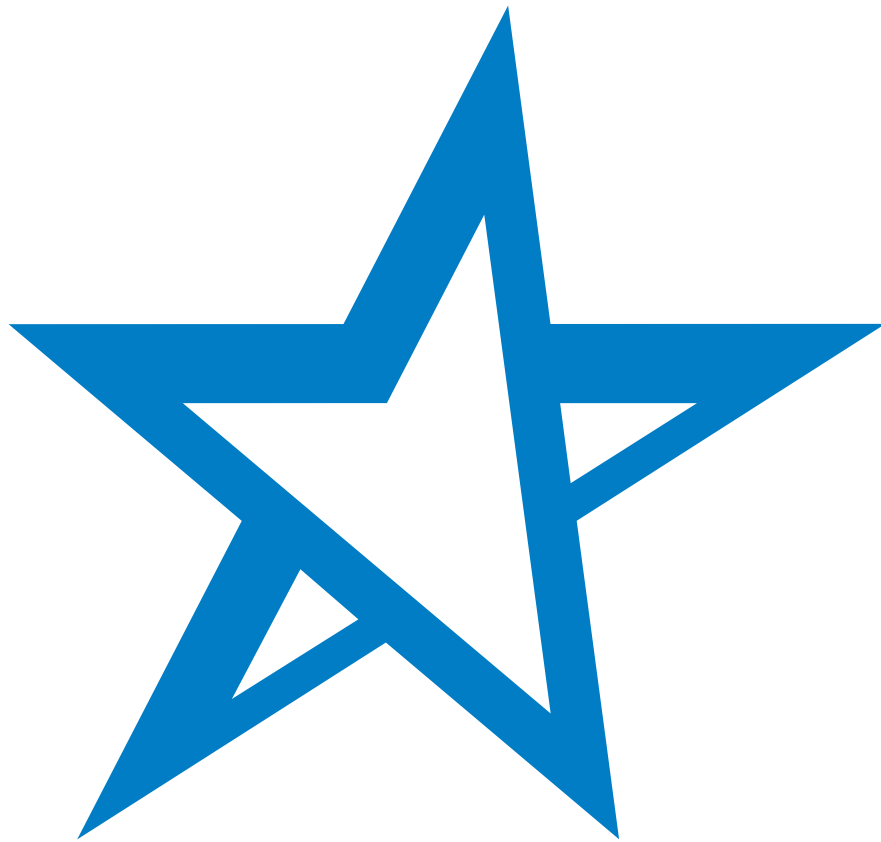




2013 Annual Report



Board of Directors Chair Report

Star Choice Credit Union has had another excellent year! We continue to overcome challenges and improve the health of our credit union year after year. This year we were able to control our asset growth while exceeding our earning budget, significantly reduce our delinquent loans and charges offs, and strengthen and diversify our loan portfolio. 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 well being 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 2013, we have:

- Continued our partnership with Volunteers Enlisted to Assist People, also known as VEAP, a local food shelf, to help with their needs and improve the lives of the people in the community by raising money, donating time, and collecting food
- Hosted our 5th annual BBQ for the Bloomington community in September and helped prevent identity theft by providing free on-site document shredding
- Partnered with the American Red Cross and hosted our first annual Blood Drive
- Helped sponsor "National Night Out" in the immediate area of our Bloomington location
- Invited youth to our second annual trick-or-treating & costume contest at our Bloomington office
- Partnered with Hillcrest and Westwood elementary schools in the Bloomington community--staff volunteers at these schools to make sure we do our part to start healthy savings habits and build strong financial futures for today's youth

As a result of our community involvement efforts, we submitted an entry to be considered for the 2013 Dora Maxwell Award for Social Responsibility. The award, created in 1987, recognizes credit unions for activities that benefit their home communities, and we are proud to say we have been honored with a state-level Award this year.

