

Kahului Federal Credit Union

2020 Annual Report



Kokua E kou 'Ohana

Caring for Your Family

66th Annual Membership Meeting

*Thursday, September 16, 2021
Kahului FCU Office/Virtual Meeting*

Program

***Opening Remarks/Invocation** 4:30 P.M.*

***Business Meeting** 4:45 P.M.*

Call to Order - Chairman Bruce Harris

Call for Quorum

Minutes of the 65th Annual Meeting

Report of Officials

Chairman

Treasurer

Supervisory Committee

Unfinished Business

New Business

Board of Directors Elections

Other New Business

Adjournment of Business Meeting

Kahului Federal Credit Union
Minutes of the 65th Annual Membership Meeting
February 22, 2020

CALL TO ORDER: Chairman Bruce Harris called the 65th Annual Membership meeting of the Kahului Federal Credit Union to order at 11:05 a.m. at the Maui Beach Hotel – Elleair Room.

ROLL CALL: Secretary Rodney Jung ascertained that a quorum was present with 123 members.

MINUTES: It was moved by Rebecca Hayashi, seconded by Jocelyn Victorino and carried to accept the 64th Annual Membership meeting minutes as circulated in the 2019 Annual Report.

REPORTS OF OFFICIALS:

Chairman Harris instructed the membership to take a few minutes to review the Reports of the Chairman, Treasurer and Supervisory Committee. Chairman Harris called upon President Guy Muraoka to provide a brief overview of the credit union's financial statements ending December 31, 2019. Muraoka briefly reviewed the highlights that occurred during the year. He then called for any questions. Member Hayashi asked if the marketing expense was in line. Muraoka responded that in anticipation of the credit union's field of membership expansion, the credit union began advertising on television and radio. HE noted that the cost would be typical for advertising and stated that for 2020 the expense would be about \$90,000. There being no other questions, Muraoka turned the meeting back over to Harris. Harris then called for a motion to accept the reports. It was then moved by Hayashi, seconded by Victorino and carried to accept all of the reports as circulated in the 2019 Annual Report.

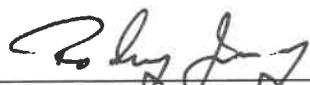
NEW BUSINESS:

Board of Directors Election-Nominating Committee chairman, Leo Polo announced that there were four names submitted to the Nomination Committee for the four 2-years term vacancies on the Board of Directors. They were: Susan Emura, Kathleen Ohta, Joseph Pontanilla and Charlene Yamashiro. Polo stated that since there were only four names submitted for the four vacancies, the nominees were declared the winners and there would be no election held. Harris encouraged the attendees to consider volunteering for the credit union.

UNFINISHED BUSINESS: None.

ADJOURNMENT: Hayashi moved to adjourn the meeting at 11:20 a.m., seconded by Mayor Michael Victorino and carried.

Respectfully submitted,



Rodney Jung, Secretary



Bruce Harris, Chairman

Chairman's Report

On behalf of the Board of Directors and the rest of the credit union family, I would like to welcome you to our 66th annual membership meeting. This year's meeting is being done virtually due to the ongoing concerns of COVID-19.

Here is a brief summary of what transpired in 2020.

COVID-19 Pandemic

In March, the world experienced the coming of a global pandemic called COVID-19. Many people's lifestyles were impacted dramatically. In essence world was forced to shut down. Lives were lost, businesses closed and facemasks and social distancing were now being practiced.

Economy

The State of Hawaii literally was in shut down mode. The governor mandated that only essential workers report to work; all others had to quarantine at home. This was the start of the end for more than a 100 locally-owned Maui businesses that couldn't survive the impact of the non-existent tourism industry. Everyone was affected by the trickle-down effect. Maui's unemployment rate skyrocketed to over 38%.

Although the credit union was classified as being an essential business, it to had felt the wrath of COVID-19. Interest rates fell to near all-time lows, demand for consumer loans dwindled. The credit union was not eligible for most of the federal assistance programs. If it weren't for the hard-working and very creative employees, the credit union ended the year with a small positive net income.

