

CONCEPT DOCUMENT

The Sustainable COOP Fund

TEAM MEMBERS

Andrew Spirrison, FORUM Credit Union
Brad Barnes, Air Academy Federal Credit Union
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PROBLEM DEFINITION

Over 90% of members don't know the difference between banks and credit unions

Credit unions have always enjoyed the luxury of knowing, or at least believing, they are special. They are nonprofit institutions dedicated to their members; seemingly an obvious and startling difference from traditional banks.

However a 2008 Filene Research Institute project found 93% of credit union members were unaware credit unions are not for profit institutions. When asked what a credit union is, how credit unions differ from banks, or what “credit union” means to them most members eventually mentioned credit unions are “more personal.”

One exception was with longtime credit union members. Typically, these people have been members for more than 30 years. This group has a keen sense of the importance attached to “the credit union movement.” Most firmly grasp what credit unions are, how they differ from banks, and why they would look for another credit union should they ever move.

What about the younger generations? Our future as an industry depends on our connection with the members and employees of tomorrow. They want to be a part of something larger than themselves. They want to make a difference in the world. A 2006 study by the AMP Agency shows 61% of Gen Y feels personally responsible for making a difference in the world.

Additionally:

- 83% will trust a company more if it is socially/environmentally responsible
- 74% are more likely to pay attention to marketing when they see the company has a deep commitment to a cause
- 89% are likely or very likely to switch to a new brand if it is associated with a good cause
- 79% want to work for a company that cares about how it impacts and contributes to society
- 64% say their company's social activities make them feel loyal to that company
- 56% would refuse to work for an irresponsible corporation

What if there was a way to show the cumulative social impact all Credit Unions provide? What if this information could be used not only to validate our value-proposition, relevancy and tax-exempt status but also to engage our younger-members and help spark new cooperatives?

INNOVATIVE SOLUTION

The Sustainable Cooperative Fund will help build and expand cooperatives selected by our members. This project has two areas. First, a repository for participating Credit Unions to report the areas they invest their time, dollars, outreach efforts. This information is then aggregated and incorporated into a heat-map showing how and where we impact society. This information is not only helpful for our trade associations and legislators; it also shows our members why being a part of a Credit Union is important. Second, each year every participating Credit Union will reach out to their members to see which identified cooperatives should be recipients of grant money. From the aggregated heat-map data, the Fund will select several broad areas where Credit Unions are heavily involved (Financial Literacy, Relief Efforts, Cancer Research, Poverty, etc.) and identify small cooperatives serving these needs. By Credit Union, members will rank-order their top cooperatives. Each Credit Union will then have an overall vote (1st, 2nd and 3rd place) to select which

cooperatives are recipients of each year's grants. We are striving to give each participating Credit Union an equal voice, thereby giving each individual member an equal voice. The grants will help sponsor efforts, duplicate sustainable business models and help the cooperatives impact both their own and other communities.

There are approximately 100 million Credit Union members in the United States and Canada. If these Credit Unions made a one-time contribution of \$1 per member to the Fund, we could create \$1 million each year assuming only a 1% rate of return. This sustainable endowment fund could be used to help build numerous cooperatives that simply need help getting started.

The Sustainable Cooperative Fund - turning dollars into change

PROTOTYPE

Technology used for creating the Sustainable Coop Fund includes an array of technologies to create and maintain a scalable website. The site contains a combination of detailed visuals and backend integration with 3rd party applications to display a clean and smooth user experience.

Front-End Technology:

SCF consists of a responsive web HTML 5 and CSS 3 design theme that incorporates many options for profiling the SCF on a professional scale. The theme consists of Bootstrap, a sleek and powerful mobile front-end framework that allows for faster and easier web development. It houses an extensive jQuery library for clean web animation and movement to portray a well-functioning professional website. Aside from built-in technology, we also leverage the Google heat map API to showcase contributions done by credit unions throughout North America.