As our field of membership continues to grow, I want to remind you that we can now serve anyone who lives, works, worships and/or volunteers within Hennepin County, and also those employed by a company within the information media, advertising or related services industry. Once you are a member of the credit union, your entire family, both immediate and extended, is also eligible for membership. Star Choice is positioning 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,

Michael Felien
Board Chair, Star Choice Credit Union



President's Report

We are relieved to say we are seeing a broader economic recovery across our country and specifically in the Twin Cities. Hiring has picked up, homes are once again appreciating, and consumer confidence and spending has greatly improved. Our members have begun replacing their aging vehicles with newer ones and we have seen a marked increase in consumer borrowing.

Add up all those trends and one might expect that your credit union has had positive results for 2013, and you would be correct. Star Choice Credit Union, like all financial institutions, worked hard to survive the Great Recession and we are now beginning to see those efforts paying off with solid positive trends over the past 24 months.

A review of some of the key indicators for 2013 at Star Choice reveals a more robust financial performance.

- Our current delinquency is the lowest in 8 years even as our loans are at record levels
- Our loans charged off is the lowest in 6 years
- Our membership is growing and is the highest it has been in 8 years
- Our 2013 expenses were the lowest they have been in 8 years
- Banks continue to drive away customers, helping us gain strong new membership growth
 - We opened over 600 new accounts last year
 - The last four years have been the strongest membership growth in our history
- The new members are coming with much, if not all, of their business—
Our number of checking accounts is significantly higher than it has ever been
- We had positive earnings in every month in 2012 and 2013
- The first month of 2014 is continuing these positive trends

We have a much more diversified membership base now and we have the potential to be stronger because of it. With the trust and confidence that our Bloomington community has placed in us, we will continue growing and helping our members reach their financial goals.

I would like to thank all of our members, both new and longtime members, for trusting us, encouraging us with your business and telling your friends and family about us.

I would also like to take time to thank the selfless volunteers who serve on our Board of Directors and Supervisory Committee for their leadership and commitment to Star Choice Credit Union. It is a privilege to serve with these dedicated individuals who provide us with a wealth of knowledge and insight. And to the employees of the credit union—your strength, determination, top-notch service and friendly smile is what Star Choice is all about.

Dan Christiansen
President



Supervisory Committee's Report

During 2013, 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 2013 with an effective date of June 30, 2013.

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, 2013 in conformity with Generally Accepted Accounting Principles.

Pam Skelly, Chair
Louis Brink
Jill Kaliher

Credit Manager's Report

Activity	2013	2012	2011
Number of Loans Made	811	656	661
Loans Not Approved	209	247	276
Total Loans Disbursed	\$20,223,723	\$18,156,845	\$12,881,281
Average Loan Disbursed	\$25,252	\$27,678	\$19,487
Number of Uncollectible Loans Charged to Reserves	16	19	35
Amount of Loans Charged to Reserves	\$132,925	\$138,952	\$986,674
Amount Recovered on Loans Charged Off	\$7,565	\$18,893	\$9,831
Net Amount Charged Off	\$124,631	\$120,059	\$976,843
Number of Loans Made Since 1931	114,047	113,236	112,580
Total Loans Disbursed Since 1931	\$464,699,760	\$444,476,037	\$426,319,192
Loan Losses After Recoveries Since 1931	\$3,918,080	\$3,793,449	\$3,673,390