Although there were plans to add more electronic services, the credit union had to move quickly to implement these key electronic member services. Doing so, the credit union incurred higher than projected expenses. The Board and management felt it was something it had to do to meet the needs of its members during this crisis.

2020 Goals:

We were very fortunate that we moved forward with our 2020 goals before the pandemic struck. Many of the goals were to provide our members more convenience and who would have thought they made all large impact on serving you during this crisis.

1. Installed Teller Cash Recyclers (TCRs) – These machines improve efficiencies and reduced the time members had to spend at the credit union.
2. Created a Mobile App – Members could now check their account balance and transact business.
3. Expanded our Field of Membership – We received NCUA approval to now service the entire island of Maui. More convenience for everyone.

4. Membership Drive Promotion – We had a membership drive that started in March but was cut short by the pandemic. Good news was that before we had to limit office hours, we added many new members due to your referrals.
5. Implemented a Remote Deposit Capture App – Members could now deposit their checks remotely with our latest mobile app.
6. On-Site ATM – This was put on hold when the pandemic hit. We hope to start renegotiations with the third-party vendor in 2021 or 2022.
7. Improved Mortgage Services – We began working with a third-party vendor to assist us in processing mortgages. Who would've thought interest rates would hit new lows?

2021 Goals:


Here are a few of our planned goals for 2021.

1. Social Media - Implement a social media program through Facebook, Twitter and Instagram.
2. Online Loan Applications - Offering a shorter and more efficient way to apply for loans through our website
3. Online Membership – Looking to offer an online membership application to potential members.

Although we don't have too many goals set for 2021, we plan to further enhance existing ones to better serve you. We are hoping that members can take advantage of these electronic services during the pandemic. Stay strong and remain vigilant!

In closing, we hope to once again be able to hold a live annual membership meeting sometime in 2022!

