

GHS

FEDERAL CREDIT UNION

ANNUAL REPORT 2017



THE RELATIONSHIP OF A LIFETIME

A MESSAGE FROM THE PRESIDENT/CEO AND BOARD CHAIRMAN

Dear Members,

As we reflect on 2017, we are filled with a sense of pride. GHS Federal Credit Union is financially sound and our balance sheet is growing. From a financial perspective, your credit union performed very well, with total assets of \$ 142.6 million, which is consistent with the prior year. Total loan values grew by \$ 2.2 million to reach \$ 112.3 million, while total deposits came to \$128.3 million and capital ratio was 10.25%.

We secured these financial accomplishments by revising our lending programs, trimming expenses, and restructuring departments and management to ensure the best use of our internal resources. All of these actions helped us provide our members with the most innovative products and services in the marketplace. In addition, GHS has made substantial improvements and investments in our Information Technology infrastructure to ensure your accounts are always secure and protected and the GHS website is continually updated to ensure that members have an educational, interactive and exceptional online experience.

GHS is always making strides to understand and serve our members' needs, which is why we worked to develop a dedicated Business Financial Services Team. Building on this opportunity, GHS began a Business Development program at the end of 2017 to help local business owners join as business members, providing no minimum balances on business accounts, affordable business lending, and low fee merchant service options. We look forward to the GHS Business Center opening in our Court Street Branch, in the heart of downtown Binghamton, to work with our ever-growing small business community . We are very excited that your credit union is able to service local small business owners, as they realize their entrepreneurial dreams in bringing innovation and jobs to help grow our local economy.

In August of 2017, we wished a very happy retirement to one of our longstanding Board of Director volunteers, Ann Marie Lenkiewicz. Mrs. Lenkiewicz dedicated 38 years of knowledge, guidance and support to GHS Federal Credit Union, helping us to become the financial organization we are today. On behalf of the Board of Directors, management and employees, we extend our appreciation and gratitude for her many years of service. We are also very excited to welcome two new Board of Director volunteers, Tony Frontera and Jason Aurelio; we are confident their expertise and insight will help GHS continue to cultivate new and exciting initiatives in the years ahead of us. GHS is very eager to continue building on our diverse Board of Directors and Supervisory Committee. If any member is interested in applying to be a GHS Board of Director / Supervisory Committee volunteer, please send a letter of interest to David Drew, GHS Nominating Committee Chairperson so that we can continue to learn and grow in these ever-changing times. We thank all of our current Board of Directors / Supervisory Committee volunteers for their strong leadership and unwavering dedication in making your credit union a success.

More important than the numbers, we could not realize any of these accomplishments without the GHS Team. Your team of over 40 committed employees work diligently in helping to guide thousands of members a month closer to their financial goals. Your team continues to spend countless hours coaching and counseling members to improve their budgets and hundreds of hours in regional school districts with the mission of teaching, our youth, financial literacy.

STATEMENT OF CONDITION

Cash and Cash Equivalents	12,042,480	21,275,484
Certificates of Deposit	14,165,000	6,615,189
Investment Securities, Available for Sale	18,658	46,755
FHLB Stock	69,600	85,100
Loans to Members, Net	111,619,409	109,521,570
Accrued Interest Receivable	338,292	286,667
National Credit Union Share, Insurance Fund Deposit	1,301,707	1,249,616
Premises and Equipment, Net	2,503,504	2,732,765
Prepaid Expenses and Other Assets	546,798	1,188,213
Total Assets	\$142,605,448	\$143,001,359
Members' Shares	128343283	128972319
Accrued Expenses an Other Liabilities	391,694	549,738
Total Liabilities	\$128,734,977	\$129,522,057
Members' Equity, Substantially Restricted	13,870,471	13,479,302
Total Members' Equity	\$13,870,471	\$13,479,302
Total Liabilities and Members' Equity	\$142,605,448	\$143,001,359

STATEMENT OF INCOME

Interest on Loans to Members	5,144,614	5,042,291
Interest on Investments	280,568	121,309
Total Interest Income	\$5,425,182	\$5,163,600
Dividends on Members' Shares	468,627	529,782
Interest on Borrowed Funds	0	8,277
Total Interest Expense	468,627	472,185
Net Interest Income	4,956,555	4,691,415
Provision for Loan Losses	624,000	544,875
Net Interest Income After Provisions for Loan Losses	4,332,555	4,146,540
Non-Interest Income	\$2,248,939	\$2,035,061
Compensation and Benefits	2,639,297	2,553,240
Office and Occupancy	1,433,530	1,251,933
Advertising and Promotion	233,505	300,486
Depreciation and Amortization	235,477	260,905
Other	1,847,571	1,589,256
Total Non-Interest Expense	6,389,370	5,955,820
Net Income	\$192,124	\$225,781

STATEMENT OF AUDITING PROCEDURES

The Supervisory Committee retained Wojeski & Company CPAs, P.C., a public accounting firm, to conduct an independent audit of GHS Federal Credit Union's financial statements. The audit report is available at the Main Branch for review by membership. The Supervisory Committee also authorizes quarterly audits to review the operations and systems of internal controls of the credit union. The audit programs are prepared in accordance with NCUA guidelines.

*Note: The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares.

PEOPLE HELPING PEOPLE
GHS EMPLOYEES VOLUNTEERING
IN THE COMMUNITY



A MESSAGE FROM THE PRESIDENT/CEO AND BOARD CHAIRMAN CONTINUED

In addition, your team continues to be very committed to helping more hard-working Upstate New York residents realize the American Dream through affordable home and automobile loans. Your GHS Team takes pride in supporting the communities we serve and in providing support to many other events and charitable organizations within our community. We are so proud to be part of a team that listens, remains present and focused in doing good, provides extraordinary service and who manages a successful credit union with only our members best interest as their core philosophy. Our deepest gratitude goes to our employees, who bring the overall GHS vision to life every day, for the "Relationship of a Lifetime."

