



2010 Annual Report

DVCCU



Chairman's Message

Chairman's Report

This summer we will be celebrating our 40 year anniversary. From our original charter in 1971, we have remained dedicated to serving our members with a high level of personal service combined with competitive financial products that meet our members' needs. Over the years, we have traditionally been an early adopter of technology to improve the delivery of these services.

Although the past two years have been challenging for our credit union and our members, we expect to actively participate in helping improve our members' financial lives for at least the next 40 years. Due to many members' financial challenges recently, we have been actively working with members to set up delayed loan payment plans to help members retain their homes, autos and other loans. New loan activity has significantly decreased due to lower loan demand from our membership combined with our tighter loan underwriting policies. Tighter underwriting policies are necessary at this time in order to rebuild our net worth (earnings for a rainy day).

Our short term financial goals are to build our net worth (reserves) above 7%. As of 12/31/2010 our ratio was 5.86%. It climbed above 6% in January 2011. This is the key measurement of a financial institution's financial health. In order to increase this ratio, we are focusing on increasing net income and reducing higher cost share certificates. Net income continues to improve as we experience fewer loan losses. We continue to keep expenses at low levels compared to our peer group while maintaining our high level of service to our members. Many financial institutions in Arizona have closed several branches. We chose to keep all our branches open with minimal staff. Our deposit rates will continue to be "at or below market" to help realize some member CD reduction. Traditionally, we have been one of the higher paying financial institutions; however light member loan demand and a 53% loan to share ratio do not currently support that financial strategy.

New loan delinquency is falling as more members obtain stable employment and improve their personal financial situations. Although loan losses continue to be higher than pre-recession levels, our loan loss reserve account has been sufficient to cover recent losses. We are definitely looking forward to better employment numbers and increases in home values along with higher loan demand. The financial recovery at a national, local and DVCU level is slow but heading in a positive direction.

Thank you for your membership, loyalty, and participation in your credit union. We look forward to serving our members for the next 40 years and beyond.

Bob Day
Chairman

Lending Report

Due to higher loan losses over the past 2 years, we have significantly tightened our loan underwriting process. In order to improve net worth and reduce loan losses, we have made the following changes:

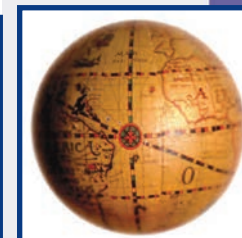
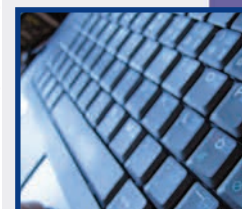
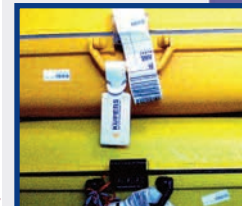
- ' Borrower FICO scores below 640 will not be considered
- ' No new real estate loans will be granted until our concentration limits and the real estate market stabilizes.
- ' Existing real estate lines of credit have been adjusted to reflect current real estate values.
- ' Reduced maximum unsecured loan limits.
- ' Implemented more timely collection efforts.
- ' Eliminated non real estate workout loan modifications.

Due to the above changes and a reduction in member loan demand, our loan to member share ratio dropped from 78% in December 2009 to 55% in December 2010.

We continue to look for opportunities to serve our members' credit needs even in this tight credit environment.

Loan Portfolio

Loan Type	12/2010 Amount
Mortgages	\$67,325,800
Vehicles	\$29,999,242
Unsecured	\$14,761,810
Total Loans	\$112,086,852
Allowance for Losses	\$(4,674,906)



Supervisory Committee Report

During 2009, the Supervisory Committee, in keeping with its mission to safeguard both DVCU and member assets, continued the monitoring of credit union activities to verify compliance with applicable laws, regulations and sound business practices.

To aid in determining that the financial condition of DVCU is accurately and fairly represented in its financial statements, the Committee contracted with Clifton Gunderson LLP, an independent accounting firm which specializes in credit union operations, to perform a fully certified annual audit of the credit union in addition to ongoing internal audit procedures.