Back-End Technology:

SCF's front-end .Net framework is complemented with a robust backend server, which is running on remote computing services that together make up a cloud-computing platform, offered over the Internet by Amazon.com. The database scaffolding was created with CRUD (Create, Read, Update, and Delete) logic in SQL to provide a strong database management for data entered by Credit Union partners.

Future enhancements may consist of SSL certificates and HTTPS protocol to enhance security for our Credit Union partners.

Screen Shots:

TESTING AND RESULTS

The newly created Sustainable Coop Fund website was the focal point of the project prototype <http://www.sustainablecoopfund.com>. Specifically noted was the ability for the website to effectively act as repository for participating Credit Unions to report areas they invest their time, dollars, and outreach efforts in the communities they serve. Due to development timeline and budget limitations, testing was targeted toward the following key functions of the website: participant registration process, contribution entry portal, geographic credit union heat map spanning the United States and

Canada, and aggregation of data entered. Additional features of the website included; project categorization, the voting process, project fund accumulation, and recipient allocation. These features were all present and articulated, but not fully operational during the time of testing.

A two-phased approach was executed throughout pilot testing. Phase one consisted of introducing the website to a small group of known Credit Unions and encouraging them to register and contribute. During this stage credit union data was posted and aggregated by participant, hours worked, and dollars accumulated. Constructive feedback received was directed toward areas of the website that required more clarity. These areas included navigating through the online registration process, how data was being aggregated, and addressing issues the website was having with Internet Explorer. Initial feedback was very positive with participating Credit Unions indicating excitement around seeing a project pointing credit unions in the direction of engagement with cooperative development and entrepreneurship. It was discovered that in order to maintain credibility and sustained participation, working out website registration and contribution issues was critical.

Phase two involved resolving issues identified in phase one and sending out a large-scale call to action to several Credit Unions and applicable organizations. Results after five weeks of soliciting Credit Union participation included 52 contributions being submitted, 28 Credit Union partners registered from the United States and Canada, \$1,435,669 dollars raised, and 1,854 hours contributed. Data submitted that was extrapolated through the Sustainable Coop Fund website to all federally insured Credit Unions indicated total contributions to be \$156 million/year.

After the call to action was distributed, it was discovered there were a few other websites established regionally throughout the United States and Canada attempting to attract and aggregate similar Credit Union data. This was perceived as a future opportunity to collaborate regional data into a larger centralized depository.

Categorically contributions from Credit Unions had the most emphasis in Health and Wellness, Children, Financial Educational, and Other. This would lead to the assumption that the top vote getters would be in one these categories. Although with several Credit Unions choosing “other” as their category, additional research should be conducted with the goal of adding more specific categories to choose from.

The significant amount of initial interest and participation was a true indicator that Credit Unions are seeking avenues to share the social good they are doing in the markets they serve. In addition, Credit Unions are willing to rally and unite on a larger scale to vote and support common cooperative efforts. David Lunsford from Martin Federal Credit Union commented, “I really like the idea of centralizing what CUs do for our communities and how the site highlights an individual CU’s efforts. I am very interested in learning more about the Coop Fund, the coops, and where we would fit in.”

BUSINESS MODEL AND 3-YEAR FINANCIAL PROFORMA

While the Sustainable Cooperative Fund was not primarily designed with profitability in mind, it could result in significant cost savings for credit unions. Our tax exemption has been under attack from the banking lobby for a number of years. The most recent Office of Management and Budget tax expenditure analysis estimated the credit union tax exemption would reduce federal tax revenues by \$9.5 billion from 2014 – 2018.

By having a tool to show legislators how credit unions are different from banks and why our tax exemption is still valid, we could save credit unions between 11 and 18 basis points of return on assets. For 2013, this equated to \$1.7 billion of net income!