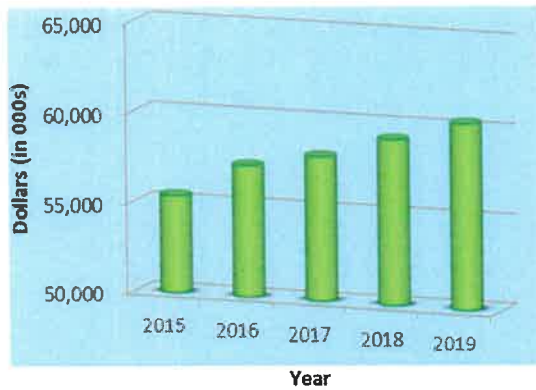
Respectfully submitted,



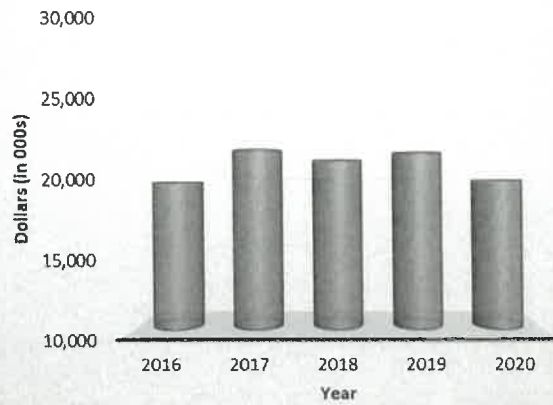
Bruce Harris, Chairman

5-Year Progress Charts

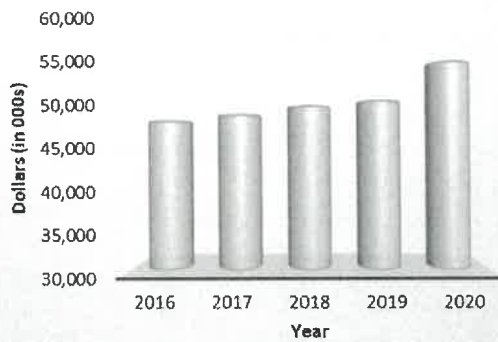
Asset Size



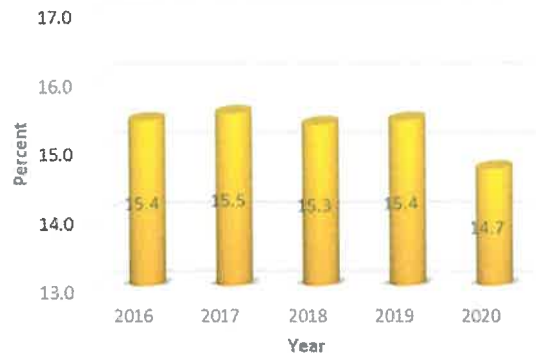
Outstanding Loans



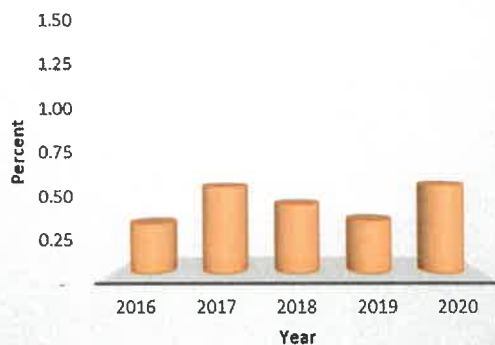
Outstanding Shares



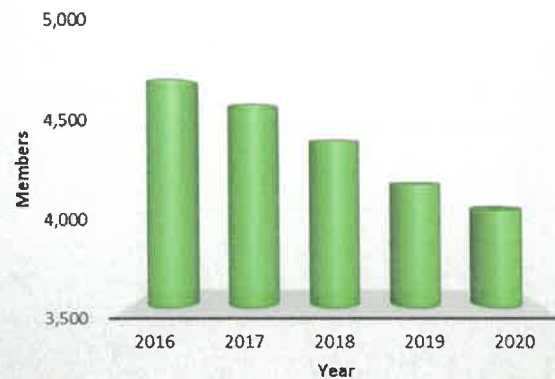
Net Worth



Delinquency Ratio



Membership



Supervisory Committee Report

The Board of Directors appointed a 5-member Supervisory Committee after the annual membership meeting was held. Once appointed, we are authorized to act independently from the Board. Our primary responsibility is to protect the credit union from fraud and potential theft by conducting periodic reviews. During the past year, we performed a review of the reconciliation of cash and critical general ledger accounts. We also conduct verifications on: 1) member account openings and closings; 2) employees' and volunteers' transactions to their accounts; and 3) other items required by our federal regulators, the National Credit Union Administration (NCUA).

Since we are not certified auditors, we contracted Kwock & Company, CPAs, to conduct a comprehensive opinion audit. The audit covered a one-year period that ended as of June 30, 2020. Due to the pandemic, Kwock performed a virtual off-site audit. Upon completion, owner Stephen Kwock held an exit meeting with the Board virtually. The report stated that the financial statements were fairly presented.

Due to COVID-19, NCUA conducted a two-week examination virtually towards the end of the year. NCUA then met with the Board virtually to report their findings. They stated that although there were no significant findings or weaknesses, they noted a decrease in the credit union's net worth ratio which the Board acknowledged. Management responded that the decrease in the credit union's net worth ratio was attributed to a \$5 million asset growth that occurred during the year when members deposited their federal government's stimulus checks. The credit union continues to maintain a healthy 14.42% net worth ratio that is far above NCUA's 7.0% recommendation.

In closing, the credit union continues to operate in a sound manner. On behalf of our committee members, Louise Anbe, Hester Paiva, Charlotte Pontanilla and Howard Takamori, we like to thank the Board of Directors, the hard-working employees and most of all, you, the members for your trust and confidence.

