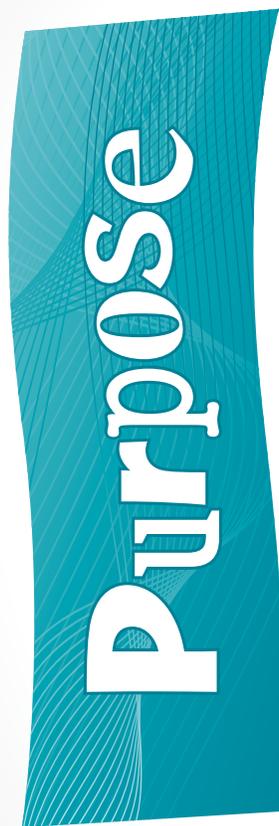


# 2011 Annual Report

## Utah's Credit Unions



Utah's  
Credit  
Unions®

Utah Credit Union Association

# 78th Annual Business Meeting Agenda

March 9, 2012

National Anthem ..... Lauren Gruwell

Pledge of Allegiance

Call to Order ..... Chairman Barber

Report of the Credentials Committee  
(with supplementary reports from time  
to time as directed by the Chairman)

Introduction of Board and Guests ..... Chairman Barber

Reading of the Minutes of the 77th Annual Meeting  
(unless dispensed with by motion) -  
and all action thereon ..... Secretary Milovich

Committee Reports

Report of the Nominating Committee ..... Jim Hofeling

Other Business ..... Chairman Barber

CUNA Mutual Report ..... Gary Lee Fischer

Report of the Chair ..... Chairman Barber

Report of the President ..... Scott Simpson

SunCorp Report ..... Brandt Peterson

Adjournment

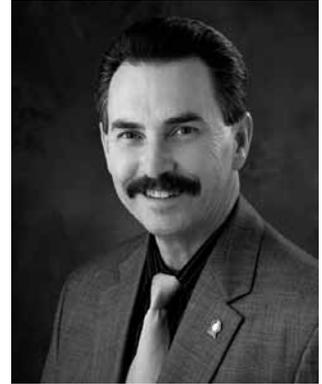
# Utah Credit Union Association Annual Report 2011

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## Message from the Chairman

It has been an amazing responsibility to Chair the Utah Credit Union Association for the last two years. This is a great trade association whose main goal is to facilitate and further the ideals of cooperative financial services in Utah. I am grateful to my peers that have allowed me this opportunity to serve as Director for the last 9 years as well as Chair of the Association for the last 2 years.



Because of the very nature of the benefits Utah credit unions provide to the residents of this state, it is extremely important that the Association keep close tabs on current events and developments that can, will, and do affect all of us, regardless of our individual vision and direction.

With that end in mind, the Board has continued to rely on the knowledge and capability of its President, Scott Simpson, to keep us in the forefront of the political action of the State as well as direct the training and education functions of the Association for the benefit of all who affiliate.

Scott and his staff work continuously to provide a frame work of political knowledge, education opportunities, compliance support, and a variety of other services geared toward supporting and strengthening all Utah Credit Unions.

Multiple education and training opportunities are available from the Association, at very reasonable prices, (many FREE, which is very reasonable) with the tools needed to help all of us deal with the difficulties many of us currently experience in today's economic landscape.

As I have stressed before, the most important aspect of association one with another is the strength that cannot be matched if we were to individually stand alone. The knowledge and capabilities of so many within our industry, and the willingness to share one with another, continues to be an unbeatable opportunity for every credit union, large or small, to continue to serve our communities the way we always have: "Not for profit, not for charity, but for service."

Again I extend my heartfelt thanks to UCUA CEO Scott Simpson, and his very capable staff, for the manner in which they manage the Association, and to each of you as member credit unions, my peers, for your support of this outstanding organization.

Brad V Barber  
Utah Credit Union Association Board Chair  
President/CEO Members First Credit Union

## Message from the President



When I was much younger, my dad once taught me a lesson about adversity and what it does to us. He detailed what it takes to refine metals like gold. He talked about a crucible, this container made to withstand enormous temperatures in order to change the contents.

Looking back, it is clear to me that this movement has been in a crucible. No one wants to repeat the path of the last few years but the signs of who we are and where we are as a movement are starting to become clear.

Like the precious result we find in crucibles at the end of refining, I believe you can find a great deal of purity and refining in this movement.

Credit union boards and management are steeled in ways unimaginable four years ago. You have been through the toughest regulatory scrutiny of your careers. You've pushed back when they were wrong. You've adapted your policies and systems to match our new reality. You know more about your rate and portfolio risk than ever before.

No one would choose the path you've taken these past few years, but you should take pride in what you've become because of it.

I submit that because of your turn in the crucible, your members' resources are more secure and better served. Our future will be a good one.

Scott Simpson  
President/CEO

# 2011 Board of Directors

## At-Large



**Brad Barber**  
Members First CU



**Sterling Nielsen**  
Mountain America CU



**Dean Hirabayashi**  
National J.A.C.L. CU

## Small

(up to  
\$25 million  
in assets):



**Kent Greenfield**  
Education First CU



**Ken Payne**  
Freedom FCU

## Medium

(from  
\$25 million to  
\$100 million  
in assets):



**Mike Milovich**  
Eastern Utah Community CU



**Thomas Gourdin**  
Firefighters CU

## Large

(from  
\$100 million to  
\$1 billion  
in assets):



**Jim Hofeling**  
Jordan CU



**Todd Adamson**  
Cyprus CU



**Randy Gailey**  
Horizon CU

## \$1 billion+

(more than  
\$1 billion  
in assets):



