



2012
Annual Report



generations
federal credit union



Letter From The President

As another year comes to an end, we reflect on the many successes from years past, and focus on new opportunities in 2013 and beyond. Today, the value of credit union membership has never been more important as our economy continues to rebound from a prolonged recession.

This past year will be known as the year of transition for Generations Federal Credit Union. Most notable was the closure of the Medina Downtown branch and Administrative Office. As you know, VIA Metropolitan purchased our office and will return the building to a multi-modal transportation hub that will serve the entire community.

Further, to ensure that our members who either live or work in the City Center continue to have access to our services, we constructed a new full-service branch at St. Mary's and IH-35. This, our first "paperless" branch, opened in early fall. It is designed to incorporate the best of both the contemporary and traditional features of a branch environment, while embracing new technologies not found at any other financial institution in the State of Texas.

In March of 2012, we opened five new retail branches in your neighborhood HEB stores. The vision behind this strategy was to offer branch outlets closer to home in an environment you frequent. Additionally, we offer extended hours of operation at these locations in order to best serve you and your hectic schedules. If you have not yet, I encourage you to visit one of these sites and ask how we can help you with your financial needs as you shop for your family.

Generations was once again recognized for our financial literacy and educational engagement, not only at the state level, but nationally as well. In 2012, Generations was named as the recipient of the National Desjardins Youth Financial Education Award. Thousands of Credit Unions across the country apply for this honor, and I'm truly proud of our team for "bringing home" the award. Serving as a true financial advocate for our community is critical, and will enable us to continue to build upon our successes in the future.

Additional noteworthy accomplishments in 2012 were:

- Member loan growth over 10% for the year
- Improved credit quality and reductions in non-performing loans
- Continued outperformance in investment returns
- Continued earnings and capital growth

And finally, in late 2012, I was selected to lead Generations into the next phase of growth. After serving for more than 13 years as the Credit Union's Chief Financial Officer, I was honored to assume the role of President and CEO. My vision forward is to build upon and continue the trajectory of success well into the future. Our initial focus will be to build upon our strengths - and do them even better - in order to prepare for the challenges and opportunities of the future. I look forward to your continued loyal membership and am very excited at what is on the horizon for our great organization.

With best regards,

Steve Schipull
President/CEO



Letter From The Board of Directors

This year will always be remembered as a year of positive growth and change for Generations Federal Credit Union, and I am pleased to report that our staff met all of these challenges and opportunities with skill and dedication.

In 2012, our staff named us as a Top Place To Work (San Antonio Express-News) for the third year in a row, and as a Best Place To Work (San Antonio Business Journal) for the second year in a row.

In August and December, our staff participated in the KENS 5 Bill's Elves initiative. This event raised much needed school supplies and Christmas toys for more than 6,000 abused, abandoned and neglected Bexar County children who are in the custody and care of Child Protective Services. We also partnered with City Councilman (District 2) Rey Saldana for a school supply drive that assisted nearly 200 children within that District.

Additionally, our Youth Financial Education team partnered with the George Gervin Academy on a Summer Learning Program. This initiative provided more than 170 high-risk area students with summer jobs, career development, general and workplace etiquette, as well as ongoing financial education to provide them with a lifetime of sound financial skills.

Our partnership with Palo Alto College (PAC) entered its second year as we participated in numerous campus events including Health Fairs, Career Fairs and of course their signature event, PACFest. And our on-campus classes at PAC reached more than 500 students and adults.

In 2012, Generations also continued our strong history of legislative advocacy, meeting with each of our state and federal legislators to discuss credit union related issues including Member Business Lending, Taxation, IT Security and ATM Disclosures. Our staff and Board continue to give generously to support these issues, exceeding our State and National Political Action Committee goals by more than 246%!

I am also pleased to report that our own Board Member, Leroy Harvey, was honored by the Credit Union Executive Society (CUES) with the Volunteer Hall of Fame award. This award recognizes individuals for their lifetime achievements within the credit union industry, and support and mentorship of credit union executives across the city, state and country.

Of course, no mention of 2012 would be complete without a welcome to our new President and CEO, Steve Schipull. The Board of Directors and I were resolute in our determination to find the best candidate for the position. Working with a third-party executive search firm, we undertook a comprehensive nationwide search to find our next leader; and at every stage of the search, Steve proved to be the leader we were looking for.

We have many exciting changes ahead of us. But as we continue to grow and expand our first thoughts will always be to you, our members. We will never lose sight of the fact that our goal is to serve as a true financial advocate for you and for your generations yet to come.