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

	12/31/2013	% Assets 12/31/2013	Variance to Last Month	12/31/2012	% Assets 12/31/2012	Variance to Last Year	Percent of Change
ASSETS							
SECURED CONSUMER	10,201,606	22.09%	98,859	8,050,461	18.18%	2,151,145	26.72%
UNSECURED CONSUMER	3,422,281	7.41%	122,493	2,609,922	5.89%	812,360	31.13%
1ST & 2ND MORTGAGES	24,822,913	53.75%	15,264	25,365,475	57.29%	(542,562)	(2.14%)
MEMBER BUSINESS	252,578	0.55%	(2,481)	667,366	1.51%	(414,789)	(62.15%)
LOANS TO MEMBERS	38,699,379	83.80%	234,136	36,693,224	82.87%	2,006,155	5.47%
LOAN LOSS ALLOWANCE	(150,533)	(0.33%)	39,443	(451,664)	(1.02%)	301,131	(66.67%)
CASH IN BANK/ON HAND	485,296	1.05%	(18,031)	442,726	1.00%	42,570	9.62%
MEMBERS UNITED	1,015,117	2.20%	(552,698)	3,243,141	7.32%	(2,228,024)	(68.70%)
FED CLEARING	91,588	0.20%	(189,332)	205,148	0.46%	(113,560)	(55.36%)
CHECKS OUTSTANDING	(215,104)	(0.47%)	(58,350)	(234,617)	(0.53%)	19,513	(8.32%)
FIFTH THIRD TRANSACTION ACCOUNT	404,214	0.88%	232,807	526,293	1.19%	(122,079)	(23.20%)
TERM INVESTMENTS	2,205,000	4.77%	0	0	0.00%	2,205,000	0.00%
CORP CENTRAL	343,281	0.74%	0	343,281	0.78%	0	0.00%
NCUSIF	403,768	0.87%	0	400,619	0.90%	3,148	0.79%
ACCTS REC CU COMPANY BUILDING	0	0.00%	(170,406)	176,426	0.40%	(176,426)	(100.00%)
INVESTMENTS	4,247,864	9.20%	(737,979)	4,660,292	10.53%	(412,428)	(8.85%)
BILLS PAID OREO	48,931	0.11%	6,930	0	0.00%	48,931	0.00%
FIXED ASSETS	2,523,673	5.46%	(7,998)	2,605,443	5.88%	(81,771)	(3.14%)
ACCRUED INCOME	81,334	0.18%	6,147	76,454	0.17%	4,881	6.38%
ALL OTHER ASSETS	246,211	0.53%	(19,920)	250,906	0.57%	(4,695)	(1.87%)
OTHER ASSETS	2,900,148	6.28%	(14,841)	2,932,802	6.62%	(32,654)	(1.11%)
TOTAL ASSETS	46,182,153	100.00%	(497,272)	44,277,380	100.00%	1,904,774	4.30%
LIABILITIES							
ACCOUNTS PAYABLE	161,397	0.35%	(96,994)	122,937	0.28%	38,460	31.28%
DIVIDENDS PAYABLE	7,337	0.02%	(1,400)	10,024	0.02%	(2,687)	(26.80%)
ACCRUED EXPENSES	43,418	0.09%	6,025	48,781	0.11%	(5,362)	(10.99%)
TOTAL LIABILITIES	212,153	0.46%	(92,369)	181,742	0.41%	30,411	16.73%
EQUITY							
REGULAR SHARES	13,532,151	29.30%	19,171	11,898,426	26.87%	1,633,725	13.73%
CLUB SHARES	1,348,330	2.92%	(42,250)	1,281,368	2.89%	66,962	5.23%
MONEY MARKET	6,974,514	15.10%	(28,264)	7,167,549	16.19%	(193,034)	(2.69%)
HSA SHARES	122,321	0.26%	7,585	105,382	0.24%	16,939	16.07%
CHECKING	9,634,037	20.86%	(477,613)	9,091,503	20.53%	542,534	5.97%
CERTIFICATES	8,971,968	19.43%	96,522	9,483,248	21.42%	(511,280)	(5.39%)
IRA SHARES	1,315,254	2.85%	4,700	1,421,028	3.21%	(105,774)	(7.44%)
MEMBER SHARES	41,898,575	90.72%	(420,150)	40,448,503	91.35%	1,450,072	3.58%
REGULAR RESERVES	1,443,696	3.13%	0	1,443,696	3.26%	0	0.00%
OPERATING RESERVES	2,203,439	4.77%	0	1,897,595	4.29%	305,844	16.12%
NET INCOME	424,290	0.92%	15,246	305,844	0.69%	118,446	38.73%
MEMBER CAPITAL	4,071,426	8.82%	15,246	3,647,135	8.24%	424,290	11.63%
TOTAL EQUITY	45,970,001	99.54%	(404,903)	44,095,638	99.59%	1,874,363	4.25%
LIABILITIES+EQUITY	46,182,153	100.00%	(497,272)	44,277,380	100.00%	1,904,774	4.30%

