

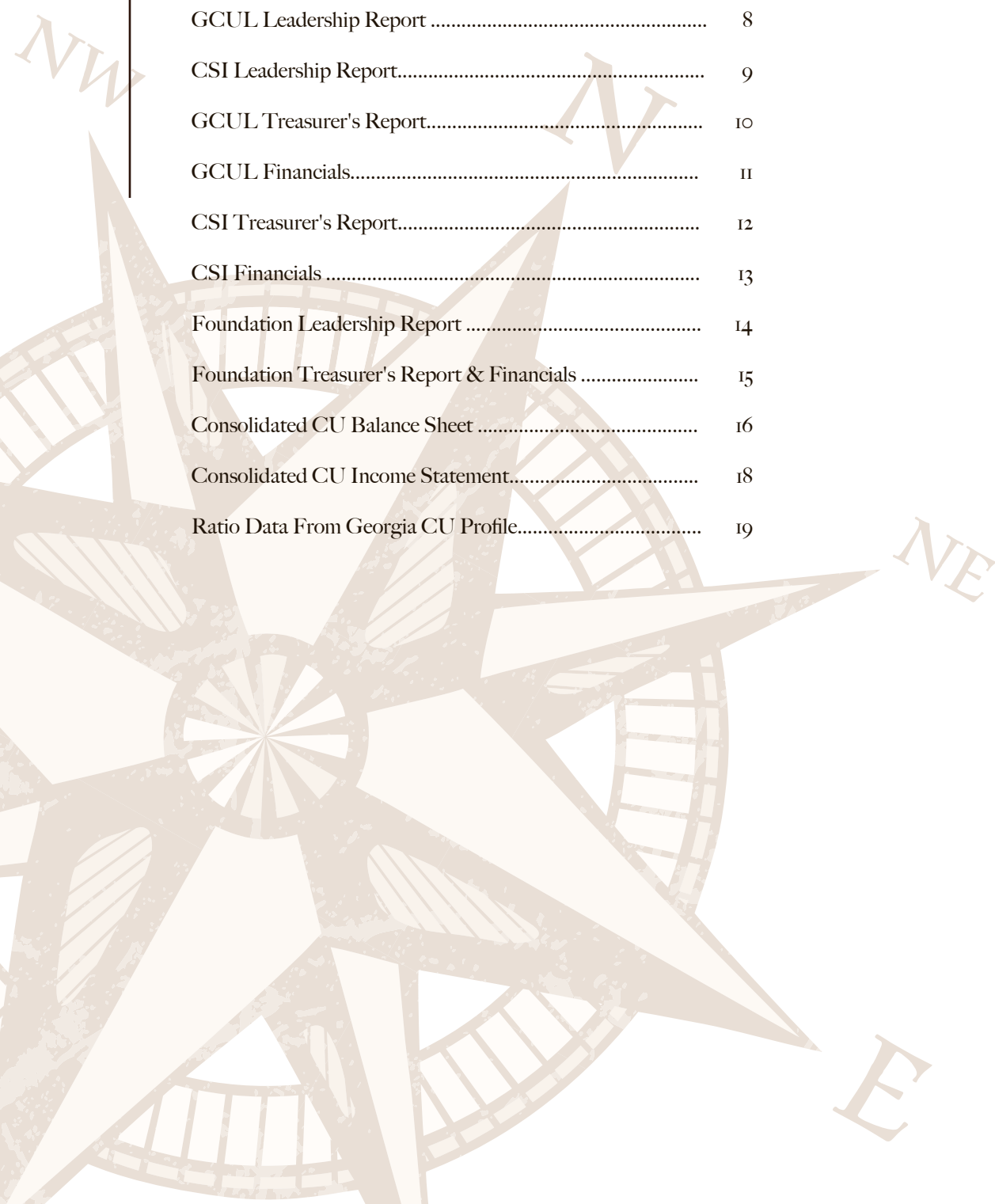


NAVIGATING  
the FUTURE  
Georgia Credit Union Affiliates  
2010 Annual Report

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It is not easy to look up from adversity to contemplate future greatness. However, credit unions have unique opportunities to emerge from the financial difficulties of the past several years as the 'premier providers of financial services' for most Americans. The cooperative structure, superb reputation and responsible stewardship that has been earned over decades of good service, endows credit unions with a huge lead in winning the hearts (and business) of American consumers. The perennial problems of low awareness and perceived inconvenience are melting away as barriers to growth. Consumer advocates and message makers in the media have exposed a vast number of people to the idea that credit unions are a better solution for fulfilling financial needs. The advent of shared branching, surcharge-free ATM networks and (especially) the emergence of digital service delivery have enabled credit unions to offer as much convenience as any competitor. These are the kinds of things that should make credit union leaders "giddy" about opportunities in the years ahead.

For sure, there has been plenty of adversity in the 'here and now.' Members are rattled by the recent economic downturn. It has been a depression for those without jobs and a severe recession for those still working. In either case, more saving and less borrowing has been center stage in the financial plans of typical consumers. For credit unions, this has meant fewer borrowers who can afford

to repay and more delinquencies/losses for those who have already borrowed. Record-low interest rates have compressed spreads. To make matters worse, credit unions are paying for systemic losses through increased share insurance assessments for the next several years. New regulations and intensified examinations only add to the feelings of present-tense despair.

Leaders know how to look beyond rough waters to see opportunities in the future. They know that inspiring others to become optimistic—and opportunistic—is perhaps the most important thing they can do to achieve progress. During 2010, the state support organizations determined that restoring optimism was the most important contribution that could be made to help Georgia credit unions Navigate the Future. Optimism must lead to identifying and seizing opportunity. Progress will not just happen. It is something that is caused. Progress will not come from cutting back. It will be the result of new investment. Cost control must replace cost reduction in the years ahead. Cost reduction and stifling growth are the techniques of survival. Efficient operations are a prerequisite for being in the business. Intelligent investment in people and in systems will produce the engine for growth and new value creation for members. It is to that end that we offer this report.





