



# 2018 Annual Report

February 19, 2019



# Board of Director's Chair Report

Our credit union was founded 88 years ago, yet today we remain focused on the same mission – serving our members. Once again, we have set ourselves apart from other financial institutions by providing exceptional member service and by focusing our efforts on the credit union philosophy of people helping people. This year, we were able to grow our loans and savings while controlling our spending and keeping our delinquency low. As we look forward, Star Choice is poised to continue to provide our members with the personalized service you have come to expect, and the financial tools needed to succeed on today's fast-paced world.

I want to remind you that your Star Choice Credit Union Board of Directors serves as elected representatives of our entire membership. Our purpose is to help guide the organization in its mission to improve the financial wellbeing of people. As our tagline states, we "Build Strong Financial Futures". It's our passion, it's what we're good at, and we've been doing it the right way since 1931.

2018 was a great year for Star Choice. We are pleased to announce that Star Choice has received two awards, the Louise Herring-Philosophy-in-Action Member Service and the Dora Maxwell Social Responsibility Community Service Award for credit unions with assets over 50 million-dollars. Philosophy-in-action and social responsibility community service is what distinguishes credit unions from other financial service providers. Our philosophy 'People-Helping-People' and the way we put it into practice is the heart of the credit union difference.

Here are a few examples of how we have lived out the credit union philosophy in 2018

- Continued our partnership with Volunteers Enlisted to Assist People, also known as VEAP, our local food shelf, to help improve the lives of the people in the community by raising money, donating time, and collecting food
- Hosted our 10th Annual BBQ for the Bloomington community in September
- Helped sponsor "National Night Out" in the immediate area of our Bloomington location
- Partnered with Hillcrest Community School doing a variety of things from serving lunch to making sure we do our part to start healthy savings habits for today's youth
- Partnered with Meals on Wheels to deliver hot meals to senior citizens throughout Bloomington
- Our entire staff volunteered for two shifts packing meals at Feed My Starving Children

As our membership at Star Choice continues to grow, I want to remind you that we can serve anyone who lives, works, worships and/or volunteers within Hennepin County, and those employed by a company within the information media, advertising or related services industry. Star Choice is positioned for great things in 2019. You can count on our commitment to put our members before profits and to provide you with the latest products and services to keep you up to speed. We are excited about what the future holds.

As always, I'd like to thank you for your membership at Star Choice.

Thank you,  
Lynn Lettow  
Board Chair, Star Choice Credit Union



# President's Report

It is my pleasure to have been the President of Star Choice Credit Union for over 28 years! Star Choice Credit Union was founded in 1931, making this our 87th year of serving our members. This year has inevitably faced us with new challenges, opportunities and experiences and we are happy to report another year of growth and success for Star Choice Credit Union.

A major service enhancement, this past year, was adding Android Pay and Samsung Pay for our debit cards. This is a fast and secure method of paying—especially for those merchants that support pay by phone but don't yet support chip cards. If you also have our Star Choice credit cards, Apple Pay, Android Pay and Samsung Pay will be available this spring so that you can pay by phone with your credit card as well with the same enhanced security as the debit cards.

With the dramatically changing housing market, we held a home buying seminar for our members this past year. It looks like this year will bring even more uncertainty to home buying and home ownership so this type of educational program has merit. If this is of interest to you or a family member, just let us know.

We had a new and rewarding experience this past year as a staff. We closed on Columbus Day and participated in a statewide credit union volunteer program called CU Forward. Our staff packed meals at Feed My Starving Children with several other credit unions. Altogether, we packed over 63,500 meals that will feed 175 children for a year. We highly recommend this worthwhile charity and encourage everyone to experience it for yourself. It will make an impact on you as you make an impact on hunger.

Some of the key indicators for 2017 at Star Choice reveal solid financial performance:

- Our membership is growing and is the highest it has been in 14 years
- Our operating expenses were only up slightly—less than the cost of living index
- We opened more than 495 new accounts last year
- The last eight years have been the strongest membership growth in our history
- Our member savings accounts are the highest in our history
- The member loan balances are the highest in our history
- Since the end of The Great Recession—had 6 consecutive years of positive earnings
- We remain optimistic about positive trends continuing in 2018

I would like to give a special thank you to the Board of Directors and Supervisory Committee for their commitment over the years. Their leadership, wisdom and vision have been vital to the success of our credit union. I would also like to thank our management team and employees who have contributed to our mission of providing exceptional member service throughout this busy and productive year. Together we look forward to continued success of our credit union.

