

2013

Annual Report



Working Toward A
Positive Financial Future



"For Your Financial Health"®
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Accounting SupervisorPeri Rollsen
Credit and Collections Supervisor..... Jemma Romain
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Teresa Edwards	Melissa Puelo
Rigoberto Fermin	Megha Singh
Yvonne Lozada	Anastasia Wallace
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"For Your Financial Health"®

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uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan pools, overall portfolio quality, and current economic conditions that may affect the borrower's ability to pay. \$50,000 was recorded to expense during the period because of ALLL over-funding.

C) Property and equipment. Property and equipment are stated at book value. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

D) Basis of Accounting. The financial statements of the credit union are prepared using the accrual method of accounting.

E) Estimates. The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.2) Investments.

The carrying value of investments as of December 31, 2013, November 30, 2012 and November 30, 2011 is as follows:

	12/31/13	11/30/12	11/30/11
Alloya Corporate FCU	\$2,063,582	\$4,945,042	\$3,281,564
Municipals	12,983,248	16,051,066	-
Agency Securities	3,023,261	1,744,075	-
Certificates of Deposit	14,776,000	12,213,642	6,965,000
Other Money Market Accounts	196,559	1,783,320	8,498,596
	<u>\$33,042,650</u>	<u>\$36,737,145</u>	<u>\$18,745,160</u>

Management has a policy of either holding investments to maturity or as available for sale.

3) Fixed Assets.

Fixed assets and leasehold improvements is summarized as of December 31, 2013 November 30, 2012 and November 30, 2011, as follows:

	12/31/13	11/30/12	11/30/11
Furniture & equipment	\$149,480	\$133,510	\$135,209
Computer software	-	40,612	48,365
Leasehold improvements	-	149,371	149,371
	<u>149,480</u>	<u>323,493</u>	<u>332,945</u>
Less: Accumulated depreciation & amortization	(115,198)	(291,770)	(304,389)
Book value	<u>\$34,282</u>	<u>31,723</u>	<u>28,556</u>

Depreciation and amortization taken for the period was \$13,410. During the period, fully depreciated computer software with a basis of \$40,612 and fully amortized leasehold improvements, with a basis of \$149,371, were written-off.

4) Savings accounts.

As of December 31, 2013, November 30, 2012 and November 30, 2011, the credit union offered the following types of savings accounts:

	12/31/13	11/30/12	11/30/11
Regular Share Accounts	\$50,992,258	\$50,555,478	\$47,240,626
Share Draft Accounts	663,944	746,996	546,722
Club Accounts	326,930	256,657	254,869
Total	<u>\$51,983,132</u>	<u>\$51,559,131</u>	<u>\$48,042,217</u>

The dividend rate is set by the Board of Directors on a quarterly basis. Rates are determined based on current operating conditions, including the funding of the allowance for loan losses. Dividends are charged to expense monthly based on anticipated dividends to be paid. For the June quarter, the Board reduced its dividend to .00625%.5) Capital. 1199 SEIU Federal Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends.

The Credit Union is exempt, by statute, from federal and state income taxes.

6) The Credit Union's employees are covered by the 1199 SEIU Health Care Employees Pension Fund, a multi-employer fund with contributing employers in the New York and western Pennsylvania areas. This fund is a non-contributory, multi-employer defined benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Retirement benefits are based upon a participant's salary, length of service and age at retirement. Generally, participants working after July 1, 1989 with five or more years of credited service are eligible to receive monthly pension benefits beginning at the normal retirement date. During 2013 the credit union incurred \$56,098 pension funding expense.

7) NCUA Corporate Stabilization Assessment. The NCUA Board approved an assessment to furnish liquidity to this fund (NCUSIF), which will equal .08% of June 30th insured shares. The credit union's expense for this assessment was \$43,338.