Credit unions are creatures of state or federal legislation. In practice, all credit unions are affected by state and federal laws. In addition, Georgia credit unions are subjected to regulations and supervision administered by the Georgia Department of Banking and Finance (DBF), the National Credit Union Administration (NCUA) and many other state and federal agencies that are tasked with protecting the interests of consumers in various ways. The primary role of the Georgia Credit Union League is to provide credit unions with the best legal and regulatory operating environment possible by leveraging influence with lawmakers, regulators and other public officials. This, of course, is easier said than done.

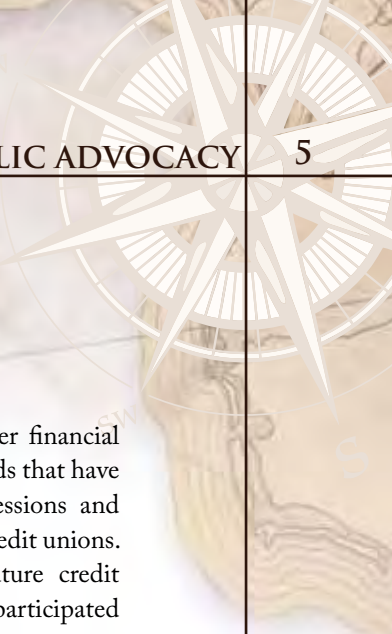
In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act capped a two-year debate about how to reform and restructure the financial system in the U.S. to reduce the risks of a financial meltdown. Initially, policy sentiments were directed at too-big-to-fail, GSE reform and regulatory consolidation. Too-big-to-fail became too-big-to-tackle. GSE reform was punted into 2011. Regulatory consolidation did not turn out to include credit unions. The Dodd-Frank legislation created a new Consumer Financial Protection Bureau and a last-minute surprise now known as the Durbin Amendment. CUNA and the League worked hard to minimize the impacts of these provisions on credit unions. In fact, most credit unions were legislatively 'carved out' of

both provisions. Attention is now focused on the impacts of subsequent regulation and practical implementation.

Proactively, credit union supporters in Congress worked on legislation that would give credit unions expanded authorities to serve the commercial purpose credit needs of their members. In addition, legislation was passed that provided assistance to NCUSIF for handling the corporate credit union stabilization efforts, and the \$250,000 deposit insurance limit was made permanent. League lobbyists at the Statehouse were instrumental in getting increased notification times for foreclosures. Credit unions were directly involved in proactive participation in the 2010 election cycle and made numerous visits to legislators in their home districts. The League staff coordinated many efforts to assure that credit union perspectives are heard at the legislative and regulatory bodies.

At the local level, much attention was devoted to helping credit unions deal with existing regulations. The League InfoSight compliance Web site was accessed 16,600 times by Georgia credit unions during 2010. Ten in-depth compliance bulletins were produced in addition to weekly compliance newsletters. Thirty compliance training sessions were conducted and over 1,700 inquiries were handled by the League's Compliance Desk.





In recent years, the League has devoted substantially more attention to helping credit unions become recognized among consumers, especially the 80 percent who do not have membership status. Credit unions are extremely well liked by existing members. But among non-members, lack of awareness is the highest-ranking reason given for not using credit unions. Strategically, there are not many things more important for the industry to be working on than improving the awareness of credit unions among the public. The League has embarked on a multi-year initiative to influence representatives in the media, consumer advocates and other public opinion leaders so that they can spread the word about all of the good things that credit unions are doing. In the public relations business, this approach is called 'earned media'; essentially, unpaid advertising. The key is having a steady stream of good news stories; something that credit unions can deliver.

During 2010, the League partnered with Weber-Shandwick, a national public relations firm, to develop a multi-faceted public influence campaign. Two new publications were launched in 2010 that are designed to keep Georgia credit unions in view for over 450 editors, reporters, bloggers and other message makers operating in the state. "Consider This" is a monthly communication that pitches story ideas about street-level consumer finance, something that credit unions know much about. In addition, "Paying Attention" highlights the results of member surveys that illustrate consumer buying and borrowing intentions. Both publications position

credit unions as experts in the field of consumer financial services. They have generated numerous story leads that have resulted in over eight million consumer impressions and have involved representatives from 54 Georgia credit unions. The League conducted media training for future credit union media experts, and League staff routinely participated in local media visits.

Establishing a good reputation for member service is tough. Keeping it over the years is even harder because consumer expectations creep up after an institution becomes regarded as a source of great service. To that end, it is important for credit unions to find new ways to 'wow' members. The League is trying to accelerate the sharing of best practices through an effort known as the REAL Deal outreach campaign. Seventy credit unions have participated to the level that qualifies them for the honor of REAL Deal credit union. They illustrate how members are served with information resources that help them make good financial decisions. REAL Deal credit unions offer programs (directly and through partners) that reduce the cost of purchasing and financing decisions. The REAL Deal campaign evidences all the ways that credit unions reach out to their members in actions that routinely wouldn't happen in the for-profit world.

Through these and other efforts, the League is establishing solid connections with those who influence public opinion in Georgia. It is through these connections that the good news about credit unions will continue to spread.



**Healthy credit unions growing assets, deposits**

By Doug DeWitt

Georgia credit unions continued to grow in 2009 and early 2010. A study by the National Credit Union Administration (NCUA) shows that credit unions in Georgia grew their assets and deposits in 2009. The study shows that credit unions in Georgia grew their assets by 1.4 percent and deposits by 1.1 percent in 2009. This is a significant achievement, especially in a year when most banks saw a decline in assets and deposits.

David A. DeGasperis, Director of the Atlanta Federal Credit Union, said, "It's encouraging to see our members' confidence in credit unions. It shows that we're providing a service that's valued and trusted."

DeGasperis also noted that credit unions are offering more services to their members, such as online banking and mobile apps, which is helping to attract new members and retain existing ones.

The study also found that credit unions are offering more financial education and counseling to their members, which is helping them make better financial decisions. This is a key strength of credit unions and one that sets them apart from other financial institutions.

