

Utah Credit Union Association 2012 Annual Report



Utah's
Credit
Unions®

79th Annual Business Meeting Agenda

March 8, 2013

Pledge of Allegiance.....	Thomas Gourdin
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 78th Annual Meeting (unless dispensed with by motion) and all action thereon.....	Secretary Adamson
Committee Reports	
Report of the Nominating Committee	Randy Gailey
Other Business	Chairman Barber
CUNA Mutual Report	Joe Rode and Brye Austin
SunCorp Report	Tom Graham
Report of the Chair.....	Chairman Barber
Report of the President.....	Scott Simpson
Adjournment.....	Chairman Barber

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2012 Board of Directors

Board Chair



Brad Barber
Members First CU
At-Large category

Vice Chair



Mike Milovich
Eastern Utah Community CU
Medium asset size category

Secretary



Todd Adamson
Cyprus CU
Large asset size category



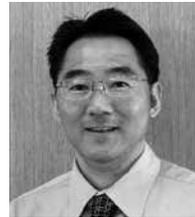
Randy Gailey
Horizon CU
Large asset size category



Thomas Gourdin
Firefighters CU
Medium asset size category



Kent Greenfield
Education First CU
Small asset size category



Dean Hirabayashi
National J.A.C.L. CU
At-Large category



Jim Hofeling
Jordan CU
Large asset size category



John Lund
America First CU
\$1 billion+ asset size category



Sterling Nielsen
Mountain America CU
At-Large category



Ken Payne
Freedom FCU
Small asset size category

Asset category sizes:
Small—up to \$25 million
Medium—\$25 million to \$100 million
Large—\$100 million to \$1 billion
\$1 billion—more than \$1 billion

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Message from the Chairman

What a wild ride the last few years have been. For many in the industry it has been a very difficult time, for some it has been insurmountable. Yet the drive and courage that embodies the credit union movement continues to manifest itself in the continued strength of its participants.

Having served as chair for the last three years, it has been my privilege to counsel with, associate with, and learn from some very impressive individuals in the movement. Each time I have met with the Board of Directors, and as I have had the opportunity to meet credit union presidents and staff, I have been amazed at the dedication to the philosophy of people helping people and the underlying power that exists in the grassroots of a member owned cooperative movement.

I am passionate about credit unions and the good we accomplish in our own individual institutions, and as an organization throughout the state of Utah. I have gained much from the opportunity to serve on the Board and as its chair. This is a great trade association with the main goal of facilitating and furthering the ideals of cooperative financial services in Utah. I am grateful to you, my peers, for allowing me this opportunity to serve.

The Association continues to provide a quality program of education, political advocacy and opportunities to share and network with others. We continue to be grateful for the powerful leadership of its President, Scott Simpson. His knowledge and

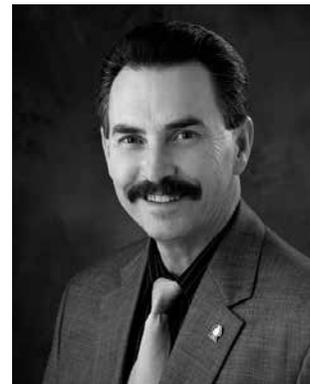
able leadership have allowed us to continue to progress and remain a viable industry in spite of the economic and political storms that are all around us.

He also leads an amazing staff that does a great job in supporting individual credit unions, as well as the whole of the industry.

I think the future remains bright as we keep our focus and follow the basic principles of “Not for profit, not for charity, but for service” and “People Helping People”.

Again I extend my heartfelt thanks to the Association, its staff and to each of you for your dedication to the Credit Union movement.

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



Message from the President

Early last year my grandmother passed away. She was my hero. The way she handled difficulty will forever inspire me. Her husband—my grandfather—preceded her in death by 35 years. His early health issues required her to act as both caregiver and provider for most of her life. She was a Rosie Riveter of sorts, with a long career at a local defense contractor.

She lived in a fragile economic world. The unexpected need for a new car or major appliance could cause chaos for her. But she always managed to make necessary purchases because she had a critical partner: her credit union.

