

Statement of Earnings Year Ended December 31, 2017

Income	
Loan Interest Income	5,169,527
Investment Income	1,415,283
Non-Interest Income	3,314,964
Gross Income	9,899,773
Less Operating Expenses	-8,412,211
Provision for Loan Loss	-687,014
Net Income Before Dividends	800,548
Less Dividends and Interest	-802,122
Net Operating Income	-1,574
Plus Net Non-Operating Income	6,123
Net Income	4,550

Statement of Financial Condition Year Ended December 31, 2017

Assets	
Cash	7,633,986
Investments	75,131,474
Loans (net of allowance)	101,483,403
NCUSIF, CorpCU, FHLBsf, Other Deposits	3,834,038
Other Assets	1,872,253
Fixed Assets	4,864,265
Total Assets	194,819,419
Liabilities	
Shares & Clubs	57,237,535
Share Drafts	37,299,899
Money Market Accounts	29,451,621
IRA Shares	3,173,016
IRA Certificates	3,515,464
Member Certificates of Deposit	19,186,925
Institutional Certificates of Deposit	3,983,000
FHLBsf Advances	21,925,000
Other Liabilities	1,845,898
Total Liabilities	177,618,358
Equity	
Regular Reserves	2,265,234
Unrealized Gain/Loss on AFS Investments	-647,514
Undivided Earnings	15,583,342
Total Equity	17,201,061



Headquarters

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Phoenix, AZ 85027
623.580.6000 • 800.224.3330
CanyonStateCU.org



Your savings federally insured to at least \$250,000 and backed by full faith and credit of the United States Government. National Credit Union Administration, a U.S. Government Agency.

We do business in accordance with the Equal Credit Opportunity Act.



2017 Annual Report

67th Annual Meeting | April 24, 2018



Chairman of the Board's Report

I want to thank our member-owners for your continued support of Canyon State Credit Union – a financial cooperative. As a not-for-profit financial cooperative, we return our profits to our member-owners by offering lower rates on loans, higher deposit rates, lower and fewer fees and ongoing investments in services, technology and security to bring even more value to our membership. Our cooperative philosophy of people helping people, pooling deposits to make loans and provide other services at a fair and reasonable cost has stood the test of time.

We appreciate your continued loyalty and business that you do with us. You can be assured that we will not take this for granted, but will remain diligent in our efforts to fulfill our mission of being *Committed to You*™.

During 2017 we focused on system upgrades to give you an even stronger foundation for your financial future. This was an enormous undertaking with significant member impact, but was crucial to operating efficiently, and more importantly, to bring additional convenience to all of our members in our branches, in their homes and on their mobile devices.

We achieved this milestone by working as a team for you. We continue to listen to what you need and require from your credit union. The heart of this strategy is our continued commitment to building relationships, communities and futures.

The Board and Management are proud to be able to combine exceptional member service, unparalleled value and committed community involvement to make a difference in the lives of our members and the communities we serve.

Thank you to our volunteer board of directors and supervisory committee members for the dedication, direction and support; and to our employees for their hard work and dedication ensuring our members' financial needs are met on a daily basis.

Sincerely,

Myron Musfeldt
Chairman of the Board

Visit any of our branch locations!

Deer Valley Branch

Corporate Office
3440 West Deer Valley Road
Phoenix, AZ 85027

Osborn Branch

2440 West Osborn Road
Phoenix, AZ 85015

Goodyear Branch

1270 North Dysart Road
Goodyear, AZ 85395

Payson

Payson Branch
254 East Highway 260
Payson, AZ 85541

Social Media: @CanyonStateCU



Yolanda Helps A Member!

As I told you this morning, I greatly appreciate how incredibly well you have worked with me over the months/years. I think that while we have been working together, I have had 5 major surgeries. Admittedly, my personal finances have been up and down. Consistently you have shown professionalism, understanding and compassion. Every month I anticipate your call, and I feel accomplishment when we process a payment. You inspire me in a very positive way.

Today, we were able to get the account caught up. That made us both happy. Now that I have a steady income, I would love to pay off the small balance in 6 months or less. I would love to use the card for emergencies in the future.

Thank you again from my heart.

Committed to You.™

#BankingWhereIAm

President's Report

As I reflect on the past year, I am grateful for you, our member-owners, and take great pride in our mission statement and brand of *Committed To You™*.

Our primary focus through 2017 was centered on system upgrades to better serve our members. We had a vision of what we needed to take banking to the next level, from the front line to the back office. Our new account platform was selected for the advanced level of technology offered, the completeness of its solutions and the ability to generate cost savings through advanced automation. We were looking for ways to simplify banking – the real-time technology, the palm-vein authentication, the paperless transactions, the automation of complex tasks – and the integration to make it all work together seamlessly.

The security and integrity of member financial transactions is paramount. Canyon State Credit Union is the only credit union in Arizona integrating palm-vein biometrics technology with our new account processing platform which gives our members an innovative choice for member verification. This new technology provides a combination of convenience and security that complements how people live today. Members can be in and out of the branch quickly and on with their lives.