Overall, the study shows that credit unions in Georgia are thriving and providing a valuable service to their members. This is a testament to the hard work and dedication of credit union staff and their commitment to their members' financial well-being.





A common refrain is, “growth for growth’s sake is not what we’re after.” Well, that’s true for many credit unions. But, most also believe that growth is good evidence that legitimate needs are being met. Controlled growth is regarded as a key success measure in credit union planning. That being the case, the state support organizations perform a number of services that are designed to help credit unions achieve their strategic objectives, including growth. The starting place is knowledge development. The League and CSI collaborate extensively to surround credit unions with information, education and consultation. The state organizations collaborate with regional and national efforts to widen the breadth of product offerings while keeping the costs as low as possible. Every credit union has a dedicated staff contact at GCUA who assists in providing information needed to accelerate success.

Networking is critical for success. To that end, GCUA supported local ‘lunch and learn’ gatherings for credit union leaders and coordinates the Annual Convention, the largest networking opportunity within the state. Between the largest and smallest networking events, numerous education sessions, webinars, conferences and councils were available to put credit union officials in touch with know-how from their peers. In 2010, there were 25 study group meetings that touched 226 credit union officials and 131 credit unions at least once during the year. Topics included compliance issues, risk-based pricing, front-line professionalism, lending strategies and others. Networking councils connected specialists from

disciplines including payments, risk management, human resources, administration and marketing. The Idea Institute brought credit union leadership together in a dialogue environment that addressed key strategic issues facing credit unions. In addition to state-level networking, Georgia credit unions had access to many regional and national programs sponsored by CUNA and the other Leagues.

Support services also include many fee-based programs designed to lower credit union costs and increase effectiveness. For example, 71 credit union Web sites are maintained by GCUA personnel. Nineteen new sites went live in 2010. A ‘shared compliance officer’ program enables credit unions to have the benefits of a dedicated compliance officer without paying all of the costs. This program was exported to other Leagues as well during 2010. Through the Acceptance Corp. subsidiary, credit unions have access to affordable card support services. Toward the end of 2010, the CSI board authorized a year-long study into ways that the support organizations could assist credit unions to collaborate in the back office so that they could turn more of their attention to member-facing business development activities. It was determined that compliance and operational burdens elevate costs and keep management from external focus. Mid-size and small credit unions are in need of finding new ways to become more efficient as competitive pressures intensify. If the new back-office initiatives are successful, this could have a significant impact on credit union vitality in the years ahead.





Ten years ago, Georgia credit unions cleared nearly 100 million checks through the reader-sorters at CSI. In 2010, that number was less than 35 million. Technology and consumer transaction preferences have been quickly eliminating paper processing in the payments business. The CSI board voted to engage in an operational consolidation with sister organizations in South Carolina and Missouri to achieve better economies of scale. Prior to that, CSI staff successfully converted virtually all of the check collection activity to branch capture technology. Significant expense reductions took place in 2009 and 2010, which enabled CSI to continue operating profitably. The remarkable accomplishment is that this transition has been taking place with very little operational impact on Georgia credit unions. All but two of the Georgia credit unions that offer checking accounts use CSI for item processing.

The CSI check processing operation began its work in 1989. Jerry Keenan has been the operations leader in this remarkable 23-year run of exceptional service in item processing on behalf of Georgia credit unions. Since then, consumer payments activity has been shifting to card-initiated and Web-based transactions in big numbers. Debit cards have become the largest transaction generators, surpassing credit cards. Online banking, bill pay, ACH and (lately) mobile device transactions are growing even more rapidly than debit cards. CSI helped credit unions get into these transaction capabilities by negotiating group contracts and conducting training sessions. During 2010, it became clear that the largest credit unions would be in a position to

negotiate their own arrangements, integrating their solutions with core processors and other online applications. Networks and the two big card associations (VISA and Mastercard) exercise significant market influence. In the midst of consolidating influence, Senator Durbin successfully passed legislation that would severely limit revenue potential for debit card-initiated transactions. The impact of this three-way struggle among big merchants, big banks and the government remains to be seen. In the meantime, PayPal and other online payments solutions are making inroads. CSI's fundamental purpose of helping credit unions succeed remains unchanged in payments.

Consumers still describe convenience in the context of having access to a physical store of some type, even if they never plan to use it. Branches continue to be deployed by banks and credit unions. One way that credit unions have responded is to share their brick and mortar. The shared branch network has become an effective way to control costs and extend distribution reach. In addition, Georgia credit unions can now boast of having almost 150 shared branches in the state and over 4,200 nationwide. This makes it possible to overcome the perceived convenience disadvantage of credit unions compared with the large banks. Seventy-one percent of Georgia credit union members now have access to the shared branch network. In 2010, they performed 1.7 million transactions across the shared network. Unlike card and internet networks, credit unions own 100 percent of the shared branch network.





One has to wonder how the credit union historians will characterize 2010. It was certainly a year of significant cross currents. Credit unions entered the year claiming to be looking ahead, past the financial meltdown of 2008/2009. At the end of 2009, the League ran a number of radio and newsprint ads letting people know that credit unions did not cause the crisis and were still in good financial shape. Consumer advocates were chiming in routinely with the same message. But, the burden of low interest rates, persistent loan repayment problems and the special NCUSIF assessments let the air out of the enthusiasm balloon. It became clear that recovery would be slow for members, especially the ones whose income had been affected directly. Congress was in a regulation-writing frame of mind. The Credit Card Act, ODP regs, interchange legislation and the formation of the Consumer Financial Protection Bureau (CFPB) are the most visible burdens to affect credit union enthusiasm. Under the circumstances, credit unions did remarkably well, resulting in 2011 being christened the year of restored optimism.



