



**NORTH SIDE COMMUNITY
FEDERAL CREDIT UNION**

CELEBRATING 40 YEARS OF COMMUNITY LENDING



2013 Annual Report

OFFICERS

President – James Masini
Vice-President – Clifford Scott-Rudnick
Secretary – Amy Crawford
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CEO – Chet Ward
Loan Manager – Maria Montoya
Small Business Loan Officer – Tom Laures
Lead Teller/Member Services – Denice Saucedo
Marketing and Partnerships Manager – Sarah Marshall
Director of Housing Counseling – Jennifer Pallas
Housing Counselor – Cesar Escovar
Housing Counselor – Erica Page Muhammad
Housing Counselor – Heather Hain



"I am always ready to learn although I do not always like being taught." -Winston Churchill

WILL SUM UP 2013 AS A YEAR OF LEARNING - SOME HARD LESSONS TO BE SURE, BUT ALSO SOME AFFIRMING ONES. THE YEAR 2013 ENDED IN DEFICIT FOR NORTH SIDE, CONTINUING A PATTERN WE HAVE BEEN FIGHTING TO REVERSE. ON THE OTHER HAND, WE MADE MAJOR CHANGES IN OUR MANAGEMENT TEAM AND STRUCTURE AND ARE BETTER POSITIONED FOR THOSE "SLINGS AND ARROWS" UNDOUBTEDLY STILL HEADED OUR WAY.

In 2013 we had to say good-bye to our Manager of three years, Jennifer Sierecki Weitzel, who was given an opportunity she couldn't refuse. As hard as it was to say that good-bye, we realized that it was also an opportunity to think differently about the leadership of North Side. In the process, we moved to a "management team" structure to increase efficiency and improve operational processes. We were fortunate to identify former bank president Chet Ward to lead the credit union as CEO. We discovered that we had outstanding internal candidates for Department Managers in Maria Montoya, Jennifer Pallas, and Sarah Marshall. We are still evolving this new structure, but we are excited by the new resources it presents.

Despite the red ink of 2013, there were also many positive moments for us. Here are the important highlights of our success last year:

- We received financial support from the Private Bank, North Shore Community Bank, The National Federation of Community Development Credit Unions, the City of Chicago's Department of Housing and Economic Development, and the Illinois Housing Development Authority. Many thanks to all of them for their ongoing belief in our work.

- We received support through an NCUA grant to introduce a realtime debit card to be released in 2014, which is an important product that improves both our internal technology and external ability to be competitive.

- Our North Side staff Sarah Marshall, spoke at the Opportunity Finance Network Conference.

- Our HUD-certified Housing Counseling Program, led by Jennifer Pallas, continued with a strong team and worked with over 250 members and non-members through First-Time Homebuyer's, Foreclosure Prevention and Credit Building Workshops. We funded 41 applications for our "Hardest Hit Funds" program. We experienced some turnover with our counselors, but have added new staff and the program is stronger than ever. We are one of only 15 HUD affiliates in the country.

- We were accepted as a member of the Opportunity Finance Network, a trade association of CDFI lenders across the country. It is an honor to become a member because the application process is selective.

As always, our loan portfolio continued to grow, and we ended 2013 with a 6.9% increase. We had another good year for loans with over 1,000 loans written for over \$2.3 million. This was the

year that we loaned our \$45 millionth dollar since organization! As is always our experience, many of these were for our smaller credit builder and emergency loans, a fact that demonstrates the need in our community and the importance of our work. We held our capital ratio above 7%, slightly over 2012, and an acceptable, although not ideal ratio. Our charge-offs also decreased in 2013 from the prior year, and we believe this demonstrates North Side is on a path to stability.

As we settle into 2014, some things will change and some things will not. Certainly the enormity of our task remains. However, we still have many friends and the need is much too great for us to go away any time soon. Communities are made up of people, and their ability to access the economy is our institutional mission. After all, the credit union way is "People helping people." Credit union members understand that even as individuals, we are all called to put people before payments, cooperation before cash. We learned that many years ago and no amount of economic hardship can teach us to see it any differently.

