

# Utah Credit Union Association 2013 Annual Report



Utah's  
Credit  
Unions®

# 80th Annual Business Meeting Agenda

March 14, 2014

National Anthem.....	Randy Gailey, Brad Barber, Kent Strueling & Farrell Poll
Pledge of Allegiance.....	Thomas Gourdin
Call to Order.....	Chairman Milovich (Report of the Credentials Committee with supplementary reports from time to time as directed by the Chairman)
Introduction of Board and Guests .....	Chairman Milovich
Reading of the Minutes of the 79th Annual Meeting.....	Secretary Gailey (unless dispensed with by motion) and all action thereon
Committee Reports	
Report of the Nominating Committee .....	Thomas Gourdin
Other Business .....	Chairman Milovich
CUNA Mutual Report .....	Brye Austin
SunCorp Report .....	Tom Graham
Report of the Chair.....	Chairman Milovich
Report of the President.....	Scott Simpson
Adjournment.....	Chairman Milovich

## Contents

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2013 Board of Directors .....	1	Independent Auditor's Report .....	5
Utah League of Credit Unions Staff.....	1	Consolidated Statements of Financial Position .....	6
Message from the Chairman .....	2	Consolidated Statements of Activities .....	6
Message from the President .....	2	Consolidated Statements of Cash Flows .....	7
Report of Legal Counsel .....	3	Consolidated Supplemental Schedule of Expenses .....	7
Report of the Karl S. Little Foundation .....	3	Notes to Consolidated Financial Statements .....	8
Report of the Education Committee.....	4	2013 Year End Statistics .....	10
Governmental Affairs Report .....	4	Minutes of the 79th Annual Business Meeting.....	12

# 2013 Board of Directors

## Board Chair



**Mike Milovich**  
Eastern Utah Community CU  
*Medium asset size category*

## Vice Chair



**Todd Adamson**  
Cyprus CU  
*Large asset size category*

## Secretary



**Randy Gailey**  
Horizon CU  
*Large asset size category*



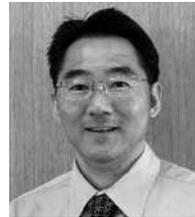
**Brad Barber**  
Members First CU  
*At-Large category*



**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

# Utah Credit Union Association Staff



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## Message from the Chairman

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Many of you might agree that this past year has been one of challenges that have affected all credit unions across the board. All of the new rules from the CFPB and NCUA seem to flow like “water” for all of us to digest and implement. In spite of the challenges credit unions continue to rise to the “challenge of the day”. In addition, credit unions continue to provide the best value for their membership and are community leaders for the communities they serve.

The Board of Directors meet monthly to discuss credit union issues, trends, problems, and solutions to help credit unions with the challenges we all face. I have had the privilege to serve on the Board for the majority of my career in the credit union industry and served with many of the best in our industry. The goal of all Board members of the Association has been to help facilitate credit union cooperative philosophy, improve the financial well-being of our credit union family, and present a united front when challenges to our movement are exhibited. Our Board continues to authorize staff to provide educational opportunities, political advocacy, and human resources to meet our member credit union needs.

Scott Simpson and his staff have done a tremendous job representing all credit unions and providing “value added” services to member credit unions. Educational opportunities encompassing all facets of our industry are being provided through conferences, webinars, and quarterly association visits to geographical areas of the state. In addition, Scott provides incredible political knowledge and insight that helps our organization be at the forefront of issues important to our association.

Lately, we have heard and seen some credit unions questioning the value of dual association with CUNA and our respective associations. Debate seems to center on what do we get for our

money and why are we paying these assessments. Having been in this industry for less than twenty years and in the political arena for twenty four years, I have to come to some conclusions about the value of membership in our respective associations. Many of the critical challenges that threaten our viability in the market place generally have come from sources in the political area, i.e. American Banker Association (ABA) or Utah Bankers Association (UBA) and many of these battles need the expertise of individuals like Scott Simpson and his staff as well as experts in Washington (CUNA) to deliver our messages to legislators. If we do not act as one united voice on issues affecting our future, then we will lose all we have worked for, for many decades. Speaking and acting in one united voice will insure our industry is viable and healthy. Our associations and CUNA provide that vehicle to insure our future. Just look back to 1997-1998 when there was a full assault on our movement and discover the value of these two organizations.

