

A scenic sunset over the ocean with a palm tree in the foreground. The sun is low on the horizon, casting a golden glow across the sky and reflecting on the water. The sky is filled with soft, colorful clouds in shades of orange, pink, and blue. In the foreground, a large palm tree stands on a grassy area, with its fronds reaching towards the sky. The ocean is a deep blue, and the rocks in the foreground are dark and jagged.

# *Kahului Federal Credit Union*

*Kokua E kou 'Ohana*  
*Caring for Your Family*

*2022 Annual Report*

# *68th Annual Membership Meeting*

*Saturday, February 25, 2023  
Maui Beach Hotel - Moana Ballroom*

## *Program*

*Opening Remarks/Invocation* *11:00 A.M.*

*Business Meeting* *11:10 A.M.*

*Call to Order - Chairman Leo Polo*

*Call for Quorum*

*Minutes of the 67th Annual Meeting*

*Report of Officials*

*Chairman*

*Treasurer*

*Supervisory Committee*

*Unfinished Business*

*New Business*

*Board of Directors Elections*

*Other New Business*

*Adjournment of Business Meeting*

*Lunch*

*Door Prize Drawings*

Kahului Federal Credit Union  
**Minutes of the 67<sup>th</sup> Annual Membership Meeting**  
February 24, 2022

**CALL TO ORDER:** Chairman Leo Polo called the 67<sup>th</sup> Annual Membership meeting of the Kahului Federal Credit Union to order at 4:50 p.m. at the Kahului Federal Credit Union office and virtually via Zoom.

**ROLL CALL:** Secretary Rodney Jung ascertained that a quorum was present with 23 members.

**MINUTES:** It was moved by Louise Anbe, seconded by Joseph Pontanilla and carried to accept the 66<sup>th</sup> Annual Membership meeting minutes as circulated in the 2021 Annual Report.

**REPORTS OF OFFICIALS:**

Chairman Polo instructed the membership to take a few minutes to review the Reports of the Chairman, Treasurer and Supervisory Committee. Chairman Polo called upon President Guy Muraoka to provide a brief overview of the credit union's financial statements ending December 31, 2021. Muraoka briefly reviewed the highlights and noted that due to the continuing pandemic crisis, the credit union's statistics have improved from last year but still was not as good as prior to it. He stated that members' deposits have increased, but the credit union's equity ratio remained at a strong 13.97%. He then called for any questions. There being no questions, Muraoka turned the meeting back over to Polo. Polo then called for a motion to accept the reports. It was then moved by Pontanilla, seconded by Anbe and carried to accept all of the reports as circulated in the 2021 Annual Report.

**NEW BUSINESS:**


Board of Directors Election-Nominating Committee chairman, Bruce Harris announced that there were three names submitted to the Nomination Committee for the three 2-years term vacancies on the Board of Directors. They were: Susan Emura, Joseph Pontanilla and Elaine Randall. Harris stated that since there were only three names submitted for the three vacancies, the nominees were declared the winners and there would be no election held.

**UNFINISHED BUSINESS:** None.

**ADJOURNMENT:** In closing, Polo thanked those in attendance. It was then moved by Harris to adjourn the meeting at 5:00 p.m., seconded by Randall and carried.

Respectfully submitted,

  
\_\_\_\_\_  
Rodney Jung, Secretary

  
\_\_\_\_\_  
Leo Polo, Chairman

# Chairman's Report

Aloha and welcome to our first in-person membership meeting since 2020. On behalf of the Board of Directors, Supervisory Committee members, staff and management, we would like to officially welcome you to our 68<sup>th</sup> annual membership meeting.

The COVID pandemic forced us to change the way we used to bank. Now you can do almost everything you can think of electronically from the comfort of your home or via cellphone. From taking a picture of your check to be deposited, to applying for loans online, to receiving your member statements via e-Statements, we all were forced to adapt. Times have changed and so has your credit union.

We would like to share some of the changes that occurred since 2020, our last in-person meeting.