In the end, my hero could be my hero because of people who cared more about helping her than enriching themselves.

The help my grandma needed years ago was not unique to that time. It is needed in the lives of many people today. Look no further than Congress's contemplation of furloughs for thousands of federal workers. Or the high unemployment and under-employment rates. Or the increased tax burden.

Yet, as we find ways to help consumers when they most need it, banks have renewed their efforts to take on our tax exemption on Capitol Hill. They see the current political environ-

ment as an opportunity to hamstring us, and therefore enrich themselves.

Make no mistake: if credit unions did not unite in defense of bankers, they would destroy us. But we're needed as much as ever, and must stand united against them. By so doing, we can remain vital partners in the lives of our members.

We need to do that. Like my grandma, there are heroes out there that need help inspiring others in their lives.

Scott Simpson
President/CEO



Report of Legal Counsel

March 9, 2013

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.

Credit unions generally saw loan losses moderate during 2012. This reflects a number of economic and accounting factors including an improving Utah economy, better real property values and the effect of greater than needed allowances for loan losses.

Loan underwriting continues to be an area of focus for credit unions. Credit unions are avoiding mistakes of the past. However, generating loan demand from good borrowers remains a challenge.

2013 will be challenging for credit unions. Federal regulatory changes will pose challenges as credit unions implement new regulations coming from the Consumer Protection Bureau.

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.

Bruce L. Richards
Bruce L. Richards & Associates

Report of the Karl S. Little Foundation

The Karl S. Little Foundation provides 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 as of December 31, 2012, with current assets of \$18,926.93 and layered CD's totaling \$75,403.94. The balance sheet also reflected a \$14,500.00 payable to the C.U. Association to defer loss of income on a maturing certificate of deposit. This payable has subsequently been paid off in 2013.

Scholarships totaling \$3,500.00 were provided to credit union employees from several credit unions in 2012 to assist with their attendance to Western CUNA Management School.

We are pleased to announce that we will reinstate our tradition of holding a Karl S. Little Golf Tournament to help fund

these scholarships. Information will be forthcoming as to the date and location of this event. We will be grateful for your participation.

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

Report of the Education Committee

The Education Committee 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 terrific 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.

Web-based training has been increased significantly, add-

ing value to your education through added opportunity and increased employee access.

It has been my privilege to serve during the past year with the Education Committee. I applaud the Association Staff for their efforts in behalf of us all and thank them for their service. Please remember that Compliance help is available through the association as well. Please contact Heather Line for details.

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

Governmental Affairs Report

This last election cycle was certainly exciting. With most of the spotlight in Utah focused on the presidential and Utah's new House District 4 races, many state legislative races flew under the radar. These races were also very interesting as they involved a large influx of new representatives to our state legislature.

On January 28th, our state legislature commenced with 25 new members, 20 new House members and 5 new Senate members. That means that the House of Representatives had a 27% turnover and the Senate received a 17% turnover. So from last year's body, 24% of all our state representatives are new.

This meant that previous to the election Scott and I needed to get to know all of these new candidates, and accrue some serious travel time. Due to redistricting and the Congressional and Gubernatorial races there were big changes in Southern Utah and Utah County. So just as Northern Utah was beginning to cool off, we packed our t-shirts and "forced" ourselves on a road trip to Southern Utah (it rained the entire time until we began the drive home). We also donned our CTR rings (where "Choose the Right" has both political and spiritual meaning) and spent a large amount of time in "Happy Valley." All in all we had some very productive and successful meetings.

We discovered that we still could have good representation with this turnover, and this helped to influence our contribution decisions. Throughout 2012, UCUPAC assisted in either direct or in-kind (printing, mailing, etc.) donations to 61 total candidates. Of those 61 candidates, 54 won their elections. That's an 89% success rate! Or a batting average of .885, which puts Ty Cobb to shame!

On the federal level, last week the credit unions made their annual pilgrimage to Washington, D.C. With a strong turnout, we visited all four of our federal Congressman and two Senators. We relayed our concerns on the attacks on our tax-exempt status, along with secondary capitol and member business lending cap concerns. We have a good federal delegation that is fighting for us.