Greg Connor

Perhaps the historians will describe 2010 with all of the things that did not happen. There were not massive credit union failures, even in the sand states. Georgia led the nation in bank failures, but no Georgia credit unions were included in the Friday afternoon announcements from the DBF. The credit union regulatory and deposit insurance structures were not commingled with the Fed and OCC during the push for a single federal regulator. Credit unions were exempted from CFPB supervision and carved out of the interchange provisions of the Dodd-Frank bill. Barney Frank publicly abandoned his long-time objective of sweeping credit unions under CRA. At the Statehouse, credit unions helped to defeat legislation that would have imposed interchange limits and forced judicial foreclosure. And, of significant importance, the corporate credit union system did not explode in a way that would jeopardize public confidence in credit unions.



Mike Mercer

The League board commissioned another Finance Study Task Force in 2010. This group conducted a detailed survey of League members, seeking their input into the value proposition for our state trade association. Thank you to the 62 credit unions that participated. In its report, the Task Force explained that advocacy (i.e. government and public influence) continues to be the most highly valued work performed by the League staff. But, it also reported that credit union consolidation and concentration would continue in the years ahead. The League's resources will be stretched, but the value proposition remains high. Thanks to expense controls, the League and CUNA were able to operate with positive bottom lines and ambitious plans for producing new value in the years ahead. Your support and encouragement are of critical importance and are much appreciated.

Thank you,

Greg Connor  
Chairman

Mike Mercer  
President/CEO

GEORGIA CREDIT UNION  
*Affiliates*



Charlotte Ayers

Is it okay to talk about good accomplishments when the times are tough? It was that kind of year for CSI. There are now almost 150 outlet branches in the shared system that are available to more than one million Georgia credit union members. CUSC, the support company that was started in Georgia, merged into CO-OP Financial Services, producing a large gain on sale for CSI. Virtually all of the credit union branches in the state are now capable of converting physical checks into digital images, which improves check collection times and lowers costs throughout the system. The first full year of savings from the EFT contracts worked its way through credit union financials and a significant reduction in check printing costs contributed to the financial well-being of CSI customers. Almost all Georgia credit unions use CSI for multiple payments support activities. On top of that, the CSI board was able to declare a \$1 million patronage refund, the largest in history!



Eric Jenkins

It was a bittersweet year. The last SWIRL-owned shared branch was closed in October. Unfortunately, a number of jobs were eliminated. It was a difficult decision to create unemployment for good people. At the end of the year, the board voted to consolidate item processing operations with our partner in South Carolina. Implementation will take place during 2011, but the CSI item processing staff learned that the Atlanta-based jobs would be eliminated early 2011. This partnership will save at least 20 percent in operating costs, which will be transferred to credit unions in the way of lower prices. This is a remarkable accomplishment in a business-facing rapid deterioration of same-store volumes. Our heartfelt thanks go out to Jerry, Betty and the entire item processing team.



**Cooperative  
Services, Inc.**

CSI is looking ahead. Its fundamental role in payments support is unchanged. The CSI staff will continue to assist credit unions with branch, ATM, card and internet payments networks. But, the board is also exploring a new area of focus. Small and mid-sized credit unions devote a huge portion of the managerial attention to back-office support systems, just making sure that the shop is running. Another large chunk of time is devoted to risk management and compliance. All of these things keep management from focusing time and energy to member-facing business development activities. The idea is that CSI could organize collaborations in the back office so that the most talented people at the credit union could focus their time on members. A new group that will be known as the CSI Design Council will assist staff in identifying opportunities for meaningful contribution in this way.

CSI is working hard to navigate the future. We sincerely appreciate your involvement.

Charlotte Ayers  
Chair

Eric Jenkins  
Senior Vice President  
CU Growth Services



The Georgia Credit Union League 2010 results confirm a sound financial footing as the League heads into 2011.

The League's assets totaled \$4,946,777, consisting primarily of cash and investments in subsidiary companies that provide valuable services to Georgia credit unions. Cash resources of \$2.12 million are 88 percent of 2010 annual expenses. Retained equity totaled just over \$4.87 million at year-end.

The League primarily depends on voluntary contributions from its members in the form of dues. These funds support the League's effort in achieving success in promoting Georgia credit unions through government influence, public influence, credit union compliance services and research and development. It earns additional revenues from credit union planning services and interest income on cash and certificate of deposit investments.

The League membership dues totaled \$2,438,947 during 2010. Additional revenues from planning and compliance services and interest of \$57,473 brought total revenues to \$2,496,420. Total League expenses were \$2,392,817. The League's net operating margin from trade association activities was \$103,603. The recorded equity in subsidiary earnings yielded a gain of \$101,604 resulting in combined net income of \$205,207.

The December 31, 2009 financial statements of the League and subsidiary companies were audited by the independent accounting firm of Mayer Hoffman McCann, PC of Atlanta during 2010. The financial statements were certified to be in compliance with generally accepted auditing standards. An audit of the 2010 financial statements was underway at the time this report was prepared. The financials presented in this report are in an unaudited and unconsolidated summary format.

Respectfully submitted,

Barry Heape  
Treasurer

Jamie Fristoe  
Chief Financial Officer



Barry Heape



Jamie Fristoe



## BALANCE SHEET

	31-Dec-10	31-Dec-09
Assets		
Cash	\$2,115,707	\$1,818,926
Prepaid Expenses	6,468	5,869
Investment in GCUS	2,299,897	2,228,671
Investment in Other Subs	523,957	493,579
Other Assets	748	187,627
<b>TOTAL ASSETS</b>	<b>\$4,946,777</b>	<b>\$4,734,672</b>

Liabilities and Equity		
Accounts Payable	\$17,838	\$15,584
Accrued Expenses	57,085	52,441
Retained Earnings	4,871,854	4,666,647
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$4,946,777</b>	<b>\$4,734,672</b>

## INCOME STATEMENT

Revenues	2010	2009
Dues	\$2,438,947	\$2,259,572
Education & Training	12,994	20,393
Other Income	44,479	107,197
<b>TOTAL REVENUE</b>	<b>\$2,496,420</b>	<b>\$2,387,162</b>

Expenses		
Personnel	\$1,361,981	\$1,306,684
Operations	929,515	844,725
Administration	101,321	110,731
<b>TOTAL EXPENSES</b>	<b>\$2,392,817</b>	<b>\$2,262,140</b>