Rose Rangel
Chair, Board of Directors



Letter From The Treasurer

As Treasurer for the Board of Directors, I am pleased to report that Generations Federal Credit Union continued our positive financial performance throughout 2012. The strong growth over the past 72 years has been a vital part of our ability to meet our members' needs.

Our growth over fiscal years 2011 and 2012 is as follows:

	2012	2011	Percentage Change
Total Assets	\$404,054,118	\$383,669,718	5.36%
Total Member Investments	\$356,531,507	\$337,242,711	5.72%
Total Member Loans	\$268,729,251	\$242,922,216	10.62%

For the year ending December 31, 2012, the credit union's gross income totaled \$29,653,491; and year-to-date net income/(loss) was \$1,304,198.

Generations' staff will continue to respond to the changing economic environment to meet the needs of our most precious asset, our members; and our commitment to sound fiduciary responsibility remains unwavering.

I look forward to the continued success of our credit union, its growth and future expansion.

Paulette McClure
Treasurer, Board of Directors

“When I go into any Generations office, they treat me like a friend.”
- Jeep, Member since 2005



Letter From The Supervisory Committee

Each year, Generations Federal Credit Union conducts 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.

In 2012, the Credit Union's Director of Audit and Compliance worked with the Texas Credit Union League and the National Credit Union Administration (NCUA) to fully complete these two independent audits successfully.

NCUA examined our fiscal operations and stability, and gave us high marks. The Texas Credit Union League found that our records and operations comply with all federal regulations and that Generations is financially safe and sound.

Based on the results of these independent reviews, the Supervisory Committee is pleased to assure members that Generations Federal Credit Union is a sound and secure financial institution for your money.

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

Andrew Estrada
Chair, Supervisory Committee

“I can't be more pleased with this bank since I switched a few years back.”

- Sergeant74, Member since 1998

Comparative Balance Sheet

Assets	31-Dec-12 (unaudited)	31-Dec-11 (revised unaudited)
Loans (Note III)	\$268,729,251	\$242,922,216
Allowance for Loan Loss (Note IV)	(3,941,084)	(3,902,056)
Cash	8,213,828	7,542,261
Investments (Note V)	97,428,341	104,445,310
Accrued Interest	1,317,767	1,337,750
Prepaid Expenses	751,468	659,685
Other Assets (Note XII)	11,515,921	13,733,890
Fixed Assets (Net) (Note VI)	20,038,626	16,930,662
Total Assets	\$404,054,118	\$383,669,718
Liabilities		
Accounts Payable	\$3,128,835	\$2,626,759
Dividends Payable	96,114	0
Accrued Expenses	1,059,635	1,887,249
Other Liabilities	272,960	0
Total Liabilities	\$4,557,544	\$4,514,008
Equity		
Regular Shares (Note VII)	\$99,122,372	\$92,324,320
IRAs (Note VII)	19,301,043	20,383,280
Term Share Certificates (Note VII)	132,766,903	116,086,614
MMIA's (Note VII)	62,461,185	68,401,995
Share Drafts (Note VII)	42,880,004	40,046,502
Regular Reserves (Note VIII)	7,082,163	7,082,163
Undivided Earnings (Note XI)	35,882,904	34,830,836
Total Equity	\$399,496,574	\$379,155,710
Total Liabilities and Equity	\$404,054,118	\$383,669,718

Year Ended December 31	2012 (unaudited)	2011 (unaudited)
Income		
Loan Interest Income	\$17,825,524	\$17,388,025
Investment Interest Income	3,036,953	4,372,736
Member Fees and Other Income	8,791,014	8,496,785
Total Income	\$29,653,491	\$30,257,546

Expenses		
Less: Operating Expenses	(\$22,005,887)	(\$21,068,260)
Less: Loan Loss Provision	(3,129,667)	(2,379,785)
Income Before Dividends	4,517,937	6,809,501
Less: Dividends to Members	(2,607,064)	(3,393,735)
Net Income from Operations	1,910,873	3,415,766
Non-Operating Gain (Loss) (Note IX)	(606,675)	(1,705,385)
Net Income After Gain (Loss)	\$1,304,198	\$1,710,381

Historical Data					
	2012	2011	2010	2009	2008
Loans	\$268,729,251	\$242,922,216	\$237,420,952	\$253,721,327	265,391,605
Savings	356,531,507	337,242,711	338,747,892	336,964,824	308,532,520
Assets	404,054,118	383,669,718	389,718,402	392,202,576	383,737,101
Dividends	2,607,064	3,393,735	4,655,345	7,344,643	8,755,819
Expense	25,135,554	23,448,044	25,869,164	28,628,893	23,869,120
Income	29,653,491	30,257,546	32,206,228	34,199,968	33,753,645

