

THE RELATIONSHIP OF A LIFETIMESM

GHS

■ FEDERAL CREDIT UNION ■

2008
Annual
Report

STRENGTH

TRADITION

STABILITY

GROWTH

COMMUNITY

BOARD OF DIRECTORS

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Christopher J. Evans, CPA, PC

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William Berg

Christopher Evans

Barbara Miller

Jeffrey Kerr

SENIOR MANAGEMENT TEAM

Rico Bautista, President & CEO

Lisa Minor, Senior Vice President & COO

Jason O'Connor, Director of Lending

James Rowlands, Director of Credit Administration

Don Schmitt, Director of Lending

CHAIRMAN'S REPORT

On behalf of GHS Federal Credit Union's Board of Directors, I am pleased to report on 2008, a year of sustained growth with a focus on improved security and functionality. Despite the challenging economic conditions our communities have been facing, GHS's experienced management team and entire credit union staff enabled GHS to persevere.

As stated, 2008 was a successful year for us; our success can be attributed to our well-trained staff, the professionalism they exhibit, and our conservative and responsible lending practices. Additionally, our efficient accounting practices kept expenses under control and decreased our expense ratio. At year-end 2007, GHS had more than \$99 million in assets; at the end of 2008, it had increased assets to more than \$108 million.

As part of our mission, GHS wants members to think of us first for their financial needs. GHS prides itself on offering genuine, friendly, personalized member service. Our knowledgeable staff assesses our members' needs thus helping meet their financial goals. We have an ongoing enhancement process that brings value to our membership. GHS continuously analyzes its controls, products, and services as they relate to the needs of its members. As a result of this analysis, GHS is able to provide more affordable products and services to the membership. For example, in 2008, GHS no longer charged for its Bill Payer service, making GHS more convenient and cost effective for members. We put the needs of our members first. In doing so, the Red Flag Program, and the Incident Response Program were implemented to increase security measures to mitigate fraud and risk. We also held the first annual Training Day for our employees covering an array of topics, mainly focusing on security. We understand these are hard economic times and many are having trouble paying their debts. As a result, GHS has created a Work-Out-Loan Program to help members pay off their debts at a cost that is more affordable to them; we are assisting members in controlling their debt rather than increasing it or worsening their situation.

We have an exciting and challenging year ahead of us. As we look to next year, we will continue to offer trustworthy and affordable solutions for our membership. We are confident GHS will continue to grow and succeed. Thank you to our members for your support.

Respectfully submitted,

Leonard Lindenmuth
Chairperson

PRESIDENT'S REPORT

We continue to experience one of the most challenging economic times in a generation. Change is in the air as the new administration and Congress attempt to stimulate our economy. Despite these efforts, one question remains for many of us—when will we see it in our wallets? Now, more than ever, we need a safe and secure home for our finances.

This year marks GHS Federal Credit Union's 69th year. Just six years prior to our inception, in 1934, President Roosevelt, during the Great Depression, signed the Federal Credit Union Act to form a national system to charter and supervise federal credit unions. GHS was formed in 1940 by members just like you and I, people that had the belief and vision in the credit union philosophy of "People Helping People."

Today, our community is looking for a safe haven to weather our present financial storm, just as our nation did in the 1930s. Once again, GHS continues to be a safe harbor for our members.

As the second largest "homegrown" credit union serving 15,000 plus members in Broome, Chenango and Tioga counties, GHS is truly "Your Community Credit Union.SM" GHS will continue to bring back stability to these tumultuous times. We have virtually all the services you need in order to help you and your families move forward to the next level of financial well-being. Coupled with the fact that as a member you receive market-leading deposit rates, very affordable loan rates and lower fees, members can be assured they have a solid financial institution to serve their financial needs.

With GHS, you are a person and not just a number—we value the relationships we've built throughout the years with our members—truly the core of who we are. We are building "*The Relationship of a Lifetime.SM*"

Respectfully submitted,

Rico Bautista
President, CEO

REPORT OF THE TREASURER

Fiscal Year Ended December 31, 2008

GHS Federal Credit Union's financial strength continued through 2008 and is evidenced by our significant growth in assets and other key areas outlined below.

	2008	2007	Change
Assets	\$108.6 million	\$99.1 million	+9.50%

The credit union remains very competitive in the lending market. In 2008 we reduced our lending rates as a result of lower market interest rates. The Federal Reserve lowered the Federal Funds Rate from 4.25% in December 2007 to 0.25% in December 2008. As a result, the Prime Rate decreased from 7.25% in December of 2007 to 3.25% in December of 2008.

Our net loan growth for the fiscal year-end 12/31/08 was 2.93% as shown on the Statement of Financial Condition. At year end the credit union had \$75.6 million in outstanding member loans, an increase of \$1.3 million.

Excess funds from share growth and loan repayments were re-invested in secure, fixed-income investments. Total shares at 12/31/08 increased by 9.85% or \$8.9 million to \$99.4 million from \$90.5 million at the end of 2007.