**John Lund**  
America First CU

# Utah Credit Union Association Staff

<b>Name Department/Title</b>	<b>Extensions</b>	<b>Direct #'s</b>	<b>Email</b>
Hartvigsen, Tom Director of Graphic Services	304	801-887-2330	tom@utahscreditunions.org
Line, Heather Compliance Specialist	308	801-887-2322	heather@utahscreditunions.org
Nelson, Stephen VP of Credit Union Support	314	801-887-2323	sn@utahscreditunions.org
Pearson, Marilyn VP of Education & Training	301	801-887-2336	mp@utahscreditunions.org
Simpson, Scott President / CEO	328	801-887-2328	ss@utahscreditunions.org
Smoot, Clary Executive Assistant	300	801-972-3400	clary@utahscreditunions.org
White, Liz Director of the 100% For Kids Foundation	323	801-887-2323	liz@utahscreditunions.org

# Minutes of the 77th Annual Business Meeting of the Utah League of Credit Unions

Held at the Hilton Salt Lake Center  
Salt Lake City, Utah  
March 11, 2011

Chairman Brad Barber called the meeting to order at 3:38 p.m.

Clary Malmström played the national anthem on the violin.

Sterling Nielsen led the group in the Pledge of Allegiance.

Chairman Barber thanked Clary and Sterling. He welcomed delegates and attendees to the meeting.

## Report of the Credentials Committee

Gary Lee Fischer reported that there were 28 delegates present representing 28 credit unions for the 2011 Utah Credit Union Association Annual Business Meeting.

Chairman Barber said that Gary Lee Fischer would update the report if there were any items for delegates to bring before the body of delegates. Chairman Barber asked, if there were any items of business to bring before the delegates during the course of the meeting, that the delegates step up to the microphone. He then introduced Bruce Richards, legal counsel, who had agreed to assist with parliamentary procedure in this meeting. Clary Malmström, in the absence of objection, was appointed recording secretary.

Chairman Barber introduced the members of the Association Board and had them stand: those board members present were Brad Barber, Chairman, Members First Credit Union; Kent Greenfield, Vice-Chair, Education First Credit Union; Mike Milovich, Secretary, Eastern Utah Community Credit Union; Jim Hofeling, Jordan Credit Union; Sterling Nielsen, Mountain America Credit Union; John Lund, America First Credit Union; Randy Gailey, Horizon Credit Union; and Ken Payne, Freedom Credit Union. Brett Blackburn, Utah Central Credit Union, and Todd Adamson, Cyprus Credit Union, were excused.

Chairman Barber asked for former chairmen to stand. Former chairman John Lund was present. He then recognized guests Tom Graham, Brandt Peterson, Charlie Watts and Cindy Maxwell from SunCorp; and Gary Lee Fischer and Jeff Terry from CUNA Mutual Group.

## Approval of minutes

Chairman Barber presented the minutes of the 76th Annual Business Meeting, which were contained in the 2010 Annual Report for review. There were no objections, additions, deletions, or corrections. THOMAS GOURDIN, FIREFIGHTERS CREDIT UNION, MOTIONED TO DISPENSE WITH THE READING OF THE MINUTES AND TO ACCEPT THEM AS PRINTED. ANN GODFREY, LOGAN CACHE RICH CREDIT UNION, SECONDED, MOTION CARRIED.

Included in the Annual Report was a report from each committee chair. Chairman Barber thanked the committee members and chairs for their work. In absence of objection the reports were filed and received.

## Report of the Nominating Committee

John Lund, chairman of the Nominating Committee reported. John thanked those that were willing to run and be involved in the movement. He hoped that more would get involved in the future. The only properly filed candidate in the \$100 to \$999 Million candidate was Jim Hofeling of Jordan Credit Union. A MOTION TO ELECT JIM HOFELING BY ACCLAMATION WAS MADE BY

## **Minutes of the 77th Annual Business Meeting (continued)**

DENNIS MURRAY, PREMIER SERVICES CREDIT UNION; DENNIS HYMAS, UTAH POWER CREDIT UNION, SECONDED. MOTION CARRIED.

The following were nominated to the at-large category: Dean Hirabayashi, President/CEO National J.A.C.L. Credit Union; Shane C. London, E.VP/CFO Deseret First Credit Union; and Thomas Gourdin, Firefighters Credit Union. A count of ballots was taken and Dean Hirabayashi was elected to the at-large seat of the Utah Credit Union Association board of directors. DENNIS MURRAY, PREMIER SERVICES CREDIT UNION, MOTIONED TO DESTROY THE BALLOTS. ANN GODFREY, LOGAN CACHE RICH FEDERAL CREDIT UNION, SECONDED. MOTION CARRIED.

John Lund welcomed Dean Hirabayashi to the board of directors and invited him to join the board at the front of the room.

Chairman Barber called for any unfinished business or questions to come from the delegates. As there was none, he invited Gary Lee to give his report.

### **Report of Gary Lee Fischer, CUNA Mutual Group**

CUNA Mutual has worked hard over the last year to alter and modify the language in their policies in order to better protect the credit unions they serve. They continue to do that by expanding their programs and services. Mr. Fischer reported on claims paid in Utah by CUNA Mutual. The claims paid are rarely noticed. They are willing to work with credit unions to keep them strong. He reported on what was paid to Utah credit unions in 2010. Claims paid came to a total of \$9,874,183.00. CUNA Mutual is working hard to give credit unions the strongest bond package they have, which will be adjusted and modified according to the ever-changing risks credit unions face.

Chairman Barber thanked Gary Lee Fischer for his report.

### **Report of the Chairman of the Board**

Chairman Barber began his report by discussing the efforts this year on Capitol Hill. Your Association has been on the front lines of those efforts and it is because of our association with each other that we continue to have the strength necessary to overcome the constant onslaught of punitive legislation the bankers and others would throw at us. Scott and his staff spend countless hours, well beyond their normal eight-hour day, watching out for the best interest of all credit unions. Chairman Barber thanked Scott Simpson for his many hours on the Hill and for the efforts of Association staff during the legislative session and throughout the year.