Our future remains bright if we stay united. Thank you for the opportunity to serve as Chairman of our Associations and thanks to the staff of our association for the dedication and guidance you provide the Credit Union Movement.

Mike Milovich  
Utah Credit Union Association Board Chair  
President/CEO Eastern Utah Community Credit Union



## Message from the President

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Because I have the attention span of a gnat, this time of year it is difficult for me to focus long enough to remember the accomplishment of the previous year.

Having said that, 2013 proved to be a year that added to the modestly positive trajectory of the credit union space in Utah. I could see on your faces the seasoning that comes from surviving difficulty coupled with the optimism of facing the future.

What remains true today and into the undeniable future is that many forces will continue to work against the success of credit unions. We know what it's like to contend with banks. We now have a better idea of how to prepare for, and deal with, difficult economic waves that can crash against the shore. We are learning to face the very real foe of crushing and unnecessary regulation. In my tenure, I've seen credit unions change their grassroots volleys from Capitol Hill down river to Alexandria in an effort to keep draconian and reactionary make-work from choking the vital economic fuel credit unions provide.

Our credit union forefathers saw the need to work together against such forces and over the years credit unions have cooperated better than any industry I know.

I am enormously proud of the work that is accomplished by our

staff. Our professional development, compliance and operational support and government advocacy services are solid offerings that bring real value. We have quietly added a communication/social media tool kit teeming with assets to assist credit unions with the difficult task of feeding content to the new media communication channels.

I am equally proud of the work that you do everyday for your members. Because you fill your missions so well, it remains an honor for all of us at the Utah Credit Union Association to be evangelists for you.

Thank you,  
Scott Simpson  
President/CEO



# Report of Legal Counsel

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March 14, 2014

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.

2013 saw credit unions with lower delinquencies and charge offs. Bankruptcy filings in Utah have declined by about 2,000 filings each year since 2010 and 2011. Chapter 7 and Chapter 13 filings in 2013 totaled 14,606. This is down from the 2011 high of 18,414. Lower bankruptcy filings is always good news for credit unions.

Utah's economy continues to remain positive. Employment remains relatively strong. Real estate prices are increasing. The

inventory of unsold homes from the recession has been largely been eliminated.

Consumer Financial Protection Bureau regulations are now in place. Meeting the regulatory burden of these changed regulations presents new challenges for credit unions.

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. We look forward to 2014 being a prosperous year for Utah's credit unions and their members.

BRUCE L. RICHARDS & ASSOCIATES  
Bruce L. Richards

# Report of the Karl S. Little Foundation

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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, 2013, with assets totaling \$93,545.92. We owe \$7525.00 to the Utah Credit Union Association to repay an advance that was received last year to prevent loss of accrued interest on a maturing CD. This amount will be cleared in 2014.

The annual Karl S. Little Tournament was held in August of 2013. Credit Unions from across the State met at Valley View Golf Course in Layton, Utah. The turnout was exceptional as we filled the golf course. Net proceeds amounted to \$13,594.68. We express our sincere thanks and appreciation to all who contributed to the event.

The Karl S. Little Tournament will be held again this year on

August 11th at Valley View Golf Course. Please mark your calendar and save the date now.

Scholarships totaling \$7,525.00 were provided to credit union employees from several credit unions in 2013 to assist with their attendance at Western CUNA Management School.

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

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The Education Department of the Utah Credit Union Association spends a considerable amount of time each year planning and sponsoring a wide variety of programs and training options for member credit unions. The intent is to provide excellent learning opportunities for a wide variety of attendees, while trying to keep costs at a minimum, thus maximizing your education dollars.

We continue to provide the pre-purchased training certificates for credit unions to participate in numerous one-day training events. As well as providing other web based and telephone seminars throughout the year allowing for even greater access to an increased number of participants

I am honored to return as Chair of the Education Committee again. I have had the privilege of working with a number of very capable, experienced people from credit unions throughout the state as they lend their expertise in structuring these training opportunities. I extend my hearty "THANKS!" to each of them for their dedication and willingness to volunteer their time and expertise.

