



**Judith A. Gula**  
National  
Secretary-Treasurer

Presented for your review are the financial results for the first quarter of 2010. We continue to show a very strong financial recovery effort in the first quarter. Net income of \$1.2 million was generated in the first quarter 2010 compared to \$349,000 for the same period in 2009, an increase of \$851,000.

❖ **Assets** total \$695.6 million as of March 31, 2010 compared to \$659.7 million for the year ended December 31, 2009.

This reflects an increase of \$35.9 million in the first quarter. Please note that the 2009 Assets increased by \$41.4 million for the entire year. The increase in the first quarter of 2010 is a result of outstanding sales of our annuity products and positive cash flow experienced from investment income.

❖ **Safety Funds** that include Surplus of \$20.3 million, Interest Maintenance Reserves of \$6.3 million, and Asset Valuation Reserves of \$5.7 million, totaling \$32.3 million for the first quarter 2010. Safety Funds for the first quarter of 2009 totaled \$13.5 million that included Surplus of \$5.1 million, Interest Maintenance Reserves of \$7.9 million and Asset Valuation Reserves of \$535,000. The first quarter of 2010 reflects an increase in Safety Funds of \$6.8 million.

❖ **Surplus** increased in the first quarter of 2010 by \$2.2 million. The positive impacts to surplus include the following: Net Income of \$1.2 million, Change in Unrealized Gains of \$1.6 million and Changes in Non-Admitted Assets of \$23,000. Negative impacts upon surplus include the funding of (AVR) Asset Valuation Reserves of \$427,000 and losses of \$308,000 in the GCU Holding Company & Other.

❖ **Gross Income** of \$49.1 million excluding conversions was recorded for the first quarter of 2010, an increase of \$22.1 million. Annuity sales totaled \$38.2 million in 2010 compared to annuity sales in 2009 of \$17.5 mil-

lion, an increase of \$20.7 million. Life premium totaled \$669,000, an increase of \$237,000 from 2009. These outstanding increases reflect the continuing efforts our marketing department and sales staff to strengthen our GCU with sales of our many superior annuity and life products.

❖ **Net Investment Income** for the first quarter of 2010 totaled \$9.9 million compared to the 2009 total of \$8.8 million. The portfolio average coupon is 6.41% and the current yield is 6.46%. Positive cash flow and increased sales have allowed us to take advantage of opportunities in the current bond market providing our portfolio with excellent coupons and increased yields.

❖ **Total Operating Expenses** as of March 31, 2010 (excluding conversions of \$8.5 million) were \$15.2 million as compared to \$17.7 million (excluding conversions of \$707,000) as of March 31, 2009. The decrease of \$2.5 million is a result of a reduction in death and annuity benefits paid out.

❖ **Net Changes in Life and Annuity Reserves** totaled \$32.5 for the first quarter of 2010, an increase of \$23.6 over the total of \$8.9 million in reserves in the first quarter of 2009. These reserves reflect the increases in the sales of

**Income Statement**

**First Quarter 2010 vs. 2009 Results**

(000's) Omitted	3/31/10	3/31/09	Change
<b>Income</b>			
Life Premium.....	\$ 669	\$ 432	\$ 237
Annuity Premium.....	38,178	17,527	20,651
Annuity Exchanges .....	<u>8,516</u>	<u>707</u>	<u>7,809</u>
Sub Total.....	47,363	18,666	28,697
Net Investment Income.....	9,971	8,839	1,132
Other (See Detail Report) ..	<u>258</u>	<u>200</u>	<u>58</u>
Total Income.....	\$57,592	\$27,705	\$29,887

**Expenses**

Death Benefits .....	\$ 504	\$ 682	\$ (178)
Matured Endowments .....	—	—	0
Annuity Benefits Paid.....	12,409	15,087	(2,678)
Annuity Exchanges .....	8,516	707	7,809
Surrender Benefits .....	252	191	61
Commissions.....	884	525	359
General Insurance Exp.....	1,011	1,146	(135)
Ins., Taxes, Lic. & Fees .....	67	35	32
Pension Benefits Paid .....	55	0	55
Other .....	15	15	0
Sub-Total .....	<u>23,713</u>	<u>18,388</u>	<u>5,325</u>
Resrvs-Life & Annuity ....	<u>32,518</u>	<u>8,917</u>	<u>23,601</u>
Total Expenses.....	<u>56,231</u>	<u>27,305</u>	<u>28,926</u>
Net Gain Oper. bef. Rfnd .....	<u>1,361</u>	<u>400</u>	<u>961</u>
Refunds to Members .....	<u>(51)</u>	<u>(51)</u>	<u>0</u>
Net Gain Oper. after Rfnd...	<u>1,310</u>	<u>349</u>	<u>961</u>
Net Cap. Gains (Losses)* ..	<u>(81)</u>	<u>0</u>	<u>(81)</u>
Net Income/Loss.....	<u>\$1,229</u>	<u>\$ 349</u>	<u>\$ 880</u>