Chairman Barber then shared some of his personal concerns about credit unions. Most of us are aware of the continued difficulties between banks and credit unions. Many of those involved in the movement are aware and have been involved in trying to resolve that conflict for many years. The banking community has used many tactics to promote their position and agenda. One of their attempts to destroy the credit union community has been trying to separate us into groups based on asset size. We understand that we must stand together, knowing that allowing someone to arbitrarily divide us would also bring an untimely end to the cooperative option for which we exist. Four years ago the last legislative attempt by the bankers ended in an unwritten understanding that both sides would leave this fight alone for a period of at least five years. That agreement, for the most part, has been honored. However, Chairman Barber expressed concern that, as we have reached the fourth legislative session since that agreement, bankers will once again be on the offensive. It continues to simmer in the national arena and recent expansion actions by the NCUA have already lit a new fire here locally.

Sadly, over the last few years some credit unions have done voluntarily for the banks what the banks could not succeed in forcing us to do. A few individual credit unions have decided that the work the Association has provided in the past is no longer valuable to them and have separated themselves from the group. Will we walk away from the very structure and organization that has kept us strong and viable as a movement for so many years? Some rest assured that, although separate, all can ben-

## **Minutes of the 76th Annual Business Meeting (continued)**

efit from association without associating. That is true, especially in this current legislative session. Those credit unions that have decided not to associate with the group can now reap the benefits of the actions of the Association in stopping harmful proposed legislation this year. If credit unions continue to decide there is no value in association, we may one day find ourselves attempting to accomplish, individually, what we should be accomplishing together. Chairman Barber asked those considering leaving the group to return and join with the whole. If there are differences they can be worked out. The long-term benefit of the whole far outweighs the differences that may be keeping us apart. A dollar value probably cannot be put on Association dues. If for nothing more than the defeat of bad public policy presented on the Hill year after year, he believes that every dues dollar is more than well spent. There is an old saying that pre-dates our time. It begins "united we stand." Chairman Barber thanked all for their support as peers and as friends, especially the Board for their confidence in him as chairman. He then introduced Scott Simpson, president.

### **Report of the President**

President Simpson began his report by thanking Chairman Barber and agreeing with his report on the issue of association. He hoped that Brad's message could take hold in the movement. We need to remember the cooperative nature that built this industry. Scott mentioned in his printed report the difficulty in trying to remember 2010, having dealt with the recent legislative session.

President Simpson thanked the Association staff for their work. Government relations work is only a portion of what the Association does, and he thanked staff for carrying the rest of our valuable services. We run on few resources and a small staff.

The recent legislative efforts have been visible throughout the last legislative session. Scott mentioned the legislative reports he frequently sent out over the last few weeks that kept our credit unions informed. There were at least six foreclosure bills, a sign of recent times. These bills were developed to the benefit of the consumer at the expense of the lender. Even very conservative legislators are trying to please their constituents through these kinds of measures. It is important for us to be there on the Hill during these economic times so that we can have an impact on these types of bills. President Simpson reviewed several bills that were presented this year that credit union lobbyists worked on to avoid additional burdens to credit unions. We also did a lot of work with the banks this legislative session out of political necessity. We had to face construction licensee amendments, foreclosure mediation legislation, and homestead exemption modification legislation. Senator Curtis Bramble's bill, SB218, favored a particular lender and picked on a particular class of lender and was one of the most complicated bills. This is the third session in a row we had to deal with this attempt. Scott explained more of this bill and its story. The final outcome of the session this year was positive. It was very complex. President Simpson thanked attendees for their participation and support.

President Simpson then spoke about the value of trade associations. There has been some chatter about consolidating leagues throughout the country. Utah is becoming an island with surrounding states' leagues consolidating. They justify consolidation by stating that you can achieve scale by combining operations. However, we are a different organization. We are a public and government advocacy organization and the benefit to member credit unions cannot be achieved by scale in that way. It dilutes our impact at the local policy-making level. This may sound self-serving and it is the members' decision to make, but President Simpson declared that a move in that direction is not healthy. Government advocacy is not something that can be imported or outsourced. It is an inherently local process.

President Simpson thanked the chairman and the members of the board. He said that it was a pleasure to represent and defend the movement. It makes it easier to do the job because it is a good cause.

Chairman Barber thanked Scott for the information and expressed thanks for all he does for the Association. He then turned time over to Tom Graham.

## **Minutes of the 77th Annual Business Meeting (continued)**

### **Report of Tom Graham, SunCorp Credit Union**

Mr. Graham thanked President Simpson and Chairman Barber. He gave his cell phone number, 303-870-4970, and invited members to call him anytime. He thanked Brad for his comments and asked for a copy. They not only relate to the association value, but to the association value that we all represent, including SunCorp. It is all about what we can do for you. NCUA may say the Corporate problem is about expenses. This is not an expense problem. We will not solve the financial problems of the world today with expense control. We can all save more money, but that is not what this is about. He is not asking for money today, but said that time will come soon. Mr. Graham will explain the current situation then answered questions.

What has happened to you as a result of SunCorp is painful and SunCorp recognizes that. Even though you've lost 32% of your member capital shares, but they recently found that over half of all credit unions in the United States lost 100% of their capital. While we are part of that pain, we feel good that we weren't part of that 100% group. Part of the value of SunCorp the same value he sees when he visits you: ownership makes a difference. SunCorp is not a vendor, it is your CUSO, your Corporate. We'd like to continue to serve you.

Mr. Graham likened the corporate credit unions to the nation's infrastructure. The U.S. government has not turned its key critical infrastructure over to foreigners or competitors, except for oil. What corporates do for credit unions is comparable to the nation's core infrastructure. Credit unions need to be careful with competitors. Ownership makes a difference and you own us. Pain has come as the financial crisis occurred. Mr. Graham wanted to make sure that everyone—board members, especially—understand that their corporate is an investment, not an expense.

