



CEO'S Report

Jeff Meshey

It should be no secret that our mission is to share success.

But what makes success most meaningful? One of my favorite authors, Adam Grant, wrote: "The most meaningful way to succeed is to help others succeed."

It's true that partnerships were a huge part of our progress in 2023. We were able to share success with our members because of how our partners helped us succeed.

When we talk about progress through partnerships, there are a lot of partnerships at play. We're a community partner to local nonprofits including Phoenix Children's and Free Arts. We have long-running partnerships with organizations including the Arizona Cardinals, the Phoenix Art Museum, the Better Business Bureau and the Arizona Education Foundation. We have a growing partnership with Arizona State University®. And above all else, we're a partner to our members to help them achieve their goals.

Despite an uncertain economy, we finished 2023 strong and were able to help our members in many ways. Through our partnerships, we were able to give back more than ever before and continue our growth and transformation.

Our total net worth ratio grew by over \$140 million in 2023. Our return on assets was over 1%. This allowed us to help more members. We funded more than 85 percent of our approved loan applications, helping our members achieve their dreams, whether that's owning a home, renovating their homes, buying a new vehicle or taking a family vacation.

The 2023 Member Giveback Bonus was the largest to date. We gave \$20 million back to members! We love being able to thank our members for building their relationships with us this way. Through our annual Member Giveback Bonus, we've given back \$90 million to members over the past seven years!

We obviously love to give, and we can give because we continue to grow. We welcomed more than 28,000 new members to Desert Financial last year. We continue to build relationships with the communities of Flagstaff and Prescott through our ongoing northern Arizona expansion.

Meanwhile, our partnership with ASU® continues to grow. In 2023, we opened branches on the Downtown Phoenix and Tempe ASU campuses, and we signed five ASU athletes to a Name, Image & Likeness partnership. Through our ASU partnership

promotions, we welcomed more than 2,000 new members to Desert Financial.

In some more exciting news, this year, Desert Financial celebrates our 85-year anniversary! This milestone is made even more meaningful when I think of all the members we've helped over the years. Our membership now exceeds 450,000, and after more than eight decades, we're still breaking records with our giving and we're still growing.

On a final note, I want to personally thank the Board of Directors, Supervisory Committee members and all our other volunteers and staff. You helped us succeed in 2023 and we look forward to continuing our progress throughout 2024 and the years to come.

Jeff Meshey, CEO and President

2023 IN REVIEW

Progress Through Partnership

Through our partnerships, we were able to give back more than ever before and continue our growth and transformation.



BEING A PARTNER TO MEMBERS

- Gave cash back to **175,637 members** through our Member Giveback Bonus.
- Funded more than **\$221 million** in loans to help members achieve their dreams.
- Opened **1,976 investment portfolio accounts** through our wealth management partner, **Raymond James Financial Services**.
- Helped **3,811 people** with estate planning and enrolled **345 people** in new Medicare policies.



COMMUNITY PARTNERSHIPS

- Raised **\$1.15 million** for the 1 Darn Cool School at Phoenix Children's.
- Awarded **\$300,000** in community grants.
- Educated **15,505 people** through financial well-being programs offered to our members, community and team.
- Volunteered **18,492 hours**; a **\$557,164** value to our partners.



ASU PARTNERSHIP

- Welcomed more than **2,000 new members** through partnership promotions.
- **Signed five ASU athletes** to Name, Image & Likeness (NIL) partnerships.
- **Opened branches** on the ASU Tempe and Downtown Phoenix campuses.
- Performed **800 Random Acts of Kindness** at the ASU Homecoming Parade and Block Party.



Progress Through Partnership



Chair's Report

Kevin Haskew

2023 was a year of challenges and growth. Even in an ambiguous economy, we continued to make strides in our mission to share success with our employees, members and community.

Giving back a record \$17 million to our members through the Member Giveback Bonus was a great way to kick off 2023, and we've broken that record already in 2024 with a \$20 million giveback.

Our members continue to honor us with their votes that bestow numerous awards. In 2023, thanks to our members, we received the Best of the Desert Community Choice Award, PHOENIX magazine's Best of the Valley award and top honors in Ranking Arizona. We were named Best-In-State Credit Union by Forbes for the second year in a row. Desert Financial was also named AZ Big Media's Most Admired Company of 2023.

One of the reasons our members say they admire us is because of all the work we do in our community. Last

year, we gave more than \$4.5 million to our communities through grants, partnerships and programs. Together, with Desert Financial Foundation and our employees, we presented a check for \$1.15 million to Phoenix Children's for its 1 Darn Cool School program. We raised more than \$113,000 for the American Heart Association's Phoenix Heart Walk in 2023.

