

# 2015 Annual Meeting Agenda

- 1. Call Meeting to Order and Ascertain Presence of Quorum (15 members)
- 2. Approval of minutes for 2014 Annual Meeting
- 3. Accept Treasurer's Report for 2014
- 4. Accept Chairman and Board of Directors' Report for 2014
- 5. Accept Supervisory Committee's Report for 2014
- 6. Approval for Nominating Committee's Report
- 7. Other business
- 8. Adjournment
- 9. Drawings for Door prizes



## 2014 Supervisory Committee Report

A comprehensive annual audit as of September 30, 2014 of books and records performed in accordance with the audit guidelines and procedures recommended in the Supervisory Committee guide for Federal Credit Unions was conducted by Kwok & Company, CPA's.

From the information we have been given, it is the feeling of this committee that the elected officers, management and staff of Maui County FCU have performed their duties in a creditable manner and that the credit union is in sound financial condition.

The Supervisory Committee continues to perform periodic cash and travelers checks counts along with member verification of accounts.

On behalf of all the committee members, we thank you for the opportunity to have served you.

Respectfully submitted,  
  
Glenn Okimoto  
*Supervisory Committee Chairman*

Ralph Nagamine • Wesley Yoshioka  
Robin Tanaka • Greg Takahashi

# Financial Reports

## STATEMENT OF INCOME

OPERATING INCOME	2014	2013	Variance %
Loan Income	\$5,885,637	\$6,783,101	-13.23%
Investment Income	\$1,569,845	\$1,283,963	22.27%
Other Operating Income	\$936,709	\$996,910	-6.04%
<b>Total Operating Income</b>	<b>\$8,392,191</b>	<b>\$9,063,974</b>	<b>-7.41%</b>
OPERATING EXPENSE	2014	2013	Variance %
Compensation	\$1,810,919	\$1,740,705	4.03%
Employee Benefits	\$545,259	\$550,802	-1.01%
Travel & Conference	\$99,971	\$101,493	-1.50%
Dues	\$40,240	\$37,340	7.77%
Occupancy Expense	\$340,015	\$357,444	-4.88%
Office Operating Expense	\$512,479	\$533,147	-3.88%
Education & Marketing	\$102,309	\$100,080	2.23%
Loan Servicing	\$221,364	\$177,815	24.49%
Outside Services	\$1,414,690	\$1,469,234	-3.71%
Provision for Loan Losses	(\$647,723)	\$247,269	-361.95%
Member Insurance	\$43,456	\$51,941	-16.34%
Examination Fees	\$44,898	\$53,634	-16.29%
NCUA Stabilization	\$0	\$171,544	-100.00%
Misc. Operating Expenses	\$212,391	\$62,038	242.36%
<b>Total Operating Expenses</b>	<b>\$4,740,268</b>	<b>\$5,654,486</b>	<b>-16.17%</b>
<b>Total Expenses</b>	<b>\$4,740,268</b>	<b>\$5,654,486</b>	<b>-16.17%</b>
<b>Net Operating Income</b>	<b>\$3,651,923</b>	<b>\$3,409,488</b>	<b>7.11%</b>
Gain/(Loss) on Sale of Assets	\$31,949	(\$95,849)	133.33%
Net Income before Dividends	\$3,683,872	\$3,313,639	11.17%
Dividends - Shares	\$608,596	\$749,637	-18.81%
<b>NET INCOME</b>	<b>\$3,075,276</b>	<b>\$2,564,002</b>	<b>19.94%</b>

## STATEMENT OF CONDITION

ASSETS	2014	2013	Variance %
Net Loans	\$122,633,604	\$126,977,470	-3.42%
Receivables	\$7,396	\$10,692	-30.83%
Cash	\$4,016,027	\$4,454,314	-9.84%
Investments	\$112,247,724	\$102,691,468	9.31%
Fixed Assets	\$2,644,032	\$2,714,282	-2.59%
Other Assets	\$6,428,372	\$6,428,276	0.00%
<b>Total Assets</b>	<b>\$247,977,155</b>	<b>\$243,276,502</b>	<b>1.93%</b>
LIABILITIES	2014	2013	Variance %
Payables	\$485,579	\$804,421	-39.64%
Other Liabilities	\$35,276	\$35,462	-0.52%
<b>Total Liabilities</b>	<b>\$520,855</b>	<b>\$839,883</b>	<b>-37.98%</b>
MEMBER EQUITY	2014	2013	Variance %
Shares & Certificates	\$215,715,640	\$213,879,476	0.86%
Reserves & Undivided Earnings	\$31,740,660	\$28,557,143	11.15%
<b>Total Member Equity</b>	<b>\$247,456,300</b>	<b>\$242,436,619</b>	<b>2.07%</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$247,977,155</b>	<b>\$243,276,502</b>	<b>1.93%</b>