However, as you all know, the fight never ends. Our wise leader Scott Simpson has been known to say, "But for our existence, we (banks and credit unions) agree on almost everything." We will continue to monitor state and federal policy that will affect our existence. One valuable way for all of you to help is to continue to push for employee payroll deduction to CULAC (our federal PAC). We have information, possibly an Oscar quality video, and can provide assistance to get this going. This program is important as the fight on our tax exempt status may soon be increasing on a federal level.

Since coming on with the Association in August I have been extremely impressed with the quality and integrity of you all. I am excited to be apart of the movement; plus we have a lot to look forward to in 2013.

Respectfully submitted,

Shule Bishop,
Director of Political Programs

Credit Union Development Committee Report

As with the credit unions we lead, the Credit Union Development Committee has adapted to the changing business environment in which we all work. Our focus has shifted from distributing grants that fund credit union initiatives to providing networking and education support to small credit unions.

Our annual conference for CEO's of Small Credit Unions was held at the Association offices in September and was well attended. Many of the presenters came from our own ranks as credit union CEO's gladly shared their expertise on a variety of topics. We also held several networking lunches and round table discussions during the year, giving attendees the chance to network, share best practices, and come away energized to lead their credit unions.

The Committee approved two grant requests from qualifying credit unions totaling approximately \$2,000.

The following individuals serve on the Committee:

Ann Brinkerhoff – CUP Federal Credit Union
Arleen Childs – Tanner Employees 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 Assoc. (staff liaison)
Ken Payne – Freedom Credit Union
Tammy Phillips – Varian SL Employees Credit Union

We express our sincere appreciation to Stephen Nelson for the energy and vision he brings to our Committee. He is the driving force behind much of what we accomplish and is an asset to all credit unions in Utah. We are fortunate to have him.

We continue to work each day to provide the personal service our members appreciate and have come to rely on. It is a challenging and exciting time to be a part of the credit union movement.

Respectfully submitted,

Ken Payne
Credit Union Development Committee Chair

Independent Auditor's Report

Board of Directors of
Utah League of Credit Unions
Salt Lake City, Utah

I have audited the accompanying consolidated financial statements of Utah League of Credit Unions and subsidiary, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effective-

ness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah League of Credit Unions of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gerald K. Strong, CPA
Salt Lake City, Utah
March 4, 2013

Consolidated Statements of Financial Position

Utah League of Credit Unions and Subsidiary
December 31, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash on deposit with member credit unions	\$ 2,970,318	\$ 2,736,822
Accounts receivable	228,737	296,030
Prepaid income taxes	—	29,430
Prepaid expenses	33,521	33,273
Total current assets	<u>3,232,576</u>	<u>3,095,555</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	499,651	490,128
Automobiles	109,825	109,825
Leasehold improvements	18,248	18,248
Less accumulated depreciation	(535,701)	(488,602)
Property and equipment - net	<u>92,023</u>	<u>129,599</u>
OTHER ASSETS		
Deferred tax asset	37,615	21,189
Club membership	7,500	7,500
Investment in affiliates	162,517	112,517
Total other assets	<u>207,632</u>	<u>141,206</u>
	<u>\$ 3,532,231</u>	<u>\$ 3,366,360</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued payables and accrued liabilities	\$ 131,862	\$ 129,265
Grants payable	45,187	47,241
Total current liabilities	<u>177,049</u>	<u>176,506</u>
PENSION LIABILITY	237,598	202,846
UNRESTRICTED NET ASSETS	<u>3,117,584</u>	<u>2,987,008</u>
	<u>\$ 3,532,231</u>	<u>\$ 3,366,360</u>