Because you own us, we are transparent: open, straightforward, and honest. That has been our approach, and it will be our approach.

One call does it all—payment systems, liquidity, etc. Can you replace us? Yes, and probably for cheaper for individual processes. But SunCorp does it all! Mr. Graham can be reached 24/7 and gave his real cell phone number. He challenged the audience to call the presidents of the Federal Reserve Bank, the Federal Home Loan Bank, Chase, Morgan, and others. You can't reach the presidents of the huge banks or even small banks.

SunCorp is taking nothing off the table. Maybe there will be small changes for efficiency. Most things will stay in place, including lines of credit. Pricing is expected to remain cooperative pricing, however, fees will likely go up, as yours will. A business plan summary will come in a week, with a full plan the first week of May, which will state that they intend to hold their fees today through 2011. Over the next three years fees will only change by two factors. Because they are a cooperative they may have to raise fees in order to keep income the same. The other is by inflationary costs, with the exception of physical check processing. For the most part they intend to maintain their fee structure as it is.

Mr. Graham moved on to discuss the support SunCorp is providing to you starting now. He presented a new brochure that they will also send out electronically. It will assist in communicating with credit union boards. Their board approved their business plan. They are editing it currently and Mr. Graham will file it with the NCUA. He plans to then send a summary of the business plan as soon as it is approved, probably in May. They will also send out a hard copy to each member credit union detailing their individual formula for the capital SunCorp is asking for. All legal disclosure and contracts will also then be sent out. There will be more town hall meetings as well. They will close escrow at the end of June, so they will need a commitment by June 30, 2011. Mr. Graham invited everyone to participate in the SunCasts, read the information he sends, and the financial statements that are archived.

Mr. Graham then reviewed the timelines he gave. March 31st is the deadline to file with the NCUA, hopefully done sooner. He asked CEOs to please read the information he sends and to begin a dialogue with their boards. May 1st begins the escrow period. They hope that it will provide enough

## **Minutes of the 77th Annual Business Meeting** (continued)

time for two board meetings so that this issue can be properly discussed. There will also be town hall meetings held in order to open up discussion. Mr. Graham can be reached at 303-870-4970. If SunCorp survives they will send out a six-month termination notice for those who decide to discontinue.

He then opened up for questions and discussion. A lively discussion followed. A question asked was how to change investment strategy, how can you assure us that this won't happen again? Mr. Graham replied that there are no guarantees! This is an investment. You have a good staff at SunCorp—we did lose, but we didn't lose it all! Overweighting in housing—we had smaller percentage.

There were several questions and answers that Mr. Graham discussed.

Mr. Graham admitted he is also known as Mr. Gloom and Doom. He did, however, express hope. Tom Graham can also be reached at [tgraham@suncorp.coop](mailto:tgraham@suncorp.coop).

Chairman Barber thanked Tom Graham and all attendees.

**Adjournment:** Meeting adjourned at 4:56 p.m.

# Report of Bruce Richards, Legal Counsel

TO: Delegates and Member Credit Unions

We are pleased to report on the status of legal matters affecting the Utah Credit Union Association and its subsidiary, Credit Union Service Corporation (CU-Serve). The Association and CU-Serve are not parties to any litigation nor are there any claims pending against either entity.

2011 saw fewer lawsuits and claims against credit unions in Utah. While there were fewer new lawsuits and claims, claims arising as counterclaims in cases filed by credit unions to collect defaulted loans continued to be filed. Many of the homes foreclosed on by credit unions in prior years were sold in 2011, reducing the backlog of homes being held by credit unions. Losses were incurred on many of these sales. Increased vigilance and care in underwriting and documenting loans and maintaining and following specific policies and procedures in all areas of lending are essential to minimize losses.

2012 will no doubt be challenging for credit unions. Legislation going into effect this year will require some changes in loan documentation and updated policies and procedures in lending, collections and other areas of credit union operations.

We appreciate our opportunity to represent the Utah Credit Union Association, CU-Serve and many credit unions. We hope to be part of the solution to the challenges and problems faced by credit unions.

Very truly yours,

Bruce L. Richards  
Bruce L. Richards & Associates

# Report of the Credit Union Development Committee

The Credit Union Development Committee works to identify and meet the unique needs of credit unions with less than \$50 million in assets. Our annual conference for CEOs of Small Credit Unions was held at the Association offices in September. The 24 credit union executives who attended were treated to a broad range of topics, from philosophical ideals to tactical strategies. Several informal networking lunches were also held, providing a much-needed opportunity for brainstorming, sharing best practices, and deciding how to proceed with the recapitalization of SunCorp.

The Committee reviews and approves grant requests from qualifying credit unions. The funds for these grants come from the generous support of America First, for which we are very grateful. Eight credit unions were awarded grants in 2011 for a total of nearly \$10,000. These funds were primarily used to improve member service through technology enhancements. Two grants were awarded to implement branch capture at small credit unions, improving their efficiencies and reducing the cost of processing check deposits with SunCorp.

The following individuals serve on the Committee:

Ann Brinkerhoff – CUP Federal Credit Union  
Arleen Childs – Tanner Employees Credit Union  
Sandra Garcia – Sunnyside Credit Union  
Dale Howe – Logan Medical Credit Union  
Doug Huntsman – Utah Federal Credit Union  
Lynn Nelson – Meadow Gold Employees Credit Union  
Stephen Nelson – Utah Credit Union Association staff liaison  
Ken Payne – Freedom Credit Union  
Tammy Phillips – Varian SL Employees Credit Union

Much of the support small credit unions receive comes informally from their peers in the form of freely shared expertise, policies, and ideas. The cooperative spirit that defines the credit union movement is alive and well among Utah's credit unions, both large and small. It is a tremendous privilege to be associated with this work.