I Nature of Business and Organization

Generations Federal Credit Union, formerly known as San Antonio City Employees Federal Credit Union, was organized July 11, 1940, as a federal credit union under provisions of the Federal Credit Union Act of 1934. The purpose of creating the credit union was to promote a thrift among its members and to create a source of credit. The principal common bond shared by the Credit Union's members is their affiliation with the City of San Antonio. Membership over the years grew to include family members, employees of other organizations, and residents in specific geographic regions. In 2006, the credit union received approval from the National Credit Union Administration to serve all individuals who live, work, worship, attend school or volunteer in Bexar County.

II Summary of Significant Accounting Policies

Loans to Members and Allowance for Loan Losses

Loans are stated as outstanding principal balances, reduced by the allowance for loan loss. The allowance is an amount that management believes will be adequate to absorb losses on existing loans that may become uncollectible. The allowance for loan losses is increased by charges to income and decreased by charged-off loans net of recoveries. The balance of the allowance for loan losses is adjusted quarterly based on management's estimate of losses and prior loan loss experience. Interest is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. Interest income is accrued and credited to operations monthly on those loans that are current up to 60 days delinquent.

Investments

In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115). In accordance with SFAS No. 115, the Credit Union reports all "held to maturity" securities at amortized cost. All other debt securities are classified as "available for sale" and recorded at fair market value. Unrealized gains and losses are reported as a separate component of members' equity until realized.

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation. They are depreciated over their useful lives using the straight-line method.

Income Taxes

The Credit Union is exempt from federal and state income taxes in accordance with Section 122 of the Federal Credit Union Act.

III Loans to Members

The composition of loans to members at December 31, 2012, is as follows:

Automobiles	\$119,244,930
Unsecured	44,776,630
Real Estate	89,816,198
Secured by Members' Deposits	3,280,759
Mobile Home and Other Vehicles	3,570,142
Mortgage and Home Improvement	74,884
Business	4,495,708
Other	3,470,000
Total Loans to Members	\$268,729,251

Notes To Financial Statements

IV Allowance for Loan Losses

A summary of the changes in the allowance for loan losses for the year ended December 31, 2012, is as follows:

The Credit Union's allowance for loan loss at December 31, 2012, is as follows:

Balance at January 1, 2012	\$3,902,056
Provision for Loan Losses	3,129,667
Loans Charged to the Allowance	(3,631,642)
Recoveries	541,003
Balance at December 31, 2012	\$3,941,084

V Investment Securities

The Credit Union's securities portfolio at December 31, 2012, is as follows:

	Book Value	Market Value	Unrealized Gain/ (Loss)
Held to Maturity:			
Agency Security	0	0	0
Time and Other Deposits	\$25,726,103	\$25,726,103	0
Investment in CUSO	120,000	120,000	0
Total Held to Maturity	\$25,846,103	\$25,846,103	0

	Book Value	Market Value	Unrealized Gain/ (Loss)
Available for Sale:			
MBS-Fixed Rate	\$14,439,084	\$14,937,796	\$498,713
MBS-Variable Rate	2,595,846	2,649,147	\$53,301
Muni Taxable - Fixed Rate	1,454,112	1,446,211	(7,900)
CMO Fixed Rate	48,229,089	48,954,720	\$725,631
CMO Variable Rate	2,531,059	2,595,678	\$64,619
Certificates of Deposit-FR	988,000	998,686	\$10,686
Total Available for Sale	\$70,237,189	\$71,582,238	\$1,345,049

Total Investment Securities	\$96,083,292	\$97,428,341	\$1,345,049
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Notes To Financial Statements

The book value and estimated market values of investment securities at December 31, 2012, by contractual maturity are shown below:

	Book Value	Market Value
Due in one year or less	\$17,714,580	\$18,099,253
Due after one year through three years	20,824,341	21,168,735
Due after three years through five years	11,000,665	10,623,910
Due after five years through ten years	19,698,009	20,675,188
Due after ten years	999,594	1,015,153
	\$70,237,189	\$71,582,238

VI Fixed Assets

Fixed Assets at December 31, 2012, are as follows:

	Cost	Accumulated Depreciation	Net
Land	\$2,845,378	\$0	\$2,845,378
Land Improvements	88,184	43,761	\$44,423
Buildings	15,524,835	3,371,627	\$12,153,209
Furniture and Equipment	2,635,849	1,524,064	\$1,111,784
Data Processing Equipment	10,310,145	6,473,697	\$3,836,448
Credit Union Automobiles	107,555	60,172	\$47,383
Total Fixed Assets	\$31,511,946	\$11,473,321	\$20,038,625

