

FINANCIAL STATEMENT

BALANCE SHEET - ASSETS

	2017	2016
Cash & Equivalents	24,719	54,382
Investments	68,358	84,900
Loans	519,259	407,520
Allowance for Loan Losses	(3,527)	3,165
Other Real Estate Owned	0	0
Fixed Assets (net)	15,562	14,438
Other Assets	26,572	11,022
TOTAL ASSETS	650,942	569,097

BALANCE SHEET - LIABILITIES & CAPITAL

Payables & Accruals	44,201	6,443
Deposits	564,253	524,891
Capital	42,488	37,763
TOTAL LIABILITIES & CAPITAL	650,942	569,097

PROFIT & LOSS STATEMENT

	2017	2016
Income on Loans	22,191	18,078
Investment Income	1,625	1,587
Fees & Other Income	10,594	9,973
TOTAL INCOME	34,410	29,638
Provision for Loan Losses	2,820	1,926
Operating Expenses	23,846	21,068
Cost of Funds	3,021	2,385
TOTAL EXPENSES	29,687	25,379
Net Income from Operations	4,723	4,259
Non-Operating Gain / (Loss)	(8)	(125)
NET INCOME	4,731	4,134

FOOTNOTES TO FINANCIAL STATEMENTS

	2017	2016
Loans Charged-Off (net of recoveries)	2,457	2,118
Number of Members	68,000	60,000

All Dollar Amounts Represent x \$1,000



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2017

ANNUAL REPORT



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Serving the LDS Community™

CHAIRMAN'S REPORT

Douglas H. Martin
Chairman
Board of Directors

The 1934 Federal Credit Union Act (FCUA) stated credit unions receive a tax exemption because "credit unions are mutual or cooperative organizations operated entirely by and for their members." In 1998, while reviewing the Credit Union Membership Access Act, Congress reinforced those principles when they stated, "Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because they are member owned, democratically operated, not for profit organizations, generally managed by a volunteer Board of Directors, and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means."

Some may not be aware that there is an ongoing effort to challenge the current law and end the tax exemption of credit unions. Each time there is discussion of general taxation – either in our statehouse in Utah or in Washington D.C. - it seems that credit union taxation is immediately rushed to the front of the line by some in the financial industry who feel the current exemption represents an unfair advantage for credit unions. In some cases these arguments have grown louder when institutions operating under a credit union charter expand into areas of business historically perceived to be outside the limits of the cooperative institution doctrine. Unfortunately, any controversial movement, even by a few credit unions, can have the effect of polarizing the opposition and drawing fire to all credit unions that share a similar charter.

At Deseret First Credit Union we continue to not only believe in the legal and congressional definition of our mission, we work hard every day to ensure, on behalf of our member-owners, that we operate solidly within our charter. As member-owners of Deseret First Credit Union, now more than ever, it is critical that we raise our voices. As with many issues in our world today the 'loud minority' often seems overwhelming because the majority sits in silence. An easy way you can learn about the issues and perhaps raise your voice is to visit www.nafcu.org/grassroots or www.cuna.org/Advocacy.

We are blessed with prosperous times for many and opportunities for all who are willing to make an honest effort. It is crucial for each of us to embrace sound financial principles in our lives to ensure we enjoy times of prosperity and are prepared for the inevitable challenges we will face. Having access to a member-owned cooperative, like Deseret First, ensures you will always have a financial partner sharing your values and working to protect your financial resources. It is safe to say that no other financial institution is more motivated to place your financial success above that of the institution – because the only share-holder we need to keep happy is you! Thank you for your continued trust and partnership with Deseret First Credit Union.

PRESIDENT'S REPORT

Shane C. London
President/CEO

As another year has come and gone I'm thrilled to report to you, the member-owners, that Deseret First Credit Union has achieved remarkable results in a number of areas. A few of these significant achievements include:

- Asset growth of 14%, with total assets now at \$651 million.
- Net worth growth of 12.2%.
- Overall Net Promoter Score (NPS), the measurement used to evaluate your overall satisfaction rate of DFCU, increased 52% over the previous year.
- Recognized by both the Salt Lake Tribune and Credit Union Journal as being an "employer of choice."
- Improved overall response times in our Contact Center, extended branch availability at key locations, and identified and/or acquired new land for future branch locations.
- Upgraded or replaced several systems to provide improved service in several key areas.

These are only a few of the accomplishments we've achieved this past year and we have a number of enhancements that will be implemented during 2018. We take seriously the responsibility we have to solicit, and then respond to, our members' needs by providing "progressive and mutually beneficial products and services that foster the financial independence and well-being" of our members.

The core foundation of DFCU's overall governance and direction are best defined by the words of Edward Filene, the founding father of credit unions in the United States. He said: "(The cooperative movement) is warmly, humanly passionate; and it is demonstrating day by day that there is more self satisfaction and more business success in working together for the common good." Since its beginning, DFCU has stayed true to serving the LDS Church member, employee or closely related organizations. During the past year the rhetoric from those who are antagonistic against credit unions and their purpose has escalated. While I fully expect their attacks to continue, the accuracy and validity of their comments remain questionable. Credit unions, especially DFCU, remain fixed to their core cooperative foundation and are guided by you, our members, and our common beliefs and values.

I believe that the comments made by one of DFCU's charter members, Gordon B. Hinckley, at the dedication of a former corporate office best typifies the core characteristics that define who we are. He said: "I think one of the great assets among all this large group is our brotherhood, our common convictions. . . The purpose of this organization is that those who can shall band together with their savings and thereby create a strength from which those who may need help can secure it honorably. . ." As we move forward, DFCU is committed to remain true to these principles.

Finally, I wish to express my sincere appreciation to a group of dedicated volunteers (Board and Supervisory Committee) who provide sound guidance and direction, and are focused toward you, the people they represent. They are supported by an amazing staff who are true professionals in their respective duties and are also committed to assist you in your financial needs.

Thank you for your support and I look forward to an amazing 2018.

SUPERVISORY COMMITTEE REPORT

Kirk Barlow
Committee Chairman

The Supervisory Committee's primary objective is to examine and evaluate the adequacy and effectiveness of internal controls within the credit union. 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. As a committee we must understand the myriad risks facing the credit union and ensure proper controls are in place.

Additionally, the committee evaluates the effectiveness of management and employees 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 2017 annual audit. The audit for 2017 is currently in progress but is not yet complete. Upon completion of the audit, expected in spring 2018, an opinion will be rendered regarding the 2017 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 2016 audit report, which was issued in April 2017, 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 2016.

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