



# Annual Report 2019



## **President and Co-Chairmen's Report**

Thank you for your credit union membership. As you know, each member is a part owner of our financial cooperative. Our main priority is a strong focus on serving our members to help improve their financial lives.

We are excited to say that 2019 was an extraordinary year for our credit union. On October 1, 2019, the Canyon State Credit Union and Deer Valley Credit Union strategic partnership became official. We took big actions in order to ensure our long term success in serving our members at a high level. Both credit unions were very healthy and strong individually, but wanted to do more for their members. This mutually beneficial merger combines two credit unions that share the same focus on community-based banking and similar core values.

In a rare occurrence, both Boards decided to utilize the credit union charter that provided the best long term financial benefit of the organization regardless of the size of the balance sheet. Due to market value calculations and other financial accounting rules, we retained the Canyon State Credit Union charter. Deer Valley Credit Union members overwhelmingly approved the merger with a 90% approval ratio.

By pooling our financial resources, we are able to remain competitive in the ever-changing financial industry landscape. We'll stay focused on our commitment to the communities we serve and continue to strive for excellent member service. Staying relevant in today's FinTech environment has to be a business priority. This merger creates opportunities for us to expand our capacity to provide the solutions our members need and to stay relevant in technology while continuing to provide personal service.

During 2019, we were not in a rush to pick a new name, merge our core systems, or make any immediate changes. We began defining who we were as a larger team, aligning our business practices, and creating a strong foundation internally before we took any steps that would impact our member/owners.

Our system conversions are scheduled for the Summer, 2020 with as little disruption as possible to our members. Our combined membership now has greater access to our branches with four new locations, and a greater selection of products and services which provide additional conveniences.

As part of the merger, we combined our memberships and had over 36,000 members at the end of 2019. We also reviewed our fields of memberships including a combined 250 zip codes and many sponsor organizations from the past and present. Our regulator, Arizona Department of Financial Institutions recently granted our request to serve people who reside in 6 counties in Arizona including Maricopa, Yavapai, Gila, Pima, Pinal, and Navajo. This change allows our credit union the opportunity for continued membership growth well into the future.

During 2019 we were excited to announce that we were named Grand Canyon University's partner to offer financial products and services to the University's students (both on-campus and online), staff and alumni as well as fans and supporters of the University. The on-campus branch opened in October 2019. This is a full-service branch offering the same products and services that are available at any Canyon State Credit Union branch. The Credit Union also worked with GCU to hire students to complete staffing of the on-campus branch.