We selected a new online banking vendor because of their innovative, omni-channel platform which provides our members with a state-of-the-art, personalized digital experience to manage their finances. This unified digital banking solution is consistent across all devices and services, including retail, business, bill pay, and personal finance management (PFM). Our commitment is to provide members with exceptional service across all channels and deliver a personalized experience to each member while educating them about financial management and our services.

In the midst of the many hours spent preparing for the system upgrades, I am proud to say that we increased our commitment to providing several types of mortgage loans and home equity loans, paid out over \$134,000 with our FREE Cashback Checking, and increased services to our small business members.

As your credit union, we are committed to the communities we serve and you call home. During the holiday season, we are extremely proud to report that with your help and through our partnership with KTAR we donated over 200,000 diapers to Arizona Helping Hands and Child Crisis Arizona. For our Payson community we provided much needed supplies to the Time Out Shelter. We sponsored Grand Canyon University's second annual TEDx event on campus; supported Junior Achievement activities; served as judges in several Future Business Leaders of America (FBLA) competitions; partnered with three schools in the Deer Valley Union School district – Paseo Elementary, Deer Valley Middle and Barry Goldwater High School; and supported Hustle Phoenix and Homeless Youth Connection. It is this cooperative spirit that allows Canyon State Credit Union to make a difference.

We are committed and dedicated to providing the highest standard of service and going above and beyond in everything we do. Our employees are at the heart of our organization and they strive each day to offer proactive, personalized service. They work to foster strong connections and deepen relationships with our members. Part of our everyday work is finding new ways to anticipate and meet member needs and then enhance and design products and services with these needs in mind. It's just one of the ways to show we are *Committed to You™*

We are committed to being a trusted resource as your primary financial institution, providing you with the products and services you need to achieve your financial goals. Look for new and exciting products and services which are on their way to you. Thank you for your membership and trust in our credit union! Please remember to tell your family and friends about Canyon State Credit Union – in all likelihood they are also eligible for membership. They too can enjoy the many benefits of a local financial institution that is *Committed to You™*!

Sincerely,

Jane Dobbs
President/CEO

Supervisory Committee Report

The Supervisory Committee of Canyon State Credit Union is a voluntary group comprised of three Credit Union members who are appointed by the Board of Directors to supervise Canyon State's financial activities. The Supervisory Committee, in partnership with the Credit Union's Internal Audit Department, Credit Union Management, our external auditors, CliftonLarsonAllen, the National Credit Union Administration and the Arizona Department of Financial Institutions, work diligently to ensure your assets are secure through the implementation of sound financial policies, procedures and controls.

In addition, the Supervisory Committee works independently on behalf of Canyon State members to ensure that questions or issues pertaining to individual member accounts are resolved. We are pleased to report that based on this work, Canyon State Credit Union is operating with a system of strong internal controls and is a sound financial institution.

On behalf of the Supervisory Committee, we are proud to be part of the Canyon State Credit Union organization and look forward to continuing the long tradition of providing financial security to our members.

Respectfully submitted,

David Matson
Chairman, Supervisory Committee

Credit Manager's Report

During 2017 Canyon State Credit Union experienced an overall decrease of 7.6% in our loan portfolio. Decreases were realized in all categories except for New Auto, Shared Secures and Home Equity/2nd Mortgage Products. These decreases were influenced by several factors that included restructuring of our lending strategy, changes to underwriting guidelines, increases in charge offs, and resources diverted to the improvement of our CORE and related systems. Home Equity/2nd Mortgages products experienced the largest growth with an overall 21.53% increase.

After 3 solid years of practically next to nothing in delinquencies, we are now experience a higher delinquency that averaged .52% for 2017. The growth of our loan portfolio from 2015-2016 primarily contributed to this increase. We anticipate this to be an ongoing trend during 2018 and will continue to measure and adjust lending/collection strategies to ensure they maintain at acceptable levels with minimal impact to the members' access our financial products.

Canyon State credit Union continues to place a high priority on providing solutions to our members' financial needs. We will continue to work hard to offer our members competitive loan products and pricing while assisting them by doing what we can to help them through financial difficulties.

Jane E. Dobbs
Credit Manager

Board of Directors

Myron Musfeldt.....Chairman
Jerry Hartrim.....Vice Chair
Rae Kinsman.....Secretary
Erica Gibbons.....Treasurer
Carol Ward.....Director
David Matson.....Director
Paul Waterman.....Director

2017-2018 Supervisory Committee

David Matson.....Chairman
Richard Rodriguez.....Member
Lupe Harriger.....Member

Senior Management

Jane Dobbs
President/CEO

Cristian Hernandez
CFO

Lenore Froehlich
Vice President of Marketing

Paul Bauer
Vice President of Lending

Amy Singpradith
Vice President of Human Resources

Justin Wolfe
Vice President of Retail Banking

Teresa Trostel
Vice President of Enterprise Risk
Management