OPERATING MARGIN \$103,603 \$125,022

Equity in Subsidiary Earnings \$101,604 \$7,942

**INCREASE IN RETAINED EARNINGS \$205,207 \$132,964**

## NOTES TO GCUL FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### Description of Operations

Georgia Credit Union League, Inc. ("League") is a not-for-profit trade association comprised of state and federal credit unions located in Georgia. The purpose of the League is to promote the credit union movement within Georgia and nationwide. The League has a wholly-owned service corporation, Georgia Credit Union Services, Inc. ("GCUS"), which furnishes various services and supplies to Georgia credit unions and to affiliated entities related to the League. The League's subsidiary, GCUS owns 25 percent of The Credit Union Loan Source, LLC which focuses on indirect auto lending. GCUL Acceptance Corporation provides Georgia credit unions with credit card service support and is owned 50 percent by the League and 50 percent by Cooperative Services, Inc. Georgia Credit Union Affiliates provides personnel and management services to the League and is 33.3 percent owned by the League. The operating results of these three companies are included in the League's income statement as Equity in Subsidiary Earnings.

#### Membership Dues

Membership dues are recognized as income when earned over the applicable membership period.

#### Income Taxes

The League is exempt from federal and state income taxes under section 501(c)6 of the Internal Revenue Service Code. The subsidiaries, Georgia Credit Union Services Inc., GCUL Acceptance Corporation and Georgia Credit Union Affiliates, are taxable corporations and account for income taxes in accordance with U.S. Generally Accepted Accounting Principles.



A positive operating margin and a substantial realized gain on investment allowed CSI to pay a patronage refund for the second straight year. Overall revenues of \$4.8 million before the patronage refund of \$1,000,000 were down 2 percent from 2009. In addition, CSI recognized a gain of \$636,900 from the sale of its CUSC stock in 2010. CSI continued its reduction of expenses, resulting in a 12 percent or \$545,000 decrease in total expenses.

Total assets stand at \$4.64 million, while total retained stockholder's equity grew to over \$4.2 million, resulting in continued growth in book value per share of common stock outstanding to \$2.42.

Net operating loss from business activities during 2010 was (\$302,019); \$697,981 before patronage refund. CSI maintains investments in SWIRL, LLC (shared branching), CU Images, LLC (image storage and retrieval) and GCUL Acceptance Corp. (credit and debit card processing), which yielded an additional \$18,678 in subsidiary earnings for the year. As noted previously, gain on sale of CUSC investment yielded \$636,900. After tax net income was \$226,597.

2010 will be the final full year of CSI's item processing operations. It is scheduled to be consolidated with PCSi, LLC in 2011. CSI's other primary product lines of EFT- Network and Shared Distribution continue to serve Georgia credit unions.

The financial statements of CSI and its subsidiary companies are audited annually by the independent accounting firm of Mayer Hoffman McCann, PC. At the time of this report, the audit of the 2010 financial statements is underway.

Respectfully submitted,

Lin Hodges  
Treasurer



Lin Hodges

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## BALANCE SHEET

Assets	31-Dec-10	31-Dec-09
Cash & Short Term Investments	\$1,668,997	\$1,633,152
Accounts Receivable	61,867	106,045
Prepaid Expenses	287,484	331,507
Furniture & Equipment	126,237	229,367
Investment in Subsidiaries	1,775,472	1,756,794
Accrued Income	707,067	736,236
Other Assets	13,139	23,200
<b>TOTAL ASSETS</b>	<b>\$4,640,263</b>	<b>\$4,816,301</b>

Liabilities		
Accounts Payable	\$37,443	\$408,912
Accrued Expenses	352,938	382,798
Deferred Liabilities	11,745	13,051
Equity		
Common Stock & Paid In Capital	1,852,193	1,852,193
Retained Earnings	2,385,944	2,159,347
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$4,640,263</b>	<b>\$4,816,301</b>

## INCOME STATEMENT

Revenues	2010	2009
Payment Systems	\$3,409,292	\$3,415,752
EFT - Network	853,024	953,497
Shared Distribution	485,020	479,580
Less: Patronage Refund	(1,000,000)	(300,004)
Interest Income	13,283	14,539
<b>TOTAL REVENUE</b>	<b>\$3,760,619</b>	<b>\$4,563,364</b>

Expenses		
Personnel	\$2,341,882	\$2,504,261
Operations	1,517,895	1,894,535
Administration	202,861	208,517
<b>TOTAL EXPENSES</b>	<b>\$4,062,638</b>	<b>\$4,607,313</b>

<b>OPERATING MARGIN</b>	<b>\$(302,019)</b>	<b>\$(43,949)</b>
Equity in Subsidiary Earnings	\$18,678	\$79,374
Gain on Sale of Investment	\$636,900	-
Subsidiary Investment Adjustment	-	(130,097)
Taxes	(126,962)	12,725
<b>NET INCOME</b>	<b>\$226,597</b>	<b>\$(81,947)</b>

## NOTES TO CSI FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

#### Description of Operations

Cooperative Services, Inc. ("CSI") was formed on December 15, 1988, and began offering services to Georgia credit unions in July 1989. CSI is owned by 59 credit unions doing business in Georgia and by Georgia Corporate Federal Credit Union. CSI performs share draft processing, EFT network support services and service center support for various Georgia and out-of-state credit unions.

#### Fixed Assets and Depreciation

Furniture, equipment and computer software are stated at cost. Depreciation and amortization are calculated using double-declining balance method for furniture and equipment and the straight-line method for computer software over the estimated useful lives of the assets.

#### Income Taxes

Income taxes are accounted for in accordance with Statement of Financial Accounting Standards Board ASC 740.

#### Related Parties

Each year, CSI enters into a management contract with Georgia Credit Union Affiliates and Georgia Credit Union Services, Inc. Under this contract, CSI is provided with general management and administrative support services and the use of related equipment. The League, Georgia Corporate Federal Credit Union and Cooperative Services, Inc. each have a one-third ownership interest in the Affiliates.