Respectfully submitted,



Elaine Randall
Supervisory Committee Chairperson

Treasurer's Report

Statement of Financial Condition (Unaudited)

<u>Assets</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Loans Outstanding	19,880,064.73	21,737,801.42
Less: Allowance for Loan Losses	(180,912.24)	(185,510.24)
Cash	4,276,164.76	1,499,605.44
Held to Maturity Securities	13,925,550.32	7,400,786.17
Trading Securities	-	-
Available for Sale Securities	6,592,175.62	10,811,597.73
Shares, Deposits & Certificates in Corporate Credit Unions	7,820,821.23	2,089,535.25
Certificates of Deposit	11,553,036.25	15,534,011.16
NCUSIF Capital Deposit	533,291.45	513,191.14
Land & Building (Net of Depreciation)	611,812.21	621,025.21
Other Fixed Assets (Net of Depreciation)	124,456.13	63,677.93
All Other Assets	281,568.99	283,645.09
Total Assets	65,418,029.45	60,369,366.30
<u>Liabilities</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Accounts Payable	74,961.13	135,732.14
Other Liabilities	246,686.11	213,424.29
Share Certificates	12,840,657.48	13,027,835.34
Member Shares	38,554,466.45	34,559,183.95
Share Drafts	4,085,528.61	3,107,894.25
Christmas Shares	29,886.45	30,000.76
Total Liabilities	55,832,186.23	51,074,070.73
<u>Equity</u>		
Regular Reserve	906,616.58	906,616.58
Appropriated Undivided Earnings	2,727,693.07	2,727,693.07
Undivided Earnings	5,801,494.80	5,677,715.49
Unrealized Gain/Loss on Investments	150,038.77	(16,729.57)
Total Equity	9,585,843.22	9,295,295.57
Total Liabilities and Equity	\$ 65,418,029.45	\$ 60,369,366.30

Statement of Income (Unaudited)
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<u>Income</u>	<u>12/31/2020</u>	<u>12/31/2019</u>
Interest on Loans	\$ 1,036,249.18	\$ 1,120,473.13
(Less Interest Refund)	-	-
Income from Investments	676,211.60	881,912.81
Other Operating Income	370,840.67	151,502.96
Total Income	\$ 2,083,301.45	\$ 2,153,888.90
<u>Expense</u>		
Employee Compensation	\$ 760,759.30	\$ 718,503.84
Employee Benefits	189,856.51	190,556.39
Travel & Conference	2,339.80	13,058.31
Association Dues	11,934.48	11,256.44
Office Occupancy	27,464.58	41,731.10
Office Operations	113,024.96	91,392.40
Educational & Promotional	66,798.83	28,753.20
Loan Servicing	61,287.99	69,083.64
Professional & Outside Services	406,445.15	412,984.86
Provision for Loan Loss	29,325.60	48,932.93
Provision for Investment Loss	-	-
Member Insurance	-	-
Corporate CU Stabilization	-	-
Federal Supervision & Exam Fee	16,447.67	15,957.98
Interest on Borrowed Money	2.85	19.92
Annual Meeting	6,888.13	5,254.18
Miscellaneous	35,739.23	38,378.64
Total Expenses	\$ 1,728,315.08	\$ 1,685,863.83
Income from Operations	\$ 354,986.37	\$ 468,025.07
Gain/Loss on Investments	-	-
Gain/Loss on Disposition of Assets	-	-
Non Operating Income (Expense)	-	8,354.30
Dividends	(231,207.06)	(250,952.14)
Net Income	\$ 123,779.31	\$ 225,427.23

Statement of Retained Earnings
For the Years Ended December 31, 2019 and 2020

	STATUTORY RESERVES	OTHER RESERVES	UNDIVIDED EARNINGS	ACCUMULATED UNREALIZED GAINS/LOSSES ON AFS SECURITIES	TOTAL
1/01/19 Balance	\$ 906,616.58	\$ 2,727,693.07	\$ 5,452,288.26	\$ (270,548.18)	8,816,049.73
Unrealized Gain/Loss on Investments				253,818.61	253,818.61
Net Income	-	-	225,427.23		225,427.23
12/31/19 Balance	<u>\$ 906,616.58</u>	<u>\$ 2,727,693.07</u>	<u>\$ 5,677,715.49</u>	<u>\$ (16,729.57)</u>	<u>\$ 9,295,295.57</u>
Unrealized Gain/Loss on Investments	-	-		166,768.34	166,768.34
Net Income	-	-	123,779.31		123,779.31
12/31/20 Balance	<u>\$ 906,616.58</u>	<u>\$ 2,727,693.07</u>	<u>\$ 5,801,494.80</u>	<u>\$ 150,038.77</u>	<u>\$ 9,585,843.22</u>