Respectfully submitted,

Ken Payne  
Credit Union Development Committee Chair

# Report of the Education Committee

TO: Delegates and Member Credit Unions

The Education Department for Utah's Credit Unions has the responsibility of planning and facilitating a wide variety of programs and training options each year. League staff and your education committee devote a great deal of time and energy to bring you a great deal for your education dollar.

As always, we encourage your input and suggestions so that the subject matter continues to be viable and valuable for all attendees.

Pre-purchased training certificates were again offered for credit unions to participate in numerous one-day training events. Pre-purchasing in January provides credit unions a discount for these trainings and seminars throughout the year. We encourage you to take advantage of this program.

It has been my privilege to serve during the past year with the Education Committee. I applaud their efforts in behalf of us all and thank them for their service.

We want to be sure the training you receive is appropriate and worthwhile. Please feel free to let us know how we can be of further help.

Respectfully submitted,

Randy Gailey  
Education Committee Chair

# Report of the Karl S. Little Foundation

To: Delegates and Member Credit Unions

The mission of the Karl S. Little Foundation is to provide scholarship monies to assist member credit union employees that attend Western CUNA Management School, thereby improving their financial skills and ability to assist credit union members.

The financial condition of the foundation is sound with assets totaling \$93,455. Scholarships were awarded in the amount of \$11,000 during 2011.

We encourage credit unions that may not have the means to send their employees to Western CUNA Management School to apply for the scholarship. It is preferred that only one application per Credit Union be submitted, so the benefit can be provided more uniformly amongst our members. We also encourage Credit Unions that have a solid bottom line and can afford to provide this education for their prospective or current management employees to do so.

Respectfully submitted,

Randy Gailey  
Chairman

**GERALD K. STRONG**  
**Certified Public Accountant**

3001 Plateau Drive  
Salt Lake City, Utah 84109  
Telephone 801 486-0096  
Fax 801 419-0875

## **Independent Auditor's Report**

Audit Committee of the  
Board of Directors of  
Utah League of Credit Unions  
Salt Lake City, Utah

I have audited the accompanying consolidated statements of financial position of Utah League of Credit Unions and subsidiary as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements and the supplemental schedules discussed below are the responsibility of the League's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Utah League of Credit Unions and subsidiary as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audit also comprehended the supplemental schedule of expenses for the year ended December 31, 2011 and 2010. In my opinion, such supplemental consolidated information, when considered in relation to the basic financial statements, presents fairly in all material respects the information shown therein.

Gerald K. Strong, CPA  
March 1, 2012  
Salt Lake City, Utah

# Consolidated Statements of Financial Position

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2011 and 2010

## ASSETS

	2011	2010
<b>CURRENT ASSETS</b>		
Cash on deposit with member credit unions	\$ 2,736,822	\$ 2,643,823
Accounts receivable	296,030	400,944
Prepaid income taxes	29,430	—
Prepaid expenses	33,273	32,202
Total current assets	<u>3,095,555</u>	<u>3,076,969</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	490,128	467,857
Automobiles	109,825	130,256
Leasehold improvements	18,248	18,248
Less accumulated depreciation	(488,602)	(478,905)
Property and equipment - net	<u>129,599</u>	<u>137,456</u>
<b>OTHER ASSETS</b>		
Deferred tax asset	21,189	—
Club membership	7,500	7,500
Investment in affiliates	112,517	112,517
Total other assets	<u>141,206</u>	<u>120,017</u>
	<u>\$ 3,366,360</u>	<u>\$ 3,334,442</u>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accrued payables and accrued liabilities	\$ 129,265	\$ 236,327
Grants payable	47,241	75,784
Deferred taxes	—	4,202
Deferred revenue	—	410
Total current liabilities	<u>176,506</u>	<u>316,723</u>
<b>PENSION LIABILITY</b>	202,846	—
<b>UNRESTRICTED NET ASSETS</b>	<u>2,987,008</u>	<u>3,017,719</u>
	<u>\$ 3,366,360</u>	<u>\$ 3,334,442</u>

See accompanying notes

# Consolidated Statement of Activities

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2011 and 2010

	2011	2010
<b>SUPPORT AND REVENUES</b>		
Membership dues	\$ 1,039,104	\$ 1,140,713
Service fees	135,664	181,355
Communications and marketing	690,299	880,658
Interest income	11,848	28,154
Gain on sale of assets	9,268	—
Total support and revenues	<u>1,886,183</u>	<u>2,230,880</u>
<b>EXPENSES</b>		
Direct costs:		
Direct service cost	68,484	89,660
Program expenses:		
Marketing and service cost	298,576	231,973
Legislation and political action	514,604	676,620
Communications	207,789	262,280
Education	49,513	76,007
General supporting expenses	624,362	686,738
Total expenses	<u>1,763,328</u>	<u>2,023,278</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS BEFORE INCOME TAXES</b>	<u>122,855</u>	<u>07,602</u>
<b>PROVISION FOR INCOME TAX (EXPENSE) BENEFIT</b>	7,535	(90,193)
<b>INCREASE IN NET ASSETS</b>	<u>130,390</u>	<u>117,400</u>
<b>NET ASSETS BEGINNING OF YEAR</b>	3,017,719	2,900,310
Prior period pension adjustment	(161,101)	—
<b>NET ASSETS END OF YEAR</b>	<u>\$ 2,987,008</u>	<u>\$ 3,017,719</u>