MAUI COUNTY  
FEDERAL CREDIT UNION

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## BOARD OF DIRECTORS

Edwin Okubo, Chairman  
Clifford Zane, Vice Chairman  
Karen Oura, Secretary/Treasurer  
Frederico P. Asuncion • Robert Kawahara  
Richelle Lu • Ty Yoshimi

## MISSION STATEMENT

Caring For Our Members Needs



MAUI COUNTY  
FEDERAL CREDIT UNION

annual report  
2014



# 2014 Annual Meeting Minutes

**WELCOME BY CHAIRMAN:** Chairman Edwin Okubo introduced himself and welcomed the members to the meeting.

**CALL TO ORDER AND ASCERTAIN PRESENCE OF QUORUM:** The meeting was called to order by Chairman Okubo at 6:00 p.m. on Saturday, March 1, 2014 at the Wailuku Community Center. Chairman Okubo reported that approximately 579 members were in attendance and that a quorum was present for the meeting. He also informed the members that under our credit union's by-laws, a minimum of 15 members need to be present to have a quorum for the meeting.

**CHAIRMAN'S ANNOUNCEMENT:** Chairman Okubo made the following announcements:

1. The meeting will be recessed in a few minutes and the meeting will be reconvened after dinner for the business portion of the meeting.
2. Some of the door prizes will be given out before and during dinner, but most of the door prizes will be given out after the business portion of the meeting is concluded.
3. Requested that the members review the 2013 annual report which was distributed to the members, as action will be taken on the Supervisory Committee's report, the Treasurer's report, the minutes of the annual meeting of the members and the Chairman and Board of Directors' report.

Chairman Okubo also reported that the following corrections will have to be made to the minutes of the annual meeting of the members:

- a. Immediately following the "MEETING RECONVENED" section, there should be a heading for "MINUTES" with the statement "Upon motion duly made and seconded, it was unanimously voted: TO APPROVE the minutes of the March 3, 2012 annual meeting of the members", and
  - b. The "MINUTES" heading that is shown in the 2013 annual report should be replaced with "REPORT OF THE TREASURER".
4. Chairman Okubo acknowledged the service of Mr. Wesley Wong, Jr. and Mr. Garrett Goo for their many years of dedicated service to the credit union. Mr. Wong served on the Board of Directors for 9 years, including terms as Vice Chairman and Secretary/Treasurer. Mr. Wong resigned on March 31, 2013. Mr. Goo served on the Credit Committee for 10 years and on the Supervisory Committee for 16 years, including a term as Chairman. Mr. Goo resigned on February 28, 2014.

Chairman Okubo called on Ms. Frances Nelson to offer grace before receiving our food.

**MEETING RECESSED:** Chairman Okubo recessed the meeting at 6:20 p.m.

**MEETING RECONVENED:** Chairman Okubo reconvened the meeting at 7:15 p.m.

**MINUTES:** Chairman Okubo requested a motion to approve the Minutes of MCFCU's March 2, 2013 annual meeting of

the members, as corrected. Upon motion duly made and seconded, **it was unanimously voted:** TO APPROVE the minutes of the 2013 annual meeting of the members, as corrected.

**REPORT OF THE TREASURER:** Chairman Okubo requested a motion to accept the Treasurer's Report for 2013. Upon motion duly made and seconded, **it was unanimously voted:** TO ACCEPT the Treasurer's report for 2013.

**REPORT OF THE CHAIRMAN AND BOARD OF DIRECTORS:** Chairman Okubo requested a motion to accept the Chairman and Board of Directors' Report for 2013. Upon motion duly made and seconded, **it was unanimously voted:** TO ACCEPT the Chairman and Board of Directors' report for 2013.

**REPORT OF THE SUPERVISORY COMMITTEE:** Chairman Okubo requested a motion to accept the Supervisory Committee's Report for 2013. Upon motion duly made and seconded, **it was unanimously voted:** TO ACCEPT the Supervisory Committee's report for 2013.

**INTRODUCTION OF VOLUNTEERS:** Chairman Okubo introduced the volunteers of MCFCU:

**BOARD OF DIRECTORS:** \*Secretary/Treasurer Karen Oura, \*Director Frederico Asuncion, \*Director Richelle Lu, \*Director Robert Kawahara, \*Chairman Edwin Okubo, Vice Chairman Clifford Zane, Director Ty Yoshimi. \*In attendance

**SUPERVISORY COMMITTEE:** \*Member Robin Tanaka, \*Member Glenn Okimoto, Member Greg Takahashi, Member Ralph Nagamine. \*In attendance

**REPORT OF THE NOMINATING COMMITTEE:** Chairman Okubo called on Director Karen Oura, Chair of the Nominating Committee to present the Nominating Committee's report.

Ms. Oura explained that the Nominating Committee went through the nomination process that is spelled out in the by-laws, and that the Nominating Committee was nominating Frederico Asuncion, Robert Kawahara, Edwin Okubo and Ty Yoshimi to fill the four up-coming vacancies on the Board of Directors.