Budget Comparison

	12/2013 YTD	Budget 12/2013 YTD	Variance to Budget	Column 3%	12/2012 YTD	Variance to Last Year
SECURED LOANS	357,777	319,569	38,208	11.96%	326,454	31,323
UNSECURED LOANS	321,635	322,206	(571)	(0.18%)	278,631	43,004
1ST & 2ND MORTGAGE	1,116,512	1,185,435	(68,923)	(5.81%)	1,203,107	(86,595)
MEMBER BUSINESS	24,518	36,683	(12,165)	(33.16%)	54,809	(30,291)
INVESTMENT INCOME	23,399	13,068	10,331	79.06%	20,994	2,405
FEES/CHARGES/MISC	554,243	516,004	38,239	7.41%	503,790	50,453
	2,398,084	2,392,964	5,120	0.21%	2,387,785	10,299
COMPENSATION	665,654	647,835	17,819	2.75%	625,503	40,151
EMPLOYEE BENEFITS	181,624	183,450	(1,826)	(1.00%)	173,777	7,847
TRAVEL/EDUCATION	66,576	41,700	24,876	59.65%	29,719	36,857
ASSOCIATION DUES	11,914	12,425	(511)	(4.12%)	11,150	763
OFFICE OCCUPANCY	90,888	88,740	2,148	2.42%	87,100	3,788
OFFICE OPERATIONS	421,611	423,136	(1,525)	(0.36%)	405,923	15,688
MEMBER ED & PROMOTION	69,492	68,000	1,492	2.19%	71,522	(2,029)
LOAN SERVICING	207,077	186,720	20,357	10.90%	186,477	20,601
PROFESSIONAL/OUTSIDE	277,540	281,250	(3,710)	(1.32%)	273,835	3,705
OPERATING FEES	50,786	71,400	(20,614)	(28.87%)	39,344	11,441
CASH OVER/SHORT	299	480	(181)	(37.77%)	1,138	(839)
ANNUAL MEETING EXP	1,080	400	680	170.11%	359	721
MISC OPERATING EXP	495	1,200	(705)	(58.75%)	995	(500)
LOAN LOSS PROVISION	(176,500)	120,000	(296,500)	(247.08%)	34,500	(211,000)
	1,868,536	2,126,736	(258,200)	(12.14%)	1,941,343	(72,806)
	529,547	266,228	263,319	98.91%	446,442	83,105
DIV-REGULAR SHARES	8,190	11,830	(3,640)	(30.77%)	12,243	(4,053)
DIV-CHECKING	2,211	3,069	(858)	(27.96%)	3,243	(1,032)
DIV-CLUB ACCOUNTS	931	1,446	(516)	(35.66%)	1,785	(855)
DIV-IRA SHARES	2,323	5,261	(2,938)	(55.84%)	5,337	(3,014)
DIV-CERTIFICATES	64,274	81,425	(17,151)	(21.06%)	95,229	(30,954)
DIV-MONEY MARKET SAV	8,718	11,597	(2,879)	(24.83%)	19,173	(10,455)
	86,646	114,628	(27,982)	(24.41%)	137,011	(50,364)
	442,901	151,600	291,301	192.15%	309,432	133,469
GAIN/LOSS-DISP ASSET	(18,611)	0	(18,611)	0.00%	(3,587)	(15,023)
	(18,611)	0	(18,611)	0.00%	(3,587)	(15,023)
	424,290	151,600	272,690	179.87%	305,844	118,446