

AGENDA

1. Call to order

- Roll Call
- Minutes of the 61st Annual Meeting

2. Reports of Officials

- Chairman of the Board
Walton Hong
- Supervisory Committee
Walter Kamika Smith
- Credit Committee
Stephen Fujii
- Recruiting Committee
Eric Honma
- President/CEO
Melvin I. Chiba

3. Unfinished Business

4. New Business

- Estimated Budget for 2016
- Suggestions/Actions Recommended by Membership
- Election of Officials
 - Board of Directors
 - Credit Committee

5. Adjournment

2015 MEMBERSHIP MEETING MINUTES

The 61st Annual Membership Meeting of Kauai Community Federal Credit Union convened at 7:04 p.m. on Saturday, March 7, 2015 at the Kauai War Memorial Convention Hall with Chairman Walton D.Y. Hong presiding.

ROLL CALL.

Luau tickets sold to the Membership as well as tickets issued at the door for those attending the meeting only totaled 693 members. A quorum was declared to be present. (Article IV, Section 5 of the Bylaws requires that 15 members be present.)

AGENDA - There being no objections, the agenda as presented was approved.

MINUTES - On motion duly made, seconded and carried, the minutes of the March 8, 2014, 60th Membership Meeting was approved as circulated.

Chairman Hong introduced the Officials of the Credit Union:

Board of Directors: Vice Chairman Victor Punua, Sr., Secretary/Treasurer Caroline Ozaki, Tammy Ando, Phil Fudge, Eric Honma, George M. Masuoka, Earl Miyao, and Walter Kamika Smith.

President/CEO: Melvin I. Chiba

Supervisory Committee: Walter Kamika Smith, Deborah Christian, Gwynne Duarte, Joseph Kobayashi, and Edward Medeiros

Credit Committee: Stephen Fujii, Mitchell Ikeda, Brent Mizutani

CUSO Board of Managers: Gerald Matsunaga, Melvin Chiba, Jacqueline Kanna, Earl Miyao, Sherman Shiraishi

Chairman Hong recognized Keoki's as the caterer for the evening's luau food and also Byron and Amber Fernandez for providing the music.

REPORTS OF OFFICIALS

Chairman's Message. Chairman Hong reported that Kauai Community FCU is in good financial condition with a net profit in 2014 of \$3.6 million. More than \$2 million was paid out in dividends, and a portion of the profit was distributed back to the members in the form of bonus dividends on savings, and interest rebates on loans. A portion was also held back as a further cushion against economic changes, unexpected changes in reserve requirements by the regulatory agencies, and to provide a source of funds for potential new branch offices in Koloa and Kilauea. While efforts have been ongoing in looking at potential branch office locations, these have been unsuccessful. Chairman Hong requested the membership's assistance in contacting Mr. Chiba if they know of any possible sites.

Chairman Hong also requested the membership's assistance in recruiting new members. While there are approximately 200 new members each month, 100 members are also lost each month due to loss of jobs, moving away from Kauai, or closing of dormant accounts (funds in accounts that are inactive for five years are transmitted to the State). Members were requested to encourage their family, relatives and friends to become members of Kauai Community FCU. The existing members, as owners of the Credit Union, would benefit as well as the new members through the wide variety of services and competitive rates that are available. One of the many benefits is the new Kasasa program which was started in 2014 which offers a 2.5% dividend rate on checking account balances up to a limit of \$10,000. Members were encouraged to inquire at any of the Credit Union's five branch offices for more information on the Kasasa program.

Chairman Hong conveyed his appreciation to Mel Chiba, Management, Staff, Volunteers and fellow Directors for their dedication and work in making 2014 a success. On behalf of the Board of Directors, Chairman Hong thanked the membership of Kauai Community FCU for their support and confidence in the Board of Directors.

Supervisory Committee. On motion duly made, seconded and carried, the report of the Supervisory Committee was accepted.

Credit Committee. On motion duly made, seconded and carried, the report of the Credit Committee was accepted.