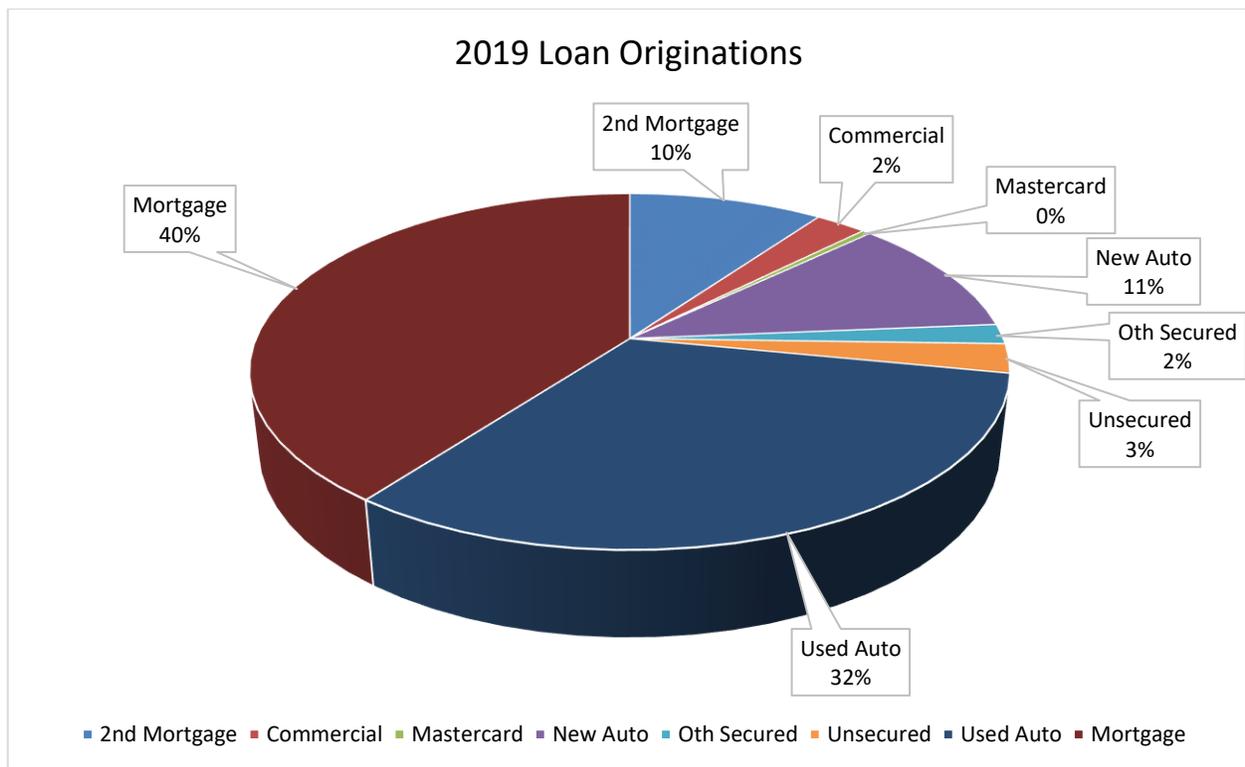
As your credit union, we are committed to the communities we serve and you call home. During the holiday season, we are extremely proud to report that with your help and through our partnership with KTAR we donated over 200,000 diapers to Arizona Helping Hands and Child Crisis Arizona. For our Payson community we actively participated in several fundraisers to provide supplies to the Time Out Shelter. We sponsored Grand Canyon University's third annual TEDx event on campus; donated to Phoenix Children's Hospital; 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 (DVUSD) – Paseo Elementary, Deer Valley Middle and Barry Goldwater High School; supported the DVUSD Education Foundation; and sponsored several golf tournaments benefiting various non-profit organizations.

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 cares!

## Credit Manager's Report

Deer Valley and Canyon State Credit Union's originated \$120 Million in loans during 2019. Management decided in 2019 to implement strategies to diversify the loan portfolio, moving away from dependence on auto secured loans. Auto Secured loans decreased 14%, First Mortgage increased 8%, Second Mortgage increased \$45 and Commercial increased 1%.

The Credit Union has an outstanding Credit Card portfolio with an average monthly balance of \$4 million, which represents a 20% usage rate of the available lines. Translating into \$15 million in loan commitments that are not earning income. Management is pursuing an opportunity to sell the current Credit Card portfolio and reallocating the loan commitments to loans with higher usage and earnings.

