

ANNUAL REPORT

2017



MYGENFCU.ORG



Letter from the CEO



In 2017, Generations Federal Credit Union (GFCU) experienced new challenges and responded to them with a single focus: making it easier to do business with us.

We kicked off the year by implementing member service improvements, removing roadblocks, updating and simplifying processes throughout our organization. Several enhancements took place at our branches. These included building our branch management team and taking a team approach to resolving member issues. Other changes happened behind the scenes. We increased both the speed and security of our check deposit process, and added “Same Day ACH” capabilities to expedite electronic payments. Updates were made to our online and mobile loan application processes, making it easier and faster for members to apply for loans.

GFCU Commercial Lending closed \$60 million in loans to businesses in Bexar and surrounding counties. The GFCU Mortgage Lending team, which is in its second year of operation, helped make the dream of homeownership a reality for members, originating \$16 million in home loans.

Our new MyAdvantage Checking program debuted at the end of 2017. This benefits-rich checking account provides members with hundreds of dollars in annual cost-saving opportunities. MyAdvantage checking offers members tools like identity protection, credit monitoring, cell phone protection, shopping discounts and more.

I am also pleased that in 2017, we were able to expand service to our members by opening our McCreless Branch (inside H-E-B Plus!). We also “relocated” our Northwoods branch from inside the H-E-B at US Highway 281 and Loop 1604 to the H-E-B Plus! at US Highway 281 and Evans Road. While the official ribbon cuttings for these branches took place at a later date, both branches were open for business before the year-end.

Some of the projects we initiated in 2017 won't be seen by members until 2018. New developments in the works include home equity lines of credit with added flexibility, and a completely new online and mobile banking experience.

On behalf of the GFCU team, I thank you for your membership. We are grateful for your trust in us, and we look forward to continuing to help you achieve your personal financial goals.

Steve Schipull
President and CEO

Letter from the Board Chair



The Board of Directors at Generations Federal Credit Union (GFCU) is made up of volunteers just like you - credit union members who believe in the “philosophy of people helping people.” While the core business of GFCU is providing financial products and services to our membership, we also recognize that we play an important role as a leader in our community.

In February 2017, we participated in the city-wide Job Shadow Day program hosted by SA Works, a partnership of the San Antonio Chamber of Commerce and local businesses designed to introduce young adults to career paths and job opportunities.

The spring season in our community means Fiesta San Antonio, and we were pleased to join the festivities with a Fiesta medal fundraiser, with proceeds of \$1,250 donated to the Children’s Hospital of San Antonio.

At the end of April, we announced winners in our 2016 Generations Future Leaders Scholarship. Over 100 outstanding applications were submitted, and we were pleased to award 10 members scholarships of \$1,000, and an additional \$1,000 scholarship awarded to a Generations associate or immediate family member.

When tragedy struck our community, GFCU stepped up to provide support. Donations of over \$100,000 were received from across the U.S. for the benefit and memorial accounts for firefighters who fell or were injured in the line of duty. Our GFCU associates also gathered and contributed food and other high-demand items for victims of Hurricane Harvey along the Texas Gulf Coast, in partnership with the San Antonio Food Bank.

GFCU continued our Turkey Express tradition this year. This annual event is our way of thanking the San Antonio firefighters and police officers who are on duty over the Thanksgiving holiday. We delivered turkeys to 53 fire stations and six police stations to help them celebrate the season while they serve and protect our city.

We also participated in the KENS 5 Bill’s Elves School Supply Drive and Holiday Toy Drive, collecting over \$30,000 in donations, plus school supplies, uniforms and toys for the boys and girls in the care of Child Protective Services.

We are excited about continuing to engage in our community in the future.

Rose Rangel
Chair, Board of Directors

Letter from the Treasurer



I am pleased to report that Generations Federal Credit Union's financial performance in 2017 allows us to continue to meet our members' needs.

For the year ending December 31, 2017, the credit union's gross income totaled \$37,366,593, and year-end net income was (\$1,623,014).

The Generations management team will continue to improve efficiencies and respond proactively to the changing economic environment to ensure fiscal stability. Our commitment to sound fiduciary responsibility is unwavering.

Ronald Moure
Treasurer, Board of Directors

| | 2017 | 2016 | Change |
|-----------------|---------------|---------------|---------|
| ASSETS | \$546,522,563 | \$634,264,459 | -13.83% |
| LOANS | \$402,077,077 | \$440,216,727 | -8.66% |
| DEPOSITS | \$476,700,357 | \$581,624,542 | -18.04% |



Letter from the Supervisory Committee

In 2017, Generations Federal Credit Union conducted two independent fiscal audits. These actions are taken to ensure that your assets are protected to the best of our abilities, that all proper safeguards are squarely in place and that our records are accurate.

The Credit Union's Vice President of Risk Management worked with RSM US, LLP, to conduct an independent audit, and with the National Credit Union Administration (NCUA). RSM US, LLP found that our records and operations comply with all federal regulations, and that Generations is financially safe and sound. The NCUA examined our fiscal operations and stability. Based on the results of these independent reviews, the Supervisory Committee is pleased to report that Generations Federal Credit Union is a sound and secure financial institution.

The Supervisory Committee serves as a liaison between the members, volunteers, management and staff of the credit union. The Committee is established as a key part of the credit union's operational process and fiscal soundness. We are proud to serve you and your family.

