

Utah Credit Union Association 2014 Annual Report



81st Annual Business Meeting Agenda

May 1, 2015

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 80th Annual Meeting.....	Secretary Gailey
(unless dispensed with by motion) and all action thereon	
Committee Reports	
Articles of Incorporation, Bylaw Amendments	
Report of the Nominating Committee	
Other Business.....	Chairman Milovich
CUNA Mutual Report.....	Brye Austin
Alloya Report.....	Brandt Peterson
Report of the Chair.....	Chairman Milovich
Report of the President.....	Scott Simpson
Adjournment.....	Chairman Milovich

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2014 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

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Message from the Chairman

Each year, we as members of the Utah Association of Credit Unions, continue to see a barrage of new rules, regulations, and challenges that we need to address in a timely manner. In addition, shrinking margins, increased costs, and general market conditions place stress on our income levels not seen in many years. Credit unions continue to rise to the challenges and strive to provide the best value for their respective memberships. The unfortunate result of all of these new rules is having leaders in Washington and at state levels making rules that have unintended consequences. These consequences generally end up costing all credit unions both money, time, and resources. When these problems arise, the Association becomes your advocate to find solutions to these problems.

The Board of Directors meet monthly to discuss credit union issues and problems and begin discussions to help find solutions to the ever changing credit union landscape. The goal of all Board members of the Association has been to help facilitate the credit union cooperative philosophy, improve the financial health of our credit union family, and present a united voice when confronted with the regulatory and operational challenges. The Board continues to support and authorize staff to provide educational opportunities, political advocacy, and human resources to meet our member credit union needs.

The Association staff have done a tremendous job providing valuable services to our member credit unions. Educational opportunities encompassing all facets of our industry are provided through conferences, webinars, and quarterly association visits to geographical areas of our state. Scott Simpson's incredible political knowledge and insight keeps our Association on the cutting edge of important issues that affect our Association members.

We have seen the value over the past years of expressing our concerns to our regulators, legislators, and competitors on issues that have an effect on our operations. We have seen changes in Risk Based Capital rules as a result of members getting involved both in Utah as well as nationally. The value of membership in the Association increases incrementally when we all get involved and express our concerns in a united effort. Our battles with regulators, bankers, and with legislators both in Utah and Washington will have better outcomes when we get involved. Involvement also makes the Association stronger and allows our staff to address issues more efficiently when a collective united effort is conveyed through the Association. The expertise of our staff as well as CUNA in Washington D.C. make a powerful team watching over the overall health of our credit union family.

Thank you for the opportunity to serve as your chairman over the past two years and thanks to our great staff for the dedication and guidance you provide the credit Union Movement. Our future will remain bright as a united Association improving the lives of our members.

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



Message from the President

I often wonder if it is human nature to look at today's trial and toil and hearken back to the good old days with fondness and reverence. We often look back and think life was easier then.

I'm not sure this theory holds water for 2014. To be sure, running a credit union is hard work. The burden of compliance alone is enough to suck the life out of anyone.

But Utah's credit unions are doing well. The road is difficult and managing a credit union is not getting easier. That being said, the citizens of Utah are benefitting from cooperative credit like never before.

In 2014, Utah credit union memberships passed 2,000,000. Total revenue at Utah credit unions grew 4.7%.

Every major loan category at Utah credit unions rose in 2014, with new auto loans leading the way at a 30.8% annual increase.

All major categories posted a double-digit increase, with the exception of credit cards, which still rose a healthy 7.7%

Core deposits rose significantly during 2014, up 13.5% annually, which is over one- and-a-half times faster than credit union core deposit growth nationwide.

Over the past twelve months, the Utah unemployment rate decreased 40 basis points to 3.6%.

The average member relationship (the outstanding combined loan and share balances per member, excluding business loans) increased at Utah credit unions, up 4.0% annually to reach \$14,312.

Running a credit union is tough. There are extraordinary pressures and difficulty and the future is often difficult to see. But it's good every now and again to stop and celebrate the good you do for your members.

These reports are never easy for me but I can tell you one thing, this one is a lot better than the one I wrote in 2010!