Recruitment Committee. Ms. Tammy Ando, Chairperson of the Recruitment Committee, presented the following nominations:

Board of Directors-3 Year Term: Mr. Eric Honma
Mr. Victor Punua, Sr.
Mr. Walter Kamika Smith

Credit Committee-3 Year Term: Mr. Mitchell Ikeda

On motion duly made, seconded and carried, the Nominating Committee Report was accepted.

President/CEO's Report. Mr. Chiba welcomed the members to the 61st Annual Membership Meeting and noted that annual membership meetings are unique to credit unions which credit unions have been doing since their inception. KCFCU's journey began in 1954 from a grassroots beginning to becoming one of the 10 largest credit unions in the State of Hawaii. From 10 Charter members who were regular people working to make a living for themselves and their families, the membership has grown to over 32,000 members and their families.

The year 2014 was another successful year with growth in Assets of \$20 million or 5.6%, growth in Shares of \$16.8 million or 5.2%, and growth in Loans of \$22.4 million or 12.5%. KCFCU had the best loan growth performance among the top 15 largest credit unions statewide and granted nearly \$80 million in loans to members in 2014. Net Income at \$3.6 million is slightly over \$1 million more than in 2013. KCFCU's Return on Assets is ranked as the 2nd best statewide amongst the top 15 largest credit unions.

Mr. Chiba thanked the Board of Directors, Committee Members, Management and Staff for their hard work and dedication throughout the year, and most importantly, extended his appreciation to the members for using the services of the Credit Union resulting in its continuous success. Mr. Chiba encouraged the members to read the reports contained in the 2014 Annual Report and especially regarding the new Kasasa Checking and Savings Account program. Kauai Community FCU remains focused on helping its members improve their financial wellbeing and fostering the best quality of life for members and their families.

UNFINISHED BUSINESS. None.

NEW BUSINESS

Election of Officials. Chairman Hong called for nominations from the floor for the vacancies on the Board of Directors and the Credit Committee. There were none. There being no objections, the nominations were closed with the Secretary casting a unanimous ballot electing Mr. Eric Honma, Mr. Victor Punua, Sr., and Mr. Walter Kamika Smith to a three-year term on the Board of Directors, and Mr. Mitchell Ikeda to a three-year term on the Credit Committee.

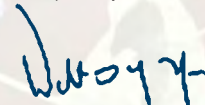
Estimated Budget for 2015. On motion duly made, seconded and carried, the Estimated Budget was accepted as an operating guide for the year 2015.

Suggestions/Actions Recommended by Membership. None.

ADJOURNMENT

There being no further business, the meeting was adjourned at 7:24 p.m.

Respectfully submitted,



Chairman of the Board



Secretary

FINANCIAL STATEMENT

COMPARATIVE BALANCE SHEET

Assets	2015	2014
Loans to Members	\$219,615,516.94	\$200,848,009.09
Less Allowance for Losses	(2,781,285.49)	(2,578,655.08)
Cash & Equivalents	32,646,746.92	32,800,312.72
Investments	143,790,182.79	120,283,783.38
Land and Buildings	16,213,391.82	16,607,297.17
Other Fixed Assets	1,402,649.37	1,411,011.71
Other	9,930,538.54	10,655,582.15
Total Assets	\$420,817,740.89	\$380,027,341.14
Liabilities		
Accounts Payable	\$751,880.24	\$558,713.20
Dividends Payable	343,337.47	308,348.58
Other Liabilities	2,945,484.71	2,827,348.58
Member Savings	378,405,273.55	340,944,528.63
Total Liabilities	\$382,445,975.97	\$344,638,938.99
Equity		
Reserves	\$2,652,060.02	\$2,652,060.02
Undivided Earnings	38,199,248.01	34,701,867.31
Appropriated		
Undivided Earnings	126,954.40	184,745.32
Pension and Other		
Comprehensive Loss	(2,606,497.51)	(2,150,270.50)
Total Equity	\$38,371,764.92	\$35,388,402.15
Total Liabilities & Equity	\$420,817,740.89	\$380,027,341.14