Supervisory Committee Message

Our Supervisory Committee consists of 5 members appointed by 1199 SEIU Federal Credit Union's Board of Directors on an annual basis. The Committee has various oversight responsibilities, focusing on the quality and integrity of the Credit Union's financial statements and the adequacy of the Credit Union's system of internal controls and risk management. Each year, this Committee engages a Certified Public Accounting firm to perform an annual audit of the credit union's financial statements.

The Committee also oversees the internal audit function, monitors board and management activities and conducts a member account verification as required by the National Credit Union Administration, our Regulator.

We are pleased to report that the Annual Supervisory Committee Audit performed by James L. Gurrieri, Certified Public Accountant as of December 31, 2013 was completed successfully. The audited Comparative Statements of Financial Condition and Income & Expenses are enclosed for your review.

As a result of our continuous monitoring of the board of directors and management's activities, on-going internal reviews and our Annual Supervisory Committee Audit we are confident that your money is safe. It is also insured by the National Credit Union Administration Share Insurance Fund.

Jean Turner-Kelly, Chair
Supervisory Committee

Message From The Chairman

Dear Members,

Preserving Your Member Benefits Today, Tomorrow and into the Future

At 1199 SEIU Federal Credit Union, understanding our Members' needs and being there for them is the key to our success, because unlike other financial service organizations, 1199 SEIU FCU is a financial cooperative owned by our Members.

We're pleased to report a successful year for the credit union, supported by a growing Membership, strong financials and continued loyalty from our Members.

Although by most accounts our economy is recovering, the reality is our Members are still feeling the impact of the economic downturn. Helping them through these times and building their future by providing guidance, products and services that match their unique needs are just a few of the ways we can help. Products like our "Stand Together Save Together" membership designed just for strike preparedness, and our joining the All Point surcharge-free ATM network are just two examples of how we are responding to the unique needs of our membership.

Integrity and Advocacy

The way most Americans look at money—whether saving, borrowing or investing—has changed since the financial crisis. Through it all, your credit union has remained focused on being there for you, with integrity.

Our commitment to the Membership is most evident in moments of need. We help Members who need financial assistance or who themselves or their families have suffered a disaster. Our contribution of more than \$25,000 to the Philippines typhoon disaster relief fund is evidence of our commitment to support all of our Credit Union Members.

Looking Forward

We strive to ensure the products and services you benefit from today will be here tomorrow.

We hope you'll continue to look to 1199 SEIU FCU as your trusted partner and a source of personalized financial solutions. We thank you for your Membership, your participation, and the success you brought your credit union in 2013.

It is an honor to serve your needs.

Dalton Mayfield
Board Chairman

Comparative Statement Of Financial Condition

As Of December 31, 2013, November 30, 2012 And November 30, 2011

	12/31/13	11/30/12	11/30/11
ASSETS			
Loans (see note 1)	\$22,367,245	\$18,510,222	\$16,394,271
Less: Allowance For Loan Loss	(634,468)	(609,715)	(803,278)
Net Loans	21,732,777	17,900,507	15,590,993
Cash	682,261	224,081	17,005,646
Investments (see notes 1 & 2)	33,042,650	36,737,145	18,745,160
Prepaid Expenses	41,343	18,141	53,580
Accrued Interest & Other Receivables	274,615	251,680	80,773
Fixed Assets at book value (see notes 1 & 3)	34,283	31,723	28,556
Deposit in NCUSIF	541,721	515,359	492,322
TOTAL ASSETS	\$56,349,650	\$55,678,636	\$51,997,030
LIABILITIES, SHARES AND CAPITAL			
LIABILITIES			
Payables and Clearing Accounts	\$(3,583)	\$8,260	\$87,181
Accrued Expenses	110,436	95,316	134,971
Dividends Payable		10,431	9,894
Other Liabilities	20,893	8,140	-
Deferred Income	120,146	-	-
TOTAL LIABILITIES	247,892	122,147	232,046
SHARES (see note 4)			
	51,983,132	51,559,131	48,042,217
CAPITAL (see note 5)			
Statutory Reserve	501,204	501,204	501,204
Undivided Earnings	3,846,449	3,496,154	3,221,56
Accumulated Unrealized Gain/Loss	(229,027)	-	-
TOTAL CAPITAL	\$4,118,626	\$3,997,358	\$3,722,767
TOTAL LIABILITIES, SHARES AND CAPITAL	\$56,349,650	\$55,678,636	\$51,997,030

The accompanying notes are an integral part of these financial statements.