Jim Masini

COMMITTED TO COMMUNITY

This year we celebrate an important milestone in North Side Community Federal Credit Union's history. The credit union organized forty years ago to provide the Uptown neighborhood a resource that could be utilized to access non-predatory loans and to give people a voice in how their money was managed. What began as Uptown People's Federal Credit Union exists today as North Side, and has provided equal opportunity to thousands of members and residents over its history, represented by over \$4 million in deposit accounts and \$45 million in loans since inception. The credit union began as a volunteer run organization and has experienced growth that brought many changes along the way. Through it all, we remain committed to our mission of serving the community through access to affordable financial resources. We thank the many individuals and partners who have made the credit union possible.

Clarence's Story

Clarence is a newer member at North Side. He joined the credit union when he was referred through a relationship with a community partner. When Clarence became a member, he was living at St. Leonard's Home, a transitional living home, and was having difficulty managing his cash flow. His friend, Sister Virginia, brought him to the credit union to open an account. He knew he needed to begin the process of preparing his future, and wanted to save money to move into permanent housing. Clarence is a hard worker and has held the same job for five years. Even so, he was nervous about managing his own money because he liked spending what he had available. This made it difficult for him to pay rent and other bills. He also had trouble opening an account at any other bank because he had overdrawn his checking account. North Side allowed him to open a savings account with just a \$15 deposit. He set up direct deposit with his employer and learned how to allocate his money. He has used his membership to take out a credit building loan and improve his credit score. His goals now include getting a phone and finding new housing, continuing to pay off debt and building a positive credit history. Clarence says **"I love the credit union tremendously. I'm very grateful because I don't know where else I could go to deposit money where I can get the same service."**

