

Star  *Choice*[®]

Credit Union

2015 Annual Report

Board of Director's Chair Report

Our credit union was founded 85 years ago, and yet today we remain focused on the same mission – serving our members. Once again, we set ourselves apart from other financial institutions by providing exceptional member service. I am pleased to report that we continue to overcome challenges and improve the health of our credit union year after year. This year we were able to grow our loans and savings while significantly reducing our spending as well as 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 complicated financial 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. We continued our dedication to the communities in which we serve by volunteering our time on many community projects. In 2015, we have:

- Continued our partnership with Volunteers Enlisted to Assist People (also known as VEAP)
- Hosted our 7th Annual BBQ for the Bloomington community in September
- Helped sponsor “National Night Out” in the immediate area of our Bloomington location
- Invited youth to our 4th annual trick-or-treating & costume contest at our Bloomington office
- Partnered with Hillcrest and Westwood elementary schools in the Bloomington community
- Partnered with our neighbor, Walgreens, to host an American Red Cross Blood Drive

As a result of our community involvement efforts and our commitment to the credit union philosophy of people helping people, we submitted entries to be considered for the Minnesota Credit Union Network's 2015 Dora Maxwell and Louise Herring Awards. The Dora Maxwell Award recognizes credit union for Social Responsibility and the Louise Herring Award recognizes credit unions for their Philosophy in Action. We are proud to announce that we have been awarded first place in our asset category for both of these awards. Another great accomplishment for Star Choice this year is that we were nominated by a member for the 2015 Minnesota Business Ethics Award. Although we didn't receive the award this year, we were chosen as finalists and attended the 2015 awards presentation.

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. Once you are a member of the credit union, your entire family, both immediate and extended, are also eligible for membership. Star Choice is continuing to position the credit union to grow, serve and build strong financial futures for decades to come.

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 26 years! In today's world, the only thing that is constant is change. Together, over the past 85 years, Star Choice Credit Union and its members have seen a lot of changes. Whether it's the economy, interest rates or technology; it is our ultimate goal to provide you with an unmatched member experience.

Last year, one positive change we made was enhancing the security of our debit cards; we issued new EMV (chip) debit cards to all of our members. An EMV debit card contains an embedded microchip that encrypts information to increase data security when making transactions. When purchases are made using the chip feature, the transaction is more secure because of a unique process that is used to determine if the card is authentic. This makes the card more difficult to counterfeit or copy. While magnetic stripe cards are still considered secure, chip technology is the next step to providing enhanced security to our members.

Another change many of you may have noticed is our new ATM machine! Our upgraded ATM now lets you make cash or check deposits all in one simple location, 24 hours a day, 7 days a week. As always, it's free for our members. You pay no ATM fees. The ATM is also environmentally friendly, no need for envelopes or deposit slips.

Some of the key indicators for 2015 at Star Choice reveal solid financial performance:

- Our membership is growing and is the highest it has been in 11 years
- Our operating expenses were lower than 5 of the last 6 years
- We opened over 500 new accounts last year
- The last six years have been the strongest membership growth in our history
- Our members savings accounts are the highest in our history
- The year-end member loan balances are the highest in our history
- Since the end of The Great Recession, we have had 4 consecutive years of positive earnings
- We remain optimistic about positive trends continuing in 2016

I would like to thank the Board of Directors and Supervisory Committee for their vision and proactive approach in building our credit union to be the best it can be. Our members are the true beneficiaries of their service. 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 for staying loyal to us and for being patient during these times of change as we continue to prepare for the future.

Dan Christiansen
President

Supervisory Committee's Report

During 2015, 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 2015 with an effective date of June 30, 2015.

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, 2015 in conformity with Generally Accepted Accounting Principles.

Pam Skelly, Chair
Louis Brink
Jill Kaliher

Credit Manager's Report

Activity	2015	2014	2013
Number of Loans Made	755	676	811
Loans Not Approved	179	201	209
Total Loans Disbursed	\$21,276,370	\$18,172,665	\$20,223,723
Average Loan Disbursed	\$28,181	\$26,883	\$25,252
Number of Uncollectible Loans Charged to Reserves	34	33	16
Amount of Loans Charged to Reserves	\$200,058	\$274,365	\$132,925
Amount Recovered on Loans Charged Off	\$15,453	\$22,557	\$7,565
Net Amount Charged Off	\$184,605	\$251,808	\$124,631
Number of Loans Made Since 1931	115,478	114,723	114,047
Total Loans Disbursed Since 1931	\$504,148,795	\$482,872,425	\$464,699,760
Loan Losses After Recoveries Since 1931	\$4,354,493	\$4,169,888	\$3,918,080