I also have firsthand experience with the dedication and concern that Association staff has in doing all they can to make the education of credit unions a priority. As you participate in this great Annual Meeting and Convention, and in other Association sponsored training throughout the year, please take the opportunity to thank an Association staff member for their time and efforts. And a special thanks to Marilyn Pearson who is consumed with making these functions viable for you.

If you have suggestions, ideas, concerns or complaints, we request your feedback in regards to education and training. We want to be sure the training you receive is top notch and worthwhile.

Respectfully submitted,

Brad Barber  
Education Committee Chair

# Governmental Affairs Report

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This year the banks changed (or maybe refocused) their attack strategy. The focus now is to go straight for our jugular by attacking our tax-exempt status. In an effort to relay concerns in Washington, D.C. CUNA created the Don't Tax My Credit Union campaign. Our Nation's Senators and Congressmen were inundated with emails and letters expressing support for our local credit unions. Many of those came from Utah.

We at the Association, with your help and companionship, also made visits to D.C. in 2013. Though our issues seem to remain the same, the fact that we make the effort to keep in contact with our federal delegation helps us to remain relevant. Additionally, the relationships we make and strengthen during these visit can do much to help us as we request their consideration for our current and future policy issues.

To the dismay of some, the federal government is designed to move slowly. As of yet, we remain tax-exempt, but we must remain ever cognizant of what is happening back East. The fight will continue and we will continue to call on you when needed. You always step up to the plate and hit a home run. Your fervor and force are a great asset.

At the local level things are much quieter, and since many of you have converted to a federal charter there are fewer chances for injury during the state legislature. Regardless, we are always monitoring the Utah State Legislature. We came out of the 2013 Legislature just fine. That being said, we are looking and working for opportunities to help make the state charter more appealing for our local credit unions.

One tool that I would like to encourage your participation in is Project Zip Code. The information gathered in this database helps us know how many members live in various political districts. We currently have good legislators, but the ability to remind them how many constituents of theirs are affected by legislation is very helpful. So please continue to keep your information updated on the website (annually or biannually), and if you would like more information please talk to me.

Another year down, bring on 2014.

Shule Bishop  
Director of Political Programs

# Independent Auditor's Report

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Audit Committee of the  
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, 2013 and 2012, 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 effectiveness 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, 2013 and 2012, 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 statement 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, 2014

# Consolidated Statements of Financial Position

Utah League of Credit Unions and Subsidiary  
December 31, 2013 and 2012

## ASSETS

	2013	2012
<b>CURRENT ASSETS</b>		
Cash on deposit with member credit unions	\$ 3,140,916	\$ 2,970,318
Accounts receivable	186,783	228,737
Prepaid income taxes	13,347	—
Prepaid expenses	21,637	33,521
Total current assets	<u>3,362,683</u>	<u>3,232,576</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	518,839	499,651
Automobiles	106,449	109,825
Leasehold improvements	18,248	18,248
Less accumulated depreciation	(525,503)	(535,701)
Property and equipment - net	<u>118,033</u>	<u>92,023</u>
<b>OTHER ASSETS</b>		
Deferred tax asset	31,892	37,615
Club membership	7,500	7,500
Investment in affiliates	162,517	162,517
Total other assets	<u>201,909</u>	<u>207,632</u>
	<u>\$ 3,682,625</u>	<u>\$ 3,532,231</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued payables and accrued liabilities	\$ 109,042	\$ 131,862
Grants payable	45,187	45,187
Total current liabilities	<u>154,229</u>	<u>177,049</u>
<b>PENSION LIABILITY</b>	281,740	237,598
<b>UNRESTRICTED NET ASSETS</b>	<u>3,246,656</u>	<u>3,117,584</u>
	<u>\$ 3,682,625</u>	<u>\$ 3,532,231</u>