Asset Peer Group	2013 ROA	Net Income	20% tax	Adj. ROA	Difference
> \$1B	0.89%	\$5.32B	\$1.1B	0.71%	-0.18%
\$500M to \$1B	0.75%	\$1.14B	\$0.23B	0.60%	-0.15%
\$100M to \$500M	0.61%	\$1.39B	\$0.28B	0.49%	-0.12%
< \$100M	0.54%	\$0.47B	\$0.09B	0.43%	-0.11%
Total	0.58%	\$8.32B	\$1.66B	0.46%	-0.12%

The Fund itself is designed to operate at a break-even level. The major revenue stream is created by credit unions. The industry has approximately 100 million members. If credit unions made a one-time investment of \$1 per member, we could generate \$100 million. If this investment generated only a 1% annual return we would have \$1 million each year to reinvest in other cooperatives. Additionally, we would charge a nominal application fee (\$5) to interested cooperatives. This revenue would offset the low overhead expenses of the Fund.

	Year 1	Year 2	Year 3
Revenue			
Number of cooperatives	1,500,000	1,545,000	1,591,350
% applying	0.25%	0.50%	0.75%
Applications	3,750	7,725	11,935
Application fees - Cooperatives	18,750	38,625	59,676
CU endowment funds	25,000,000	50,000,000	100,000,000
Annual rate of return	1.00%	1.00%	1.00%
Available grant funds	250,000	500,000	1,000,000
Total Revenue	\$268,750	\$538,625	\$1,059,676
Expenses			
Website hosting	20	21	21
Marketing	12,000	12,360	12,731
Legal and Accounting	6,000	6,180	6,365
Total Expenses	18,020	18,561	19,117
Contributions to cooperatives	250,000	500,000	1,000,000
Net Income	\$730	\$20,064	\$40,558

COMMENTS, NEXT STEPS, AND CALL TO ACTION

Next steps, or phase three of the prototype, should be focused upon developing and placing into production elements of the website already introduced but not yet fully functional. These include developing a process for accumulating dollars contributed into a centralized location, voting on projects, managing the distribution of dollars to be deployed accordingly, assigning a firm to assist with website support and development, and appointing a board of directors to oversee the entire process.

The foundation of the Sustainable Coop Fund has been established throughout the first two stages of the prototype. Milestones yet to be accomplished are not perceived to be great enough to diminish the momentum and excitement surrounding the spirit of turning dollars into change within communities served by Credit Unions across North America.

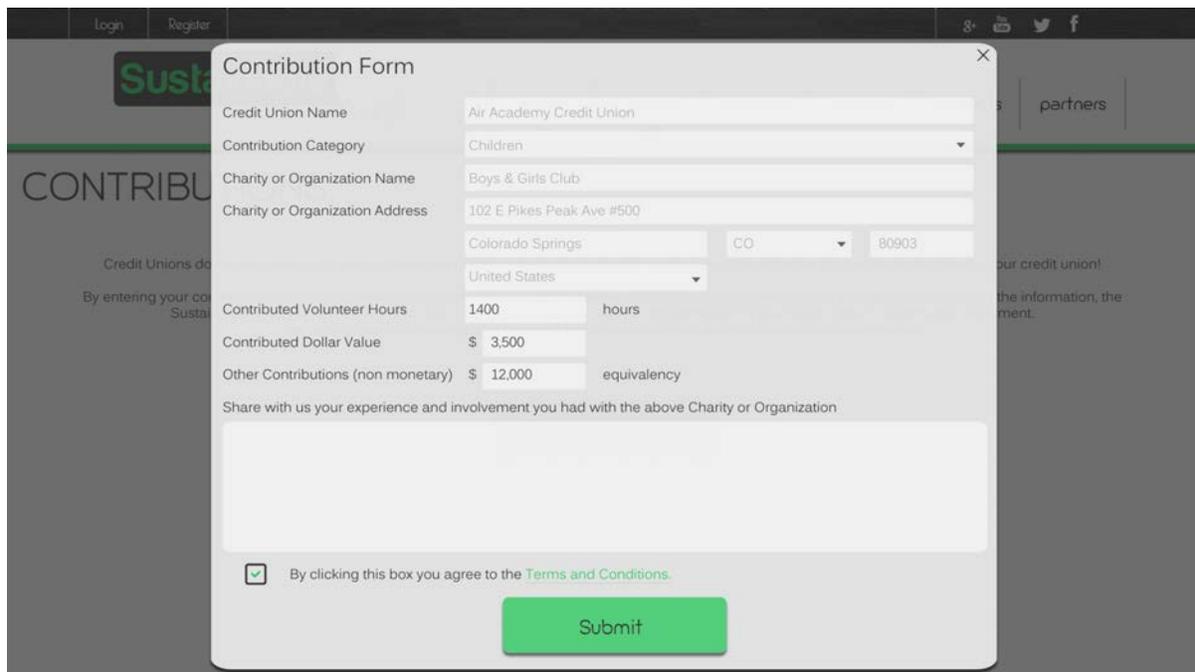
Expanding participation is critical to ensure the overall sustainability of the fund. It is important Credit Unions recognize the benefits of not only participating initially but also building contributions to the Sustainable Coop Fund into their annual budgets. Additionally, exploration of merging efforts with other initiatives and websites seeking the same objectives should be explored to further fuel momentum of dollars raised and hours contributed to go toward the greater good of humanity.