#### Investment in Subsidiaries

CSI maintains ownership interest in the following companies as of December 31, 2010:

GCUL Acceptance Corp. - 50.0%  
CU Images, LLC - 45.7%  
Georgia Credit Union Affiliates - 33.3%  
SWIRL, LLC - 30.0%

#### Capital Stock

CSI's authorized and outstanding shares of capital stock are as follows:

Class A voting common stock  
Par Value: \$1.00  
Authorized: 20,000,000 shares  
Outstanding: 1,000,000 shares

Class B non-voting common stock  
Par Value: \$1.00  
Authorized: 20,000,000 shares  
Outstanding: 75,294 shares

Class C voting common stock  
Par Value: \$1.00  
Authorized: 10,000,000 shares  
Outstanding: 696,848 shares



During 2010, the Georgia Credit Union Foundation continued to provide significant value to credit unions, despite the continuance of a prolonged economic downturn. The Foundation was successful in endowing quality educational and consultative assistance to credit unions up to \$35 million in assets. Leading the way in demonstrating the Foundation's commitment to small credit unions is the continuation of two initiatives which provided information and educational subsidies. For the third consecutive year, the Foundation supplied, at no cost to individual credit unions, E-Scan/CU360, an online research and information portal. The portal provided credit union management, staff and volunteers with high-quality resources to assist them in the strategic growth and development of their organization. Second, affiliated credit unions that participated in GCUA/CUNA CPD collaborative educational offerings received registration subsidy/reimbursement for each attendee.



Barry Heape

The Foundation makes one-on-one consultative support available to credit unions. Through this valuable resource, the Foundation has helped credit unions 'Navigate the Future' in their strategic growth and development. Educational scholarships and grants for business development activities continue to be examples of other ways credit unions up to \$35 million in assets receive benefit.

The GCUF Ed Collins Memorial Golf Tournament has become an eagerly anticipated annual event, held in honor of a long-time credit union leader and advocate for the Georgia credit union movement. Ed was a dedicated contributor, both on a personal and professional level, to the Georgia Credit Union Foundation. He served as the Chairman of the Foundation Board and contributed his personal support in fundraising activities. Thanks to 60 golfers from 23 credit unions and sponsors, the 2010 tournament raised \$4,788 to support the Foundation's continuing efforts.



Dan Denning

The People-to-People Program continued to project the credit union philosophy through the Foundation. In June, representatives from Georgia traveled to Poland to meet credit union leaders, exchange ideas, and continue to solidify the Georgia-Polish Credit Union Partnership Program which began in 1995. Of special note, through the kindness and generosity of six participating Georgia partnership credit unions, over \$20,000 was presented to the leadership of the National Association of Cooperative and Savings Credit Unions. These contributions were donated to a special fund set up in the name of President Lech Kaczynski who lost his life in a tragic airline crash in April of 2010. Kaczynski was a huge supporter of the Polish credit union system, having been a board member of the Polish Credit Union Foundation at its inception as well as a gatekeeper in helping to protect credit union interests in Poland.



The Foundation took the lead in the fundraising efforts to help credit unions and their members in Haiti following the devastating earthquake that rocked the country. Through the collective generosity of credit unions and individuals, the Foundation was able to send almost \$26,000 to the National Credit Union Foundation (NCUF) to assist in its nationwide disaster recovery effort on behalf of the credit unions and citizens of Haiti. This was in addition to a \$20,000 contribution to the NCUF in support of the entire credit union system.

The Georgia Credit Union Foundation would not be able to complete its mission without the support of Georgia credit unions. Contributors to the Foundation can feel confident that their contributions are being used in the most effective ways possible. The Foundation board extends to its supporters its heartfelt appreciation for past, present and future support.

Thank you,

Barry Heape  
Chairman

Dan Denning  
Executive Director



As of December 31, 2010, the Georgia Credit Union Foundation had total assets of \$266,074. The Foundation balance sheet consists of educational scholarships, grants and face-to-face consultative services.

Until November 2009, the Foundation held Georgia Department of Labor grant funds in a custodial capacity to support the Assistive Technology Loan Guarantee Program known as CreditAble. All funds and activities were transferred to the Center for Financial Innovation and Independence in 2009. For 2010, the operations of the Foundation resulted in a net decrease to the retained core GCUF fund balances of \$9,403. The Foundation received credit union and State Support Organization contributions of \$154,444. In addition, Georgia credit unions contributed \$41,597 in funds directed to the Haitian Relief effort and the Lech Kaczynski Fund. The Foundation continues its commitment to consultative education, the National Credit Union Foundation and the People-to-People Polish Partnership at 2009 levels while lowering operating expenses by \$8,170.



Stephen Smith

The December 31, 2009 financial statements were audited by Mayer Hoffman McCann, PC of Atlanta, and the audit confirmed that the financial statements were presented in accordance with generally accepted accounting standards. An audit of the December 31, 2010 financials is currently underway.

Thank you,

Stephen P. Smith  
Treasurer/Secretary

### BALANCE SHEET

ASSETS	31-Dec-10	31-Dec-09
Cash	\$261,348	\$280,935
Other Assets	4,726	-
<b>TOTAL ASSETS</b>	<b>\$266,074</b>	<b>\$280,935</b>

LIABILITIES & FUND BALANCES		
Grants Payable	\$2,490	\$183
Accrued Expenses & Payables	8,306	16,071
GCUF Fund Balance	255,278	264,681
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$266,074</b>	<b>\$280,935</b>

### INCOME AND EXPENSE STATEMENT

REVENUES	2010	2009
Credit Union Contributions	\$106,448	\$106,889
State Support Organization Donations	48,000	48,000
Designated Support Contributions	15,750	-
Disaster Relief Contributions	25,847	-
Fundraising Income	4,788	6,495
Interest Income - CreditAble Funds	-	6,677
Interest Income - GCUF Funds	2,690	2,205
<b>TOTAL REVENUE</b>	<b>\$203,523</b>	<b>\$170,266</b>