Finally, I would like to thank all of our members. We are thankful for your continued loyalty and support and we look forward to serving you and your families for many years to come.

Daniel E. Christiansen

# Supervisory Committee's Report

During 2018, the Supervisory Committee conducted two audits of Star Choice Credit Union as of the effective dates of June 30 and December 31. Included in these audits were balance sheet and income statement examinations, appropriate tests on bank statements, reconciliations, investments, loans, share and deposit accounts and all reserve accounts. Semi-annual reports were sent to the Minnesota Department of Commerce in compliance with the state law. The Supervisory Committee presented monthly reports at the meetings of the Board of Directors.

Additionally, the Supervisory Committee contracted the services of Clifton Larson Allen, LLP, an independent accounting firm of certified public accountants, to assist in the performance of a comprehensive audit in order to render an opinion on management's financial statements. This firm, at the direction of the Supervisory Committee, has performed a verification of all members' accounts as well as all other procedures required.

In the opinion of Clifton Larson Allen, LLP, the statement of financial condition for the audit period presents fairly, in all material respects, the financial position of Star Choice Credit Union as of June 30, 2018 in conformity with Generally Accepted Accounting Principles.

Cheri Zitzloff, Chair  
Pam Skelly  
Ricky Brink



# Credit Manager's Report

<u>Activity</u>	2018	2017	2016
Number of Loans Made	915	856	843
Loans Not Approved	171	203	165
Total Loans Disbursed	\$ 28,933,117	\$26,076,730	\$24,321,220
Average Loan Disbursed	\$ 31,621	\$30,463	\$28,851
Number of Uncollectible Loans Charged to Reserves	35	31	30
Amount of Loans Charged to Reserves	\$ 176,943	\$172,517	\$178,770
Amount Recovered on Loans Charged Off	\$ 29,276	\$24,126	\$14,267
Net Amount Charged Off	\$ 147,667	\$148,391	\$164,503
Number of Loans Made Since 1931	118,092	117,177	116,321
Total Loans Disbursed Since 1931	\$583,479,862	\$554,546,745	\$528,470,015
Loan Losses After Recoveries Since 1931	\$4,664,818	\$4,517,151	\$4,368,760

# Statement of Condition

## Loans

SECURED CONSUMER	19,329,936	16,379,643	2,950,293
UNSECURED CONSUMER	4,827,785	4,283,429	544,356
1ST AND 2ND MORTGAGES	29,092,899	22,254,175	6,838,724
MEMBER BUSINESS	305,237	5,060,656	(4,755,418)
<b>Loans</b>	<b>53,555,857</b>	<b>47,977,903</b>	<b>5,577,955</b>

LN LOSS ALLOWANCE	(221,526)	(227,493)	5,967
CASH IN BANK/ON HAND	373,561	349,870	23,691
ALLOYA	380,282	2,567,277	(2,186,995)
TRULYNC	215,958	253,506	(37,548)
CHECKS OUTSTANDING	(214,147)	(216,681)	2,533
FIFTH THIRD TRANSACTIONAL ACCOUNT	65,000	65,000	0
NCUSIF	515,001	474,636	40,365
<b>OTHER ASSETS</b>			
FIXED ASSETS	2,187,922	2,277,974	(90,052)
ACCRUED INCOME	109,375	99,817	9,558
ALL OTHER ASSETS	243,802	241,869	1,933
<b>OTHER ASSETS</b>	<b>2,541,100</b>	<b>2,619,660</b>	<b>(78,560)</b>

OTHER REAL ESTATE	0	2,000	(2,000)
<b>Total Assets</b>	<b>57,211,085</b>	<b>53,865,678</b>	<b>3,345,407</b>

## Liabilities

ACCOUNTS PAYABLE	494,966	477,011	17,955
DIVIDENDS PAY	4,634	3,145	1,489
ACCRUED EXPENSES	79,819	86,757	(6,938)
NOTES/INTEREST PBL	0	0	0
ACCRUED STATE EXAM AND ASSESMENT	0	0	0
<b>Total Liabilities</b>	<b>579,419</b>	<b>566,914</b>	<b>12,505</b>