Thank you,
Scott Simpson
President/CEO



Report of Legal Counsel

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.

2014 saw a continuation of lower delinquencies and charge offs at credit unions. Bankruptcy filings in Utah have declined by about 2,000 filings each year since 2010 and 2011. Chapter 7 and Chapter 13 filings in Utah for 2014 totaled 13,707. Chapter 7 and Chapter 13 filings in 2013 totaled 14,606. The 2014 filings are 6% less than the 2013 filings. The trend in filings continues downward from a 2011 high of 18,414. Lower bankruptcy filings are 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 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. The recently completed Utah legislative session made some changes that will affect credit union operations.

We appreciate our opportunity to represent the Utah Credit Union Association, CU-Serve and many credit unions. We hope to be part of the solution to the challenges and problems faced by credit unions. We look forward to 2015 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

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, 2014, with assets totaling \$87,217.56 less a pending reimbursement due to the Association for scholarships paid.

The annual Karl S. Little Tournament was held in August of 2014. 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 \$ 15,095.88. We express our sincere thanks and appreciation to all who contributed to the event.

The Karl S. Little Tournament will be held again during 2015, on Monday, August 10th at Valley View Golf Course in Layton, Utah.

Please mark your calendar and save the date now.

Scholarships totaling \$8,725.50 were provided to credit union employees from several credit unions in 2014 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

Wow, Time flies! It seems like we just held this meeting a couple of weeks ago. But here it is again and we're looking forward to another great year from the Education Department of the Utah Credit Union Association. The Association continues to work hard to provide a wide variety of programs and training options for member credit unions, all of solid quality and value, while trying to keep costs at a minimum, thus maximizing your education dollars.

Once again we have provided the very popular pre-purchased training certificates for credit unions to participate in numerous one-day training events. The variety of web based and telephone seminars throughout the year continues to provide a wide range of opportunities and topics, as well as access to that variety for many individuals from across the state.

It is exciting to be able to work with so many capable, experienced people from credit unions throughout the state as they lend their expertise in structuring these training opportunities. Once again I would like to thank each of them for their willingness to volunteer their time and expertise.

And, as always, I am amazed at the dedication and concern that the Association staff has in doing all they can to make the education of credit unions a priority. I want to extend a huge thanks to them for not only this great Annual Meeting and Convention, but for the many Association sponsored trainings 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 spends so much time and effort in being sure everything is "just so". It makes each and every training opportunity a great experience!

If you have suggestions or ideas for future training options, we would love to receive your feedback. We want to be sure the training you receive is top notch and worthwhile.

Enjoy this year's Utah Credit Union Association Annual Meeting and Convention!

Respectfully submitted,

Brad Barber
Education Committee Chair

Governmental Affairs Report

According to the Chinese new year, 2014 was the year of the horse. I'm not sure how that applies to anything, but last year was an eventful year nonetheless.

Thankfully, the 2014 Legislative Session did not provide too many headaches. For the most part we work hand-in-hand with Mr. Headlee at the Utah Bankers Association. As hard as that may be, we do agree on most issues (there's just this little thing of credit union existence that bothers him).

The most memorable moment we had during the Legislature was the kick-off of our Ready.Set.Vote. campaign. We held a press conference on the first floor at the State Capitol building with a plethora of yet-to-be registered credit union employees. There they registered to vote and our fearless leader, Scott F. Simpson, inspired with words of patriotism. This campaign turned out to be a major success as we had stark increases in registrants in comparison to previous years. The success of the campaign would not have been possible without the support of our credit unions. Voter registration forms, t-shirts, lanyards, and buttons were relayed throughout the state through local credit union branches where registration was encouraged. It worked! Utah's credit unions illustrated loudly that they could be energized and involved.

Later in the year, we used the same Ready.Set.Vote. brand to encourage voter turnout for the General Election. After all, registering to vote does little good if it isn't put into practice. In a

few select races we sent out mailers to remind citizens to get out and vote. We are hoping this brand can become a good source for voter information and advocacy as we move forward.