We continue to support education-focused initiatives. In 2023, we adopted 14 teachers with our Adopt-A-Teacher program, held more than 80 teacher appreciation events and provided more than \$320,000 in scholarships.

2023 was also a year of digital enhancements for Desert Financial. We launched a redesigned website that gives users a more personalized experience. We introduced an intelligent virtual assistant named Dee, who we anticipate will help as many as 15% of the members calling our member engagement center. And our top-rated mobile app and Online Banking continue to empower member self-service:

In 2023, more than 11,400 accounts were opened online, and members made more than 2.4 million total deposits through our mobile app.

We have a lot to look back on, and we have lot to look forward to. Thank you to our board members for their support and participation in our board election process. You help us make strides in our mission to share success. Thank you.

Kevin Haskew,
Chair of the Board

A NOTE FROM OUR SUPERVISORY COMMITTEE

To reflect our commitment to and our vested interest in our members, the Supervisory Committee partners with our internal and external audit and accounting teams to oversee credit union activity. The results of our external audits reflect a continued strong adherence to sound internal controls and safe, conservative business practices.

This report is a testament to Desert Financial's commitment to responsible and robust financial practices. As a result, our members can remain confident in our continued success. ■

Desert Financial Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	Year ended December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$669,705,649	\$196,813,410
Investment securities		
Equity securities	2,401,479	1,561,391
Available-for-sale	2,041,804,398	2,190,628,761
Held-to-maturity	1,528,697,934	1,648,865,036
Loans held-for-sale	2,087,123	1,434,250
Loans to members, net of allowance for loan losses	3,980,283,976	3,745,977,166
Accrued interest receivable:		
Loans	13,381,237	10,003,516
Investments	11,047,754	11,708,121
Federal Home Loan Bank (FHLB) stock	17,250,000	17,250,000
Prepaid and other assets	119,465,593	84,679,897
VISA Class B Stock	48,641,774	38,541,330
Life insurance policies	68,140,148	98,168,960
Split-dollar life insurance loans	66,871,083	—
Mortgage servicing rights	8,951,029	10,626,272
Property and equipment	62,080,668	64,946,194
National Credit Union Share Insurance Fund (NCUSIF) deposit	69,753,949	71,077,593
Total assets	\$8,710,563,794	\$8,192,281,897

LIABILITIES AND MEMBERS' EQUITY

Liabilities		
Members' shares and savings accounts	\$7,303,801,275	\$7,556,395,910
Borrowed funds	600,000,000	—
Accounts payable and other accrued liabilities	146,677,682	133,364,523
Online debit card clearing	49,601,112	33,973,868
Total liabilities	\$8,100,080,069	\$7,723,734,301

COMMITMENTS AND CONTINGENT LIABILITIES

Members' equity		
Undivided earnings	960,070,693	893,976,149
Accumulated other comprehensive loss	(349,586,968)	(425,428,553)
Total members' equity	610,483,725	468,547,596
Total liabilities and members' equity	\$8,710,563,794	\$8,192,281,897

Desert Financial Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	Year ended December 31,	
	2023	2022
INTEREST INCOME		
Loans to members	\$197,211,144	\$129,796,032
Investments	106,694,825	111,621,732
Total interest income	\$303,905,969	\$241,417,764
INTEREST EXPENSE		
Members' share and savings accounts	97,641,104	36,809,448
Borrowed funds	10,844,223	21,332,300
Total interest expense	\$108,485,327	\$58,141,748
Net interest income	195,420,642	183,276,016
PROVISION FOR LOAN LOSSES (RECAPTURE)	15,849,591	(492,306)
Net interest income after provision/(recapture) of credit loan losses	179,571,051	183,768,322
NON-INTEREST INCOME		
Fees and service charges	59,807,820	55,121,743
Interchange income	48,704,005	48,606,318
Other miscellaneous income	14,704,048	7,993,678
Sales of insurance and investment products	11,468,390	10,367,952
Gains on VISA stock	10,100,444	—
Income from change in cash surrender value from life insurance policies	4,123,958	3,525,987
Gains on sales of loans	1,738,624	3,864,228
Gains on capitalization of mortgage servicing rights	1,086,789	1,993,994
Member capital account refund	—	4,991,685
Total non-interest income	\$151,734,078	\$136,465,585
NON-INTEREST EXPENSES		
Compensation and benefits	146,389,707	135,791,791
Office operations	52,883,258	49,333,409
Member education and marketing	17,147,996	16,000,555
Occupancy	13,132,832	13,371,402
Professional and outside services	7,387,010	4,731,683
Operating expenses	9,069,908	5,075,567
Loss on VISA stock	—	3,906,633
Non-operating expenses	—	6,000,000
Total non-interest expenses	\$246,010,711	\$234,211,040
NET INCOME	\$85,294,418	\$86,022,867