FOOTNOTES:

As of December 31, 2020, the fair value of its entire investment portfolio is approximately \$40,611,954.59

Respectfully submitted,


 Rodney Jung, Secretary/Treasurer

Board of Directors

<i>Bruce Harris (5 years of service)</i>	<i>Chairman</i>
<i>Leo Polo (41 years)</i>	<i>Vice Chairman</i>
<i>Rodney Jung (31 years)</i>	<i>Secretary/Treasurer</i>
<i>Susan Emura (6 years)</i>	<i>Director</i>
<i>Kathleen Ohta (9 years)</i>	<i>Director</i>
<i>Joseph Pontanilla (30 years)</i>	<i>Director</i>
<i>Guy Muraoka (33 years)</i>	<i>Director</i>

Supervisory Committee

<i>Elaine Randall (20 years)</i>	<i>Chairperson</i>
<i>Charlotte Pontanilla (30 years)</i>	<i>Secretary</i>
<i>Louise Anbe (7 years)</i>	<i>Member</i>
<i>Hester Paiva (3 years)</i>	<i>Member</i>
<i>Howard Takamori (5 years)</i>	<i>Member</i>

Staff

<i>Guy Muraoka</i>	<i>President</i>
<i>Connie Woods</i>	<i>Vice President</i>
<i>Colleen Mira</i>	<i>Projects Manager</i>
<i>Leilani Kaopuiki</i>	<i>BSA Specialist</i>
<i>Stacey Nikaido</i>	<i>Accountant II</i>
<i>Heidi Kauhane</i>	<i>Accountant I</i>
<i>Cynthia Sakamoto</i>	<i>Loan Officer</i>
<i>Megan Akana</i>	<i>Loan Officer</i>
<i>Shari Shim</i>	<i>Loan Clerk</i>
<i>Yvonne Timbreza</i>	<i>Operations Manager</i>
<i>Any Rowa</i>	<i>Operations Supervisor</i>
<i>Chamelle Quilos</i>	<i>Teller III</i>
<i>Sabrina Leist</i>	<i>Teller I</i>
<i>Courtney Kealohapauole</i>	<i>Teller I</i>

Savings Services

- + Regular Share Accounts
- + Share Drafts (Checking) Accounts
- + Revocable Trust Accounts
- + Payable on Death Accounts
- + Direct Deposit
- + Payroll Deduction
- + Accounts Federally Insured to at least \$250,000 by the National Credit Union Administration
- + Christmas Share Accounts
- + Share Certificates
- + ATM transactions
- + Debit Cards
- + Virtual Teller (on-line banking)
- + Mobile Deposit Capture



Loan Services

- + Personal Loans
- + 50% & 100% Share Pledged Loans
- + New & Used Automobile Loans
- + Prequalified Automobile Loans
- + First Time Borrower Automobile Loans
- + First & Second Fixed Mortgages
- + Virtual Lending (on-line loan applications)
- + SunPower Loans (solar heating and photovoltaic systems)
- + Bill Consolidation Loans
- + Over Draft Protection
- + Share Certificate Secured Loans
- + VISA Credit Cards
- + Home Equity Lines of Credit
- + Electric & Hybrid Auto Loans



Member Related Services

- + Night Depository (Envelope Drop)
- + Notary Public Service - By Appointment Only
- + e-Statements
- + \$2,000 Accidental Death & Dismemberment Insurance Coverage at no additional cost
- + Touch Tone Teller (Audio Response System)
- + Website - www.kahuluifcu.com
- + Mobile Money (Cellphone Banking)
- + Scorecard Bonus Point Program for VISA credit cards
- + Card Valet for debit cards
- + Securlock for credit cards
- + Farmers Insurance Hawaii