See accompanying notes

Consolidated Statement of Activities

Utah League of Credit Unions and Subsidiary
December 31, 2012 and 2011

	2012	2011
SUPPORT AND REVENUES		
Membership dues	\$ 1,110,403	\$ 1,039,104
Service fees	236,055	135,664
Communications and marketing	788,741	690,299
Interest income	10,173	11,848
Gain on sale of assets	—	9,268
Total support and revenues	<u>2,145,372</u>	<u>1,886,183</u>
EXPENSES		
Direct costs:		
Direct service cost	99,158	68,484
Program expenses:		
Marketing and service cost	301,833	298,576
Legislation and political action	605,945	514,604
Communications	248,196	207,789
Education	54,776	49,513
General supporting expenses	703,963	624,362
Total expenses	<u>2,013,871</u>	<u>1,763,328</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE INCOME TAXES	<u>131,501</u>	<u>122,855</u>
PROVISION FOR INCOME TAX (EXPENSE) BENEFIT	<u>(925)</u>	<u>7,535</u>
INCREASE IN NET ASSETS	<u>130,576</u>	<u>130,390</u>
NET ASSETS BEGINNING OF YEAR	2,987,008	3,017,719
Prior period pension adjustment	—	(161,101)
NET ASSETS END OF YEAR	<u>\$ 3,117,584</u>	<u>\$ 2,987,008</u>

See accompanying notes

Consolidated Statement of Cash Flows

Utah League of Credit Unions and Subsidiary
December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 130,576	\$ (30,711)
Adjustments to reconcile increase in net assets to cash provided (used) by operating activities:		
Deferred taxes	(16,426)	(25,391)
Depreciation	47,099	60,419
(Gain) loss on disposal of property	—	(9,268)
Change in operating assets and liabilities:		
(Increase) decrease in receivables	93,723	5,484
(Increase) decrease in prepaid expenses	(248)	(1,071)
Increase (decrease) in deferred income	—	(410)
Increase (decrease) in grants payable	2,054	(28,543)
Increase in pension liability	34,752	202,846
Increase (decrease) in accounts payable and accrued liabilities	5,597	(107,062)
Net cash provided (used) by operating activities	293,019	136,293
CASH FROM INVESTING ACTIVITIES		
Proceeds from sale of property	-	49,000
Purchase of "secondary capital" investment	(50,000)	—
Acquisition of property and equipment	(9,523)	(92,294)
Net cash provided (used) by investing activities	(59,523)	(43,294)
NET CHANGE IN CASH AND CASH EQUIVALENTS	233,496	92,999
CASH AND CASH EQUIVALENTS		
Beginning of year	2,736,822	2,643,823
End of year	\$ 2,970,318	\$ 2,736,822

See accompanying notes

Consolidated Supplemental Schedule of Expenses

Utah League of Credit Unions and Subsidiary
December 31, 2012 and 2011

	2012	2011
Salaries and benefits	\$ 962,210	\$ 921,408
Direct service costs	99,158	68,484
Rent	129,302	129,652
Direct communication expense	53,989	35,743
Travel	25,403	34,779
Depreciation	47,107	60,419
Facility and equipment	8,198	18,673
Materials and supplies	19,491	21,945
Outside services	56,784	63,154
Taxes	4,372	3,500
Public relations and advertising	42,601	29,110
Direct legislative expense	178,302	143,681
Political action	120,000	10,000
Contributions and subscriptions	85,233	64,832
Operational assistance	44,182	54,828
Uncollectible accounts	24,278	—
Other	84,543	79,515
Board and committee expenses	28,718	23,605
Total expenses	\$ 2,013,871	\$ 1,763,328

See accompanying notes

Notes to Consolidated Financial Statement

Utah League of Credit Unions and Subsidiary
December 31, 2012 and 2011

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.

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. Depreciation was \$47,099 and \$60,419 for years ended December 31, 2012 and 2011 respectively.

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, 2012, the League's uninsured amount in those institutions was \$583,254. Financial instruments, which potentially subject the Company to concentrations of credit risk include accounts receivable. Two accounts comprised 60% and 51% of the League's receivables at December 31, 2012 and 2011 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. Investments are not publicly traded and are carried at cost.

Financial Statement Presentation

The League follows the Not-For-Profit Entities topic of FASB Accounting Standards Codification with respect to financial statement presentation. Under this topic, 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.

In addition, the League is required to present a statement of cash flows.