Comparative Statement Of Income And Expense For The Periods Listed Below

	13 mos ended 12/31/13	12 mos ended 11/30/12	12 mos ended 11/30/11
INCOME			
Interest on Loans	\$1,457,511	\$1,262,817	\$1,248,991
Income from Investments	838,677	633,274	363,904
Fees & Miscellaneous Income	583,379	477,703	484,040
Gross Income	2,879,567	2,373,794	2,096,935
EXPENSES			
Compensation & Benefits	1,309,845	1,181,987	1,172,249
Association Dues	19,010	14,320	13,069
Meetings & Conferences	43,988	17,317	40,991
Office Occupancy	65,858	60,759	60,474
Office Operations Expenses	752,849	633,866	667,914
Loan Servicing Expense	33,221	35,399	156,536
Stabilization Expense (see note 7)	43,338	40,753	133,820
Professional & Outside Services	112,722	102,104	93,477
Provision for Loan Loss (see note 1)	50,000	(100,000)	-
Federal Supv/Examination Expense	13,338	11,986	15,624
Other Operating Expenses	22,949	39,388	14,140
TOTAL OPERATING EXPENSES	2,467,118	2,037,879	2,368,294
NET OPERATING INCOME (LOSS)	412,449	335,915	(271,359)
Non-operating Expense	(23,618)	-	-
Gain (Loss) on Securities	100,459	-	-
Dividends	(45,251)	61,324	129,104
NET INCOME (LOSS)	\$444,039	\$274,591	\$(400,463)

The accompanying notes are an integral part of these financial statements.

Comparative Analysis Of Capital And Reserve Accounts

As Of December 31, 2013, November 30, 2012 And November 30, 2011

	12/31/13	11/30/12	11/30/11
REGULAR RESERVE (Account 93100)			
Balance-beginning of period	\$501,204	\$501,204	\$501,204
Balance-end of period	\$501,204	\$501,204	\$501,204
UNDIVIDED EARNINGS (Account 94000)			
Balance-beginning of period	\$3,496,154	\$3,221,563	\$3,619,491
Net income (Loss) for period	444,039	274,591	(400,463)
Other	(93,744)	-	2,535
Balance-end of period	\$3,846,449	\$3,496,154	\$3,221,563
ALLOWANCE FOR LOAN LOSSES (Account 71900)			
Balance-beginning of period	\$609,715	\$803,278	\$910,582
Additional Provision (Income)	50,000	(100,000)	-
Write-offs for Period	(210,330)	(285,870)	(442,056)
Recoveries on Written-off Loans & Other	185,083	192,307	334,752
Balance-end of period	\$634,468	\$609,715	\$803,278
Accumulated UNREALIZED GAINS/LOSSES			
Balance-beginning of period	-	-	-
Change for period	\$(229,027)	-	-
Balance-end of period	\$(229,027)	-	-

Net income is closed to undivided earnings for statement presentation. The accompanying notes are an integral part of these financial statements.

Notes To Financial Statements

December 31, 2013

1) Significant Accounting Policies.

A) Investments. Investment securities are stated at cost adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income on investments. Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method. Municipal Bond investments purchased through First Empire Securities, Inc. are designated available for sale.

B) Loans to members and allowance for loan losses. Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged to expenses. Loans are charged against the allowance for loan losses (ALLL) when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become

Continued...