We also sent out three mailers in open support for Congressman Chris Stewart. We have been developing a good relationship with Congressman Stewart and his staff. It also doesn't hurt that his opponents in both elections have been Zions Bank employees. We should probably thank that for-profit institution for helping strengthen our relationship.

The 2014 GAC provided some cold temperatures, late night monument and Capitol tours, and some positive Congressional meetings (and a more somber meeting as we said farewell to Congressman Jim Matheson). We have a solid federal delegation, and we at the Association continue to work to keep strong relationships back in DC. The leadership that our delegation has gained in the new Congress will provide an interesting dynamic to our state, and hopefully our credit unions in the future.

The year of the goat (or sheep, check your placemat at the buffet. I'm hoping it's the year of the Cub to be honest) has provided some excitement already, with more sure to come. But that will be a report for a future annual meeting. Stay tuned...

Shule Bishop
Director of Legislative and Political Affairs

Report of the Credit Union Development Committee

Prior to 2014, the Credit Union Development Committee (CUDC) dispersed grants to credit unions with less than \$50 million in assets. However, as those funds started to run out, the committee decided to focus efforts on ways to help small credit unions build long-term self-sustainability.

In small credit unions, presidents are often the go-to person for operations that entire teams handle in larger credit unions: compliance, lending, facilities, marketing, collections, ALM, human resources, training, accounting, and every other area of operations. Imagine having to know and do it all! Small credit union presidents don't have to imagine it. They live it.

To help them, near the end of the year, the CUDC organized the Quantum Group with the purpose of building a network of peers—a sounding board for ideas and challenges, as well as a resource for information and training. Over 35 credit unions with assets up to \$50 million joined the Quantum Group, to take advantage of the following tools:

- **Round tables.** Attendance ranges from 10 to 20. These meetings provide ample opportunity to get information from peers on any topic imaginable.
- **Online networking via a LinkedIn group.** 22 credit unions participate in the group, which allows credit unions to discuss any topic at any time with their peers.

- **Sub Quantum Groups.** These networking groups of 6 to 7 credit union presidents were to meet online once a month to discuss challenges, goals, and issues. While this was a good idea in theory, and 30 credit unions signed up to participate, it has proven difficult to actually get the groups together. After trial and error, the Sub Quantum Group has decided instead, to hold online round tables in months when we do not have in-person round tables.
- **Accelerating Issues Calls.** Thirty-minute conference calls dedicated to an industry hot topic, held roughly every other month. Topics covered so far include liquidity management, onboarding, and Apple Pay and EVM. Feedback on the calls has been quite positive.
- **The Quantum Group Conference:** Held in the fall, this conference brings group members from all over the state for a day of golf and networking, and a day of training and education. 30 people attended in 2014.

The goal of the Quantum Group is to help small credit unions thrive and survive, and a key aspect of their success is the right information, training, and expertise. The Quantum Group continues the practice of connecting credit unions and providing them with resources and knowledge to help them compete with limited human resources in a complex marketplace.

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Utah League of Credit Unions and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2014, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Utah League of Credit Unions of December 31, 2014, 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

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bierwolf & Nilson PLLC
Bountiful, Utah
April 23, 2015

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 consolidated statements of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Utah League of Credit Unions as of December 31, 2013, and the changes in its net assets and its cash flows for the year 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, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash on deposit with member credit unions	\$ 3,237,414	\$ 3,140,916
Accounts receivable	198,657	186,783
Prepaid income taxes	75	13,347
Prepaid expenses	24,206	21,637
Total current assets	<u>3,460,352</u>	<u>3,362,683</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	518,839	518,839
Automobiles	101,451	106,449
Leasehold improvements	18,248	18,248
Less accumulated depreciation	(538,940)	(525,503)
Property and equipment - net	<u>99,598</u>	<u>118,033</u>
OTHER ASSETS		
Deferred tax asset	34,540	31,892
Club membership	7,500	7,500
Investment in affiliates	162,517	162,517
Total other assets	<u>204,557</u>	<u>201,909</u>
	<u>\$ 3,764,507</u>	<u>\$ 3,682,625</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued payables and accrued liabilities	\$ 118,033	\$ 109,042
Grants payable	45,187	45,187
Total current liabilities	<u>163,220</u>	<u>154,229</u>
PENSION LIABILITY	324,978	281,740
UNRESTRICTED NET ASSETS	<u>3,276,309</u>	<u>3,246,656</u>
	<u>\$ 3,764,507</u>	<u>\$ 3,682,625</u>