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.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, 2012 and 2011 are as follows:

	2012	2011
Current (Expense)		
Currently payable	\$ 17,351	\$ 8,068
Deferred	(16,426)	(15,603)
Total provision for income tax (benefit)	<u>\$ 925</u>	<u>\$ (7,535)</u>

The League's deferred tax assets at December 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax assets	\$ 39,577	\$ 24,571
Deferred tax liabilities	(1,962)	(3,382)
Valuation allowance	—	—
Net deferred tax assets (liabilities)	<u>\$37,615</u>	<u>\$21,189</u>

3. INVESTMENTS IN AFFILIATES

Investments in affiliates for the years ended December 31, 2012 and 2011 consisted of the following:

	2012	2011
Investment in Credit Union House LLC:		
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

Investment in Provo Postal Credit Union:

In December 2012 the League acquired a "secondary capital account" in the Provo Credit Union which is committed for a period of seven years bearing interest at 3.5%. The account is subject to certain possible operating losses of Provo Credit Union, and is subordinate to all other claims on the assets of the credit union.

Investment is carried at cost.	50,000	—
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Investment in CU Cooperative Systems, Inc.

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
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Investment in CUNA Strategic Services, Inc. (CSSI):

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>\$ 162,517</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 2012 was \$56,712 and 2011 was \$58,501.

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 \$237,598 at December 31, 2012 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 \$37,984 at December 31, 2012. Certain officers of the League also serve on the executive committee of the Foundation.

2012 Year End Statistics

Credit Union	President	Year-end assets	Members	Charter	Rank
Alpine	Jay Stokes	\$153,940,245	22,680	State	15
America First	John Lund	\$5,524,303,834	597,881	Federal	1
American United Family of Credit Unions	Phillip Patten	\$137,775,601	17,419	Federal	17
Associated Federal Employees	Spring Jensen	\$31,025,072	3,501	Federal	33
Bailey Inc. Employees	Joyce McDonald	\$747,636	398	State	76
Beckstrand and Associates	Mariam Behashti	\$282,815	34	State	82
Box Elder County	Scott Webre	\$86,594,088	12,976	Federal	23
Chartway <i>(operating as HeritageWest, Utah Central, and SouthWest Community)</i>	Bruce Bryan <i>(Regional President, Utah Region)</i>	* \$551,028,373	* 67,034	Federal	7
Chevron West	Stewart Mouritsen	\$81,756,326	5,814	State	24
CUP	Ann Brinkerhoff	\$6,608,784	1,316	Federal	53
Cyprus	Todd Adamson	\$610,524,573	76,522	Federal	6
Deseret First	Shane London	\$424,234,056	52,528	Federal	9
Deseret News Employees	Janette MacK	\$1,710,575	413	State	71
Desertview	Michael Nelson	\$30,133,859	5,230	Federal	35
Devils Slide	Jill Carrigan	\$9,128,827	1,386	Federal	50
Dugway	Jackie Carnahan	\$3,655,146	838	Federal	64
Eastern Utah Community	Michael Milovich	\$99,506,438	12,619	Federal	20
Education 1st	Kent Greenfield	\$24,181,827	3,314	State	38
Employees First	Kenneth McDaniel	\$1,811,773	795	State	70
Firefighters	Thomas Gourdin	\$30,378,824	3,416	State	34
Freedom	Ken Payne	\$23,479,313	3,151	State	39
Gibbons and Reed Employees	Bill Christopherson	\$5,064,026	1,435	Federal	59
Goldenwest	Kerry Whalen	\$814,536,668	87,126	Federal	4
Grand County	Sam Crane	\$15,419,606	2,468	State	45
Granite	Lynn Kuehne	\$340,397,184	30,066	Federal	10
Granite Furniture Employees	Ralph Jenkins	\$743,438	153	Federal	77
Grantsville	Anne Goins	\$4,753,521	2,017	Federal	60
Health Care	Scot Baumgartner	\$68,770,059	9,356	State	25
Hercules	Brent Holmes	\$56,569,571	4,828	State	28
Hi-Land	Blair Asay	\$38,879,350	2,853	State	31
Horizon	Randy Gailey	\$115,003,652	11,564	Federal	18
Jordan	James Hofeling	\$217,775,016	25,192	Federal	13
Kings Peak	Paul Nielson	\$14,177,101	2,347	State	47
Local Union 354 IBEW	Linda Perschon	\$17,875,488	2,294	Federal	43
Logan Cache Rich	Ann Godfrey	\$19,379,132	2,254	Federal	41
Logan City Employees	Jennifer Leishman	\$621,206	272	State	79
Logan Medical	Dale Howe	\$17,369,725	2,280	Federal	44
Meadow Gold Employees	Lynn Nelson	\$5,154,698	653	State	58
Members First	Brad Barber	\$90,126,472	14,337	State	22
Midvalley	Linda Buell	\$6,693,310	743	Federal	52
Millard County	Steve Shiner	\$28,449,236	5,346	State	36
Moon Lake Electric Employees	Sharon Nielsen	\$1,699,928	510	Federal	72