Based on the results of the audit work performed throughout the year, it is the opinion of the Supervisory Committee that DVCU is being operated in accordance with applicable laws in a manner consistent with sound credit union practices and procedures. In light of the current economic conditions, the committee will continue to focus on policies and procedures in credit risk areas such as mortgage and consumer loans.



Al DuBrowa, Chairman



Deer Valley
credit union
Exceptional Service
Incredible Value



Board of Directors / Supervisory Committee / Branch Information

Board of Directors

Bob Day, Chairman
Roger Zollinger, Vice-Chairman
Ed Frick, Treasurer/Secretary

John Denny
Melanie Merrill
Greg Miller
Frank Martinson

Supervisory Committee

Al DuBrowa, Chairman

Harshad Desai

Branch Information

Main Branch

16215 North 28th Ave.
Phoenix, AZ 85053-0452

Hours

Monday-Thursday 9:00 am - 5 pm
Friday 8:00 am - 6:00 pm

Anthem Branch

3428 W. Anthem Way
Anthem, AZ 85086-0452

Monday-Friday
10:00 am - 6:00 pm

Arrowhead Branch

18559 N. 59th Ave.
Glendale, AZ 85308-1256

Monday-Thursday
9:00 am - 5:00 pm
Friday 8:00 am - 6:00 pm

Surprise Branch

15613 W. Bell Rd.
Surprise, AZ 85374-3558

Monday-Friday
10:00 am - 6:00 pm

Operation Center

15458 N. 28th Ave.
Phoenix, AZ 85053

Main Phone:

(602) 375-7300

Website:

www.dvcu.org

Statement of Financial Condition

	2010	2009
Assets		
Loans to Members	\$ 112,086,852	\$ 144,757,658
Allowance for Loan Losses	(4,674,906)	(5,894,933)
Cash and Change Fund	1,058,710	1,164,662
Investments	86,557,044	71,568,125
Fixed Assets-Net	12,697,606	12,895,696
Accrued Income and Receivables	1,269,999	598,447
NCUSIF Deposit	2,032,159	2,258,320
Other Assets	665,263	664,476
Total Assets	\$ 211,692,727	\$ 228,012,451
Liabilities and Equity		
Accounts Payable	\$ 164,504	\$ 157,551
Dividends Payable	7,652	13,005
Other Liabilities	1,669,664	604,531
Total Liabilities	\$ 1,841,820	\$ 775,087
Regular Shares	\$ 37,628,475	\$ 32,671,783
Money Markets	40,302,014	40,683,716
Checking	38,384,395	41,295,402
IRA Shares and Certificates	29,919,113	34,249,405
Other Certificates	51,141,035	66,854,745
Total Member Shares	\$ 197,375,032	\$ 215,755,051
Reserves	\$ 11,391,120	\$ 10,519,613
Undivided Earnings	959,698	2,631,893
Unreal Gain(Loss) on Investments	125,057	(1,669,193)
Total Liabilities and Equity	\$ 12,475,875	\$ 11,482,313
Total Liabilities and Equity	\$ 211,692,727	\$ 228,012,451

Statement of Operations

	2010	2009
Income		
Income on Loans	\$ 8,147,111	\$ 10,454,500
Investment Income	682,831	739,966
Fee Income	1,358,160	1,676,650
Other Income	1,711,736	1,606,336
Total Income	\$ 11,899,838	\$ 14,477,452
Expenses		
Interest on Member Deposits	\$ 2,077,120	\$ 4,198,068
Provision for Loan Losses	3,822,266	4,934,609
Employee Related	2,844,943	3,328,262
Office Operations	1,738,831	2,006,658
Member Services	1,589,063	1,718,816
Marketing and Promotion	35,271	113,595
(Gain)/Loss on Operations	(124,132)	(59,098)
Professional Services	182,866	218,723
Total Expenses	\$ 12,166,228	\$ 16,459,633
Net Profit/(Loss) from Operations	\$ (266,390)	\$ (1,982,181)
Extraordinary Items		
NCUSIF Funding	\$ (534,297)	\$ (338,748)
Investment in Corp CU Impairment	-	(415,908)
Total Extraordinary Items	(534,297)	(754,656)
Net Profit/(Loss)	\$ (800,687)	\$ (2,736,837)