See accompanying notes

# Consolidated Supplemental Schedule of Expenses

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2011 and 2010

	2011	2010
Salaries and benefits	\$ 921,408	965,973
Direct service costs	68,484	89,660
Rent	129,652	131,342
Direct communication expense	35,743	63,301
Travel	34,779	32,235
Depreciation	60,419	56,217
Facility and equipment	18,673	18,987
Materials and supplies	21,945	20,971
Outside services	63,154	59,124
Taxes	3,500	9,623
Public relations and advertising	29,110	47,886
Direct legislative expense	143,681	196,080
Political action	10,000	83,750
Contributions and subscriptions	64,832	52,932
Operational assistance	54,828	32,899
Other	79,515	134,037
Board and committee expenses	23,605	28,261
Total expenses	\$ 1,763,328	\$ 2,023,278

See accompanying notes

# Consolidated Statement of Cash Flows

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in unrestricted net assets	\$ (30,711)	\$ 117,409
Adjustments to reconcile increase in net assets to cash provided (used) by operating activities:		
Deferred taxes	(25,391)	4,384
Depreciation	60,419	56,217
(Gain) loss on disposal of property	(9,268)	—
Change in operating assets and liabilities:		
(Increase) decrease in receivables	75,484	(266,157)
(Increase) decrease in prepaid expenses	(1,071)	4,407
Increase (decrease) in deferred income	(410)	(68,280)
Increase (decrease) in grants payable	(28,543)	(50,588)
Increase in pension liability	202,846	—
Increase (decrease) in accounts payable and accrued liabilities	(107,062)	(102,626)
Net cash provided (used) by operating activities	<u>136,293</u>	<u>(305,234)</u>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property	49,000	—
Acquisition of property and equipment	(92,294)	(19,518)
Net cash provided (used) by investing activities	<u>(43,294)</u>	<u>(19,518)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	92,999	(324,752)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,643,823	2,968,575
End of year	<u>\$ 2,736,822</u>	<u>\$ 2,643,823</u>

See accompanying notes

# Notes to Consolidated Financial Statement

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2011 and 2010

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and Purpose

The Utah League of Credit Unions (the League) is a non-profit organization that was formed for the purpose of rendering political, educational, technical and promotional services and support to member credit unions located within the State of Utah.

### Principles of Consolidation

The consolidated financial statements include the accounts of the League and its wholly-owned subsidiary, Credit Union Service Corporation - Utah (the Service Corporation). All significant intercompany accounts and transactions have been eliminated in consolidation.

### Inventories

Inventories consist principally of preprinted forms held for sale to member credit unions and are carried at the lower of cost (computed on a first-in first-out basis) or market.

### Property

Property is stated at cost, depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 15 years.

### Membership Dues and Service Fees

Membership dues are billed to each member credit union annually and are recognized as income in the period for which they are billed. Service fees are recognized as income in the period in which the services are provided.

### Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### Concentration of Credit Risk

All cash balances maintained by the League at separate banks are insured by the National Credit Union Administration up to \$250,000 in each institution through December 31, 2013. At December 31, 2011, the League's uninsured amount in those institutions was \$255,931. Financial instruments, which potentially subject the Company to concentrations of credit risk, include trade receivables. Two customers comprised 51% and 74% of the League's receivables at December 31, 2011 and 2010 respectively.

### Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from estimates that were assumed in preparing the financial statements.

### Fair value of Financial Instruments

The carrying amounts reported for cash, accounts receivable, other current assets, accounts payable, and accrued liabilities approximate fair value because of the short maturity of those instruments. The accounts receivable are considered to be fully collectible, accordingly, no allowance for doubtful accounts has been recorded.

### Basis of Accounting

The League operated under Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### Tax-exempt Status

The Utah League of Credit Unions is a tax-exempt organization under Internal Revenue Code Section 501 and, as such, is not subject to income taxes on net income from exempt purposes. Credit Union Service Corporation is a taxable entity under Subchapter C of the Internal Revenue Code and, as such, is taxable on its net taxable income from activities.

## 2. INCOME TAXES

The League is a non-profit tax exempt organization under Section 501 (C) (6) of the Internal Revenue Code. The Service Corporation is a taxable entity. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to

differences between the bases of depreciable assets for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Certain items of income and expense are recognized for income tax purposes in different periods from those in which such item are recognized for financial reporting purposes, including depreciation and amortization, and gain on disposition of fixed assets. Deferred income taxes provide for the income tax effect of the timing differences. The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes because certain expenses are not deductible for tax purposes.

The provision for federal and state income taxes for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
<b>Current (Expense)</b>		
Currently payable	\$ 8,068	\$ 85,809
Deferred	(15,603)	4,384
Total provision for income tax (benefit)	<u>\$ (7,535)</u>	<u>\$ 90,193</u>

The League's deferred tax assets at December 31, 2011 and 2010 are as follows:

	2011	2010
Deferred tax assets	\$ 24,571	\$ 5,982
Deferred tax liabilities	(3,382)	(10,184)
Valuation allowance	-	-
Net deferred tax assets (liabilities)	<u>\$ 21,189</u>	<u>\$ (4,202)</u>

### 3. INVESTMENTS IN AFFILIATES

Investments in affiliates for the years ended December 31, 2011 and 2010 consisted of the following:

	2011	2010
<b>Investment in Credit Union House LLC:</b>		
In April 2000, the League acquired an interest in Credit Union House LLC, a limited liability company, at a cost of \$75,000. The interest is not publicly traded and the investment is carried at cost, representing a 1.74% ownership.	\$ 75,000	\$ 75,000
<b>Investment in CU Cooperative Systems, Inc.</b>		
The CU Cooperative Systems, Inc. Investment was acquired in April 2007. The stock is not publicly traded and the investment is carried at cost.	20,000	20,000
<b>Investment in CUNA Strategic Services, Inc. (CSSI):</b>		
The CSSI investment was acquired in January 2000. The stock is not publicly traded and the investment is carried at cost.	17,517	17,517
	<u>\$ 112,517</u>	<u>\$ 112,517</u>

### 4. COMMITMENTS

The League's office space lease expired June 30, 2005. Since then the occupancy obligation is month-to-month.

