in the back office. Investing in our employees has a direct effect on their ability to deliver quality service to our membership. Every time a member comes into a GPO branch or makes contact over the phone or online, rest assured that the information and answers we provide are accurate – and if we don't have an answer immediately, we will get our members a prompt response. So even though we have invested heavily in technology, we recognize that there is no substitute for having a real person be there. You can count on our staff to help you with your financial questions and concerns.

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

Finally, to be a viable and competitive credit union, we have to ensure that our financial picture is sound. On the reverse side is a snapshot of GPO's financial performance from 2017. We have effectively and efficiently met the needs of our membership while delivering on our board's financial expectations. In 2017, assets grew by more than \$15 million. While this is significant growth, we like to see how we stack up to our peer credit unions. As has been the case in the past, GPO once again has out-paced peers in most categories. Our regular audits and examinations have indicated sound practices and positive results.

In addition to the technology soon to be rolled out, there is much to expect from GPO in 2018. We continue to deliver financial literacy programming to youth, refugees and employees from many area businesses. Our staff devotes countless hours to volunteering with local charities and organizations in an effort to improve the quality of life in the Mohawk Valley. We have several loan promotions in the works designed to save members money on interest payments – and to help them improve their credit scores, which will have long-lasting impacts. If there's something that would improve your financial well-being – let us know. As a locally-based credit union – we are here for our membership!

As always, 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, 2017

### ASSETS

Loans .....	\$164,591,555
Allowance for Loan Loss.....	-\$3,404,782
Cash.....	\$4,900,740
Investments .....	\$75,624,576
Fixed Assets .....	\$5,949,458
Prepaid/Receivables .....	\$5,529,958
NCUSIF .....	\$2,265,522
<b>Total.....</b>	<b>\$255,457,027</b>

### LIABILITIES AND EQUITY

Accounts Payable.....	\$3,205,804
Share Savings.....	\$77,890,357
Share Draft Checking .....	\$40,904,344
Money Market Accounts .....	\$55,896,143
Certificates .....	\$48,337,940
Other Savings .....	\$5,692,199
Reserves/Undivided Earnings .....	\$23,530,240
<b>Total.....</b>	<b>\$255,457,027</b>

### STATEMENT OF INCOME

Interest on Loans.....	\$8,005,030
Investment Income .....	\$1,286,257
Other Operating Income.....	\$5,508,374
<b>Total.....</b>	<b>\$14,799,661</b>

### DISTRIBUTION OF INCOME

Compensation.....	\$3,406,558
Employee Benefits .....	\$847,549
Office Occupancy.....	\$561,206
Operational Expense .....	\$2,011,528
Education & Promotion .....	\$275,451
Loan Servicing.....	\$1,164,378
Provision for Loan Loss .....	\$4,120,000
Professional Services .....	\$258,342
Other Expenses .....	\$262,575
<b>Total Expenses .....</b>	<b>\$12,907,587</b>
Dividends Paid .....	\$967,915
Increase To Equity .....	\$924,159
<b>Total Distribution of Income .....</b>	<b>\$14,799,661</b>

### FINANCIAL NOTES

Contingency Commitments For All Loans .....	\$46,529,750
Business Loans/Participations .....	\$13,309,438
Fair Value of Securities Held to Maturity.....	\$24,394,202

## KEY OPERATING HIGHLIGHTS

	2017	2016	Change	GPO Growth	Peer Group Growth
<b>Assets</b>	\$255,457,027	\$239,921,050	\$15,535,977	6.48%	5.34%
<b>Shares</b>	\$228,720,982	\$214,451,069	\$14,269,913	6.65%	4.99%
<b>Loans</b>	\$164,591,555	\$159,259,704	\$5,331,851	3.35%	8.67%
<b>Members</b>	30,362	29,180	1,182	4.05%	3.42%
<b>Reserves</b>	\$23,530,240	\$22,606,081	\$924,159	4.09%	4.70%

## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is appointed by the Board of Directors to represent GPO members. In this role, 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.

In addition, our 2017 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 Mitch Amado