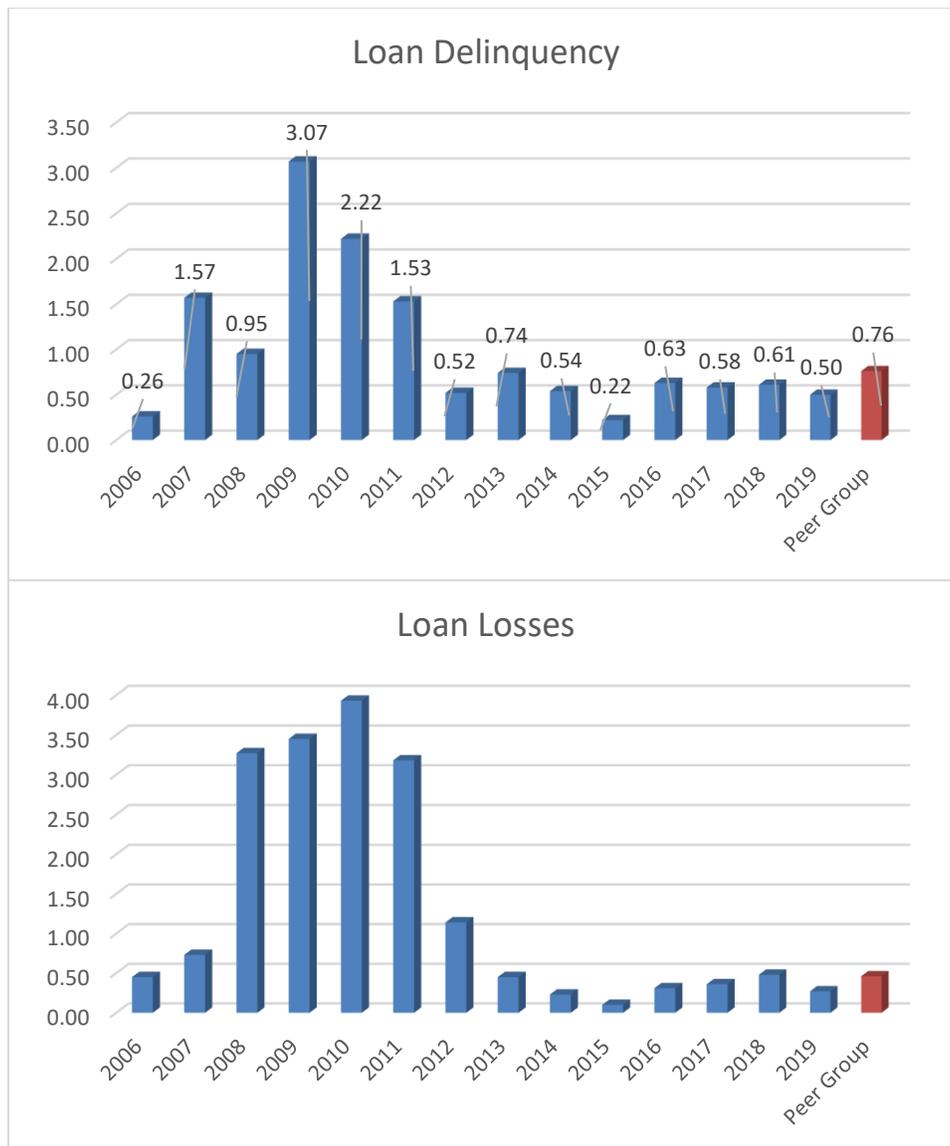


During 2019, we continued to assist members with their borrowing needs by:

- Working with local auto and RV dealerships to assist with member financing.
- Originating, funding and servicing first and second mortgage loans.
- Assisting member-owned small businesses with business purpose vehicle, property and line of credit loans.
- Providing 1% cash back incentives to members who refinance their vehicle loans from another financial institution.
- Assisting first-time vehicle buyers with affordable and responsible loan options.
- Began an "indirect" like program to work with established swimming pools vendors, this rolled out in early 2020 with great acceptance and usage.

The quality of the loan portfolio is measured by the amount of delinquent loans and loan charge offs or losses. At the end of 2019, we had \$1.45 million in loan balances that were delinquent more than 60 days for a delinquent loan to total loan ratio of 0.79%. In other words, 99.21% of loans are paying as agreed.

Delinquency has been within the “normal” range for the past five years and continues to be lower than our peer credit unions. Loan losses for the year were \$1.4 million or 0.47% of loan balances and continue to be lower than our peer credit unions. The credit union has reserved almost \$1.0 million in allowance for future loan losses.



