

Annual Report 2007



**A Message from the  
President/CEO**



David E. Doss  
President/CEO

A handwritten signature in black ink that reads "David E. Doss". The signature is fluid and cursive, written over a light background.

Positive growth and financial security are again reflected in the growth of the member-owners of Arizona State Credit Union. As a financial cooperative driven entirely by the interests of our members, it is truly their success that fuels our growth as a financial institution.

Through the loyal participation of members and the focused vision of associates, we are not just meeting financial needs, we are an integrated part of members' lives across the state and through every aspect of family life.

Our foundation for continued growth and expansion is firmly set to maintain the unyielding attention to detail that ensures unsurpassed member service while allowing us to look forward to continuously expanding products and services.

Members saw improved accessibility to financial services in 2007. All branches increased member service with expanded weekday hours and many convenient locations are now providing Saturday hours. The full service Glendale branch was moved to a more convenient location, and in total, the Credit Union now provides 30 ATMs across the state.

Along with expanded locations and hours, the Credit Union's Online Banking services are rapidly growing. Many of the transactions that formerly required an associate are now available to members online, including transfers across member accounts and to other institutions, stop payments, address changes, live chat and a searchable knowledge base. More than a half million transactions were completed by members online in 2007.

With the improved accessibility of our services came positive financial results. Deposits grew in 2007 reaching \$986 million, a 4% increase over 2006. Members also saw many new ways to meet their lending needs with a total of 61 consumer and residential loan options. Loan production for 2007 totaled \$413 million, bringing residential and consumer loan balances to a record \$695 million.

Arizona State Credit Union is now the number one credit union business lender in the state, providing more than \$125 million to assist members who are small business owners. Total loans meeting the borrowing needs of all members, net of the allowance for loan loss, reached \$819 million.

Assets at the end of 2007 totaled \$1.1 billion, a 6% increase from 2006. The continued asset growth represents consistent strength in the Arizona residents we serve.

Our members come from many communities and groups, from young college students with bright futures, State Employees protecting Arizona's natural beauty, and growing families with busy lives, we are one Arizona.

It is the job of Arizona State Credit Union to provide the hard working people of Arizona with the financial opportunities that will allow them to flourish. It is through the commitment of all participants in this Credit Union that we are successful. Thank you for your support.

## Report from the Chairman



Joseph Smith  
Chairman

A stylized, handwritten signature of Joseph Smith in black ink. The signature is fluid and cursive, with the first letter 'J' being particularly large and prominent.

The year 2007 was a year of great strides in your financial cooperative. Reaching total assets of \$1.1 billion indicates consistent growth and a stronger foundation for building future success. While the numbers continue to demonstrate progress, Arizona State Credit Union recognizes that it is ultimately hard working members and associates who make a strong and vibrant Credit Union.

The Board of Directors is keenly aware of the value of our member-owned financial cooperative. We remain mindful that many of the most important decisions and directions made for Arizona State Credit Union are based on a conversation with a single member who needs a simple solution for financial growth.

A very significant investment in the future of our Credit Union was realized in 2007. The New Corporate Headquarters in North Phoenix is fully operational and centrally houses nearly 200 associates. The new building allows us to control occupancy costs through the next decade and beyond. The Board of Directors is pleased to look forward to future growth supported by a strong infrastructure.

Another key accomplishment for our members is the Credit Union's expanded hours. As members are faced with increasingly busy lives, we realize that the Credit Union must provide more convenience. In 2007, we introduced expanded weekday hours at all branches and Saturday hours at many locations, making it easier for members to access the Credit Union around their busy schedules.

While the Corporate Headquarters enhances our quality of service and expanded hours creates easier access for members, we maintain a strong focus on the communities we serve. We are in continual dialogue with key business, community and state leaders to ensure that the needs of Arizona residents are met.

The community organizations that support Arizona saw thousands of volunteer hours and support from Arizona State Credit Union in 2007. A few organizations we have assisted include Phoenix Children's Hospital, Big Brothers Big Sisters, Together We Paint Arizona and a worker training program in Pima County.

Arizona State Credit Union is proud to be a member-owned cooperative and is firmly committed to the success of its members. With a prosperous past, we look forward to a bright future. Through the continued strength and support of our members, Arizona State Credit Union is in a firm position to deliver outstanding service and value well into the future.



**Board of Directors** Marquetta White; Frank Felix; Ray O'Connor; Douglas Martin; Connie Ohanesian, Secretary; Joseph Smith, Chairman; Quentin Bogart; Shane Siren, Treasurer; Sam Wheeler, Vice Chairman.



# Kelsey Wolstencroft

ASU Student

Kelsey Wolstencroft is a sophomore at Arizona State University. Originally from Cottonwood, Arizona, Kelsey has always known she wanted to attend ASU. "The first time I saw ASU, I knew I wanted to go there," said Kelsey. She is now preparing her design portfolio for entry into the prestigious and competitive upper-division professional program in the Department of Industrial Design.