See accompanying notes to consolidated financial statements

Consolidated Statement of Activities

Utah League of Credit Unions and Subsidiary
December 31, 2014 and 2013

	2014	2013
SUPPORT AND REVENUES		
Membership dues	\$ 1,283,103	\$ 1,302,228
Service fees	225,356	341,901
Communications and marketing	772,617	744,530
Interest income	11,185	10,805
Gain on sale of assets	435	9,322
Total support and revenues	<u>2,292,696</u>	<u>2,408,786</u>
EXPENSES		
Direct costs:		
Direct service cost	109,738	88,491
Program expenses:		
Marketing and service cost	361,047	361,487
Legislation and political action	608,703	667,343
Communications	159,386	140,186
Education	172,004	208,945
General supporting expenses	848,074	803,612
Total expenses	<u>2,258,952</u>	<u>2,270,064</u>
Loss on disposal of equipment	2,902	—
CHANGE IN UNRESTRICTED NET ASSETS BEFORE INCOME TAXES	30,842	138,722
PROVISION FOR INCOME TAX (EXPENSE) BENEFIT	(1,189)	(9,650)
INCREASE IN NET ASSETS	29,653	129,072
NET ASSETS BEGINNING OF YEAR	3,246,656	3,117,584
NET ASSETS END OF YEAR	<u>\$ 3,276,309</u>	<u>\$ 3,246,656</u>

See accompanying notes to consolidated financial statements

Consolidated Statement of Cash Flows

Utah League of Credit Unions and Subsidiary
December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 29,653	\$ 129,072
Adjustments to reconcile increase in net assets to cash provided (used) by operating activities:		
Deferred taxes	(2,648)	5,723
Depreciation	26,463	30,200
(Gain) loss on disposal of property	2,902	(8,819)
Change in operating assets and liabilities:		
(Increase) decrease in receivables	1,398	8,607
(Increase) decrease in prepaid expenses	(2,569)	11,884
Increase in pension liability	43,238	44,142
Increase (decrease) in accounts payable and accrued liabilities	8,991	(22,820)
Net cash provided (used) by operating activities	107,428	217,989
CASH FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(10,930)	(47,391)
Net cash provided (used) by investing activities	(10,930)	(47,391)
NET CHANGE IN CASH AND CASH EQUIVALENTS	96,498	170,598
CASH AND CASH EQUIVALENTS		
Beginning of year	3,140,916	2,970,318
End of year	\$ 3,237,414	\$ 3,140,916

See accompanying notes to consolidated financial statements

Consolidated Supplemental Schedule of Expenses

Utah League of Credit Unions and Subsidiary
December 31, 2014 and 2013

	2014	2013
Salaries and benefits	\$ 1,056,918	\$ 1,009,681
Direct service costs	109,738	88,491
Rent	128,259	129,148
Direct communication expense	65,432	69,087
Travel	46,705	53,189
Depreciation	26,464	30,200
Materials and supplies	47,360	34,199
Outside services	73,015	64,795
Taxes	1,434	4,727
Public relations and advertising	56,713	46,293
Direct legislative expense	249,466	213,799
Political action	—	115,000
Contributions and subscriptions	89,089	150,158
Operational assistance	81,287	49,065
Uncollectible accounts	36,772	8,367
Board and committee expenses	22,570	26,173
Other	167,730	157,692
Total expenses	\$ 2,258,952	\$ 2,270,064

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

Utah League of Credit Unions and Subsidiary
December 31, 2014 and 2013

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 \$26,464 and \$30,200 for years ended December 31, 2014 and 2013 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, 2014, the League's uninsured amount in those institutions was \$796,414. Financial instruments, which potentially subject the Company to concentrations of credit risk include accounts receivable. Three accounts comprised 83% and 72% of the League's receivables at December 31, 2014 and 2013 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, 2014 and 2013 are as follows:

	2014	2013
Current (Expense)		
Currently payable	\$ 3,837	\$ 3,927
Deferred	(2,648)	5,723
Total provision for income tax (benefit)	<u>\$ 1,189</u>	<u>\$ 9,650</u>

The League's deferred tax assets at December 31, 2014 and 2013 are as follows:

	2014	2013
Deferred tax assets	\$ 48,323	\$ 44,532
Deferred tax liabilities	(2,929)	(2,421)
Valuation allowance	(10,854)	(10,219)
Net deferred tax assets (liabilities)	<u>\$ 34,540</u>	<u>\$ 31,892</u>

3. INVESTMENTS IN AFFILIATES

Investments in affiliates for the years ended December 31, 2014 and 2013 consisted of the following:

	2014	2013
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" 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
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
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>\$ 62,517</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 2014 was \$64,466 and 2013 was \$61,361.

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 \$324,978 at December 31, 2014 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 \$56,708 at December 31, 2014. Certain officers of the League also serve on the executive committee of the Foundation.

2014 Year End Statistics

Credit Union	President	Year-end assets	Members	Charter
Alpine	Paul Atkinson	\$161,712,894	21593	State
America First **	John Lund	\$6,387,666,084	681430	Federal
American United Family Of Credit Unions **	Phillip Patten	\$171,050,835	18164	Federal
Associated Federal Employees	Spring Jensen	\$30,649,247	3234	Federal
Bailey Inc. Employees	Joyce McDonald	\$934,089	425	State
Beckstrand and Associates	Mariam Behashti	\$339,955	26	State
Box Elder County	Scott Webre	\$99,937,647	12896	Federal
Chartway *	Ronald Burniske	\$2,047,499,322	181343	Federal
Chevron *	Jim Mooney	\$2,499,140,066	101749	Federal
City Center	Scott Johnson	\$6,994,464	1159	State
CUP	Ann Brinkerhoff	\$6,349,048	1305	Federal
Cyprus	Todd Adamson	\$682,832,947	90245	Federal
Deseret First	Shane London	\$461,398,776	54340	Federal
Desertview	Michael Nelson	\$33,899,961	5274	Federal
Devils Slide	Jill Carrigan	\$10,189,929	1449	Federal
Dugway	Jackie Carnahan	\$3,750,713	759	Federal
Eastern Utah Community	Michael S. Milovich	\$104,670,165	11806	Federal
Education 1st	Kent Greenfield	\$27,633,109	3358	State
Employees First	Kenneth McDaniel	\$1,811,206	730	State
Firefighters	Thomas Gourdin	\$33,294,207	3483	State
Freedom	Ken Payne	\$26,308,288	3310	State
Gibbons and Reed Employees	William Christopherson	\$5,180,275	1619	Federal
Goldenwest	Kerry Whalen	\$1,054,343,442	99712	Federal
Grand County	Debbie Pierce	\$19,650,136	2863	State
Granite	Lynn Kuehne	\$345,945,351	31551	Federal
Granite Furniture Employees	Ralph Jenkins	\$777,956	154	Federal
Grantsville	Melanie Allred	\$4,618,539	1548	Federal
Health Care	Scot Baumgartner	\$70,959,071	8036	State
Hercules	Brett Blackburn	\$59,106,709	4697	State
Hi-land	Blair Asay	\$44,035,402	2913	State
Hollyfrontier Employee's	Meagan Nattress	\$5,864,467	945	State
Horizon Utah	Randy Gailey	\$120,054,965	11065	Federal
Jordan	James Hofeling	\$231,672,040	25606	Federal
Kings Peak	Paul Nielson	\$14,598,036	2493	State
Local Union 354 IBEW	Linda Perschon	\$20,288,403	2374	Federal
Logan Cache Rich	Ann Godfrey	\$20,811,077	2615	Federal
Logan Medical	Dale Howe	\$17,937,438	2294	Federal
Meadow Gold Employees	Lynn Nelson	\$4,873,321	617	State
Members First	Brad Barber	\$97,147,569	14688	State
Midvalley	Linda Buell	\$6,282,565	504	Federal