2020 has brought many opportunities and recently challenges, the Credit Union has highly skilled staff managing, originating, servicing and collecting the Credit Unions loan portfolio. Recent events will certainly impact overall performance of the loan portfolio, I'm comfortable that staff skills will help to mitigate the possible negative effects.

Sincerely  
Greg Reiley  
Credit Manager

Treasurer's Report

**Statement of Financial Condition (Unaudited)**

As of December 31, 2019

in \$000's

Cash and Cash Equivalents	30,397
Investments	77,799
Loans (Net of Allowance for Loan Loss)	289,896
Foreclosed and Repossessed Assets	736
Land, Building, Premises and Equipment (Net)	20,054
NCUSIF Deposit	3,788
Core Deposit Intangible	2,279
Interest Receivable and Other Assets	10,318
<b>Total Assets</b>	<b>435,267</b>
FHLBSF Advances	10,000
Accounts Payable and Other Liabilities	4,816
Shares	376,962
Reserves and Undivided Earnings (Net)	43,489
<b>Total Liabilities and Members' Equity</b>	<b>435,267</b>

**Statement of Income (Unaudited)**

For the year ended December 31, 2019

in \$000's

Loan Interest Income	6,999
Investment Income	1,890
<b>Total Interest income</b>	<b>8,888</b>
Interest Expense	(1,075)
<b>Net Interest Income</b>	<b>7,813</b>
Provision for Loan Losses	(567)
<b>Net Interest Income after Provision for Loan Losses</b>	<b>7,246</b>
Non-Interest Income	4,691
Gain from Bargain Purchase	2,167
Operating Expense	(11,969)
<b>Net Income</b>	<b>2,135</b>

## **Supervisory Committee Report**

The Supervisory Committee of Canyon State Credit Union is a voluntary group comprised of six 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,

Al DuBrowa and David Matson  
Co-Chairmen, Supervisory Committee

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### **BOARD OF DIRECTORS**

Paul Waterman	Co-Chairman of the Board	Jerry Hartrim	Director
Chris Urness	Co-Chairman of the Board	Rae Kinsman	Director
Andrew Roberts	Co Vice-Chairman	Dennis McDonald	Director
Janet Burgett Martin	Co Vice-Chairman	JJ Petersen	Director
Erica Gibbons	Treasurer	Lorenzo Sierra	Director
Melanie Merrill	Secretary	Steve Wolfe	Director
		Roger Zollinger	Director