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

	12-2015	% Assets 12-2015	Variance to Last Month	Month-end 12/14	% Assets 12-2015	Variance to Last Year	Percent of Change
Assets							
<i>Loans</i>							
SECURED CONSUMER	12,953,433	26.34 %	71,791	11,065,305	25.08 %	1,888,128	17.06 %
UNSECURED CONSUMER	3,457,336	7.03 %	30,710	3,407,354	7.72 %	49,982	1.47 %
1ST AND 2ND MORTGAGES	24,259,536	49.33 %	(44,206)	24,750,968	56.09 %	(491,432)	(1.99%)
MEMBER BUSINESS	285,531	0.58 %	(40,265)	315,005	0.71 %	(29,473)	(9.36%)
Loans	40,955,836	83.28 %	18,030	39,538,632	89.60 %	1,417,204	
LN LOSS ALLOWANCE	(177,788)	(0.36%)	(22,711)	(160,392)	(0.36%)	(17,396)	10.85 %
CASH IN BANK/ON HAND	387,207	0.79 %	64,535	400,555	0.91 %	(13,347)	(3.33%)
ALLOYA	2,953,393	6.01 %	158,685	2,321,798	5.26 %	631,595	27.20 %
MNIPC	101,954	0.21 %	(90,349)	124,035	0.28 %	(22,081)	(17.80%)
CHECKS OUTSTANDING	(264,015)	(0.54%)	131,624	(136,272)	(0.31%)	(127,743)	93.74 %
FIFTH THIRD TRANSACTIONAL ACCOUNT	0	0.00 %	0	129,844	0.29 %	(129,844)	(100.00%)
TERM INVESTMENTS	1,715,000	3.49 %	(245,000)	1,225,000	2.78 %	490,000	40.00 %
CORP CENTRAL	343,281	0.70 %	0	343,281	0.78 %	0	0.00 %
NCUSIF	426,441	0.87 %	0	418,022	0.95 %	8,419	2.01 %
<i>OTHER ASSETS</i>							
FIXED ASSETS	2,446,187	4.97 %	(8,239)	2,434,430	5.52 %	11,757	0.48 %
ACCRUED INCOME	83,947	0.17 %	739	80,445	0.18 %	3,501	4.35 %
ALL OTHER ASSETS	207,574	0.42 %	16,917	354,738	0.80 %	(147,165)	(41.49%)
OTHER ASSETS	2,737,708	5.57 %	9,418	2,869,614	6.50 %	(131,906)	
OTHER REAL ESTATE	2,347	0.00 %	2,347	55,314	0.13 %	(52,966)	(95.76%)
Total Assets	49,181,365	100.00 %	26,579	47,129,430	106.80 %	2,051,935	(72.55%)
Liabilities							
ACCOUNTS PAYABLE	187,032	0.38 %	(154,769)	145,427	0.33 %	41,605	28.61 %
DIVIDENDS PAY	4,109	0.01 %	(1,386)	4,699	0.01 %	(590)	(12.55%)
ACCRUED EXPENSES	40,008	0.08 %	5,539	44,777	0.10 %	(4,769)	(10.65%)
ACCRUED STATE EXAM AND ASSESMENT	0	0.00 %	4,200	0	0.00 %	0	0.00 %
Total Liabilities	231,149	0.47 %	(146,416)	194,902	0.44 %	36,246	5.41 %
Equity							
<i>MEMBER SHARES</i>							
REGULAR SHARES	16,065,208	32.67 %	163,142	15,317,736	34.71 %	747,473	4.88 %
CLUB SHARE	1,471,544	2.99 %	(134,901)	1,497,550	3.39 %	(26,006)	(1.74%)
MONEY MARKET	5,896,201	11.99 %	54,231	6,718,158	15.22 %	(821,957)	(12.23%)
HSA SHARES	140,215	0.29 %	11,254	114,714	0.26 %	25,501	22.23 %
CHECKING	12,857,404	26.14 %	129,769	10,483,057	23.76 %	2,374,347	22.65 %
CERTIFICATES OF DEPOSIT	5,555,282	11.30 %	(49,778)	5,633,385	12.77 %	(78,103)	(1.39%)
IRA CERTIFICATE OF DEPOSIT	1,426,320	2.90 %	(559)	1,493,205	3.38 %	(66,885)	(4.48%)
IRA SHARES	1,259,788	2.56 %	(4,862)	1,519,659	3.44 %	(259,872)	(17.10%)
MEMBER SHARES	44,671,961	90.83 %	168,296	42,777,463	96.94 %	1,894,498	
<i>MEMBER CAPITAL</i>							
REGULAR RESERVES	1,443,696	2.94 %	0	1,443,696	3.27 %	0	0.00 %
OPERATING RESERVES	2,713,368	5.52 %	0	2,627,730	5.95 %	85,638	3.26 %
NET INCOME	121,191	0.25 %	4,699	85,638	0.19 %	35,553	41.52 %
MEMBER CAPITAL	4,278,255	8.70 %	4,699	4,157,064	9.42 %	121,191	
Total Equity	48,950,216	99.53 %	172,995	46,934,527	106.36 %	2,015,689	57.60 %
Total Liabilities & Equity	49,181,365	100.00 %	26,579	47,129,430	106.80 %	2,051,935	63.01 %