Credit Union	President	Year-end assets	Members	Charter
Millard County	Steve Shiner	\$28,707,565	5361	State
Moon Lake Electric Employees	Sharon Nielsen	\$1,694,648	513	Federal
Mountain America **	Sterling Nielsen	\$4,185,567,131	499996	Federal
National JAACL	Dean Hirabayashi	\$30,035,549	4032	State
Nebo	Dale Phelps	\$68,770,040	10098	State
Nephi Western Employees	Judy Truscott	\$29,661,739	3792	Federal
North Sanpete	Julie Strate	\$1,112,031	451	Federal
OE *	Mike Donohue	\$884,318,529	75171	Federal
Orem City Employees	Thomas Phelps	\$3,645,631	781	Federal
P&S	Stewart Mouritsen	\$14,122,875	2317	State
Pacific Horizon	Steve Clayson	\$46,318,753	6573	State
Presto Lewiston Employees	Gaylene Stone	\$308,864	182	State
Provo Police & Fire Dept.	Sheldon Lindsay	\$2,800,705	960	State
San Juan	Ann Hawkins	\$15,863,147	4229	State
SEA	Will Jolley	\$3,999,653	864	State
Security Service *	Jim Laffoon	\$8,306,658,956	915471	Federal
South Sanpete	Jake Hill	\$721,053	170	State
Sunnyside	Linda Drury	\$3,223,646	652	State
Tanner Employees	Arleen Childs	\$5,717,508	1150	State
Teamsters Local #222	Alisa Morrill	\$2,578,564	834	Federal
Transwest	Marc Mikkelson	\$116,723,547	12797	State
Tri-County	Nick Reynolds	\$157,735	87	State
UCB	Teresa Wilko	\$1,234,492	273	State
Uintah	Dan Olsen	\$3,401,249	1091	State
University First	Jack Buttars	\$700,018,698	83536	Federal
Utah	Doug Huntsman	\$17,270,410	2061	Federal
Utah Community	Jeff Sermon	\$942,462,744	121799	Federal
Utah First	Darin Moody	\$257,105,695	20282	Federal
Utah Heritage	Ilene Rollo	\$52,754,938	7458	State
Utah Power **	Dennis Hymas	\$535,160,771	24945	State
Utah Prison Employees	Kristine Argyle	\$3,795,309	1497	State
Valley Wide	Monica Marchant	\$430,815	165	Federal
Valtek	Adrian Ford	\$757,247	286	State
Varian	Tammy Phillips	\$13,402,122	1246	Federal
Wasatch Peaks	Blake Burrell	\$261,026,138	30241	Federal
Weber State	Vickie Van der Have	\$98,324,363	9165	Federal
Western *	John Bommarito	\$2,028,263,096	173818	Federal

* These credit unions are not based in Utah, but have physical operations in the state. Assets and members shown include those outside of Utah.

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Minutes of the 80th Annual Business Meeting

Utah Credit Union Association

Hilton Salt Lake Center

March 14, 2014

Chairman Mike Milovich welcomed all attendees to the 80th Annual Business Meeting of the Utah Credit Union Association at 3:30 p.m.

A quartet sang the national anthem at 3:30. Thomas Gourdin led the pledge of allegiance.

Chairman Milovich 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. They reported that there were 13 registered delegates with 26 credit unions represented.

Chairman Milovich asked that if any delegates had items of business to bring before the group during the course of the meeting, that they 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. Stephen Nelson, in the absence of objection, was appointed recording secretary.

Chairman Milovich introduced the members of the board. Board members present:

- Dean Hirabayashi, National JAAL Credit Union
- Ken Payne, Freedom Credit Union
- Randy Gailey, Horizon Credit Union
- Todd Adamson, Cyprus Credit Union
- Michael Milovich, Eastern Utah Community Credit Union
- Thomas Gourdin, Firefighters Credit Union
- Jim Hofeling, Jordan Credit Union
- John Lund, America First Credit Union
- Kent Greenfield, Education 1st Credit Union
- Sterling Nielsen, Mountain America Credit Union
- Brad Barber, Members First Credit Union.

