

DESERET FIRST CREDIT UNION FINANCIAL STATEMENT

For the Year Ending	2016	2015	2014
Balance Sheet			
Assets:			
Cash & Equivalents	54,382	55,054	51,227
Investments	84,900	63,684	57,450
Loans	407,520	367,376	338,880
Allowance for Loan Losses	(3,165)	(3,357)	(3,630)
Other Real Estate Owned			314
Fixed Assets (net)	14,438	14,002	9,881
Other Assets	11,022	8,447	6,945
Total Assets	569,097	505,206	461,067
Liabilities & Capital:			
Payables & Accruals	6,443	4,730	4,194
Deposits	524,891	465,762	425,120
Capital	37,763	34,714	31,753
Total Liabilities & Capital	569,097	505,206	461,067
Profit & Loss Statement			
Income on Loans	18,078	16,097	14,952
Investment Income	1,587	1,244	1,281
Fees & Other Income	9,973	9,256	8,817
Total Income	29,638	26,597	25,050
Provision for Loan Losses	1,926	1,762	1,228
Operating Expenses	21,068	19,435	17,868
Cost of Funds	2,385	1,964	1,946
Total Expenses	25,379	23,161	21,042
Net Income from Operations	4,259	3,436	4,008
Non-Operating Gain/(Loss)	(125)	(10)	(225)
Net Income	4,134	3,426	3,783
Footnotes to Financial Statements			
Loans Charged-off (net of recoveries)	2,118	2,036	2,983
Number of Members	60,000	55,921	54,340

All dollar amounts represent x \$1,000

2016 ANNUAL REPORT



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CHAIRMAN'S REPORT

Douglas H. Martin, Chairman, Board of Directors

I have spent my career interfacing with the largest financial institutions in the world. As Church Treasurer it is my responsibility to ensure the Church has access to financial service providers that are capable of supporting the largest and most complex financial transactions all the way down to the simplest deposit from a very small congregation anywhere in the world. As I consider the array of financial service providers available I have great respect for many institutions and appreciate the efforts they undertake to offer services that meet the Church's demanding needs.

When I consider my personal finances, I have always felt drawn toward the cooperative movement represented by credit unions. While I believe banks fill a critical role in shoring up the global financial infrastructure, credit unions have the unequaled ability to provide every individual a voice in the management and security of their resources. And more than a voice – by the act of holding an account in good standing you become a member-owner of the enterprise.

As a volunteer member of Deseret First Credit Union and chairman of the board of directors, I can confidently assure you that my greatest desire is that every member-owner's voice be heard and that I appropriately represent their interests. One concern I have is the relatively low involvement we have from much of the general membership of the credit union. The cooperative movement requires input and participation from many talented people to be at its very best.

There are two specific opportunities annually where member feedback can be given directly to the board, management and staff of the credit union. One is the annual election process where specific individuals are chosen to be your voice. These candidates are selected (or self-identified) from the membership of the credit union. The candidates are then vetted and placed on a ballot where their peer member-owners select those who will represent them. It is surprising to me that more of us don't allow our voices to be heard by carefully reviewing the candidates and casting our vote.

The second is the annual meeting held in March. In the annual meeting all member-owners are invited to attend and voice their opinions on matters related to the cooperative they own. This is not a meeting held under the direction of a public relations firm or special committee designated to filter the feedback. In the room you will find the entire board of directors, the president and CEO, the CFO and most of the senior staff who actually operate the credit union. I can think of few other organizations that would welcome you and me to a meeting with the senior staff and invite our direct input.

Deseret First Credit Union is owned and operated by some of the most capable people and professionals I know. Financial stability is a top priority and we are very focused on ensuring capital adequacy and financial strength. I am committed to an environment where saving and borrowing can be safely transacted while ensuring that individuals can manage their day-to-day finances in an efficient and convenient way.

I am grateful to all who are member-owners today for your trust and partnership. Might I suggest that we all consider again our opportunity not only to belong to the cooperative, but also to exercise our full rights by joining the movement.