See accompanying notes

# Consolidated Statement of Activities

Utah League of Credit Unions and Subsidiary  
December 31, 2013 and 2012

	2013	2012
<b>SUPPORT AND REVENUES</b>		
Membership dues	\$ 1,302,228	\$ 1,110,403
Service fees	341,901	236,055
Communications and marketing	744,530	788,741
Interest income	10,805	10,173
Other income	9,322	—
Total support and revenues	<u>2,408,786</u>	<u>2,145,372</u>
<b>EXPENSES</b>		
Direct costs:		
Direct service cost	88,491	99,158
Program expenses:		
Marketing and service cost	361,487	301,833
Legislation and political action	667,343	605,945
Communications	140,186	248,196
Education	208,945	54,776
General supporting expenses	803,612	703,963
Total expenses	<u>2,270,064</u>	<u>2,013,871</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS BEFORE INCOME TAXES</b>	<u>138,722</u>	<u>131,501</u>
<b>PROVISION FOR INCOME TAX (EXPENSE) BENEFIT</b>	<u>(9,650)</u>	<u>(925)</u>
<b>INCREASE IN NET ASSETS</b>	<u>129,072</u>	<u>130,576</u>
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>3,117,584</u>	<u>2,987,008</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 3,246,656</u>	<u>\$ 3,117,584</u>

See accompanying notes

# Consolidated Statement of Cash Flows

Utah League of Credit Unions and Subsidiary  
December 31, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in unrestricted net assets	\$ 129,072	\$130,576
Adjustments to reconcile increase in net assets to cash provided (used) by operating activities:		
Deferred taxes	5,723	(16,426)
Depreciation	30,200	47,099
(Gain) loss on disposal of property	(8,819)	—
Change in operating assets and liabilities:		
(Increase) decrease in receivables	28,607	93,723
(Increase) decrease in prepaid expenses	11,884	(248)
Increase (decrease) in grants payable	—	(2,054)
Increase in pension liability	44,142	34,752
Increase (decrease) in accounts payable and accrued liabilities	(22,820)	5,597
Net cash provided (used) by operating activities	217,989	293,019
<b>CASH FROM INVESTING ACTIVITIES</b>		
Purchase of "secondary capital" investment	—	(50,000)
Acquisition of property and equipment	(47,391)	(9,523)
Net cash provided (used) by investing activities	(47,391)	(59,523)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	170,598	233,496
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,970,318	2,736,822
End of year	\$ 3,140,916	\$ 2,970,318

See accompanying notes

# Consolidated Supplemental Schedule of Expenses

Utah League of Credit Unions and Subsidiary  
December 31, 2013 and 2012

	2013	2012
Salaries and benefits	\$ 1,009,681	\$ 962,210
Direct service costs	88,491	99,158
Rent	129,148	129,302
Direct communication expense	69,087	53,989
Travel	53,189	25,403
Depreciation	30,200	47,107
Materials and supplies	34,199	27,689
Outside services	64,795	56,784
Taxes	4,727	4,372
Public relations and advertising	46,293	42,601
Direct legislative expense	213,799	178,302
Political action	115,000	120,000
Contributions and subscriptions	150,158	85,233
Operational assistance	49,065	44,182
Uncollectible accounts	28,367	24,278
Board and committee expenses	26,173	8,718
Other	157,692	84,543
<b>Total expenses</b>	<b>\$ 2,270,064</b>	<b>\$ 2,013,871</b>

See accompanying notes

# Notes to Consolidated Financial Statement

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Utah League of Credit Unions and Subsidiary  
December 31, 2013 and 2012

## 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 \$30,200 and \$47,107 for years ended December 31, 2013 and 2012 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. At December 31, 2013, the League's uninsured amount in those institutions was \$764,890. Financial instruments, which potentially subject the Company to concentrations of credit risk include accounts receivable. Three accounts comprised 72% and 60% of the League's receivables at December 31, 2013 and 2012 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, 2013 and 2012 are as follows:

	2013	2012
<b>Current (Expense)</b>		
Currently payable	\$ 3,927	\$ 17,351
Deferred	5,723	(16,426)
Total provision for income tax (benefit)	<u>\$ 9,650</u>	<u>\$ 925</u>

The League's deferred tax assets at December 31, 2013 and 2012 are as follows:

	2013	2012
Deferred tax assets	\$ 44,532	\$ 39,577
Deferred tax liabilities	(2,421)	( 1,962)
Valuation allowance	(10,219)	—
Net deferred tax assets (liabilities)	<u>\$ 31,892</u>	<u>\$ 37,615</u>

### 3. INVESTMENTS IN AFFILIATES

Investments in affiliates for the years ended December 31, 2013 and 2012 consisted of the following:

	2013	2012
<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 Provo Postal Credit Union:</b>		
In December 2012 the League acquired a "secondary capital account" 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	50,000
<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>\$ 162,517</u>	<u>\$ 162,517</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 2013 was \$61,361 and 2012 was \$56,712.

