



2017 ANNUAL REPORT

Board of Director's Chair Report

Our credit union was founded 87 years ago, and 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 significantly reducing our delinquency. 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 in 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.

2017 was a great year for Star Choice. We are pleased to announce that Star Choice Credit Union has received the Louise Herring Philosophy in Action Member Service Award this year. We were especially honored to receive this award this year since we have surpassed the \$50 million dollar asset mark. We are now competing in a different category with much larger credit unions. The Louise Herring Award for Philosophy in Action recognizes credit unions that demonstrate in an extraordinary way the practical application of credit union philosophy, people helping people. Philosophy in action is what distinguishes credit unions from other financial service providers. Our philosophy 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 2017:

- Continued our partnership with 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 9th Annual BBQ for the Bloomington community in September
- Helped sponsor “National Night Out” in the immediate area of our Bloomington location
- Partnered with Hillcrest Elementary to provide volunteers for serving lunch
- Partnered with Meals on Wheels to deliver meals to seniors and people with disabilities in the Bloomington area

Another great accomplishment for Star Choice this year is that we were once again nominated by a member for the 2017 Minnesota Business Ethics Award. We didn't receive an ethics award this year, however, we were honored to be a finalist.

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. Also, those employed by a company within the information media, advertising or related services industry are eligible for membership as well. 2017 was one of our best years yet, and Star Choice is positioned for great things in 2018. 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
President

Supervisory Committee's Report

During 2017, 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. The Minnesota Department of Commerce conducted a regularly scheduled examination of our credit union in 2017 with an effective date of June 30, 2017.

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, 2017 in conformity with Generally Accepted Accounting Principles.

Cheri Zitzloff, Chair
Pam Skelly
Ricky Brink

Credit Manager's Report

<u>ACTIVITY</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Number of Loans Made	856	843	755
Loans Not Approved	203	165	179
Total Loans Disbursed	\$26,076,730	\$24,321,220	\$21,276,370
Average Loan Disbursed	\$30,463	\$28,851	\$28,181
Number of Uncollectible Loans Charged to Reserves	31	30	34
Amount of Loans Charged to Reserves	\$172,517	\$178,770	\$200,058
Amount Recovered on Loans Charged Off	\$24,126	\$14,267	\$15,453
Net Amount Charged Off	\$148,391	\$164,503	\$184,605
Number of Loans Made Since 1931	117,177	116,321	115,478
Total Loans Disbursed Since 1931	\$554,546,745	\$528,470,015	\$504,148,795
Loan Losses After Recoveries Since 1931	\$4,517,151	\$4,368,760	\$4,354,493

I would like to thank our members for using the credit union to meet your borrowing needs and thank our staff for working so hard to give our members the service they deserve and the dedication to help our members build a strong financial future.