## Financial Highlights

Item	2021	2022	Change (in \$)	Change (in %)
Asset Size	69,658,632.12	75,728,035.64	6,069,403.52	8.71%
Outstanding Loans	23,396,367.41	24,184,599.68	788,232.27	3.37%
Outstanding Shares	59,575,175.80	65,820,094.88	6,244,919.08	10.48%
Net Worth (Equity)	9,761,499.54	9,606,176.75	-155,322.79	-1.59%
New Worth Ratio	13.97%	12.88%	-1.09%	-7.80%
Members	3,832	3,602	(230)	-6.00%
Delinquencies	84,116.68	66,574.13	-17,543	-20.86%
Delinquency Ratio	0.36%	0.28%	-0.08%	-22.22%
Net Charge Offs	30,732.10	67,227.71	36,496	118.75%
Net Charge Off Ratio	0.13%	0.28%	0.15%	115.38%
Income	1,503,006.72	1,950,552.04	447,545.32	29.78%
Operating Expenses	1,623,112.40	1,773,725.26	150,612.86	9.28%
Dividend Expense	125,346.91	155,057.90	29,710.99	23.70%
Net Income	293,084.52	21,768.88	(271,315.64)	-92.57%

## The Economy

In today's economy, the in-words are now, inflation and employee shortages. Since COVID hit Hawaii, many of the transient workers left and local residents were forced to move away to find employment elsewhere. Now that we're emerging from COVID, we are now faced with an employee shortage. With many local businesses scrambling to find help along with their rising cost of their inventory due to

inflation, the immediate outlook is bleak. In order to survive, like our credit union, businesses must adapt to the changing times.

### Programs & Services Implemented

Your credit union implemented new and improved programs and services in the past two years.

- Youth Accounts – Youth and young adult savings accounts with lower minimum balances
- Zogo – This financial literacy application helps to educate young and old on financial fitness
- Mobile Deposit Capture – take a cellphone photo of your check and deposit electronically
- Social media presence – now you can follow us on Facebook, Twitter and Instagram
- Online loan applications – we switched out from FiServ's overwhelming loan application to a more user-friendly short-form application
- Share certificate rates – we wanted our members to earn more on the savings, so we began offering above market interest rates on share certificates
- Online membership applications – Island of Maui residents can now become our members by completing our online membership application
- Online check ordering – members can re-order checks online
- New Home Equity Lines of Credit Rates – we are now offering options on our introductory HELOC rates, 1% APR for 1 year or 3% APR for 3 years.

### Pending Changes

Two significant changes will occur in 2023.

- Changing of electronic data processor (EDP) - After working nearly 40 years with our EDP, FiServ, we have made the decision to change data processors. We felt that FiServ no longer offered us an acceptable level on being available (aka uptime) along with their ever-rising EDP costs. For the past 2+ years we have met with potential EDP vendors, and finally found one that possessed the services we were looking for plus options for future growth. In order for us to leave FiServ and to obtain our current member information files, we had to pay over \$200,000 in deconversion fees. Although this was a significant amount to pay, we strongly felt that service availability to you along with cost control, will far out weight this one-time cost. We anticipate recouping this cost in about 2 years and then incur a significant cost reduction in EDP expense. We hope to have this conversion completed towards the 4<sup>th</sup> quarter of 2023.
- CECL Compliance – Financial institutions must comply with a new accounting standard called Current Expected Credit Losses or CECL come 2023. CECL requires us to recognize lifetime expected credit losses for a wide range of financial assets based on past events and current conditions, but also on reasonable & supportable forecasts. We cannot rely on our past history so in a nutshell, we had to purchase a software to help us forecast potentials credit losses. We anticipate being CECL compliant by July 1, 2023.