INCOME STATEMENT

COMPARATIVE STATEMENT OF INCOME

Income	2015	2014
Interest on Loans	\$12,288,238.21	\$11,321,866.81
Loan Interest Rebate		
Investment Income	2,107,916.76	1,979,129.79
Other Income	2,592,830.65	2,219,627.13
Total Income	\$16,988,985.62	\$15,520,623.73
Operating Expenses		
Employee Compensation	\$3,764,863.43	\$3,271,878.68
Employee Benefits	965,153.90	889,109.33
Travel and Conference	214,543.19	182,491.87
Association Dues	66,227.62	58,222.55
Office Occupancy	903,877.52	939,743.49
Office Operations	1,401,229.17	1,207,266.40
Educational & Promotional	532,345.76	490,468.97
Loan Servicing	790,204.80	692,429.77
Prof. & Outside Services	542,969.18	493,918.84
Provision for Loan Losses	1,203,964.30	801,687.24
Member Insurance	(86,139.57)	174,472.42
Operating Fees	69,569.22	66,469.56
Annual Meeting	30,107.81	38,501.79
Direct Cost of Services to Members	823,078.25	533,771.64
Misc. Operating Expenses	84,811.17	22,260.88
Total Operating Expenses	\$11,306,805.75	\$9,862,693.43
Income from Operations	5,682,179.87	5,657,930.30
Non-Operating Gain/Loss	(29,407.67)	
Dividends to Members	2,245,495.89	2,050,237.95
To Undivided Earnings & Reserves	\$3,407,276.31	\$3,607,692.35

ESTIMATED BUDGET FOR 2016

	2016	2015
I. OPERATING INCOME		
Interest on Loans	13,267,737	12,490,182
Income from Investments	2,120,405	1,754,520
Fees and Charges	1,346,497	979,344
Other Miscellaneous Income	1,600,541	1,513,498
Total Operating Income	18,335,180 100.00%	16,737,544 100.00%
II. COST OF FUNDS		
Dividends	2,728,242	2,506,458
Total Cost of Funds	2,728,242 14.88%	2,506,458 14.98%
III. GROSS MARGIN	\$15,606,938 85.12%	\$14,231,086 85.02%
IV. OPERATING EXPENSES		
Salaries	4,278,716	3,796,281
Employee Benefits	1,150,811	1,030,223
Employees' Travel & Conference	177,280	159,340
Officers'/Directors' Travel & Conference	80,610	73,150
Association Dues	66,856	63,367
Office Occupancy	1,010,246	995,103
Subscriptions & Training	32,318	23,111
Office Communications	143,613	132,084
Rental of Furniture & Equipment	4,824	4,824
Maintenance of Furniture & Equipment	729,329	631,189
Stationery & Supplies	123,200	109,700
Insurance	100,560	99,459
Depreciation of Furniture & Equipment	354,126	295,339
Armored Car Service	70,272	75,180
Bank Service Charges	51,400	46,100
Other Office Operations	9,000	9,000
Educational/Promotional	805,566	500,002
Business Development and SEG	12,900	
Loan Servicing	589,900	442,000
Visa Loan Expenses	214,500	202,000
Professional/Outside Services	617,415	542,196
Provision for Loan Losses	1,000,000	1,000,000
Members' Insurance		96,481
NCUA Operating Fees	69,570	66,470
Cash Over/Short	1,000	1,000
Annual Meeting	35,000	35,000
Miscellaneous Operating Expenses	78,819	49,939
Direct Cost of Services to Members	792,600	581,200
Total Operating Expenses	\$12,600,431 68.72%	\$11,059,738 66.08%
Non Operating Gain/Loss	0	0
V. NET INCOME Before Gain	\$3,006,507 16.40%	\$3,171,348 18.95%

CHAIRMAN'S REPORT



This year is our 62nd year of existence, and your credit union continues to grow and serve you and your fellow members. During the past year, the Kauai Community Federal Credit Union made 4,571 new loans; this is almost twenty loans for each and every day we're open. Since its

inception, we have made 176,558 loans, totaling more than \$1.8 billion to members of KCFCU. This equals about \$10,300.00 per loan, which continues to evidence that the credit union makes smaller loans to a greater number of members. This is a niche, where members are helping members to meet a need that is not being fulfilled by other financial institutions.