Chairman Okubo thanked Ms. Oura for the report and requested a motion to approve the Nominating Committee's report. Upon motion duly made and seconded, **it was unanimously voted:** TO APPROVE the Nominating Committee's report.

Chairman Okubo announced that with the approval of the Nominating Committee's report, Frederico Asuncion, Robert Kawahara, Edwin Okubo and Ty Yoshimi have been elected to serve on the Board of Directors for a term of two years.

**ADJOURNMENT:** There being no other business, Chairman Okubo adjourned the meeting at 7:25 p.m.

**DOOR PRIZES:** Door prizes, including merchandise, gift certificates and air fare/vacation coupons were awarded to members whose names were drawn by lottery. The door prizes were made possible by our credit union and some generous vendors.

Respectfully submitted,  
Edwin Okubo, Chairman,  
Karen Oura, Secretary/Treasurer

# Report of the Chairman and Board of Directors

In fiscal year 2014, the board of directors and senior management team developed with the assistance of The Rochdale Group, a strategic plan for the period 2015-2017.

The development of the strategic plan started with a strategic planning session, which established the following objectives:

1. Express the key values of the credit union.
2. Define the vision and mission of the credit union.
3. Articulate the success measures that will be used to measure progress toward accomplishing the credit union's vision and mission.
4. Identify and understand the key risks facing the credit union.
5. Validate the top five strategic objectives that the credit union will focus on over the next three years.
6. Senior management team to identify key initiatives or actual projects and/or processes that need to be completed in support of the objectives.

Maui County FCU's adopted vision statement and mission statement are as follows:

**VISION STATEMENT** – "To be the PREMIER financial institution of choice for the people of Maui County."

**MISSION STATEMENT** – "Caring for our members' needs" and its strategic objectives are:

1. Financial – Maintain financial strength and stability.
2. Member – Live the brand promise to make a difference in the lives of Maui County residents.
3. Operational Processes – Build and nurture a learning organization.
4. People – Cultivate a culture of engagement.
5. Develop forward strategy considerations for 2017-2018.

The strategic plan will serve as a roadmap to aid our senior management team in attaining the goals and objectives that are set in the plan, and will be adhered to over the next three years to facilitate the comprehension and implementation of the plan.

Catalyst Strategic Solutions (Catalyst), an advisory service company to our credit union, provides comprehensive financial management consultancy on our financial operations and investment portfolio activities. Objectives set for our credit union are to develop long-term strategies to enhance net interest margin, provide stable earnings, ensuring a prudent liquidity profile and cash flow structure, establishment of a proper risk management profile and the protection of long-term equity capital.

Catalyst's fourth quarter Financial Management Assessment and Strategy Report for our credit union was not completed prior to the publication of the annual report. Therefore, provided below are the significant comments from their third quarter report.

1. The credit union is a well-capitalized institution with growth capacity.
2. The credit union has capacity from both a concentration risk and credit risk perspective to pursue additional lending opportunities.

3. The credit union's funding portfolio has increased 1.3% this year (annualized). Its current allocations enhance its long-term cost of funds outlook.
4. The balance sheet's liquidity profile remains strong and implies a capacity to employ additional funds into loans and term investments.
5. The net operating expense profile is effectively managed to help minimize the impact on earnings.
6. The prevailing exposure measures denote low levels of implied short-term interest rate risk to short-term earnings.
7. The prevailing exposure measures denote low levels of implied interest rate risk to intermediate-term cash flow structure. There are no critical issues, which warrant any corrective action to be taken at this time. The credit union's balance sheet and cash flow structure is well positioned pending the current and future market environments.
8. The prevailing exposure measures denote low levels of implied interest rate risk to long-term cash flow structure. The credit union's balance sheet and cash flow structure is well positioned pending the current and future market environments.
9. The investment portfolio's cash flow structure is prudently positioned to support future lending activities and interest rate environment.
10. The investment portfolio has low market value exposure and extension/contraction risk exposure.

We are pleased to report that Maui County FCU had another successful year in 2014. Net income increased from \$2,564,002 to \$3,075,276, total assets increased from \$243,276,502 to \$247,997,155, net worth to assets ratio increased from 11.93% to 12.94%, delinquent loans to total loans ratio decreased from 3.87% to 2.82%, and net charge-off to average loan ratio decreased from 0.80% to 0.31%. Although total loan volume declined for most of the year, the credit union registered loan volume increases in the last few months of the fiscal year.

Maui County FCU currently has 176 Select Employer Groups (SEGs) and 14,433 members. A complete listing of our SEGs is shown in the "Membership" section of our credit union's website.

Your membership at Maui County FCU is greatly valued and your continued commitment and support is sincerely appreciated.

Respectfully submitted,  
**Board of Directors**  
Edwin Okubo, Chairman  
Clifford Zane, Vice Chairman  
Karen Oura, Secretary/Treasurer  
Frederico Asuncion, Director  
Robert Kawahara, Director  
Richelle Lu, Director  
Ty Yoshimi, Director