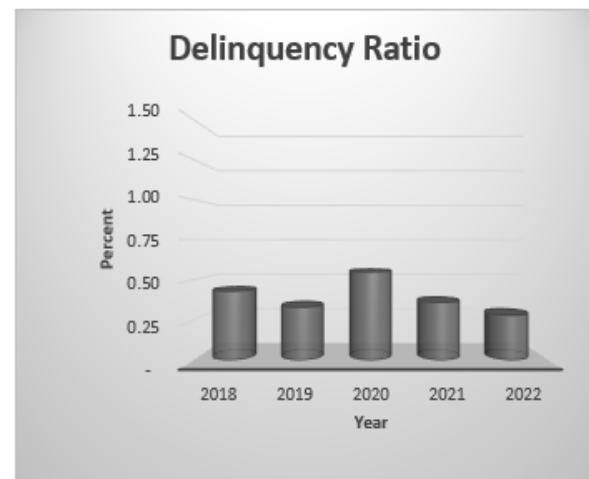
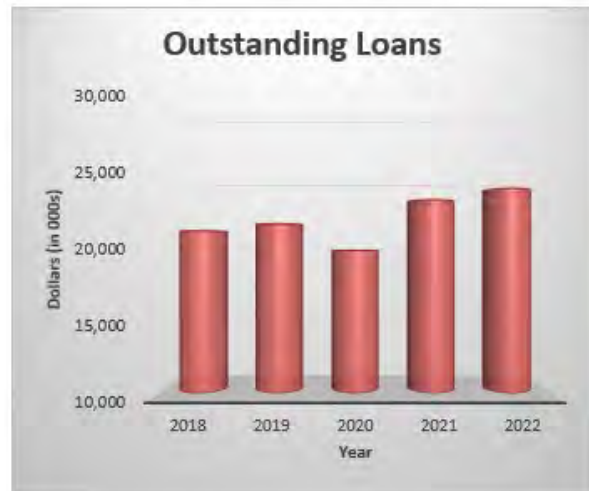
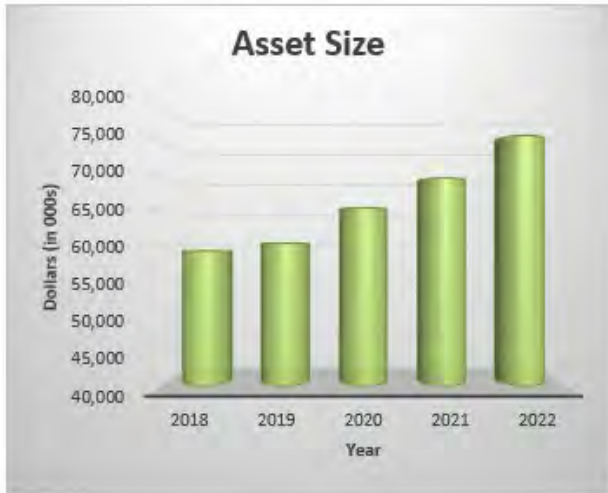
In closing, with your continued support, we will look back at this terrible event and say, we survived! Maui Strong!

Respectfully submitted,



Leo Polo, Chairman

# 5-Year Progress Charts



## *Supervisory Committee Report*

Although the COVID-1 crisis had dramatically improved in 2022, your Supervisory Committee continued to do most of its reviews remotely with the assistance of senior management. We felt comfortable that many of these reviews had enough internal controls in place to protect the integrity of our reviews. Some of the tasks performed included:

- Verification of all closed accounts
- Review bank reconciliations
- Review 100% of all employee accounts
- Conduct surprise cash counts
- Verification of new member accounts
- Conducted our annual SAFE Act audit
- Review non-financial transactions
- Sample review of loans approved
- Random sample review of dormant accounts
- Random sample review of member address changes

We contracted Kwock & Company, CPAs, to conduct a comprehensive opinion audit. The audit was to cover the fiscal year that ended on June 30, 2022. The audit was once again being done virtually, but because of a backlog of audits, Kwock & Company was unable to complete our audit by the end of the year. We were assured that it would be completed by early 2023.

In 2022, the National Credit Union Administration conducted a virtual examination. There were several deficiencies discovered during the exam, however they were resolved before the exam was completed and submitted to the Board for its approval and acknowledgment.

On behalf of our committee members, we like to thank the Board of Directors and especially the employees who assisted us with our reviews.