Budget Comparison

	YTD 12/15	Budget YTD 12/15	Variance to Budget	Percent Variance to Budget	YTD 12/14	Variance to Last Year
Income						
INTEREST ON LOANS						
SECURED LOANS	410,065	415,105	(5,040)	(1.21%)	389,458	20,606
UNSECURED LOANS	380,938	388,081	(7,143)	(1.84%)	385,396	(4,459)
1ST AND 2ND MORTGAGE	1,021,213	1,093,372	(72,158)	(6.60%)	1,085,112	(63,899)
MEMBER BUSINESS	5,129	5,725	(596)	(10.40%)	9,601	(4,472)
INTEREST ON LOANS	1,817,345	1,902,283	(84,937)	-4.47%	1,869,568	(52,223)
INVESTMENT INC	20,137	7,596	12,540	165.09 %	14,360	5,776
FEES/ CHARGES/MISC	584,286	545,094	39,192	7.19 %	550,240	34,046
Total Income	2,421,768	2,454,973	(33,205)	-1.4%	2,434,169	(12,401)
Expense						
OPERATIONS EXPENSES						
COMPENSATION	657,258	668,880	(11,622)	(1.74%)	678,150	(20,892)
EMPLOYEE BENEFITS	169,639	179,950	(10,311)	(5.73%)	168,878	760
TRAVEL/EDUCATION	27,115	83,400	(56,285)	(67.49%)	43,887	(16,772)
ASSOCIATION DUES	12,748	12,600	148	1.17 %	12,575	173
OFFICE OCCUPANCY	62,573	74,100	(11,527)	(15.56%)	78,592	(16,019)
OFFICE OPERATIONS	423,890	416,950	6,940	1.66 %	438,393	(14,503)
MBR ED AND PROMOTION	41,991	34,400	7,591	22.07 %	42,886	(894)
LOAN SERVICING	191,171	182,300	8,871	4.87 %	191,148	23
PROFESSIONAL/OUTSIDE	371,834	325,500	46,334	14.23 %	324,544	47,290
OPERATING FEES	27,945	30,000	(2,055)	(6.85%)	19,214	8,731
CASH OVER/SHORT	426	0	426	0.00 %	948	(522)
INTEREST, BORR MONEY	759	0	759	0.00 %	79	680
ANNUAL MEETING EXP	1,252	1,300	(48)	(3.72%)	1,652	(401)
MISC OPERATING EXP	595	1,200	(605)	(50.42%)	12,348	(11,753)
LOAN LOSS PROVISION	200,300	150,000	50,300	33.53 %	268,800	(68,500)
OPERATIONS EXPENSES	2,189,497	2,160,580	28,917	1.34%	2,282,096	(92,599)
DIVIDENDS						
DIV-REGULAR SHARES	7,753	7,761	(8)	(0.11%)	7,292	461
DIV-CHECKING	2,220	2,540	(320)	(12.58%)	1,905	315
DIV-CLUB ACCTS	862	835	27	3.18 %	816	46
DIV-IRA SHARES	1,333	717	616	85.88 %	1,376	(43)
DIV-CERTIFICATES	30,412	34,130	(3,718)	(10.89%)	40,384	(9,972)
DIV-MONEY MARKET SAV	7,073	7,513	(440)	(5.86%)	8,180	(1,107)
DIVIDENDS	49,652	53,496	(3,844)	-7.19%	59,953	(10,300)
GAIN/LOSS-DISP ASSET	61,428	4,000	57,428	1,435.69 %	6,461	54,966
DIVIDENDS - ESCROW SHARES	0	0	0	0.00 %	21	(21)
Total Expense	2,300,577	2,218,076	82,501	3.72 %	2,348,531	(47,954)
Net Income	121,191	236,896	(115,705)	(48.84%)	85,638	35,553