Chairman Milovich recognized the guests:

- Mark Scheifer, Cindy Maxwell, Brandt Petersen, and Thomas Graham, from SunCorp
- Jeff Terry, Arleen Erikson, Cecilia Bowman, and Brye Austin from CUNA Mutual.

Approval of minutes

Chairman Milovich presented the minutes of the 79th Annual Business Meeting, which were contained in the 2013 Annual Report for review. There were no objections, additions, deletions, or corrections.

DENNIS MURRAY, PREMIER SERVICES CREDIT UNION, MOTIONED TO ACCEPT AND DISPENSE WITH READING. ANN GODFREY, LOGAN CACHE RICH CREDIT UNION, SECONDED. MOTION CARRIED.

Included in the Annual Report was a report from each committee chair. Chairman Milovich thanked the committee members and chairs for their work and dedication throughout the past year. Without objection, the reports are filed as received.

Report of the Nominating Committee

Chairman Milovich gave the time to Thomas Gourdin, chairman of the nominating committee. He reported that the committee received three properly-filed candidates: Todd Adamson for credit unions with assets greater than \$100 million; Jim Hofeling for credit unions with assets greater than \$100 million; and Dean Hirabayashi for the at-large. All three were incumbents.

ANN GODFREY, LOGAN CACHE RICH CREDIT UNION, MOVED TO ACCEPT THE CANDIDATES BY ACCLAMATION. BLAINE GOODELL, WASATCH PEAKS CREDIT UNION, SECONDED. MOTION CARRIED.

Chairman Milovich called for a discussion of unfinished business. There was none to discuss.

Report of CUNA Mutual

Chairman Milovich asked Brye Austin from CUNA Mutual to provide a report. Brye thanked the Association and credit unions for a great year. He said that 2013 was a good year for CUNA Mutual, and expressed gratitude for the friendships and relationships with the many credit unions. In discussing the changing times, he mentioned that in 2011, 4.4% of Internet applications came through smartphones. In 2013, it was 20%.

Report of SunCorp

Chairman Milovich asked Tom Graham from SunCorp to give a report. Tom indicated that SunCorp is doing well. It has had more than a million in income: 15 basis points of income. It had 86 basis points of RUDE, with a requirement of 45. At the end of 2013, its risk-based capital was at 21%. It added 4 new members in 2013, and 2 more in 2014. He asked meeting attendees to help tell the story. He expressed gratitude to the SunCorp board and supervisory committee.

Report of Chairman of the Board

Chairman Milovich gave his remarks, saying that credit unions are at a critical time, facing challenges with regulatory and competitive issues. He said that the staff at the Association is one of the best we've had, especially on things that negatively affect credit unions. "They have our back," he said. "The regulations are piling up, but because of the efforts of leagues and CUNA, they are staying at the forefront." He continued that the most important thing for us to remember is that if we're not united as one organization, we will perish as organizations that have a lot to do with the betterment of the common person in the USA. He called on credit unions to engage and engage staff in commenting on regulations and rules. He said that together we are powerful, but divided we are just another pimple sitting out there in the universe. "Get involved," he said. "Engage and unite."

Report of the President

Chairman Milovich asked the president of the Association, Scott Simpson, to give a report.

Scott said that it this was the 10th annual meeting that he'd addressed. He said that there are few issues that a person can advocate for all the time . . . and in advocating for credit unions he can sleep at night knowing that what is done by credit unions is good for people, and defending what credit unions do is an honor. He said that there are many forces in play—credit unions always have forces working against them. For instance, a relatively new development is that now have turned some advocacy efforts toward the NCUA. He said that the industry needs to become good at grass roots advocacy toward regulators. He finished by saying that the Association has a great staff that runs lean but does very well in stacking up against any other league in the state.

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 Milovich.

Meeting adjournment

Chairman Milovich thanked President Simpson and concluded the meeting at 3:53.