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 \$281,740 at December 31, 2013 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 \$28,133 at December 31, 2013. Certain officers of the League also serve on the executive committee of the Foundation.

# 2013 Year End Statistics

Credit Union	President	Year-end assets	Members	Charter
Alpine	Paul Atkinson	\$158,041,482	22,147	State
America First	John Lund	\$5,877,729,341	635,395	Federal
American United Federal Credit Union	Phillip Patten	\$149,555,172	17,189	Federal
Associated Federal Employees	Spring Jensen	\$32,020,490	3,477	Federal
Bailey Inc. Employees	Joyce McDonald	\$802,559	425	State
Beckstrand and Associates	Mariam Behashti	\$280,780	31	State
Box Elder County	Scott Webre	\$92,015,679	12,987	Federal
Chartway*	Ronald L. Burniske	\$1,962,270,073	185,327	Federal
CUP	Ann Brinkerhoff	\$6,403,228	1,280	Federal
Cyprus	Todd Adamson	\$630,822,130	81,679	Federal
Deseret First	Shane London	\$431,304,507	53,415	Federal
Deseret News Employees	Janette MacK	\$1,615,048	380	State
Desertview	Michael Nelson	\$31,528,938	5,399	Federal
Devils Slide	Jill Carrigan	\$9,563,259	1,428	Federal
Dugway	Jackie Carnahan	\$3,897,686	813	Federal
Eastern Utah Community	Michael S. Milovich	\$98,713,012	11,808	Federal
Education 1st	Kent Greenfield	\$26,306,151	3,343	State
Employees First	Kenneth McDaniel	\$1,779,031	770	State
Firefighters	Thomas Gourdin	\$31,839,126	3,427	State
Freedom	Ken Payne	\$25,178,035	3,237	State
Gibbons and Reed Employees	Bill Christopherson	\$5,484,351	1,625	Federal
Goldenwest	Kerry Whalen	\$994,911,653	97,765	Federal
Grand County	Sam Crane	\$17,345,951	2,637	State
Granite	Lynn Kuehne	\$338,462,755	30,322	Federal
Granite Furniture Employees	Ralph Jenkins	\$761,256	153	Federal
Grantsville	Melanie Allred	\$4,785,527	1,573	Federal
Health Care	Scot Baumgartner	\$70,391,648	8,334	State
Hercules	Brett Blackburn	\$57,364,274	4,737	State
Hi-land	Blair Asay	\$40,067,926	2,851	State
Horizon Utah	Randy Gailey	\$115,314,246	11,247	Federal
Jordan	Jim Hofeling	\$227,231,012	25,132	Federal
Kings Peak	Paul Nielson	\$14,328,336	2,401	State
Local Union 354 IBEW	Linda Perschon	\$19,826,302	2,331	Federal
Logan Cache Rich	Ann Godfrey	\$19,705,293	2,318	Federal
Logan City Employees	Jennifer Leishman	\$605,622	270	State
Logan Medical	Dale Howe	\$17,364,025	2,282	Federal
Meadow Gold Employees	Lynn Nelson	\$4,775,269	635	State
Members First	Brad Barber	\$93,098,775	14,595	State
Midvalley	Linda Buell	\$6,309,574	604	Federal
Millard County	Steve Shiner	\$27,831,534	5,343	State