Interest income from loans and investments totaled \$6.0 million providing 1.7% growth from the prior year. Management's efforts throughout the year in controlling expenses, maintaining credit quality, and increasing loan volume produced net income before extraordinary items of \$1.029 million. This represents an increase of \$468,724 over 2007. In January of 2009, the NCUA released a Letter to Credit Unions notifying all credit unions of its action to stabilize the corporate credit union system. The NCUA letter indicated that the cost of this stabilization plan will be a partial write-off (69%) of each credit union's existing 1% NCUSIF deposit and the expectation of future premium assessments. The cost of the partial write-off to GHS was a reduction of 2008 earnings by \$623,432. After recording this expense, GHS remained profitable with net income of \$405,115. Net worth increased in 2008, and GHS remains categorized as "well capitalized" per NCUA definition.



The Board of Directors and Management will continue to exercise sound judgment to ensure that GHS Federal Credit Union operates with financial strength while maintaining superior member service.

Respectfully submitted,

Patricia Clark
Treasurer

SUPERVISORY COMMITTEE REPORT

Your Supervisory Committee serves as volunteer representatives of the GHS Federal Credit Union membership. The five-member committee brings a variety of professional experience to their positions and meets regularly with senior management and external auditors to ensure that controls are in place to protect your assets.

To fulfill its primary responsibility, the Supervisory Committee completed all external audit-related activities with the independent accounting firm of Wojeski & Company CPAs, P.C. Their procedures also included the verification of members' accounts. During 2008, the committee completed a series of unannounced cash counts at all three locations with no exceptions found. The committee also mailed letters to all members closing accounts and reviewed the results with the management of the credit union.

The last regulatory NCUA exam at the credit union was for year-end September 30, 2008, which reported a favorable review and rating.

Based upon the findings of our external auditors Wojeski & Company CPAs, P.C., and the Committee's own observations and analysis, we conclude that GHS Federal Credit Union continues to be financially and operationally safe and sound.

The Supervisory Committee will continue to work with the Board of Directors, the President and CEO and the employees of GHS Federal Credit Union in 2009 to ensure another successful year.

Respectfully submitted,

Judith Cavanaugh
Chairperson

A FRESH LOOK

Tradition • Financial • Connection • Stability

The fresh look of GHS is traditional—with a twist. The centered orientation connotes stability, and the serif typeface imparts a financial look and feel. The red-accented bar in the “H” holds the logo together, reflecting the bond between the credit union and its members (and the community). Red squares frame “Federal Credit Union,” visually suggesting strength, as well as the promise that everything a member might need is contained within GHS's services.

Working in tandem with the financial look and feel, the contrast and boldness of the red and black makes a statement about the institution's different take on service, visually stating that GHS is not your ordinary financial institution.

Our prior logo



Today's look



STATEMENT OF CONDITION

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 8,661,416	\$ 7,568,588
Certificates of deposit	13,363,222	3,440,000
Investment securities, available for sale	7,602,284	10,646,980
Loans to members, net	75,354,398	73,206,168
Accrued interest receivable	400,198	397,584
Prepaid expenses and other assets	928,629	874,239
Premises and equipment, net	1,971,477	2,142,414
National Credit Union Share Insurance Fund deposit	280,092	862,758
Total Assets	\$ 108,561,716	\$ 99,138,731
LIABILITIES		
Members' shares	99,448,469	90,532,895
Accrued expenses and other liabilities	836,570	563,930
Total Liabilities	\$ 100,285,039	\$ 91,096,825
MEMBERS' EQUITY		
Commitments and contingent liabilities	—	—
Members' equity, substantially restricted	8,276,677	8,041,906
Total Members' Equity	\$ 8,276,677	\$ 8,041,906
Total Liabilities and Members' Equity	\$ 108,561,716	\$ 99,138,731

STATEMENT OF INCOME

	2008	2007
INTEREST INCOME		
Interest on loans to members	\$ 5,060,656	\$ 5,037,108
Interest on investments	988,291	909,238
Total Interest Income	\$ 6,048,947	\$ 5,946,346
INTEREST EXPENSE		
Dividends on members' shares	2,158,825	2,134,899
Borrowed funds	—	17,430
Total Interest Expense	2,158,825	2,152,329
Net Interest Income	\$ 3,890,122	\$ 3,794,017
Provision for (recovery of) loan losses	(90,000)	64,756
Net Interest Income After Provisions For Loan Losses	\$ 3,980,122	\$ 3,729,261
Non-Interest Income	\$ 1,411,865	\$ 1,155,409
NON-INTEREST EXPENSE		
Compensation and benefits	2,125,513	2,114,746
Office and occupancy	1,248,505	1,107,757
Depreciation and amortization	229,183	252,313
Advertising and promotion	152,271	240,940
Other	607,968	609,091
Total Non-Interest Expense	\$ 4,363,440	\$ 4,324,847
Net Income Before Impair- ment of NCUA Deposit	\$ 1,028,547	\$ 559,823
*Impairment of NCUA deposit	623,432	—
Net Income	\$ 405,115	\$ 559,823

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. The NCUA, in a Letter to Credit Unions dated January 2009, notified all credit unions of recent NCUA Board actions to stabilize the corporate credit union system. The NCUA indicated at a later date that the expense of stabilizing the corporate credit union system will be a partial write-off (69%) of each credit union's existing 1% NCUSIF deposit and the expectation of future premium assessments. In accordance with the NCUA's instructions, the Credit Union has recorded an impairment charge of \$623,432 to record the write-off as of December 31, 2008.



■ FEDERAL CREDIT UNION ■

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Mortgages • Home Equity • Free Checking • Savings
Money Markets • Certificates of Deposit • Online Banking & Bill Payer
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