EXPENSES		
Direct Assistance		
Scholarships/Grants	\$19,533	\$29,123
Designated Support	20,750	-
People-to-People Partnership	6,652	3,754
National Foundation	20,000	20,000
Disaster Relief	25,847	-
CreditAble Operations Support	-	59,806
CreditAble Reserve/Loan Defaults	-	53,710
Consultative Education	109,760	112,718
Operating Expenses	10,384	18,554
<b>TOTAL EXPENSES</b>	<b>\$212,926</b>	<b>\$297,665</b>

Change in CreditAble Restricted Funds: Operations	-	(106,839)
Transfer CreditAble Fund Balance	-	(1,155,028)
Change in GCUF Funds	(9,403)	(20,560)
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$(9,403)</b>	<b>\$(1,282,427)</b>

Georgia Credit Union Foundation  
Statement of Financial Condition (unaudited)  
For the Years Ending December 31, 2010 and 2009



ASSETS	12/31/10 BALANCE	PERCENT OF ASSETS
<b>CASH</b>		
Cash on Hand	\$148,321,853	0.89%
Cash on Deposit	\$1,783,070,332	10.72%
<b>TOTAL CASH EQUIVALENTS</b>	<b>\$1,931,392,185</b>	<b>11.61%</b>
<b>INVESTMENTS</b>		
Federal Agency Securities	\$3,010,916,691	18.10%
Georgia Corporate Federal Credit Union	968,059,678	5.82%
Commercial Banks, Savings & Loans and Mutual Savings Banks	655,621,991	3.94%
Mutual Funds and Common Trust Investments	27,383,212	0.16%
Credit Unions	40,230,630	0.24%
Other Investments	88,591,939	0.53%
U.S. Government Obligations	27,828,817	0.17%
<b>TOTAL INVESTMENTS</b>	<b>\$4,818,632,958</b>	<b>28.96%</b>
<b>LOANS</b>		
<b>AUTO-SECURED LOANS</b>		
Used Auto Loans	\$2,385,793,539	14.34%
New Auto Loans	1,281,750,421	7.70%
<b>REAL ESTATE-SECURED LOANS</b>		
First Mortgage Real Estate Loans	\$3,003,034,937	18.05%
Other Real Estate Loans	1,030,376,947	6.19%
<b>OTHER LOANS</b>		
Credit Card Loans	\$658,794,294	3.96%
Unsecured Loans	475,032,431	2.86%
Other Loans	453,438,418	2.73%
Allowance for Loan Losses	(119,745,264)	-0.72%
<b>TOTAL LOANS, NET</b>	<b>\$9,168,475,723</b>	<b>55.11%</b>
Loans Held for Sale	\$14,492,207	0.09%
<b>OTHER ASSETS</b>		
Other Assets	\$188,381,816	1.13%
Land and Building	321,615,647	1.93%
Share Insurance Capitalization Deposit	136,225,350	0.82%
Other Fixed Assets	56,923,023	0.34%
<b>TOTAL OTHER ASSETS</b>	<b>\$703,145,836</b>	<b>4.23%</b>
<b>TOTAL ASSETS</b>	<b>\$16,636,138,909</b>	<b>100.00%</b>