A SPECIAL THANKS TO OUR 2013 COMMUNITY PARTNERS

Heartland Human Care Services

Back on My Feet

Christopher House

Mather Lifeways

EZRA

Holsten Human Capital Services

LIFT Chicago

Truman College

Centro Romero

Northside Community Resources

Women's Business Development Center

Center for Economic Progress

Goldie's Place

Action for Children

Howard Area Community Center

Access Living

Jane Addams Resource Corporation



The Story of North Side

- 1974:** Uptown People's Federal Credit Union is created and opened at Uptown Center Hull House.
- 1976:** CU exceeds \$100,000 in assets.
- 1977:** First staff person hired with Federal CETA funds.
- 1978:** First Consumer Education Workshops are offered.
- 1979:** Name changed to North Side Community Federal Credit Union. Designated Low-Income Credit Union by NCUA.
- 1980:** First home improvement loan made. CU switches to computerized operating system.
- 1981:** First full time manager hired. Illinois Masonic Medical Center joins as a SEG. \$1,000,000 in loans made to members since inception.
- 1982:** CDs offered for the first time.
- 1983:** Assets exceed \$500,000. North Side gains 15 Selected Employer Groups (SEGS).
- 1984:** Ten-Year Anniversary. Presentation of first Kit Brand Volunteer Award.
- 1985:** First Computer Conversion. Quarterly dividends paid for the first time.
- 1986:** Share draft (checking) accounts become available to members. Assets exceed \$1,000,000.
- 1988:** After 14 years at Hull House, the credit union moves to its own place at 5109 N. Sheridan. We receive the Neighborhood Trust Award from Trust, Inc.
- 1990:** North Side exceeds \$2,000,000 in assets.
- 1991:** North Side receives CRA medal of honor from Woodstock Institute. The credit union moves to Wilson & Broadway.
- 1992:** We introduce a VISA card.
- 1993:** We introduce an ATM card, and exceed \$3,000,000 in assets.
- 1994:** North Side celebrates its 20th anniversary, and The United Friends Credit Union merges into North Side.
- 1995:** North Side moves to 4138 N Sheridan, and membership grows to 2,000.
- 1996:** North Side receives a \$55,000 Citibank Equity Grant. The credit union grows to \$10,000,000 in loans since inception, with assets that exceed \$4,000,000.
- 1997:** Illinois Masonic Branch is computerized. The credit union loans \$1,000,000 in one year for the first time.
- 1998:** North Side receives a \$39,500 technical assistance grant from the CDFI fund.
- 1999:** North Side hires a full time marketing manager to assist with outreach efforts.
- 2000:** Credit Union reaches \$15,000,000 in loans since inception. Refugee Small Business Loan Partnership is formed with Vietnamese Association of Illinois and Uptown Center Hull House. Membership exceeds 2,5000 and North Side provides technical assistance to the start up of South Side Community Federal Credit Union.
- 2001:** ATM machine is installed in the main branch. Bank One invests \$100,000 in secondary capital in the credit union. North Side receives Vision Award from Campaign for Payday Loan Reform. \$200,000 grant received from CDFI Fund. Assets exceed \$5,000,0000.
- 2002:** North Side makes the Payday Alternative Loan available. The credit union loans out \$20,000,000 since inception. Membership grows to 3,000. North Side is chosen by the National Community Investment Fund to participate in Retail Financial Services Initiative.
- 2003:** The credit union doubles its office space by moving to 1011 W Lawrence Ave. New ATM and Bank-by-Phone system are installed. Total assets exceed \$9,000,000. The manager, Ed Jacob, receives Tom Gobby Leadership Award from LaSalle Bank.
- 2004:** North Side partners with the Center for Economic Progress to offer tax preparation services, completing nearly 200 returns with \$180,000 in federal refunds returned to filers. North Side celebrates its 30th anniversary, and receives the Chicago Neighborhood Development Award for non-profit community banking. Membership grows to 4,000.
- 2005:** The credit union again partners with the Center for Economic Progress to help over 300 individuals file tax returns.
- 2006:** North Side becomes approved to do HUD-certified housing counseling as a sub-grantee of the National Federation of Community Development Credit Unions and adds its first housing counselor. The credit union lends its \$30 millionth dollar since inception.
- 2007:** The New Americans Citizen Loan is developed and introduced in partnership with Centro Romero. The loan is an important product that allows immigrants without a credit history to access funds to pay for their citizenship application.
- 2008:** North Side receives \$238,000 from the CDFI Fund to expand the New Americans Loan, a citizenship loan to help immigrants obtain citizenship or legal residency.
- 2009:** North Side adds online banking and a prepaid card to its product line. The credit union Housing Counseling program serves almost 400 members and community residents.
- 2010:** North Side significantly grows members, adding 230 in one year. The credit union staff serves over 750 people through financial education workshops and counseling.
- 2011:** North Side lends it \$40 millionth dollar since inception! The credit union receives a grant from the City of Chicago Treasurer's Office to create a small business microloan product.
- 2012:** The credit union loans out nearly \$2.5 million dollars in loans, with over 60% being credit building products that provide an alternative to predatory loans.
- 2013:** North Side rolls out a new website with features that allow members to apply for loans online.
- 2014:** The credit union celebrates its 40th anniversary, and brings systems online to introduce a VISA branded debit card.



Supervisory Committee Report

The Supervisory Committee of North Side is in place to ensure that Management's financial objectives have been met and that current policies and procedures are being followed. Committee members meet to determine whether effective internal controls have been established and maintained, that accounting and financial reports are promptly and accurately prepared, and that control policies safeguard against intentional or unintentional errors.

In order to serve our members, the Supervisory Committee meets on a monthly basis and reviews pertinent items. Committee members Ilise Goldberg, Bob Doyle, Laurie Fuller and Board Member Jeff Houde met in 2013 to perform tests and reviews that ensure the Credit Union meets the above objectives and is in compliance with all federal regulation. Each year new regulatory items are introduced that North Side must follow. The Supervisory Committee reviews an ever expanding portfolio of data to assess that the appropriate risk and financial management procedures are in place and being carried out by staff and management.

Marketing Committee Report

The Marketing Committee's responsibility is to develop strategies that will lead to the growth of the credit union. North Side added several new partners in 2013, including Mather Lifeways, Access Living, LIFT Chicago, and Back on My Feet. Partner organizations play a key role in reaching unbanked and underbanked consumers. The Credit Union continued to provide financial literacy workshops to members and community residents, and wrapped up a pilot program called Better Directions. The pilot was an initiative sponsored by the National Federation of Community Development Credit Unions to provide products that meet the needs of low income seniors.