Daniel E. Christiansen
Credit Manager

Statement of Condition

	12-2017	12-2016	Variance to Last Year
Assets			
<i>Loans</i>			
SECURED CONSUMER	16,379,643	15,052,856	1,326,787
UNSECURED CONSUMER	4,283,429	3,783,497	499,932
1ST AND 2ND MORTGAGES	22,730,949	24,621,316	(1,890,367)
MEMBER BUSINESS	4,583,881	617,782	3,966,099
Loans	47,977,903	44,075,450	3,902,452
LN LOSS ALLOWANCE	(227,493)	(235,384)	7,891
CASH IN BANK/ON HAND	349,870	311,991	37,879
ALLOYA	2,567,277	3,039,278	(472,001)
TRULYNC	253,506	183,253	70,253
CHECKS OUTSTANDING	(216,681)	(445,057)	228,377
FIFTH THIRD TRANSACTIONAL ACCOUNT	65,000	65,000	0
TERM INVESTMENTS	0	735,000	(735,000)
NCUSIF	474,636	445,131	29,505
<i>OTHER ASSETS</i>			
FIXED ASSETS	2,277,974	2,348,524	(70,550)
ACCRUED INCOME	99,817	88,667	11,151
ALL OTHER ASSETS	241,869	321,981	(80,112)
OTHER ASSETS	2,619,660	2,759,171	(139,511)
OTHER REAL ESTATE	2,000	2,347	(347)
Total Assets	53,865,678	50,936,182	2,929,497
Liabilities			
ACCOUNTS PAYABLE	477,011	376,331	100,680
DIVIDENDS PAY	3,145	3,649	(504)
ACCRUED EXPENSES	86,757	35,703	51,054
ACCRUED STATE EXAM AND ASSESMENT	0	0	0
Total Liabilities	566,914	415,683	151,230
Equity			
<i>MEMBER SHARES</i>			
REGULAR SHARES	18,873,078	17,737,747	1,135,331
CLUB SHARE	1,936,187	1,701,734	234,453
MONEY MARKET	5,481,657	5,871,649	(389,992)
HSA SHARES	184,151	162,733	21,418
CHECKING	15,239,451	12,932,222	2,307,229
CERTIFICATES OF DEPOSIT	4,712,303	5,235,715	(523,412)
IRA CERTIFICATE OF DEPOSIT	851,451	1,222,053	(370,602)
IRA SHARES	1,208,019	1,208,180	(161)
MEMBER SHARES	48,486,297	46,072,033	2,414,264
<i>MEMBER CAPITAL</i>			
REGULAR RESERVES	1,443,696	1,443,696	0
OPERATING RESERVES	3,004,769	2,834,559	170,211
NET INCOME	364,002	170,211	193,792
MEMBER CAPITAL	4,812,468	4,448,466	364,002
Total Equity	53,298,765	50,520,498	2,778,267
Total Liabilities & Equity	53,865,678	50,936,182	2,929,497

Income and Expense Comparison

	YTD 12/17	YTD 12/16	Variance to Last Year
Income			
INTEREST ON LOANS			
SECURED LOANS	513,781	459,824	53,956
UNSECURED LOANS	369,742	367,295	2,447
1ST AND 2ND MORTGAGE	1,012,704	997,922	14,782
MEMBER BUSINESS	92,692	19,719	72,973
INTEREST ON LOANS	1,988,918	1,844,760	144,158
INVESTMENT INC	15,658	26,559	-10,901
FEES/ CHARGES/MISC	611,012	607,356	3,657
Total Income	2,615,588	2,478,674	136,913
Expense			
OPERATIONS EXPENSES			
COMPENSATION	734,106	704,260	29,846
EMPLOYEE BENEFITS	172,774	158,975	13,799
TRAVEL/EDUCATION	103,237	77,215	26,022
ASSOCIATION DUES	12,579	12,601	-22
OFFICE OCCUPANCY	65,094	56,194	8,901
OFFICE OPERATIONS	411,348	433,572	-22,224
MBR ED AND PROMOTION	33,214	37,602	-4,387
LOAN SERVICING	168,855	188,660	-19,806
PROFESSIONAL/OUTSIDE	424,159	342,514	81,619
OPERATING FEES	25,727	21,595	4,132
CASH OVER/SHORT	552	745	-193
INTEREST, BORR MONEY	62	62	-0
ANNUAL MEETING EXP	918	996	-77
MISC OPERATING EXP	595	610	-15
LOAN LOSS PROVISION	140,500	222,100	-81,600
OPERATIONS EXPENSES	2,293,720	2,257,701	35,994
DIVIDENDS			
DIV-REGULAR SHARES	9,364	8,639	725
DIV-CHECKING	2,993	2,756	237
DIV-CLUB ACCTS	957	869	87
DIV-IRA SHARES	1,239	1,227	13
DIV-CERTIFICATES	23,881	27,392	-3,511
DIV-MONEY MARKET SAV	6,715	6,885	-170
DIVIDENDS	45,149	47,767	-2,619
GAIN/LOSS-DISP ASSET	(87,283)	2,995	-90,278
Total Expense	2,251,585	2,308,464	-56,903
Net Income	364,002	170,211	193,817