The core excitement of the Sustainable Coop Fund truly revolves around the opportunity for Credit Unions of North America to display on a single page, their ability to quantify and exhibit the different areas and amount of social good they collectively create as an industry. Both current and potential members will have the ability to look for causes they are passionate about and find Credit Unions that support those efforts. That's how we show the true value of cooperation. Thanks for helping us turn dollars into change!

Please take a moment to visit our website - <http://www.sustainablecoopfund.com>. Click on **Register** to create an account. Once registered, head over to **Contributions** to record some of your Credit Union's projects. The **Map** shows results of all our efforts so far in both the United States and Canada. Please also pass this message and link along to all your contacts!

Appendix

Screenshots of <http://www.sustainablecoopfund.com>:



CONTRIBUTIONS



Credit Union: Air Academy Credit Union
Category: Children
Charity or Organization: Boys & Girls Club
 102 E Pikes Peak Ave #500
 Colorado Springs, CO 80903
 United States
Contributed Volunteer Hours: 1400 hours
Contributed Dollar Value: \$3,500
Other Contributions (non monetary): \$12,000 equivalency

Description of the Contribution:

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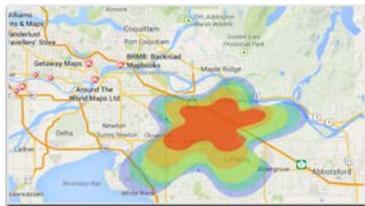


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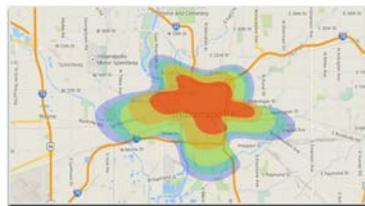
HEAT MAP



Vancouver Lower Mainland



Denver Lower Mainland



Indianapolis Lower Mainland





ABOUT FILENE

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We support research, innovation, and impact that enhance the well being of consumers and assist credit unions and other financial cooperatives in adapting to rapidly changing economic, legal, and social environments.

We're governed by an administrative board made up of credit union CEOs, the CEOs of CUNA & Affiliates and CUNA Mutual Group, and the chairman of the American Association of Credit Union Leagues (AACUL). Our research priorities are determined by a national Research Council comprised of credit union CEOs and the president/CEO of the Credit Union Executives Society.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: "Progress is the constant replacing of the best there is with something still better." Together, Filene and our thousands of supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

Filene is a 501(c)(3) nonprofit organization. Nearly 1,000 members make our research, innovation, and impact programs possible. Learn more at filene.org.

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