\*Net Capital Loss for 1st qtr. 2009 \$319.00

**Summary of Financial Statistics**

(000's omitted)	3/31/10	3/31/09	Change
Assets.....	\$695,652	\$626,561	\$69,091
Total Income.....	57,592	27,567	30,025
Total Operating Exp. ....	23,713	18,247	5,466
Net Income (Loss).....	1,229	349	880
Surplus (Net Worth) .....	20,341	5,107	15,234
Asset Valuation Reserve.....	5,686	535	5,151
Int. Maint. Reserve .....	6,356	7,857	(1,501)
Surplus & Spec. Rsrvs. ....	32,383	13,499	18,884
Normal Solvency Ratio.....	103.0	100.8	2
Solv. Incl. Spec. Reserves...	104.8	102.2	3

**Balance Sheet**

**Three Months 2010 vs. 2009 Results**

<i>(000's omitted)</i>	<u>3/31/10</u>	<u>3/31/09</u>	<u>12/31/09</u>
<b>Assets</b>			
Bonds.....	\$589,221	\$516,350	\$549,038
Preferred Stocks.....	46,911	55,079	48,046
Common Stocks.....	23,616	21,903	23,711
Cash/Short Term Inv.....	6,979	15,848	10,739
Mortgages.....	3,569	4,265	3,841
<b>Real Estate</b>			
Beaver Home Office.....	724	780	738
Chapel.....		655*	
Certificate Loans.....	515	664	594
Inv. Inc. Due & Accrud. .	<u>9,107</u>	<u>7,463</u>	<u>8,024</u>
Other.....	<u>15,010</u>	<u>3,554</u>	<u>14,944</u>
<b>Total Assets.....</b>	<b><u>\$695,652</u></b>	<b><u>\$626,561</u></b>	<b><u>\$659,675</u></b>
<b>Liabilities</b>			
Life Reserve Fund.....	\$ 50,758	\$ 49,652	\$ 50,403
Annuity Reserve Fund...	605,553	556,675	573,609
Employee Pension Fund.....	4,080	4,502	4,080
Convention Reserve.....	185	85	160Adv.
Prem. & Fut. Ref. Rsrvs.....	239	247	239
Accounts Payable.....	0	61	62
Refund Accumulations.....	981	954	973
Other.....	<u>1,473</u>	<u>886</u>	<u>1,288</u>
<b>Sub-Total Liabilities.....</b>	<b><u>\$663,269</u></b>	<b><u>\$613,062</u></b>	<b><u>\$630,814</u></b>
Asset Val. Rsrv-AVR.....	5,686	535	5,929
Int. Maint. Rsrv-IMR...	<u>6,356</u>	<u>7,857</u>	<u>4,765</u>
<b>Total Liabilities.....</b>	<b><u>675,311</u></b>	<b><u>621,454</u></b>	<b><u>641,508</u></b>
Surplus Fund.....	<u>20,341</u>	<u>5,107</u>	<u>18,167</u>
<b>Ttl. Liab. &amp; Surplus.....</b>	<b><u>\$695,652</u></b>	<b><u>\$626,561</u></b>	<b><u>\$659,675</u></b>

\*Chapel asset transferred to GCU Holding Co. Inc. as of January 1, 2010.

annuity and life products and the reduction experienced in claims for the first quarter.

✧ **The GCU Solvency Ratios** for the first quarter of 2010 are 103.0 and 104.8 that includes special reserves, assets valuation (AVR) and interest maintenance (IMR). The ratio increased in 2010 by 2.2% and 2.6% respectively over the 2009 solvency ratio of 100.8% and 102.2%. This 2010 first quarter ratios once again reflect a stable and sound balance sheet position.

We have made great strides on our path to recovery and we thank God for all that we have been able to accomplish, but there is still much more to do. This administration, Board of Directors and Home Office staff have worked diligently and we thank them all for their time, talents and efforts. However, there is a special thanks to all of our members for their support, patience and trust in the GCU during these difficult times.

Please do not hesitate to contact me with your questions or comments.

**Reconciliation of Change in Surplus**

<i>(000's omitted)</i>	<u>3/31/10</u>
Surplus Previous Year 12/31/09.....	18,167
Net Income.....	1,229
Change in Unrealized Gain/(Loss).....	1,657
GCU Holding Company & Other.....	(308)
Changes in Non-Admitted Assets.....	23
Changes in Asset Valuation Reserve.....	(427)
Net Change in Surplus.....	2,174
Ending 03/31/10 Surplus.....	20,341