Credit Union	President	Year-end assets	Members	Charter	Rank
Mountain America	Sterling Nielsen	\$3,367,630,484	409,867	Federal	2
National J. A. C. L.	Dean Hirabayashi	\$31,589,063	4,303	State	32
Nebo	Dale Phelps	\$65,185,552	10,134	State	26
Nephi Western Employees	Judy Truscott	\$28,363,427	3,735	Federal	37
Newspaper Employees	Pamela Wagstaff	\$6,350,184	906	State	55
North Sanpete	Julie Strate	\$1,204,447	456	Federal	74
Orem City Employees	Thomas Phelps	\$4,171,785	856	Federal	61
P&S	Brenda van Hoorn	\$13,326,039	2,577	State	48
Pacific Horizon	Steve Clayson	\$40,411,429	5,683	State	30
Phillips-Wasatch	Robin Carbaugh	\$5,629,154	913	State	57
Premier Services	Dennis Murray	\$20,023,737	3,223	State	40
Presto Lewiston Employees	Gaylene Stone	\$290,845	180	State	81
Provo Police & Fire Dept.	Sheldon Lindsay	\$2,957,768	970	State	68
Provo Postal	Scott Johnson	\$6,232,864	929	State	56
San Juan	Ann Hawkins	\$14,301,251	4,015	State	46
SEA	Dale Woolsey	\$3,419,475	823	State	65
Security Service	Aaron Leek <i>(Vice President, Mountain West Region)</i>	** \$314,162,112	** 45,893	Federal	11
Sheet Metal Workers Lo No 312	Connie Burns	\$4,025,013	2,129	Federal	62
South Sanpete	Jannine Henningson	\$733,813	208	State	78
St. Marks Employees	Leslie Anderson	\$7,515,581	1,031	Federal	51
SummitOne	Blaine Goodell	\$61,012,363	6,129	Federal	27
Sunnyside	Linda Drury	\$3,144,187	743	State	67
Tanner Employees	Arleen Childs	\$6,415,108	1,300	State	54
Teamsters Local #222	Alisa Morrill	\$2,556,023	936	Federal	69
Transwest	Marc Mikkelson	\$110,543,571	12,788	State	19
Tri-County	Nick Reynolds	\$155,066	88	State	83
UCB	Teresa Wilko	\$1,398,089	271	State	73
Uintah	Dan Olsen	\$3,185,744	1,119	State	66
University First	Jack Buttars	\$629,525,595	79,697	Federal	5
USU Charter	David Butterfield	\$139,320,622	17,340	Federal	16
Utah Federal	Doug Huntsman	\$18,779,096	2,163	Federal	42
Utah Community	Jeff Sermon	\$847,057,760	114,918	Federal	3
Utah First	Darin Moody	\$243,083,511	21,939	Federal	12
Utah Heritage	Ilene Rollo	\$47,014,492	7,333	State	29
Utah Power	Dennis Hymas	\$480,213,432	23,913	State	8
Utah Prison Employees	Kristine Argyle	\$3,759,629	1,524	State	63
Valley Wide	Monica Marchant	\$442,154	157	Federal	80
Valtek	Richard Nelson	\$748,710	203	State	75
Varian SL Employees	Tammy Phillips	\$13,207,544	1,224	Federal	49
Wasatch Peaks	Blake Burrell	\$187,217,248	25,864	Federal	14
Weber State	Vickie Van der Have	\$93,615,900	9,361	Federal	21

* Assets and members provided are for Utah, Chartway's full assets are \$1,887,739,080. It has 192,058 members nationwide.