We thank you for your continued membership and hope you share the excellent benefits of GHS membership with all of your friends and family members.

Respectfully submitted,

F. Paul Battisti
Chairperson

Howard Meller
President/CEO

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee serves as a group of volunteer representatives of the GHS Federal Credit Union membership. The committee members bring a variety of professional experience to aid with the performance of various duties and reviews. The Committee meets regularly with senior management and external auditors to ensure that controls are in place to protect members' assets.

The Supervisory Committee currently consists of Cindy Tokos; David Sebastianelli; and Mark Knebel. It is desired to have two additional committee members. The Board of Directors are currently soliciting volunteer applications from the membership base for the Supervisory Committee.

GHS Federal Credit Union continues to maintain a viable and sound operation based upon the findings of our external auditors, along with the Committee's own observations and analysis. The success of the Credit Union is a direct result of the sincere hard work and dedication of each staff member and management.

Respectfully submitted,

Cindy Tokos
Chairperson

TREASURER'S REPORT

Fiscal Year Ended December 31, 2017

GHS Federal Credit Union's stable financial performance continued through 2017 as shown by our consistent net income, loan growth, and other key areas as outlined below.

	2017	2016	Change
Total Members' Equity	\$13.9 million	\$13.5 million	2.9%

GHS was able to find quality lending opportunities in 2017. These opportunities resulted in gross loan growth of \$2.2 million, or 2.0%. The inflow of cash from loan payments and maturities not used for new loan originations, was invested in certificates of deposit. These investments increased by \$7.5 million or 114.1% in 2017. The impact of the 3 short term rate increases by the Federal Reserve in 2017 had a positive impact on net income for the year. Adjustable rate loan yields increased as well as the rate on investments in overnight funds and certificates of deposit. With positive net income, total members equity increased in 2017 by 2.9%.

In 2017, GHS was able to diversify its originations and had net increases in all fixed rate loan portfolios. At year end 2017 the Credit Union had \$111.6 million in net outstanding member loans as compared to \$109.5 million at year end 2016.

In 2017 core deposits decreased by \$629,000 or .49% as members made minor outflow adjustments in their accounts during the year. Investment balances increased by \$7.5 million in 2017 as proceeds from maturing investments were used to fund new loans or invest in medium term certificates of deposit. Excess funds from loan repayments and maturities were kept in short-term investment accounts depending upon cash flow and liquidity needs.

Interest income from loans and investments totaled \$5.4 million, a 5.1% increase from the prior year. As the loan portfolio grew in 2017, losses on loans also grew resulting in net income of \$192,000.

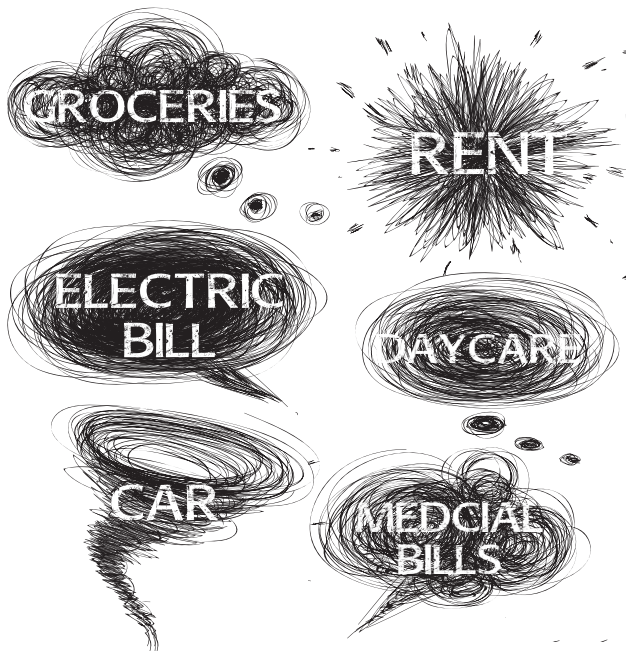
The 2017 GHS strategic plan called for the Credit Union to maintain its asset size. Our "well capitalized" designation by NCUA definition remained unchanged through fiscal year 2017. The Board of Directors and management continue to commit to superior member service, sound judgment and fiscal responsibility to ensure that GHS Federal Credit Union continues to operate with financial strength and stability.

Respectfully submitted,

Patricia J. Clark

Patricia J. Clark, Treasurer

FEEL LIKE YOU CAN'T
GET AHEAD?



GHS

■ FEDERAL CREDIT UNION ■

**PAYDAY
ALTERNATIVE
LOANS
CAN HELP YOU!**

BOARD OF DIRECTORS

Paul Battisti, Esq., Chair
Leonard Lindenmuth, Vice-Chair
Patricia J. Clark, Treasurer
Jeanette O. Tillotson, Secretary
Larry Maier
Mark Knebel
David Drew
Antonio Frontera
Jason Aurelio

EXECUTIVE MANAGEMENT

Howard Meller - President and CEO
Donald Schmitt - Vice President of Finance

SENIOR MANAGEMENT

James Warneck - Lending Manager
Jennifer Crawford - Sr. Manager, Business
Development

SUPERVISORY COMMITTEE

Cindy Tokos, Chair
David Sebastianelli
Mark Knebel