Your Board of Directors recognize the need for changes to continue to give you loans at competitive rates, while also paying dividends at competitive rates. KCFCU historically increases its membership growth at about 2% per annum. We need to have membership growth in order to grow.

Two years ago, we introduced the Kasasa checking account program. This is an innovative program which pays up to 3.25% interest on checking account balances up to \$10,000 when members qualify. Since mid-2014, over 3,800 members have signed up for Kasasa accounts.

Your credit union continues to look for other benefits which members can enjoy. Programs like the Kasasa Checking and other electronic banking applications have a stronger appeal to the younger generations. You can help spread the word to your children, your neighbors, your friends, and your fellow workers as to the benefits of becoming a KCFCU member. This benefits them, while helping your credit union to grow for all members' benefit.

In addition to budgeting for renovations of the Kapaa and the Hardy Street branch offices, the credit union is exploring a promising possibility of establishing a branch office in Kilauea to serve the

North Shore membership. While this is in the very preliminary stages, we felt the need to retain sufficient cash reserves for a new Kilauea branch office, or even one in Koloa if we can find a right place at the right price. We also need to be ready to meet any changes which may be imposed upon us by the credit union regulatory bodies.

I would like to again commend and thank my fellow Directors, Mel Chiba and his Management Team, and the staff of KCFCU, for their dedication and hard work in making last year such a success.

I would like to acknowledge and recognize all of you, the members of Kauai Community Federal Credit Union, for your support and patronage, because without you, KCFCU could not enjoy the level of success it has achieved and maintained.

As I remarked last year, if you're standing still while everyone around you is moving forward, then you're falling behind. There are some credit unions that are not from Kauai who are looking into expanding into Kauai. If Kauai Community Federal Credit Union is to continue to remain as a financial force in the Kauai community, we need to be continuously moving forward.

We need your help in gaining and keeping members. We need your help in promoting the credit union. We need you to continue using the loan, savings, and other financial services available. We need you, as owners of this financial institution, to help us help you.

And for your past help, and for the anticipated continued help in the future, the Board of Directors, management and staff extend their gratitude and appreciation.

Respectfully submitted,

Walton D. Y. Hong
Chairman of the Board of Directors

PRESIDENT'S MESSAGE



"The main objective of credit unions is to substantially improve the economic condition of people who work for a living. It seems therefore, that the first objective of any credit union should be to bring its service to all persons eligible to membership. But mere

membership is not the ultimate goal. Members must participate to obtain the full benefits of credit union services. It is essential for them to know how to use their credit union to improve their economic condition." KCFCU President James E. Nishida, 1955 Annual Report

This past year was very rewarding for Kauai Community Federal Credit Union – serving the financial needs of members, families and businesses on Kauai and Niihau, adding new affordable and beneficial services, and giving back to our members and community.

Providing financial solutions that enable you and your family to live better and achieve your goals and dreams is the main reason KCFCU exists. With that in mind, we continued to add greater value and benefits to our service offerings. Our Kasasa Checking Accounts allow members to choose benefits and incentives based upon individual preferences. Members may prefer cash back, higher dividends, credits for free music downloads or refunds on Amazon.com. Plus, all Kasasa Checking plans provide refunds on ATM surcharges. For members who need to borrow, over \$90 million in loans were granted to members throughout 2015. And new and improved features to our online Bill Payer service, including the convenience of Mobile Check Deposits were promoted in 2015.