### 5. EMPLOYEE RETIREMENT PLANS

Commencing January 1, 2008, the League adopted a defined contribution plan under IRC Section 401(k). All employees at least 21 years of age who have completed six months of service are eligible to participate. Participants may contribute a specified percentage of eligible gross compensation. A 5% employer matching contribution is required, and an additional 4% contribution may be made at the discretion of the League's governing board. The employer contribution made during 2011 was \$58,501 and 2010 was \$54,386

Commencing June 5, 2011, the League adopted a non-qualified SERP for the President/CEO (the "executive"). The plan provides a retirement benefit based on 10 percent of Executive's Annual Compensation together with 6 percent per annum on the accumulating balance beginning with year 2004. The Executive becomes 25 percent vested at five year intervals and 100 percent vested at age 62. Certain forfeiture rules apply to events occurring prior to vesting. The potential unfunded liability under this plan totaled \$202,846 at December 31, 2011 which includes an amount of \$170,886 for years before 2011.

### 6. RELATED PARTY TRANSACTIONS

The League acts as agent or intermediary for the 100% For Kids Utah Credit Union Education Foundation (the Foundation). The Foundation owed the League \$14,220 at December 31, 2011. Certain officers of the League also serve on the executive committee of the Foundation.

# 2011 Year End Statistics

Credit Union President	Year-end assets	Members	Charter	Rank
<b>Alpine Credit Union</b> Jay Stokes	\$146,808,708	22,487	State	13
<b>America First Credit Union</b> Rick Craig	\$5,095,899,430	562,236	Federal	1
<b>American United Family of Credit Unions</b> Phillip Patten	\$81,294,186	9,021	Federal	22
<b>Associated Federal Employees Credit Union</b> Spring Jensen	\$32,239,370	3,583	Federal	31
<b>Bailey Inc. Employees Credit Union</b> Joyce McDonald	\$856,495	398	State	76
<b>Beckstrand and Associates Credit Union</b> Mariam Behashti	\$368,515	75	State	85
<b>Box Elder County Credit Union</b> Scott Webre	\$83,857,471	12,892	Federal	20
<b>Chevron West Credit Union</b> Stewart Mouritsen	\$83,544,168	5,807	State	21
<b>Credit Union One</b> Kent Hodson	\$57,460,549	9,245	State	26
<b>CUP Credit Union</b> Ann Brinkerhoff	\$6,764,099	1,319	Federal	53
<b>Cyprus Credit Union</b> Todd Adamson	\$561,183,144	71,724	Federal	6
<b>Deseret First Credit Union</b> Clint Gurney	\$411,509,994	52,571	Federal	8
<b>Deseret News Employees Credit Union</b> Janette Mack	\$1,964,827	428	State	70
<b>Desertview Credit Union</b> Mike Nelson	\$29,403,836	5,189	Federal	33
<b>Devils Slide Credit Union</b> Jill Carrigan	\$8,988,511	1,321	Federal	50
<b>Dugway Credit Union</b> Jackie Carnahan	\$3,846,702	834	Federal	63
<b>Eastern Utah Community Credit Union</b> Mike Milovich	\$95,644,287	12,890	Federal	17
<b>Education 1st Credit Union</b> Kent Greenfield	\$22,325,197	3,278	State	39
<b>Employees First Credit Union</b> Kenneth McDaniel	\$1,809,073	803	State	71
<b>EMSCO Credit Union</b> Eloise Goodyear	\$624,959	135	State	81
<b>Firefighters Credit Union</b> Thomas Gourdin	\$28,974,473	3,461	State	34
<b>Freedom Credit Union</b> Ken Payne	\$22,437,400	3,046	State	38

<b>Credit Union</b>	<b>President</b>	<b>Year-end assets</b>	<b>Members</b>	<b>Charter</b>	<b>Rank</b>
<b>Gibbons and Reed Employees Credit Union</b>					
	Bill Christopherson	\$5,113,145	1,847	Federal	58
<b>Goldenwest Credit Union</b>					
	Kerry Wahlen	\$779,421,230	83,751	Federal	3
<b>Grand County Credit Union</b>					
	Samuel Crane	\$15,872,214	2,246	State	45
<b>Granite Credit Union</b>					
	Lynn Kuehne	\$330,303,802	30,447	Federal	9
<b>Granite Furniture Employees Credit Union</b>					
	Ralph Jenkins	\$675,384	152	Federal	79
<b>Grantsville Credit Union</b>					
	Anne Goins	\$5,070,409	1,220	Federal	59
<b>Health Care Credit Union</b>					
	Scot Baumgartner	\$65,986,875	11,498	State	23
<b>Hercules Credit Union</b>					
	Brent Holmes	\$55,841,179	4,775	State	27
<b>Hi-land Credit Union</b>					
	Blair Asay	\$35,841,819	2,811	State	30
<b>Horizon Utah Credit Union</b>					
	Randy Gailey	\$111,215,806	12,169	Federal	15
<b>Jordan Credit Union</b>					
	Jim Hofeling	\$205,806,900	25,625	Federal	11
<b>Kings Peak Credit Union</b>					
	Paul Nielson	\$11,847,369	2,062	State	49
<b>Local Union 354 IBEW Credit Union</b>					
	Linda Perschon	\$16,158,599	2,211	Federal	44
<b>Logan Cache Rich Credit Union</b>					
	Ann Godfrey	\$18,580,024	2,175	Federal	41
<b>Logan City Employees Credit Union</b>					
	Jennifer Leishman	\$740,789	280	State	77
<b>Logan Medical Credit Union</b>					
	Dale Howe	\$16,653,465	2,355	Federal	43
<b>Meadow Gold Employees Credit Union</b>					
	Lynn Nelson	\$5,057,122	645	State	60
<b>Members First Credit Union</b>					
	Brad Barber	\$86,884,271	14,005	State	18
<b>Midvalley Credit Union</b>					
	Linda Buell	\$6,397,704	860	Federal	54
<b>Millard County Credit Union</b>					
	Steve Shiner	\$26,659,337	5,389	State	36
<b>Moon Lake Electric Employees Credit Union</b>					
	Karen Secrest	\$1,514,546	518	Federal	72
<b>Mountain America Credit Union</b>					
	Sterling Nielsen	\$2,973,404,982	373,329	Federal	2
<b>National J.A.C.L. Credit Union</b>					
	Dean Hirabayashi	\$31,841,715	4,381	State	32
<b>Nebo Credit Union</b>					
	Dale Phelps	\$61,899,950	10,330	State	24