## Equity

<b>MEMBER SHARES</b>			
REGULAR SHARES	19,111,739	18,873,078	238,661
CLUB SHARE	1,816,533	1,936,187	(119,654)
MONEY MARKET	5,558,972	5,481,657	77,315
HSA SHARES	188,044	184,151	3,892
CHECKING	18,840,917	15,239,451	3,601,466
CERTIFICATES OF DEPOSIT	4,009,162	4,712,303	(703,141)
IRA CERTIFICATE OF DEPOSIT	714,501	851,451	(136,950)
IRA SHARES	1,163,109	1,208,019	(44,910)
<b>MEMBER SHARES</b>	<b>51,402,976</b>	<b>48,486,297</b>	<b>2,916,679</b>

## MEMBER CAPITAL

REGULAR RESERVES	1,443,696	1,443,696	0
OPERATING RESERVES	3,368,771	3,004,769	364,002
NET INCOME	416,223	364,002	52,221
<b>MEMBER CAPITAL</b>	<b>5,228,691</b>	<b>4,812,468</b>	<b>416,223</b>

<b>Total Equity</b>	<b>56,631,667</b>	<b>53,298,765</b>	<b>3,332,902</b>
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<b>Total Liabilities &amp; Equity</b>	<b>57,211,085</b>	<b>53,865,678</b>	<b>3,345,407</b>
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# Income and Expense Comparison

	YTD 12/18	YTD 12/17	Variance to Last Year
<b>Income</b>			
<b>INTEREST ON LOANS</b>			
SECURED LOANS	604,505	513,781	90,724
UNSECURED LOANS	406,895	369,742	37,154
1ST AND 2ND MORTGAGE	1,153,238	1,012,704	140,534
MEMBER BUSINESS	61,645	92,692	-31,046
<b>INTEREST ON LOANS</b>	<b>2,226,283</b>	<b>1,988,918</b>	<b>237,365</b>
INVESTMENT INC	14,527	15,658	-1,131
FEES/ CHARGES/MISC	702,917	611,012	91,905
<b>Total Income</b>	<b>2,943,728</b>	<b>2,615,588</b>	<b>328,140</b>
<b>Expense</b>			
<b>OPERATIONS EXPENSES</b>			
COMPENSATION	805,111	734,106	71,006
EMPLOYEE BENEFITS	198,444	172,774	25,671
TRAVEL/EDUCATION	114,161	103,237	10,924
ASSOCIATION DUES	12,706	12,579	127
OFFICE OCCUPANCY	65,741	65,094	647
OFFICE OPERATIONS	382,209	411,348	-29,139
MBR ED AND PROMOTION	46,760	33,214	13,545
LOAN SERVICING	184,181	168,855	15,327
PROFESSIONAL/OUTSIDE	456,618	424,134	32,485
OPERATING FEES	28,192	25,727	2,465
CASH OVER/SHORT	156	552	-397
INTEREST, BORR MONEY	15,420	62	15,358
ANNUAL MEETING EXP	781	918	-137
MISC OPERATING EXP	3,895	595	3,300
LOAN LOSS PROVISION	143,600	140,500	3,100
<b>OPERATIONS EXPENSES</b>	<b>2,457,976</b>	<b>2,293,695</b>	<b>164,281</b>
<b>DIVIDENDS</b>			
DIV-REGULAR SHARES	10,484	9,364	1,119
DIV-CHECKING	15,935	2,993	12,942
DIV-CLUB ACCTS	1,014	957	57
DIV-IRA SHARES	1,159	1,239	-80
DIV-CERTIFICATES	37,759	23,881	13,878
DIV-MONEY MARKET SAV	7,299	6,715	584
<b>DIVIDENDS</b>	<b>73,650</b>	<b>45,149</b>	<b>28,501</b>
GAIN/LOSS-DISP ASSET	(4,121)	(87,283)	83,162
<b>Total Expense</b>	<b>2,527,505</b>	<b>2,251,560</b>	<b>275,944</b>
<b>Net Income</b>	<b>416,223</b>	<b>364,027</b>	<b>52,196</b>