Credit Union	President	Year-end assets	Members	Charter
Moon Lake Electric Employees	Karen Secrest	\$1,948,259	518	Federal
Mountain America	Sterling Nielsen	\$3,647,287,764	447,910	Federal
National JACL	Dean Hirabayashi	\$31,839,202	4,181	State
Nebo	Dale Phelps	\$66,781,187	10,281	State
Nephi Western Employees	Judy Truscott	\$28,493,648	3,761	Federal
North Sanpete	Julie Strate	\$1,162,296	456	Federal
Operating Engineers*	Mike Donohue	\$844,882,191	74,768	Federal
Orem City Employees	Thomas Phelps	\$3,647,795	802	Federal
P&S	Stewart Mouritsen	\$13,515,522	2,615	State
Pacific Horizon	Steve Clayson	\$43,602,207	6,151	State
Phillips-Wasatch	Megan Nattress	\$5,859,406	926	State
Premier Services	Dennis Murray	\$19,656,431	3,114	State
Presto Lewiston Employees C. U.	Gaylene Stone	\$298,533	180	State
Provo Police & Fire Dept.	Sheldon Lindsay	\$2,720,035	971	State
Provo Postal	Scott Johnson	\$6,311,278	925	State
San Juan	Ann Hawkins	\$15,157,443	4,011	State
SEA	Brent Nielsen	\$3,712,990	848	State
Security Service*	David Reynolds	\$7,697,605,307	949,540	Federal
South Sanpete	Brian Olmstead	\$782,321	202	State
Sunnyside	Linda Drury	\$3,224,582	670	State
Tanner Employees	Kevin Louder	\$5,916,255	1,264	State
Teamsters Local #222	Alisa Morrill	\$2,312,622	914	Federal
Transwest	Marc Mikkelson	\$112,439,262	12,817	State
Tri-County	Nick Reynolds	\$147,396	87	State
UCB	Teresa Wilko	\$1,389,581	272	State
Uintah	Dan Olsen	\$3,435,651	1,092	State
University First	Jack Buttars	\$654,678,901	80,279	Federal
Utah	Doug Huntsman	\$17,682,376	2,117	Federal
Utah Community	Jeff Sermon	\$879,318,477	119,858	Federal
Utah First	Darin Moody	\$248,503,326	21,394	Federal
Utah Heritage	Ilene Rollo	\$49,159,430	7,267	State
Utah Power	Dennis Hymas	\$507,044,742	24,450	State
Utah Prison Employees	Kristine Argyle	\$3,533,458	1,515	State
Valley Wide	Monica Marchant	\$495,309	161	Federal
Valtek	Richard Nelson	\$778,665	230	State
Varian SI Employees	Tammy Phillips	\$13,349,415	1,238	Federal
Wasatch Peaks	Blake Burrell	\$260,701,714	30,585	Federal
Weber State	Vickie Van der Have	\$95,441,040	9254	Federal
Western Federal*	John A. Bommarito	\$1,888,820,860	164,189	Federal

\* Denotes a credit union not domiciled in Utah, but that operates branches in Utah. As with all credit unions on this list, data given is for the entire credit union, not just the credit union's operations in Utah.

# Minutes of the 79th Annual Business Meeting

## Utah Credit Union Association

Hilton Salt Lake Center  
March 8, 2013

Chairman Brad Barber welcomed all attendees to the 79th Annual Business Meeting of the Utah Credit Union Association at 3:30 p.m.

Thomas Gourdin led the group in the Pledge of Allegiance.

Chairman Barber called the meeting to order at 3:31 p.m.

### Report of the Credentials Committee

Judy Jackson and Jodi Kuehne served on the credentials committee.

Judy Jackson reported that there were 19 delegates for the representing 19 credit unions. Chairman Barber said that Judy Jackson 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; Mike Milovich, Vice Chair, Eastern Utah Community Credit Union; Todd Adamson, Secretary, Cyprus Credit Union; Kent Greenfield, Education First Credit Union; Jim Hofeling, Jordan Credit Union; Sterling Nielsen, Mountain America Credit Union; John Lund, America First Credit Union; Dean Hirabayashi, National JAFL Credit Union; Randy Gailey, Horizon Credit Union; Ken Payne, Freedom Credit Union; and Thomas Gourdin, Firefighters Credit Union. Chairman Barber asked for any former chairmen in the audience to stand to be recognized.

He then recognized guests Brandt Peterson and Cindy Maxwell, Charlie Watts, and Tom Graham of SunCorp Credit Union, and Joe Rode, Doug Elkins, Mike Evert, Jeff Terry, and Brye Austin from CUNA Mutual Group.