<b>Credit Union</b>	<b>President</b>	<b>Year-end assets</b>	<b>Members</b>	<b>Charter</b>	<b>Rank</b>
<b>Nephi Western Employees Credit Union</b>					
	Judy Truscott	\$26,667,714	3,687	Federal	35
<b>Newspaper Employees Credit Union</b>					
	Pam Wagstaff	\$6,928,638	988	State	52
<b>North Sanpete Credit Union</b>					
	Julie Strate	\$1,224,246	459	Federal	75
<b>Ogden Wonder Credit Union</b>					
	Carl Blake	\$456,492	148	Federal	82
<b>Orem City Employees Credit Union</b>					
	Thomas Phelps	\$3,948,892	937	Federal	62
<b>P&amp;S Credit Union</b>					
	Brenda van Hoorn	\$11,901,503	2,404	State	48
<b>Pacific Horizon Credit Union</b>					
	Steven Clayson	\$38,148,513	5,414	State	29
<b>Pacific Rails Credit Union</b>					
	Trisha Crowther	\$23,240,075	2,503	State	37
<b>Peoples Electric Power Credit Union</b>					
	Marlene Wilhelm	\$1,242,599	408	State	74
<b>Phillips-Wasatch Credit Union</b>					
	Robin Carbaugh	\$5,619,707	899	State	57
<b>Premier Services Credit Union</b>					
	Dennis Murray	\$20,161,355	3,252	State	40
<b>Presto Lewiston Employees Credit Union</b>					
	Gaylene Stone	\$252,581	181	State	86
<b>Provo Police &amp; Fire Dept. Credit Union</b>					
	Sheldon Lindsay	\$2,628,210	967	State	68
<b>Provo Postal Credit Union</b>					
	Scott Johnson	\$6,358,975	974	State	55
<b>San Juan Credit Union</b>					
	Ann Hawkins	\$12,654,729	3,801	State	47
<b>SEA Credit Union</b>					
	Dale Woolsey	\$3,092,708	803	State	67
<b>Sheet Metal Workers Local No 312 Credit Union</b>					
	Connie Burns	\$4,038,007	2,080	Federal	61
<b>South Sanpete Credit Union</b>					
	Jannine Henningson	\$672,482	205	State	80
<b>St. Marks Employees Credit Union</b>					
	Jim Webb	\$8,208,277	1,176	Federal	51
<b>SummitOne Credit Union</b>					
	Blaine Goodell	\$61,848,267	5,962	Federal	25
<b>Sunnyside Credit Union</b>					
	Sandra Garcia	\$3,550,673	766	State	65
<b>Tanner Employees Credit Union</b>					
	Arleen Childs	\$6,093,149	1,365	State	56
<b>Teamsters Local #222 Credit Union</b>					
	Lin Bolton	\$2,468,558	622	Federal	69
<b>Transwest Credit Union</b>					
	Marc Mikkelson	\$108,181,414	12,976	State	16

<b>Credit Union</b>	<b>President</b>	<b>Year-end assets</b>	<b>Members</b>	<b>Charter</b>	<b>Rank</b>
<b>Tri-County Credit Union</b>					
	Nick Reynolds	\$168,284	88	State	87
<b>UCB Credit Union</b>					
	Teresa Wilko	\$1,396,475	269	State	73
<b>Uintah Credit Union</b>					
	Dan Olsen	\$3,375,903	1,132	State	66
<b>University First Credit Union</b>					
	Jack Buttars	\$587,470,751	76,565	Federal	5
<b>UP Car Department Credit Union</b>					
	John Wells	\$415,914	181	Federal	83
<b>USU Charter Credit Union</b>					
	David Butterfield	\$136,428,652	21,019	Federal	14
<b>Utah Credit Union</b>					
	Doug Huntsman	\$18,368,920	2,162	Federal	42
<b>Utah Community Credit Union</b>					
	Jeff Sermon	\$757,998,440	109,458	Federal	4
<b>Utah First Credit Union</b>					
	Darin Moody	\$238,837,951	21,894	Federal	10
<b>Utah Heritage Credit Union</b>					
	Ilene Rollo	\$46,772,214	7,146	State	28
<b>Utah Power Credit Union</b>					
	Dennis Hymas	\$427,649,561	22,742	State	7
<b>Utah Prison Employees Credit Union</b>					
	Kristine Argyle	\$3,704,760	1,499	State	64
<b>Valley Wide Credit Union</b>					
	Monica Marchant	\$406,605	147	Federal	84
<b>Valtek Credit Union</b>					
	Richard Nelson	\$698,651	201	State	78
<b>Varian LI Employees Credit Union</b>					
	Tammy Phillips	\$12,695,853	1,231	Federal	46
<b>Wasatch Peaks Credit Union</b>					
	Blake Burrell	\$183,971,653	26,266	Federal	12
<b>Weber State Credit Union</b>					
	Vickie van der Have	\$86,553,837	9,477	Federal	19

Information based on NCUA Call Report data for December 2011  
Ranking is by asset size within the State of Utah