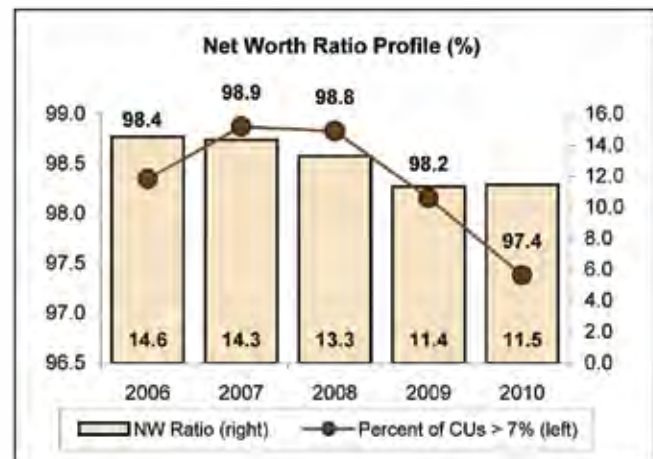
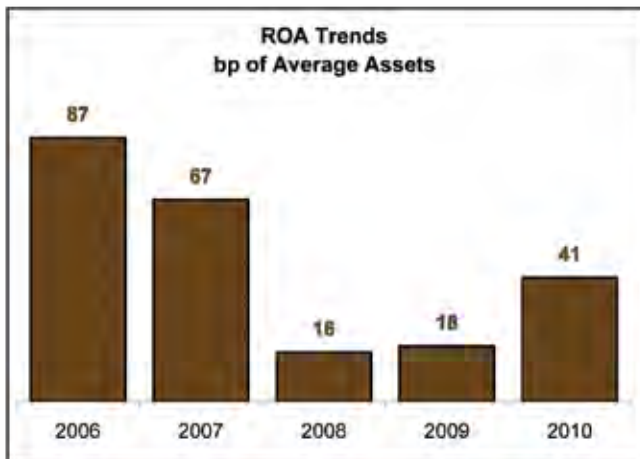
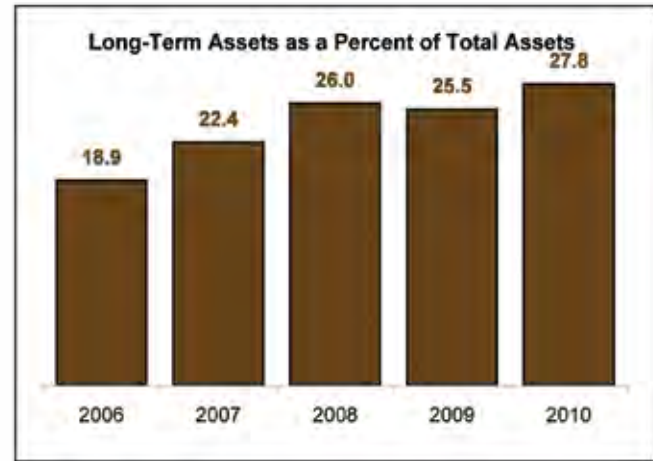
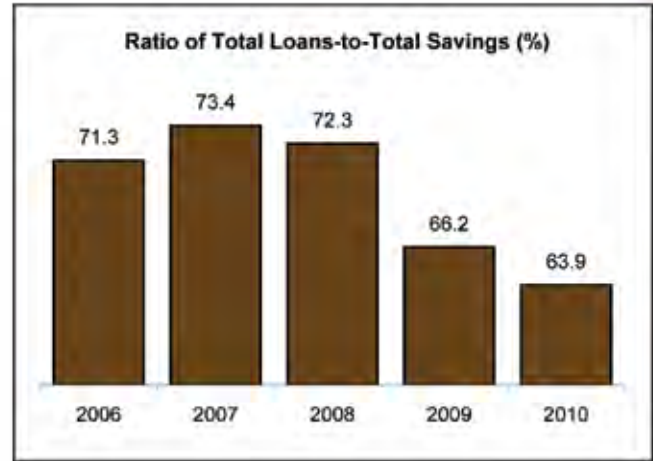
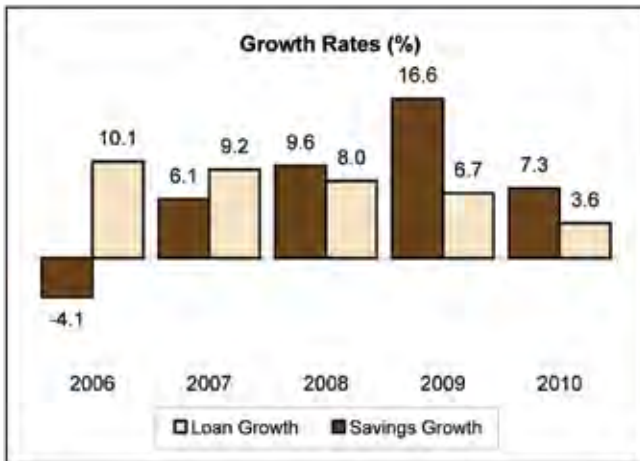
LIABILITIES & EQUITY	12/31/10 BALANCE	PERCENT OF ASSETS
Accounts Payable & Other Liabilities	\$150,291,359	0.90%
Promissory Notes	43,623,872	0.26%
Accrued Dividends Payable	6,746,634	0.04%
<b>TOTAL LIABILITIES</b>	<b>\$200,661,865</b>	<b>1.21%</b>
<b>SHARES &amp; DEPOSITS</b>		
<b>REGULAR SHARES</b>	<b>\$4,384,162,829</b>	<b>26.35%</b>
<b>TAX DEFERRED ACCOUNTS</b>		
IRA/KEOGH & Retirement Accounts	\$1,509,298,098	9.07%
<b>RATE SENSITIVE ACCOUNTS</b>		
Share Certificates	\$3,817,034,330	22.94%
Money Market Accounts	2,810,187,067	16.89%
<b>TRANSACTION ACCOUNTS</b>		
Share Drafts	\$1,977,398,519	11.89%
<b>OTHER</b>		
Other Member Shares	\$29,141,660	0.18%
Non-Member Deposits	28,653,327	0.17%
<b>TOTAL SHARES &amp; DEPOSITS</b>	<b>\$14,555,875,830</b>	<b>87.50%</b>
<b>EQUITY</b>		
Regular Reserves	\$301,405,589	1.81%
Other Reserves	7,106,263	0.04%
Accumulated Unrealized Gains (Losses) on Investments	(29,748,318)	-0.18%
Undivided Earnings	1,600,837,680	9.62%
<b>TOTAL EQUITY</b>	<b>\$1,879,601,214</b>	<b>11.30%</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$16,636,138,909</b>	<b>100.00%</b>



STATEMENT OF INCOME AND EXPENSE	AMOUNT	PERCENT OF ASSETS
<b>INCOME FROM ASSETS</b>		
Interest On Loans	\$586,273,135	3.53%
Income From Investments	88,120,821	0.53%
<b>TOTAL INCOME FROM ASSETS</b>	<b>\$674,393,956</b>	<b>4.06%</b>
<b>COST OF FUNDS</b>		
Dividend On Shares	\$133,690,172	0.80%
Interest On Deposits	54,581,878	0.33%
Interest On Borrowed Money	1,101,965	0.01%
<b>TOTAL COST OF FUNDS</b>	<b>\$189,374,015</b>	<b>1.14%</b>
<b>SPREAD INCOME</b>	<b>\$485,019,941</b>	<b>2.92%</b>
<b>OPERATING EXPENSES</b>	<b>\$540,752,124</b>	<b>3.25%</b>
Less: Fee Income	226,913,632	1.36%
<b>NET OPERATING EXPENSES</b>	<b>\$313,838,492</b>	<b>1.89%</b>
<b>OPERATING INCOME</b>	<b>\$171,181,449</b>	<b>1.03%</b>
Provision For Loan Losses	\$99,014,042	0.60%
<b>NET INCOME</b>	<b>\$72,167,407</b>	<b>0.43%</b>
<b>EXTRAORDINARY ITEMS</b>		
Gain (Loss) On Investments	(\$2,455,127)	-0.01%
Gain (Loss) On Disposition Of Assets	(3,135,171)	-0.02%
Other Non-Operating Income	351,764	0.00%
<b>TOTAL EXTRAORDINARY ITEMS</b>	<b>\$5,238,534</b>	<b>-0.03%</b>
<b>NET INCOME (AFTER EXTRAORDINARY ITEMS)</b>	<b>\$66,928,873</b>	<b>0.40%</b>



The graphs below display five-year trends for Georgia credit unions on ratios that are important to an institution's financial health. These graphs illustrate the impact of the difficult economic environment.



NW

W



SW

S

GEORGIA CREDIT UNION

*Affiliates*