Other exciting developments in 2013 included the launch of a new and improved website with online loan applications and the introduction of full color member brochures. North Side was awarded a grant by the NCUA Office of Small Credit Union Initiatives to bring the credit union's core processing systems online. With the support of several bank partners, this grant will allow the credit union to offer members a VISA branded debit card, to be rolled out in June of 2014. North Side is also excited to have been approved as a member of the Opportunity Finance Network, an important leader in the CDFI industry.

Val Saportas was Chair of the Marketing Committee in 2013, assisted by Ayo Maat, Sarah Marshall, John Albers, Ovie Selgado, and Ligia Popescu.

Finance Committee Report

While the year 2013 presented some financial challenges to North Side, the overall numbers are improving. The credit union continued to grow its loan portfolio, ending the year with \$4,501,037 loans on the books. This represents an increase of 6.9% from the previous year. Although overall assets declined by 9.1% in 2013, the decrease enabled the credit union to maintain an acceptable capital/asset ratio level of 7.4%. This ratio is also a slight increase over the capital/asset ratio at the end of 2012.

The Credit Union had to charge off \$80,886 in loans in 2013. This amount is not at a level considered acceptable, and North Side is putting processes in place to continue to improve this number. However, 2013 charge-offs were better than the amounts written off by the credit union in 2012. Loan charge-offs, combined with a continued low interest rate environment, impacted our bottom line. The result was a net loss for the year of \$34,262. While not a favorable outcome, it was a significant improvement from the previous four years and demonstrates that North Side is on the path to change direction and be profitable in 2014.

Credit Committee Report

The role of the Credit Committee is to review loan procedures and documentation and to ensure the credit union management and staff are properly managing risk. In 2013, North Side wrote 1,202 loans for \$2,364,146. Since the inception of the credit union, 22,235 loans have been written for a total of \$45,300,520.

As always, our small dollar lending portfolio continues to grow. While these loans are small dollar relative to the overall credit union loan portfolio, they are vital to the credit union's mission. These loans represent many dollars saved for our members by helping them avoid predatory lenders. The loans are also an important tool for those who need to rebuild credit. Net charge offs were \$80,886 with recoveries of \$8,037.

Candi Huber continued to Chair the Credit Committee, assisted by Mark Fick, and Jessica Alfaro.

FINANCIAL REPORT

INCOME STATEMENT

Income

	2013	2012	2011	2010	2009	2008
Loan Interest	\$262,529	\$276,984	\$295,457	\$275,423	\$287,618	\$278,792
Loan Interest-Visa	\$31,370	\$31,402	\$27,913	\$24,062	\$19,906	\$20,992
Investment Income	\$90,536	\$108,337	\$109,844	\$103,722	\$88,401	\$86,642
Fees/Charges	\$113,704	\$157,829	\$181,305	\$237,017	\$157,803	\$153,600
Miscellaneous	\$225,569	\$102,335	\$61,804	\$34,612	\$80,410	\$87,634
Total Operating Income	\$723,708	\$676,887	\$676,323	\$674,836	\$634,138	\$627,660

Expenses

Compensation	\$303,598	\$270,534	\$255,680	\$256,940	\$221,610	\$212,139
Employee Benefits	\$57,962	\$62,340	\$60,111	\$72,114	\$61,597	\$51,760
Travel/Conference	\$5,446	\$6,719	\$3,908	\$3,520	\$3,907	\$3,831
Association Dues	\$12,805	\$11,964	\$9,862	\$12,008	\$9,442	\$10,035
Occupancy	\$45,005	\$50,020	\$47,163	\$44,297	\$43,865	\$43,936
Office Operations	\$145,043	\$120,723	\$122,997	\$123,333	\$146,801	\$118,723
Education/Promotion	\$11,742	\$11,685	\$15,913	\$10,176	\$3,799	\$8,674
Loan Servicing	\$10,576	\$14,440	\$12,671	\$11,703	\$14,890	\$13,720
Professional Services	\$8,165	\$5,360	\$6,100	\$16,263	\$6,250	\$5,572
Loan Loss Provision	\$101,627	\$101,724	\$54,424	\$35,000	\$30,000	\$26,500
Federal Exam Fees	\$1,825	\$2,690	\$2,379	\$1,899	\$1,761	\$1,560
Interest Expense	\$11,186	\$14,361	\$8,875	\$7,679	\$4,000	\$4,000
Annual Meeting Expense	\$370	\$50	\$100	\$192	\$469	\$554
Miscellaneous	\$3,956	\$6,494	\$3,314	\$81	\$1,627	\$25,165
NCUA Special Assessment	\$0	\$9,441	\$24,998	\$20,375	\$25,524	
Miscellaneous-Visa/ATM	\$17,801	\$15,577	\$14,836	\$13,710	\$13,602	\$14,963
Total Operating Expense	\$737,106	\$704,122	\$643,330	\$629,290	\$589,142	\$541,130