Respectfully submitted,



Elaine Randall  
Supervisory Committee Chairperson

# Treasurer's Report

## Statement of Financial Condition (Unaudited)

<u>Assets</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Loans Outstanding	24,184,599.68	23,396,367.41
Less: Allowance for Loan Losses	(49,634.55)	(172,326.15)
Cash	4,428,439.55	4,782,853.48
Held to Maturity Securities	23,851,107.88	20,200,720.22
Trading Securities	-	-
Available for Sale Securities	2,794,738.76	3,126,266.42
Shares, Deposits & Certificates in Corporate Credit Unions	1,739,733.22	5,673,278.43
Certificates of Deposit	15,772,011.32	11,056,041.29
Investments in CU Service Corporation	417,000.00	-
NCUSIF Capital Deposit	611,925.82	582,416.94
Land & Building (Net of Depreciation)	593,386.21	602,599.21
Other Fixed Assets (Net of Depreciation)	76,615.10	115,100.43
All Other Assets	1,308,112.65	295,314.44
<b>Total Assets</b>	<b><u>75,728,035.64</u></b>	<b><u>69,658,632.12</u></b>
<u>Liabilities</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Accounts Payable	79,986.82	105,912.82
Other Liabilities	221,777.19	216,043.96
Share Certificates	18,310,287.88	11,760,586.28
Member Shares	42,549,701.41	43,684,714.72
Share Drafts	4,926,267.49	4,091,006.32
Christmas Shares	33,838.10	38,868.48
<b>Total Liabilities</b>	<b><u>66,121,858.89</u></b>	<b><u>59,897,132.58</u></b>
<u>Equity</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Regular Reserve	-	906,616.58
Appropriated Undivided Earnings	2,727,693.07	2,727,693.07
Undivided Earnings	7,022,964.78	6,094,579.32
Unrealized Gain/Loss on Investments	(144,481.10)	32,610.57
<b>Total Equity</b>	<b><u>9,606,176.75</u></b>	<b><u>9,761,499.54</u></b>
<b>Total Liabilities and Equity</b>	<b><u>\$ 75,728,035.64</u></b>	<b><u>\$ 69,658,632.12</u></b>



**Statement of Income**  
(Unaudited)

<u>Income</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Interest on Loans	\$ 1,069,227.44	\$ 977,841.19
Income from Investments	676,270.90	425,649.60
Other Operating Income	205,053.70	99,515.93
<b>Total Income</b>	<b>\$ 1,950,552.04</b>	<b>\$ 1,503,006.72</b>
<u>Expense</u>		
Employee Compensation	\$ 671,508.45	\$ 716,085.90
Employee Benefits	173,941.16	212,717.36
Travel & Conference	10,431.37	2,109.40
Association Dues	12,439.02	12,261.48
Office Occupancy	25,605.50	28,668.87
Office Operations	114,786.93	114,510.70
Educational & Promotional	70,338.93	53,163.02
Loan Servicing	71,174.27	66,464.00
Professional & Outside Services	629,793.11	346,287.82
Provision for Loan Loss	(55,463.89)	22,146.01
Provision for Investment Loss	-	-
Member Insurance	-	-
Federal Supervision & Exam Fee	11,322.35	13,611.30
Interest on Borrowed Money	2,521.94	1,936.84
Annual Meeting	2,200.00	6,888.13
Miscellaneous	33,126.12	26,261.57
<b>Total Expenses</b>	<b>\$ 1,773,725.26</b>	<b>\$ 1,623,112.40</b>
Income from Operations	\$ 176,826.78	\$ (120,105.68)
Gain/Loss on Investments	-	27,950.01
Gain/Loss on Disposition of Assets	-	-
Non Operating Income (Expense)	-	510,587.10
Dividends	(155,057.90)	(125,346.91)
<b>Net Income</b>	<b>\$ 21,768.88</b>	<b>\$ 293,084.52</b>