** Assets and members provided are for Utah. Security Service's full assets are \$6,897,235,291. It has 911,643 members nationwide.

Information based on NCUA Call Report data for December 2012

Ranking is by asset size within the State of Utah

Minutes of the 78th Annual Business Meeting

Utah Credit Union Association

Hilton Salt Lake Center
March 9, 2012

Chairman Brad Barber welcomed all attendees to the 78th Annual Business Meeting at 3:37 p.m.

Lauren Gruwell sang the National Anthem.

Todd Adamson led the group in the Pledge of Allegiance.

Chairman Barber called the meeting to order at 3:40 p.m.

Report of the Credentials Committee

Gary Lee Fischer, Arlene Erickson, and Heather Line served on the credentials committee.

Gary Lee Fischer reported that 20 delegates for the 2012 Utah Credit Union Association Annual Business Meeting represented 20 credit unions.

Chairman Barber said that Gary Lee Fischer would update the report if there were any specific issues to be brought 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 and state their name and credit union. He then introduced Bruce Richards, legal counsel, who had agreed to assist with parliamentary procedure in this meeting. Clary Smoot, 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; Ken Payne, Freedom Credit Union, Dean Hirabayashi, National J.A.C.L. Credit Union; Todd Adamson, Cyprus Credit Union; and Thomas Gourdin, Firefighters Credit Union.

Chairman Barber asked for former chairmen to stand to be recognized. Chairman Barber mentioned the passing the night before of former chairman Shelley Clarke of Goldenwest Credit Union. He then recognized guests Brandt Peterson and Cindy Maxwell of SunCorp Credit Union.

Approval of minutes

Chairman Barber presented the minutes of the 77th Annual Business Meeting, which were contained in the 2011 Annual Report for review. There were no objections, additions, deletions, or corrections.

ANN GODFREY, LOGAN CACHE RICH CREDIT UNION, MOTIONED TO DISPENSE WITH THE READING OF THE MINUTES AND TO APPROVE THEM AS WRITTEN. BRENT HOLMES, HERCULES 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

Chairman Barber turned the time over to Jim Hofeling, chairman of the nominating committee, to take care of the election of board members. Mr. Hofeling announced that there were four seats open for election. Ken Payne of Freedom Credit Union ran for the board position in the asset category of less than \$25 million. Thomas Gourdin of Firefighters Credit Union ran for the board position in the asset category of \$25 to \$99 million. Randy Gailey of Horizon Credit Union ran for the board position in the asset category of \$100 to \$999 million. Brad Barber of Members First Credit Union ran for the board position in the at-large category. Jim asked if there were any motions from the floor. There were none.

DENNIS MURRAY, PREMIER SERVICES CREDIT UNION MOTIONED TO ACCEPT THE CANDIDATES BY ACCLIMATION. CLINT GURNEY, DESERET FIRST SECONDED, MOTION CARRIED.

Chairman Barber thanked Jim Hofeling and the rest of the nominating committee for their help. He asked for any questions for the board that the delegates may have. There were none. He then turned the time over to Gary Lee Fischer.

Report of Gary Lee Fischer, CUNA Mutual Group

Gary Lee Fischer thanked the Utah Credit Union Association for their continued support and partnership with CUNA Mutual. He recognized that Utah has been hit hard in the last few years and affirmed that CUNA Mutual Group still does and will continue to support credit unions and pay claims in the state.

Report of the Chairman of the Board

Chairman Barber began his report recalling the past 20 years serving at his credit union and for the last 15 as CEO. Compared to some, he is still new, but he has a great belief and passion for the credit union movement and the good that we

do. He thanked those here supporting the Association and those serving on the Board of Directors. They are overseeing the actions of the Association. They hold our future as the credit union movement in the state of Utah as very important in their lives personally and professionally as board members. It has been a privilege to work with the board members and to have them elect him as chairman for the past two years.