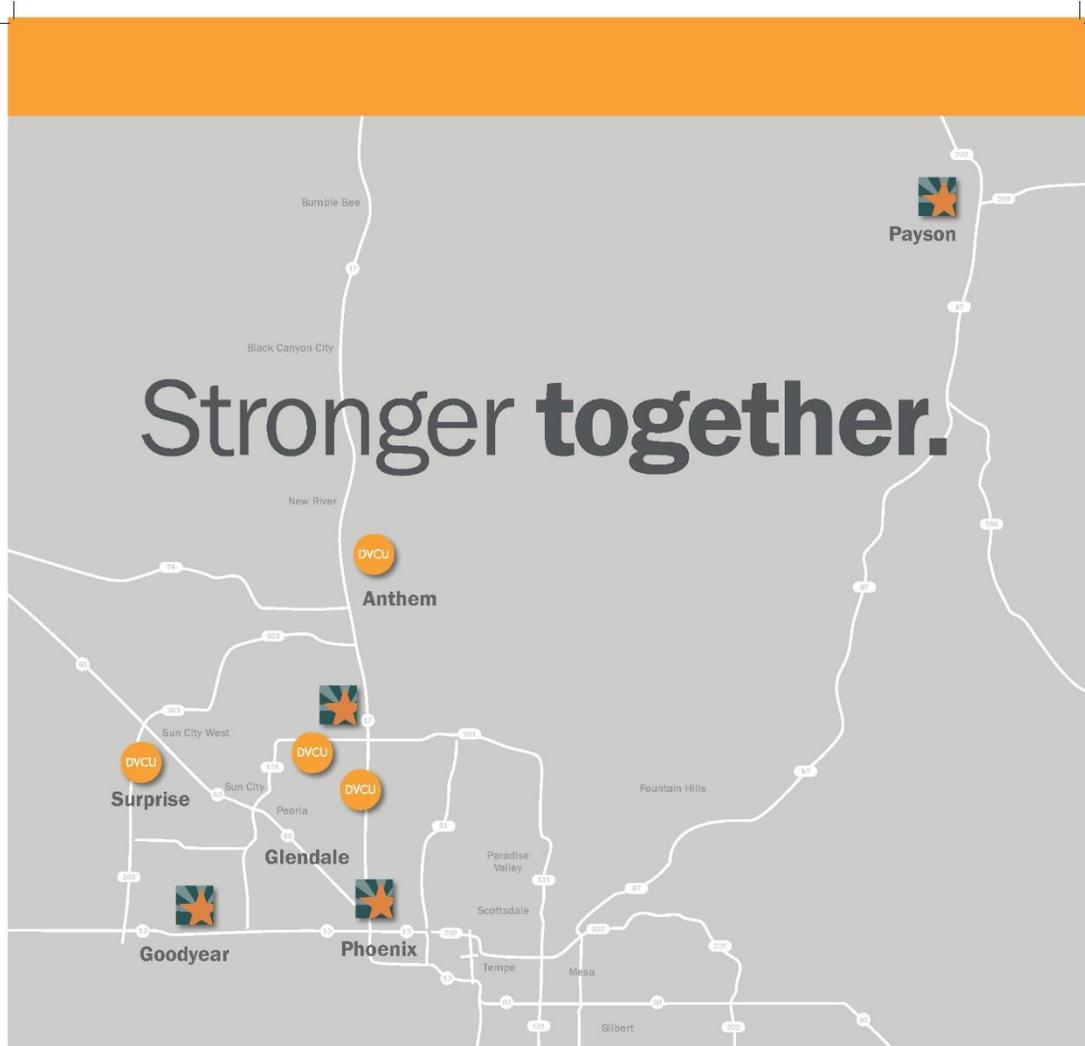
### **SUPERVISORY COMMITTEE**

Al Dubrwa	Co-Chairman	Lupe Harriger	Member
David Matson	Co-Chairman	Frank Martinson	Member
Harshad Desai	Member	Richard Rodriguez	Member

### **CANYON STATE CREDIT UNION LEADERSHIP TEAM**

Robb Scott	President/CEO	Lenore Froehlich	Chief PR Officer
David Skilton	Senior Vice President/CFO	Amy Singpradith	Chief HR Officer
Greg Albano	Senior Vice President/CIO	Teresa Trostel	Chief Risk Officer
Greg Reiley	Chief Lending Officer	Jenn Wade	Chief Marketing Officer
		Justin Wolfe	Chief Retail Officer

Visit any of our branch locations!



**Payson Branch**  
254 E. Highway 260  
Payson, AZ 85541

**Deer Valley Branch**  
3440 W. Deer Valley Road  
Phoenix, AZ 85027

**Osborn Branch**  
2440 W. Osborn Road  
Phoenix, AZ 85015

**Goodyear Branch**  
1270 North Dysart Road  
Goodyear, AZ 85395



**Main Branch**  
2400 W. Bell Road  
Phoenix, AZ 85023

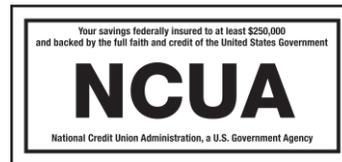
**Arrowhead Branch**  
18559 N. 59th Avenue  
Glendale, AZ 85308

**Anthem Branch**  
3428 W. Anthem Way  
Anthem, AZ 85086

**Surprise Branch**  
15613 W. Bell Road  
Surprise, AZ 85374



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



Federally Insured by NCUA