### Approval of minutes

Chairman Barber presented the minutes of the 78th Annual Business Meeting, which were contained in the 2012 Annual Report for review. There were no objections, additions, deletions, or corrections.

DENNIS MURRAY, PREMIER SERVICES CREDIT UNION, MOTIONED TO DISPENSE WITH THE READING OF THE MINUTES AND TO APPROVE THEM AS WRITTEN. BLAINE GOODELL, SUMMIT ONE 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 and dedication throughout the past year. In absence of objection the reports were filed and received.

### Report of the Nominating Committee

Chairman Barber turned the time over to Randy Gailey, chairman of the nominating committee, to take care of the election of board members. Ken Payne and Dean Hirabayashi also served on that committee. Mr. Gailey announced that there were four seats open for election. Kent Greenfield of Education First Credit Union ran for the board position in the asset category of less than \$25 million. Mike Milovich of Eastern Utah Community Credit Union ran for the board position in the asset category of \$25 to \$99 million. John Lund of America First Credit Union ran for the board position in the asset category of over \$1 billion. Sterling Nielsen of Mountain America Credit Union ran for the board position in the at-large category. Nomination paperwork was sent out and none was received back. The presently serving board members submitted their nomination. Mr. Gailey asked if there were any motions from the floor. There were none.

LYNN KUEHNE OF GRANITE CREDIT UNION MOTIONED TO ACCEPT THE CANDIDATES BY ACCLIMATION. GERRY OBORN OF WASATCH PEAKS CREDIT UNION SECONDED, MOTION CARRIED.

Chairman Barber thanked Randy Gailey 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 Brye Austin and Jeff Terry of CUNA Mutual Group.

### Report of Brye Austin and Jeff Terry, CUNA Mutual Group

Brye Austin began his report by thanking the attendees for their partnership with CUNA Mutual. CUNA Mutual wants everyone to succeed—your success is our success. You provide a great value to your members. Thank you for all you do to help. Brye invited everyone to take the 10-candy bar challenge at the CUNA Mutual booth.

### Report of Tom Graham, SunCorp Credit Union

Mr. Graham began his report by thanking the members for their support. He expressed appreciation for the chance to speak to our membership. Mr. Graham sends updates by email and asked if those are still helpful. Some in the audience said yes they were. Mr. Graham said that he would continue to send those updates.

Mr. Graham gave two specific updates. First, SunCorp has moved offices. They are saving about \$350,000 a year of your money as a result. As a result of their move they were able to test their BRP process. They tested their full complement of products and services at one time. Everything went extremely well. Their capital ratios are very strong and they are keeping all the new requirements given by the regulators. They have added 26 new credit unions since starting their capitalization process. Others are asking for more information on capital. They are happy to talk to anyone who is interested in coming back to SunCorp. Both Jim Hofeling and Todd Adamson

serve on the SunCorp board. Mr. Graham just updated them that today they were able to put four of their bad assets on the market. Today SunCorp made \$2 million in recovery back as a result. That almost triples the amount of debt income in the budget and shows that SunCorp has been able to recover money.

SunCorp is trying to build trust with its members and to win back those who have left. They are on a path of acquisition, particularly in the California market. Based on their annual member survey they will make some changes. There will be an announcement on those specific changes in the next 30 to 90 days. They are also working on training that can be delivered to credit union staff to help things be more efficient. They are working on increasing their balance sheet offerings. SunCorp can provide you with any brokerage-type sale that you need. Please call them. More business you do through SunCorp means more they can return to you because they are your cooperative. Please continue to look at SunCorp and share in the services they have to offer. Mr. Graham pointed out that SunCorp did become a member of the Federal Reserve Bank and the Federal Home Loan Bank. Whatever the NCUA decides to do on emergency liquidity resources, SunCorp feels they have all bases covered.

He concluded his report and turned the time back to Chairman Barber.

## Report of the Chairman of the Board

Chairman Barber thanked the attendees and the members of the board for the opportunity to serve as a director on the Association Board for the last ten years and as the chair of the board for the past three years. It has been a great opportunity for him to work very closely with individuals that he considers to be giants in the credit union industry. He has learned a lot from each of these individuals as well as from many in the audience and looks forward to continue that service and that opportunity to work with credit unions and their people and to see credit unions in Utah grow and flourish.