PRESIDENT'S REPORT

Shane C. London, President/CEO

As I ponder the best way to describe this past year, I'm reminded of a quote from Socrates: "The secret of change is to focus all of your energy, not on fighting the old, but on building the new." During my career I've witnessed significant changes within the financial services arena and the impact those changes have had on us. Today we have enhanced access to our financial information and numerous ways in which to facilitate transactions. A few ways in which you, our members, have changed your behavior in 2016 include:

- Total transactions increased by approximately 935,000 (6.3%).
- Transactions done in our branches declined by approximately 165,000 (-4.1%).
- Debit and credit card transactions increased by 623,000 (7.9%).
- Transactions done via online or mobile banking increased by 205,000 (16.9%).
- Checks written by our members declined by approximately 125,000 (15.8%).

As we evaluate and respond to change at DFCU, our focus has always been toward you the member. While the number of transactions performed in branches is declining, the need for branches continues to be vital, with the focus shifting from transaction-based to member support and assistance. We are looking to expand our branching network; however, the size and layout is being adjusted to better respond to the changing needs of our members.

During 2016 we continued to evaluate, upgrade, and in some cases replace our existing systems. We implemented organizational changes to focus resources toward critical areas and improved member experience. We were recognized by CU Journal and SL Tribune as one of the "Best Places to Work". We reached out to you in focus groups and surveys to hear how we're doing to meet your needs. We focused toward making certain that all age demographics had appropriate products and services for their individual desires and characteristics.

We had a strong financial year with increases in total assets of \$63.8 million and incredible loan growth of \$40.1 million. Our operating ratios continue to reflect positive results across the board with solid membership growth. We began the construction of a new Operations Center projected to be completed sometime during the fourth quarter of 2017, and we will be relocating our Taylorsville branch to a newly constructed facility. There are no increased costs attached to these events, and they will prove to be efficient and financially prudent for DFCU.

Our success in responding to change and our solid financial success wouldn't be possible without an amazing and dedicated staff and volunteers who are fully committed to our financial success and are solidly founded on our mission and values.

As we enter 2017, our focus continues to be toward new and innovative ways to direct the credit union while maintaining a strong and viable organization. I welcome your feedback and encourage you to reach out to me at any time at ceo@dfcu.com. Thank you for your support and that of our Board of Directors, Supervisory Committee and staff.

SUPERVISORY COMMITTEE REPORT

Vance Huntley, Committee Chairman

The Supervisory Committee's primary objective is to examine and evaluate the adequacy and effectiveness of internal controls within the credit union and to assure that the credit union's goals can be met efficiently and economically. The committee also determines compliance with existing policies, plans, procedures, laws, and regulations, which could have a significant impact on credit union operations and reports.

Additionally, the committee evaluates the effectiveness of management and employees in carrying out their assigned responsibilities. This is accomplished through audits of credit union operations, interaction with personnel, and involvement in monthly board and other executive meetings. Annually, the committee engages the services of an independent Certified Public Accounting firm to audit the credit union's financial statements. The committee selected, in coordination with management, the accounting firm of Moss Adams to complete the 2016 annual audit. The audit for 2016 operations is currently in progress but is not yet complete. Upon completion of the audit, expected in spring 2017, an opinion will be rendered regarding the 2016 financial statements.

In addition to external auditors and regulatory auditors, Deseret First has an experienced internal auditor. In keeping with industry standard, the internal auditor reports directly to the Supervisory Committee. His annual audit plan is developed from a risk-based matrix that is developed in conjunction with the Supervisory Committee and Senior Management.

A copy of the 2015 audit report, which was issued in April 2016, is available for your review by calling the Accounting Department at (801) 456-7100. Based on the audit and our ongoing examination of credit union operations, we are of the opinion that the financial statements accurately represent the financial position of Deseret First Credit Union and its operations for 2015.

If you have questions about our role within Deseret First Credit Union, please feel free to contact me or any Supervisory Committee member.