KCFCU's annual charity golf tournament was a big success. Thanks to all the golfers, volunteers and sponsors, we raised \$50,000 to benefit the Wilcox Memorial Hospital's Pediatric Services and the Kapiolani Medical Center for Women & Children. Your credit union supported successful fundraisers

for Big Brothers/Big Sisters on Kauai, the Kauai Independent Food Bank and the American Cancer Society's Relay for Life event.

The combined efforts of you, the membership, your credit union, the KCFCU Board of Directors, Officials, Management, and Staff resulted in another year of excellent financial performance: Assets grew by \$40.8 million, a 10.7% growth rate; our Loan portfolio grew by \$18.8 million, or 9.3%; and Member Savings increased by \$37.5 million, or 11.0%. Total Net Income for the year amounted to \$3.4 million. Kauai Community Federal Credit Union at \$420.8 million in Assets, with \$220.0 million in loans to members, and total member savings in the amount of \$378.4 million is financially sound and stable.

I am proud to announce the partnership of KCFCU and Kapaa High School in launching our first student-run credit union branch on the KHS campus. Students will be encouraged to engage in financial management, experience real life financial transactions, and learn about valuable financial management topics such as savings, checking, online banking, and credit. The student leaders who will be operating the branch will receive ongoing training and support from the KCFCU and KHS staff, along with real world experience in branch operations and management. This is a significant advancement in the promotion of financial literacy among our youth.

On behalf of the staff and volunteer officials at KCFCU, I thank you for your support and loyalty to your credit union. I'm looking forward in all of us working together to make 2016 another great year for KCFCU and its members, under the guidance of our credit union's original leaders.

Respectfully submitted,

Melvin I. Chiba
President/CEO

CREDIT COMMITTEE REPORT



Kauai Community Federal Credit Union's Credit Committee works in conjunction with the credit union's Board and Management to create and monitor credit services and policies. Our goal is to offer loan and credit programs that are affordable to the

membership and result in growth and security for KCFCU.

In 2015, the Credit Committee approved 4,571 loans totaling \$94,029,455.48. The three highest categories in dollar amounts were for purposes of mortgage refinance, home equity loans and auto loans. As we look forward to the coming year, KCFCU will continue to offer programs that benefit the membership, and result in growth and security for the credit union.

Loans at KCFCU are for its members only and benefits derived are shared only amongst the membership. We are proud of the fact that Kauai Community FCU's loan program continues to offer a full range of loan products with some of the lowest interest rates available.

On behalf of the Credit Committee, I would like to express my appreciation to the Board of Directors, Management and Staff for their continued support. The members, however, are the ones who make it happen. Thank you for the privilege of servicing your financial needs. We look forward to continuing to effectively serve you for many years to come.

Respectfully submitted,

Steve Fujii,
Chairman

Committee Members:
Mitchell Ikeda
Brent Mizutani

SUPERVISORY COMMITTEE REPORT



The Supervisory Committee is appointed by the Board of Directors to examine and evaluate the adequacy and effectiveness of internal controls at the Credit Union. To assist the Supervisory Committee, the professional services of Kwock & Company

CPAs were retained to perform an annual independent audit of the consolidated financial statements of Kauai Community Federal Credit Union and Subsidiary for the fiscal year ending June 30, 2015.

On behalf of the Committee, I am pleased to report that KCFCU is financially sound and operating in compliance with all federal and state regulations. Furthermore, the financial condition of the Credit Union's financial statements and management practices and procedures are sufficient to safeguard member assets.

We thank the Board of Directors, Management and Staff, whose hard work and diligence helped maintain the financial safety and soundness of your Credit Union. Our sincerest appreciation goes out to you, the members, for your support and confidence. It has been a pleasure to serve you.

Respectfully submitted,

Kamika Smith
Chairman

Committee Members:
Deborah Christian
Gwynne Duarte
Joseph Kobayashi
Edward Medeiros



Ph# 808.245.6791 • www.kfcu.org

Locations:
Kukui Grove, Lihue, Kapaa, Eleele, Waimea



This credit union is federally insured by the
National Credit Union Administration.



03/2016

BALLOT