Income from Operations	-\$13,398	(\$27,235)	\$32,993	\$45,546	\$44,995	\$86,530
Dividends	\$20,864	\$37,087	\$77,558	\$120,197	\$111,878	\$126,438
Non-Operating Gain	\$0	\$633	\$77	\$2,421	(\$14,402)	\$180,000
Net Income	(\$34,262)	(\$63,689)	(\$44,488)	(\$72,230)	(\$81,284)	\$140,092

BALANCE SHEET

Assets

	2013	2012	2011	2010	2009	2008
Loans	\$4,239,922	\$3,929,067	\$3,863,116	\$3,278,705	\$3,835,150	\$3,850,083
Loans-Visa	\$261,114	\$281,741	\$282,893	\$193,621	\$191,508	\$191,032
Loan Loss Allowance	(\$163,173)	(\$70,267)	(\$75,288)	(\$51,401)	(\$96,632)	(\$106,161)
Net Loans	\$4,337,864	\$4,140,541	\$4,070,721	\$3,420,925	\$3,930,026	\$3,934,954

Cash	\$18,405	\$34,630	\$60,371	\$99,293	\$84,911	\$141,827
Investments: SimpliCD	\$3,829,000	\$5,363,000	\$6,393,173	\$6,503,929	\$4,902,187	\$3,132,869
FED Securities	\$1,012,488	\$1,043,437	\$1,210,272	\$260,036	\$0	\$0
Prepaid Expenses	\$38,730	\$35,083	\$24,001	\$22,071	\$17,462	\$24,138
Fixed Assets	\$113,605	\$115,096	\$130,989	\$67,252	\$104,926	\$124,216
Other Assets	\$435,644	\$31,083	\$34,742	\$77,923	\$67,175	\$37,936
Total Assets	\$9,785,735	\$10,762,870	\$11,924,269	\$10,451,429	\$9,106,686	\$7,395,940

Liabilities

Abandoned Accounts	\$0	\$0	\$0	\$0	\$0	\$0
Dividends Payable	\$5,727	\$10,561	\$18,042	\$39,543	\$17,020	\$17,643
Taxes Payable	\$0	\$3,202	\$2,917	\$553	\$5,266	\$7,636
Accounts Payable	\$522,400	\$347,236	\$167,088	\$90,620	\$1,080,861	\$117,174
Total Liabilities	\$528,127	\$360,999	\$188,047	\$130,716	\$1,103,146	\$142,453

Equity

Shares	\$5,136,328	\$5,127,363	\$4,908,946	\$3,826,732	\$3,216,787	\$2,725,611
Share Drafts	\$998,320	\$1,229,859	\$1,074,746	\$413,969	\$357,334	\$508,750
Certificates	\$2,406,076	\$3,260,750	\$4,872,684	\$5,115,755	\$3,687,934	\$3,166,358
Regular Reserve	\$331,324	\$361,324	\$381,324	\$421,324	\$198,551	\$309,835
Undivided Earnings	\$385,560	\$422,575	\$498,521	\$542,933	\$542,933	\$542,933
Total Equity	\$9,257,608	\$10,401,871	\$11,736,221	\$10,320,713	\$8,003,540	\$7,253,486
Total Liabilities/Equity	\$9,785,735	\$10,762,870	\$11,924,268	\$10,451,429	\$9,106,686	\$7,395,940

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