As long as she can remember, her family has banked with Arizona State Credit Union. Kelsey recently opened a YourSavings account to begin saving for a down payment on a car. Being an experienced and careful saver with goals in mind, Kelsey always sets aside some of her money. She continues to watch her savings grow and looks forward to all the places her new car will take her.

Ken Travous has been a member of Arizona State Credit Union for 22 years. He started with the Credit Union the day he started working for the State of Arizona. In his many years of experience working for state parks, Ken says "the last state park I visited is always my favorite."

His love of the natural beauty of the outdoors has led to a very successful career in the state parks, including his role in turning the Kartchner Caverns near Tucson, Arizona into a protected state park.

Ken's relationship with the Credit Union was cemented early on. As Ken was buying a home, a wire transfer from another company hadn't come in at the end of business on a Friday afternoon, but the Credit Union remained open until the wire transfer was completed. Ken still recalls the kindness of Credit Union associates which allowed him and his family to move into their new home the very next day.

# Ken Travous

Executive Director,  
Arizona State Parks





# Tony, Martha and Josh

Gray Family

The Gray Family, from the Verde Valley, is an active family that keeps up with Josh, a busy 6th grader who loves basketball and football.

The Grays are very serious about teaching Josh the importance and value of saving. At a young age, they opened an educational savings account for Josh, and they encouraged him to open a YourSavings account to give him a place to save up for the big things on his wish list.

But it's not just about teaching Josh to save for "stuff." He plans to go to college in a few years and the Grays have been careful to keep money aside for Josh's future. Josh's dad says, "If he stays as busy as he is now, his future education will lead to a wonderful career. We are truly excited to watch him grow."



## Supervisory Committee Report



**Supervisory Committee** Colleen Carmean; Hal Folette; Martha Rozen, Chair; Jon Borge; Sara Click (not pictured).

Your Supervisory Committee volunteers are appointed by the Board of Directors. The Committee is charged with protecting our Members' interests and ensuring that the assets of our credit union are safeguarded.

These responsibilities are accomplished through an annual financial audit and a review of the system of internal controls. Under the direction of the Supervisory Committee, a national CPA firm with recognized expertise in Generally Accepted Accounting Principles and the credit union industry completed its certified audit of the financial statements. Within the scope of their review, the CPA firm also makes recommendations on internal controls and procedures.

The Arizona State Department of Financial Institutions and the National Credit Union Administration jointly completed a regulatory examination of the Credit Union as of March 31, 2007. The examination includes reviews of areas of potential risk and recommends improvements to internal procedures and controls.

Martha N. Rozen  
Chair

## Treasurer's Report



Shane Siren  
Treasurer

*Shane Siren*

Arizona State Credit Union recognized net income for the year ended 2007 of \$8.092 million. This strong financial performance includes a 13% increase in net interest income during a declining interest rate environment as well as a 56% increase in other income. This significant growth in income enabled our credit union to restructure our investment security portfolio and reinvest in higher yielding securities that will benefit our members in future years.

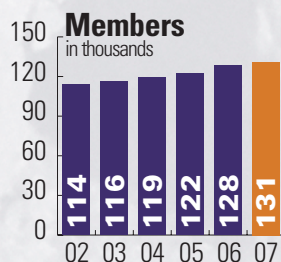
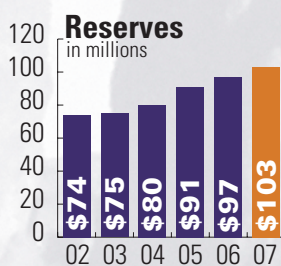
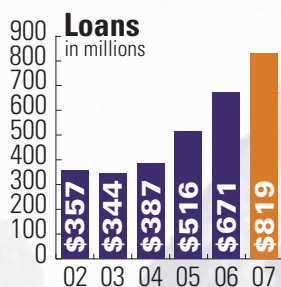
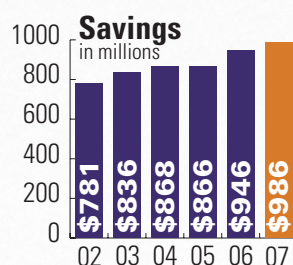
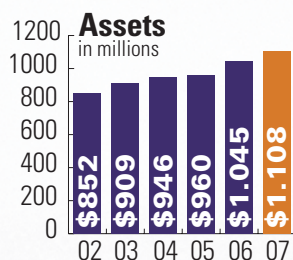
As of December 31, 2007, assets increased by 6% and totaled \$1.108 billion. Net loans increased by 22%, ending the year at a record \$819 million with the majority of the growth realized in the residential real-estate, member business lending and auto loan portfolios. Deposits increased 4% and totaled \$986 million, with the growth realized in both core deposits and certificate accounts.