Chairman Barber emphasized the importance of association. He stressed that if we do not stand together, we will have a difficult time standing alone. He thanked those present for being part of and supporting this great organization. We accomplish great things with the staff, ably led by Scott Simpson, and individuals in the Association. One example is the various meetings, like today's, that credit unions can participate in throughout the year. There are educational opportunities second to none. We are excited for the direction the Association is heading and the leadership in the organization. We look forward to working with you and in helping credit unions in Utah succeed and remain strong and viable.

Chairman Barber turned the time over to Scott.

Report of the President

President Scott Simpson thanked Chairman Barber. President Simpson began his report by discussing some of the events of the past year. Bank Transfer Day was a big day for credit unions. It was an opportunity for us, and a social mission for many, to essentially say that banks stink. This has provided us a marketing opportunity. The message was created organically, and we can use that to move forward from a public policy perspective.

President Simpson discussed credit union movement consolidation. There has been consolidation in the trade association ranks. Scott is serving on an AACUL taskforce to study what a future league should look like, given the pressures that exist today. Seventy years ago, credit union leagues were originally created for a government relations purpose, but very quickly became a service aggregator. Disparate credit unions gathered together to create scale for services. Over the last 70 years the need to rely on the trade association for scale has changed. In that same time frame, credit unions' need to rely on their trade association as a public and government advocacy organization has also changed. The political climate in Utah has caused our Association to evolve at a faster rate than most. Scott has studied the Leagues around the country and we have one of the leanest and most efficient budgets in the West. Scott has fiercely defended the local presence. We must do no harm to our capacity to project political strength locally. States remain sovereign. States create laws that regulate financial institutions. Regional consolidation can weaken our capacity to appeal to the affinity of the state if we're not careful. There is room to wring out redundancy in the trade association space, but we should be cautious from the government relations/advocacy perspective not to consolidate into oblivion.

Scott is proud of our Association, our staff, the hard work that they do. He is proud of the actions of our board and the relationships they have maintained and built that has led us to the re-affiliation of two credit unions this year, one of which has not belonged to the Association since Scott started here.

This has been an important year from an electoral perspective. Because of the upcoming presidential election there is concern that a lame duck Congress will face budget deficits and will need to find a solution that may involve credit unions' tax exemption. Scott discussed the coming election cycle and mentioned that this year Utah's senior senator is being challenged from within his party. We have a new congressional district that will open up a seat that will prove to be a candidate circus. In the second congressional district there is a full-time bank employee running for that seat and we should be interested in that as a movement. We should endeavor to project an opinion in that race, and the Association will seek support from its members in that effort.

President Simpson said that he is proud to have the job that he has, and he is glad to advocate for this cause. He is grateful for the support of the board and those in the movement. The credit union movement is a good cause. He feels good that he can advocate for a cause that he can believe in.

Scott talked about some state politics and a specific foreclosure bill that the Association fought against this year. We were able to de-fang the bill and make it much more acceptable for financial institutions. Scott apologized that his reporting was less than in years past and thanked the credit unions for their support.

President Simpson then turned time back to Chairman Barber.

Report of Brandt Peterson, SunCorp Credit Union

Chairman Barber thanked President Simpson and turned time over to Brandt Peterson. Mr. Peterson gave Tom Graham's regrets for not being here due to recent eye surgery.

Mr. Peterson said that he appreciated SunCorp's partnership with the Association and thanked the credit unions for their support. Utah has more credit unions as members of SunCorp than any of the other 20 states they have. He concluded his report.

Chairman Barber thanked Mr. Peterson and asked if there were any questions or issues that anyone from the floor would like to present. Gary Lee Fischer, representing the credentials committee, asked for an adjustment of the count. He revised the number of delegates from 20 representing 20 credit unions to 21 delegates representing 21 credit unions.

Adjournment:

Meeting adjourned at 4:05 p.m.