**Statement of Retained Earnings**  
**For the Years Ended December 31, 2022 and 2021**

	STATUTORY RESERVES	OTHER RESERVES	UNDIVIDED EARNINGS	ACCUMULATED UNREALIZED GAINS/LOSSES	TOTAL
<b>1/01/21 Balance</b>	<b>\$ 906,616.58</b>	<b>\$ 2,727,693.07</b>	<b>\$ 5,801,494.80</b>	<b>\$ 150,038.77</b>	<b>9,585,843.22</b>
<i>Unrealized Gain/Loss on Investments</i>				(117,428.20)	(117,428.20)
<i>Net Income</i>	-	-	293,084.52		293,084.52
<b>12/31/21 Balance</b>	<b>\$ 906,616.58</b>	<b>\$ 2,727,693.07</b>	<b>\$ 6,094,579.32</b>	<b>\$ 32,610.57</b>	<b>\$ 9,761,499.54</b>
<i>Transfers</i>	(906,616.58)		906,616.58		-
<i>Unrealized Gain/Loss</i>	-	-		(177,091.67)	(177,091.67)
<i>Net Income</i>	-	-	21,768.88		21,768.88
<b>12/31/22 Balance</b>	<b>\$ -</b>	<b>\$ 2,727,693.07</b>	<b>\$ 7,022,964.78</b>	<b>\$ (144,481.10)</b>	<b>\$ 9,606,176.75</b>

**FOOTNOTES:**

As of December 31, 2022, the fair value of its entire investment portfolio is approximately \$42,559,842.80

Respectfully submitted,

  
 Rodney Jung, Secretary/Treasurer

## *Board of Directors*

<i>Leo Polo (43 years of service)</i>	<i>Chairman</i>
<i>Susan Emura (8 years)</i>	<i>Vice Chairman</i>
<i>Rodney Jung (33 years)</i>	<i>Secretary/Treasurer</i>
<i>Bruce Harris (7 years)</i>	<i>Director</i>
<i>Joseph Pontanilla (32 years)</i>	<i>Director</i>
<i>Elaine Randall (22 years)</i>	<i>Director</i>
<i>Guy Muraoka (35 years)</i>	<i>Director</i>

## *Supervisory Committee*

<i>Elaine Randall (22 years)</i>	<i>Chairperson</i>
<i>Charlotte Pontanilla (32 years)</i>	<i>Secretary</i>
<i>Louise Anbe (9 years)</i>	<i>Member</i>
<i>Hester Paiva (5 years)</i>	<i>Member</i>
<i>Howard Takamori (7 years)</i>	<i>Member</i>

## *Staff*

<i>Guy Muraoka</i>	<i>President</i>
<i>Connie Woods</i>	<i>Vice President</i>
<i>Stacey Nikaido</i>	<i>Accountant II</i>
<i>Leilani Kaopuiki</i>	<i>Loan Manager/BSA Officer</i>
<i>Megan Akana</i>	<i>Loan Officer</i>
<i>Shari Shim</i>	<i>Loan Processor</i>
<i>Courtney Kealohapauole</i>	<i>Loan Processor</i>
<i>Yvonne Timbreza</i>	<i>Operations Manager</i>
<i>Sabrina Leist</i>	<i>Operations Support Specialist</i>
<i>Queeny Guira</i>	<i>Teller II</i>
<i>Alexis Sanorjo</i>	<i>Teller II</i>
<i>Sherlyn Fukumoto</i>	<i>Teller II</i>
<i>Pumehana Aki</i>	<i>Teller I</i>

## Account Services

- + Regular Share Accounts
- + Share Drafts (Checking) Accounts
- + Revocable Trust Accounts
- + Payable on Death Accounts
- + Direct Deposit
- + Payroll Deduction
- + Federally Insured to at least \$250,000 by the National Credit Union Administration



- + Youth Accounts
- + Share Certificates
- + Christmas Share Accounts
- + Debit Cards
- + Virtual Branch (on-line banking)
- + ATM transactions



## Loan Services

- + Personal Loans
- + 50% & 100% Share Pledged Loans
- + New & Used Automobile Loans
- + First & Second Fixed Mortgages
- + Home Equity Lines of Credit
- + Investor Mortgages
- + 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 - Investor
- + Virtual Lending (on-line loan applications)



## Member Related Services

- + Night Depository (Envelope Drop)
- + Notary Public Service - By Appointment Only
- + e-Statements
- + Touch Tone Teller (800) 789-4398
- + Website - [www.kahuluifcu.com](http://www.kahuluifcu.com)
- + Mobile Deposit Capture
- + Zogo - Financial Literacy App
- + Scorecard Bonus Point Program for VISA credit cards
- + Card Hub for debit cards
- + Securlock for credit cards
- + EZ Card Info