Anthony Rogers, Ph.D.
Chair, Supervisory Committee

Comparative Balance Sheet

| Assets | Dec 31, 2017 (Unaudited) | Dec 31, 2016 (Unaudited) |
|---------------------------------------|--------------------------|--------------------------|
| Loans | \$402,077,077 | \$440,216,727 |
| Allowance for Loan Loss | (6,007,741) | (4,889,690) |
| Cash | 24,398,126 | 55,575,611 |
| Investments | 84,809,410 | 104,281,826 |
| Accrued Interest | 1,594,797 | 1,819,472 |
| Prepaid Expenses | 1,819,562 | 1,925,626 |
| Other Assets | 21,585,341 | 17,905,117 |
| Fixed Assets (Net) | 16,245,990 | 17,429,771 |
| Total Assets | \$546,522,563 | \$634,264,459 |
| Liabilities | | |
| Accounts Payable | \$6,137,103 | \$5,801,118 |
| Notes & Interest Payable | 15,000,000 | 141,991 |
| Accrued Expenses | 1,181,288 | 1,157,784 |
| Other Liabilities | 326,452 | 302,695 |
| Total Liabilities | \$22,644,842 | \$7,403,587 |
| Equity | | |
| Regular Shares | \$132,612,527 | \$118,762,849 |
| IRAs | 15,412,212 | 25,552,518 |
| Term Share Certificates | 106,214,316 | 167,039,649 |
| MMA's | 85,693,902 | 93,323,924 |
| Share Drafts | 78,189,119 | 111,321,881 |
| Non Member Shares | 58,578,281 | 65,623,720 |
| Regular Reserves | 7,082,163 | 7,082,163 |
| Undivided Earnings | 40,095,201 | 38,154,167 |
| Total Equity | \$523,877,721 | \$626,860,872 |
| Total Liabilities & Equity | \$546,522,563 | \$634,264,459 |

Comparative Income Statement

| Year Ended December 31 | 2017 (Unaudited) | 2016 (Unaudited) |
|-------------------------------------|-------------------------|------------------------|
| Income | | |
| Loan Interest Income | \$22,036,220.00 | \$24,003,982.00 |
| Investment Interest Income | 2,477,733.00 | 3,136,653.00 |
| Member Fees and Other Income | 12,852,641.00 | 12,491,404.00 |
| Total Income | \$37,366,594.00 | \$39,632,039.00 |
| Expenses | | |
| Less: Operating Expenses | \$(28,815,300.00) | \$(27,062,545.00) |
| Less: Loan Loss Provision | (8,132,379.00) | (7,906,107.00) |
| Income Before Dividends | 418,915.00 | 4,663,387.00 |
| Less: Dividends to Members | (3,013,817.00) | (3,281,226.00) |
| Net Income from Operations | (2,594,902.00) | 1,382,161.00 |
| Non-Operating Gain (Loss) | 971,888.00 | 1,052,014.00 |
| Net Income After Gain (Loss) | \$(1,623,014.00) | \$2,434,175.00 |

Independent Auditor's Report

To the Supervisory Committee
Generations Community Federal Credit Union

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Generations Community Federal Credit Union and Subsidiary, which comprise the consolidated statement of financial condition as of June 30, 2017, the related consolidated statements of operations, comprehensive income (loss), members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Generations Community Federal Credit Union and Subsidiary as of June 30, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of Generations Community Federal Credit Union and Subsidiary as of June 30, 2016, were audited by other auditors, whose report dated October 27, 2016, expressed an unmodified opinion on those statements.

RSM US LLP

San Antonio, Texas

October 26, 2017

Board of Directors & Leadership



Rose Rangel
Board Chair



Leroy Harvey
Board Vice-Chair



Paulette McClure
Secretary



Ronald Moure
Treasurer



Tom DeSot



Joseph Martinez



Rosalie Manzano



Neira South-White



George Whitfield, Jr.

Steve Schipull
President & CEO

Wes Barnett
Chief Information Officer

Geraldine Breeding
Chief Financial Officer

Ken Raymie
Chief Risk Officer

Locations

Downtown Branch
1828 N St. Mary's St.
San Antonio, TX 78212

W.W. White Branch
1945 S W.W. White Rd.
San Antonio, TX 78222

San Pedro Branch
9311 San Pedro Ave.
San Antonio, TX 78216

Northwest Branch
6000 NW Loop 410
San Antonio, TX 78238

Balcones Heights Branch
4005 Fredericksburg Rd.
San Antonio, TX 78201

Yarrow Branch
7503 Yarrow Blvd.
San Antonio, TX 78224

HEB - Leon Springs
24165 IH-10
San Antonio, Texas 78257

HEB Plus! - Potranco
10718 Potranco Rd. (at Loop 1604)
San Antonio, TX 78251

HEB - Grissom and Tezel
9255 Grissom Rd.
San Antonio, TX 78251

HEB Plus! - 1604 and Blanco
1150 N Loop 1604 West
San Antonio, TX 78248

HEB - IH-10 and Wurzbach
9900 Wurzbach Rd.
San Antonio, TX 78230

HEB - 1604 and Culebra
10660 FM 471 West
San Antonio, TX 78251

HEB - Schertz
17460 IH-35 North (at FM 3009)
Schertz, TX 78154

HEB Plus! - Evans
20935 US-281
San Antonio, TX 78258

HEB Plus! - McCreless Market
411 S New Braunfels
San Antonio, TX 78223

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