Our return on assets in 2007 was .72%. Our capital ratio at the end of the year grew to 9.74% which is classified as 'well-capitalized' by our regulators. The Arizona State Department of Financial Institutions and the National Credit Union Administration received detailed financial information from Arizona State Credit Union on a quarterly basis to measure our strength and net worth.

Our loan products and deposit products continue to be highly competitive. Our member business lending program continues to grow and gain in reputation throughout the state, quickly driving loan volumes and business deposits.

2007 was a year of growth and results. I am pleased to report to you that our credit union is well managed, strong and continuing to grow.

## Audited Financial Statements



### STATEMENT OF FINANCIAL CONDITION

#### ASSETS - December 31

	2007	2006
Cash and Cash Equivalents	\$62,384,070	\$49,718,841
Investments	152,983,881	269,973,577
Loans, net of allowance for loan losses	819,082,960	671,219,701
Accrued interest receivable	4,992,602	4,723,593
Property and equipment, net	50,314,171	26,241,454
NCUSIF Deposit	8,752,693	8,096,847
Other assets	9,585,089	15,377,470
<b>Total Assets</b>	<b>\$1,108,095,466</b>	<b>\$1,045,351,483</b>

#### LIABILITIES AND MEMBERS' EQUITY

Accounts payable, accrued expense and borrowed funds	\$19,501,146	\$2,329,705
Members' share accounts	985,748,650	946,084,685
Members' equity, substantially restricted	102,845,670	96,937,093
<b>Total Liabilities and Members' Equity</b>	<b>\$1,108,095,466</b>	<b>\$1,045,351,483</b>

#### STATEMENT OF INCOME

	2007	2006
<b>Interest income:</b>		
Loans to members	\$51,373,864	\$39,502,612
Investments and cash	14,766,654	12,540,155
<b>Total interest income</b>	<b>\$66,140,518</b>	<b>\$52,042,767</b>
<b>Dividend expense and other interest expense</b>		
Member accounts	28,424,163	18,615,118
<b>Net interest income</b>	<b>\$37,716,355</b>	<b>\$33,427,649</b>
<b>Provision for loan losses</b>	<b>4,902,270</b>	<b>2,373,817</b>
<b>Net interest income after provision for loan losses</b>	<b>\$32,814,085</b>	<b>\$31,053,832</b>
<b>Non-interest income:</b>		
Fee income and service charges	18,048,395	11,556,255
Net Unrealized Gains/(Losses) on Sale of Securities	(1,889,684)	(91,759)
<b>Total Non-interest income</b>	<b>\$16,158,711</b>	<b>\$11,464,496</b>
<b>Operating expenses:</b>		
Compensation and benefits	21,986,865	18,128,827
Office operations	16,060,167	13,531,232
Office occupancy	2,832,821	2,412,724
<b>Total operating expenses</b>	<b>\$40,879,853</b>	<b>\$34,072,783</b>
<b>Net income</b>	<b>\$8,092,943</b>	<b>\$8,445,545</b>





One State Of Mind

An Official Publication of  
Arizona State Credit Union  
2355 W. Pinnacle Peak Road  
Phoenix, AZ 85027  
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OFFICE LOCATIONS  
602-467-4081 / 1-800-671-1098  
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MEMBER  
Arizona Credit Union System  
First Corporate Credit Union  
Western Corporate Federal Credit Union  
Credit Union National Association  
CUNA Mutual Group  
Filene Research Institute  
World Council of Credit Unions



A.S.U.  
Memorial Union/Lower Level

A.S.U. EAST / GATEWAY  
18224 E. Williams Field Road

A.S.U. WEST  
4701 W. Thunderbird Road

CHINO VALLEY  
1031 N. Highway 89, Suite 106

COTTONWOOD  
601 W. Highway 89-A

FLAGSTAFF  
321 S. Beaver Street  
5200 N. Highway 89

GILBERT  
2277 W. Guadalupe Road

GLENDALE  
8285 W. Union Hills Drive, Suite 106

PAYSON  
104 E. Highway 260

PHOENIX  
1812 W. Monroe Street  
2355 W. Pinnacle Peak Road

American Express (employees only)  
20022 N. 31st Avenue  
18850 N. 56th Street

PRESCOTT  
550 E. Gurley Street  
1335 Gail Gardner Way

PRESCOTT VALLEY  
7111 Pav Way

SAFFORD/THATCHER  
280 W. Main Street

SCOTTSDALE  
13610 N. Scottsdale Road, Suite 1

SEDONA  
140 Coffee Pot Drive, Suite E101

TUCSON  
777 S. Alvernon Way  
6464 N. Oracle Road  
1001 N. Park Avenue