Last week a group from Utah attended the Governmental Affairs Conference in Washington, D.C. They heard from great speakers and were able to visit our congressmen and senators on Capitol Hill. They made our united credit union voice heard there. They were able to share our continued plea for credit unions and explain what we do, what we stand for, and where we are headed. We are very fortunate to have Scott Simpson as president of this organization. His knowledge and contacts and his ability to articulate our message are a very powerful benefit to each one of us and our organizations as well as our trade association. Brad thanked Scott and the Utah Credit Union Association staff.

While they were in D.C. there was a barrage of anti-credit union bank ads. They renewed a focus on credit union taxation. It was one of the most-discussed topics on the Hill with each of the delegations. We have to remain ever vigilant and be ready to resume that fight when the time comes. CUNA president Bill Cheney put it succinctly when he said, "Credit unions have a unique advantage: we put people over profits. We are financial institutions with a conscience and we focus on and are built around our members' needs. Taxing credit unions, as we all know, is really a tax on 96 million credit union members." We need to be united as a movement—to unite for good. That is something that Chairman Barber has advocated for among Utah credit unions and will continue to do so. We may not all be on the same page in every area, but we are all in the same book, and working together is the only way we can remain viable as an organization, individually and as a whole.

Mr. Barber extended his congratulations to Rick Craig, former CEO of America First Credit Union, who was a recipient of the Herb

Wegner Memorial Lifetime Achievement Award as well as being inducted into the Utah Credit Union Association Hall of Fame. Both were fitting honors for an individual who has had such an influence on the credit union movement, both in and outside of Utah. Mr. Barber congratulated the other award recipients for the great work they have accomplished. He thanked the attendees for their attendance and their work and dedication. He also thanked Marilyn Pearson and the Association staff and the Education committee.

Chairman Barber turned the time over to President Scott Simpson.

## Report of the President

President Simpson thanked Chairman Brad Barber for his service as chairman and thanked the entire board for their support. Scott said he is fortunate to work in a business where he has a board comprised of people that have boards. It is handy in Association management. He thanked them for their many hours of volunteer service in behalf of the Association.

President Simpson mentioned that the legislature is in session now. It has been a very busy few weeks with the session, the GAC last week, and the Annual Meeting this weekend.

This is Scott's tenth year at the Utah Credit Union Association. He never imagined he'd say that. It seemed impossible ten years ago. He is grateful for what has become a very satisfying career. He thanked the Association staff and expressed appreciation for the lean machine it has become. He introduced and acknowledged Aaron and Greg from Security Service Credit Union. Security Service Credit Union recently joined the Association.

President Simpson led off on a topic very familiar to the credit union movement. He recently had a conversation with Howard Headlee of the Utah Bankers Association. Mr. Headlee said that they were done fighting the multi-front war. They have spent a lot of time coming at us through lawsuit and regulation, through the UBIT fight, going through regulatory agencies. Now their tactic is shifting to taxation. The ABA ran full-page ads in all the trade magazines trashing credit unions and their tax exemption during the GAC. We need to be mindful of the reasons they do that. They may get traction on this issue and it might work. They are convinced that if we spend our time defending taxation we will forget about advancing our cause, just play defense and ignore other important issues. That puts us in an interesting situation internally. Scott said he was proud of Association members and where they have been and what they have done over the past ten years. This Association has built a war chest. Scott came in just after the big fight here where we had to build up money after the fact. Now we have slowly built up money in preparation for future political fights. We are dedicated to helping you be prepared for the next one, because there surely will be a future political battle. We have hired Shule Bishop as the new Director of Political Programs; he will help you to enhance your ability to leverage your membership in defense of what you do for them. We will spend our time and energy being focused on that in the future.

President Simpson again expressed gratitude to work with the Association, its members and its great staff. He then concluded his report and turned time back to Chairman Barber.

Chairman Barber thanked President Simpson and concluded the meeting.

Judy Jackson updated that the final count of delegates was 23 delegates representing 23 credit unions.

**Adjournment:** Meeting adjourned at 3:57 p.m.