VII Member Deposits

A summary of deposits at December 31, 2012, is as follows:

Regular Shares	\$99,122,372
Individual Retirement Accounts	19,301,043
Term Share Certificates	132,766,903
Money Market Investment Accounts	62,461,185
Share Drafts	42,880,004
Total Member Deposits	\$356,531,507

A summary of deposits by maturity at December 31, 2012, is as follows:

Maturity within one year	\$275,507,051
One to three years	70,736,992
Greater than three years	10,287,464
Total Member Deposits.....	\$356,531,507

VIII Regular Reserves

On February 3, 2000, the NCUA adopted a final corrective action rule to implement provisions of the Credit Union Membership Access Act. One of the provisions of this act restates regular and special reserve requirements and transfers to regular reserves for undercapitalized credit unions. Under these rules, a credit union must increase its net worth until it is “well capitalized”, that is, when it’s net worth is equal to or greater than 7%. As of December 31, 2012, Generations Federal Credit Union’s net worth was 11.49% well above the 7% rule. As long as the net worth percentage stays above 7%, Generations will not be required to make a reserve transfer.

IX Non-Operating Gain (Loss)

A summary of non-operating gains (losses) for the year ended December 31, 2012, is as follows:

Gain (loss) on Investments	(\$722,448)
Gain (loss) on Real Estate Owned	(16,288)
Gain (loss) on Disposition of Assets	132,061
Gain (loss) on Extraordinary Items	0
Total Non-Operating Gain (Loss)	(\$606,675)

X Contingent Liabilities

A summary of contingent liabilities at December 31, 2012, is as follows:

Line of Credit.....	\$37,538,732
Privilege Pay	8,373,325
Total Contingent Liabilities.....	\$45,912,057

Contingent Liabilities

This amount represents the unused amount of credit line that members have available on their Letters of Credit, Credit Card accounts, Lines of Credit loans, and the unused privilege pay balances.

XI Undivided Earnings

A summary of undivided earnings as of December 31, 2012, is as follows:

Balance January 01, 2012	\$34,830,835
U/R Gain/Loss - AFS Securities increase	\$2,251,254
Other Comprehensive Income increase.....	(2,503,383)
2012 Net Income.....	\$1,304,198
Balance December 31, 2012	\$35,882,904

XII Other Assets

A summary of other assets at December 31, 2012, is as follows:

Defined Benefit Plan	\$7,443,536
NCUA Share Insurance Fund.....	3,389,787
Receivables	415,682
Other Assets	39,939
Assets Held for Sale.....	228,977
Total Other Assets.....	\$11,517,921

“We would have no hesitation in recommending Generations to any small business.”

- Drink Texas Bar, Member since 2012

Leadership

Board of Directors

Rose Rangel, Chair
Leroy Harvey, Vice Chair
Robert Guerra, Secretary
Paulette McClure, Treasurer
Tom DeSot
Rosalie Manzano
Joseph Martinez
Larry Reed
George Whitfield, Jr.

Supervisory Committee

Andrew Estrada, Chair
Charles Toudouze, Secretary
Ervey Banda
Neira South White
Ronald Moure

Executive Officers

Steve Schipull, President/CEO
Wes Barnett, Chief Information Officer
Geraldine Breeding, Chief Financial Officer
Christine Voigt, Chief Operations Officer

Audit And Compliance

Jessica Hernandez, Director of Audit and Compliance

Vice Presidents

Wendy Bryant-Beswick, Marketing & Business Development
Andrew Wilson, Lending
Angela Howorth, Human Resources

Locations

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210-229-1800

Headquarters

9311 San Pedro Ave., Suite 1100

San Antonio

INTERNATIONAL AIRPORT
Terminal A

Balcones Heights

4005 Fredericksburg Rd.

Downtown

1828 N. St. Mary's St.

Goodwill Retail Branches

3401 Fredericksburg Rd.
13311 San Pedro Ave.

North Central

9311 San Pedro Ave.

Northwest

6000 N. W. Loop 410

Southeast

1735 S. W.W. White Rd.

Southside

7503 Yarrow Blvd.

HEB Retail Branches

10718 Potranco Rd.
1150 N.W. Loop 1604
18140 San Pedro Ave.
9255 FM 471 West
24165 IH-10 West, Suite 300

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SAVINGS INSURED BY:

National Credit Union Administration
up to \$250,000 for each qualified account



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