

2019 Annual Meeting Agenda

1. Call Meeting to Order & Ascertain Presence of Quorum
(15 members required)
2. Chairman's Announcements
3. Approval of Minutes for 2018 Annual Meeting
4. Accept Treasurer's Report for 2018
5. Accept Chairman & Board of Directors' Report for 2018
6. Accept Supervisory Committee's Report for 2018
7. Old Business (if any)
8. New Business
(Approval of Nominating Committee's report)
9. Adjournment

2018 Supervisory Committee Report

One of the major roles of the Supervisory Committee is to oversee the sound management of the credit union. In order to fulfill this responsibility, the members of the Supervisory Committee examined various operational areas of the credit union to: 1) ensure policies, plans, and control procedures approved by the Board of Directors were carried out faithfully by management, 2) ensure the accuracy of financial statements and evaluate the financial soundness of the credit union, 3) determine that internal controls were established and effectively maintained and that control systems were sufficient to safeguard the credit union against errors, carelessness, conflicts of interests, and fraud.

Besides regularly conducting its own audits in various areas of the credit union's operation, the Supervisory Committee also completed the following:

1. Hired CU Pacific Audit Solutions, LLC to conduct quarterly audits to determine that effective systems of internal controls are in place to safeguard the assets of the members of the credit union.
2. Hired Kwok & Company, Certified Public Accountants to conduct a comprehensive annual audit of the credit union's records and operations for the period ending September 30, 2018 in accordance with the audit guidelines and procedures recommended in the "Supervisory Committee Guide for Federal Credit Unions."
3. Reviewed the NCUA Federal Examiner's Report and met with examiners to go over their findings and recommendations.
4. Followed-up on management's reports to ensure that management responded to all findings in the audit and examiner's reports and took appropriate corrective actions to satisfy all findings and recommendations in the reports.

Based on the above actions taken by the Supervisory Committee, the members of the Supervisory Committee would like to recognize the Board of Directors, management and staff of the Maui County Federal Credit Union for performing their duties in a commendable manner to keep the credit union in sound financial condition. The Board of Directors, management and staff deserve to be highly commended for their excellent effort in continuing to provide effective and outstanding service to the members of our credit union and to preserve the safety and soundness of Maui County Federal Credit Union.

As members of the Supervisory Committee, we thank you for the opportunity to serve you.

Respectfully submitted,

Ralph Nagamine | Wesley Yoshioka | Greg Takahashi | Robin Tanaka

Financial Reports

STATEMENT OF INCOME

Operating Income	2018	2017	Variance %
Loan Income	\$7,226,424	\$6,456,068	11.93%
Investment Income	\$3,629,405	\$2,608,038	39.16%
Other Operating Income	\$1,425,676	\$1,085,315	31.36%
TOTAL INCOME	\$12,281,505	\$10,149,420	21.01%
Operating Expense			
Compensation	\$2,814,687	\$2,405,210	17.02%
Employee Benefits	\$797,502	\$686,749	16.13%
Travel & Conference	\$123,478	\$100,707	22.61%
Dues	\$53,472	\$47,940	11.54%
Occupancy Expense	\$553,969	\$418,672	32.32%
Office Operating Expense	\$681,653	\$615,294	10.78%
Education & Marketing	\$150,655	\$123,552	21.94%
Loan Servicing	\$302,086	\$306,161	-1.33%
Outside Services	\$1,821,106	\$1,775,701	2.56%
Provision for Loan Losses	\$(290,236)	\$(308,057)	-5.78%
Member Insurance	-	-	-
Examination Fees	\$83,771	\$62,942	33.09%
NCUA Stabilization	-	-	-
Misc. Operating Expenses	\$151,714	\$104,318	45.43%
Total Operating Expenses	\$7,243,856	\$6,339,190	14.27%
Total Expenses	\$7,243,856	\$6,339,190	14.27%
Net Operating Income	\$5,037,649	\$3,810,231	32.21%
Gain/(Loss) on Sale of Assets	\$(270,942)	\$5,607,591	-104.83%
Net Income before Dividends	\$4,186,234	\$8,801,708	-52.44%
Dividends - Shares	\$941,897	\$675,551	39.43%
NET INCOME	\$3,244,337	\$8,126,158	-60.08%

STATEMENT OF CONDITION

Assets	2018	2017	Variance %
Net Loans	\$141,393,387	\$139,196,417	1.58%
Receivables	\$15,979	\$28,000	-42.93%
Cash	\$4,720,000	\$4,343,679	8.66%
Investments	\$155,378,103	\$158,854,375	-2.19%
Fixed Assets	\$5,566,434	\$5,771,983	-3.56%
Other Assets	\$15,601,004	\$8,908,829	75.12%
Total Assets	\$322,674,908	\$317,103,284	1.76%
Liabilities			
Payables	\$(442,486)	\$1,443,032	-130.66%
Other Liabilities	\$129,517	\$149,177	-13.18%
Total Liabilities	\$(312,969)	\$1,592,209	-119.66%
Member Equity			
Shares & Certificates	\$273,756,859	\$269,573,247	1.55%
Reserves & Undivided Earnings	\$49,231,018	\$45,937,828	7.17%
Total Member Equity	\$322,987,877	\$315,511,075	2.37%
Total Liabilities & Equity	\$322,674,908	\$317,103,284	1.76%

MAUI COUNTY FEDERAL CREDIT UNION

Wailuku Branch

1888 Wili Pa Loop
Wailuku, HI 96793-1272

Lahaina Branch

270 Lahainaluna Rd
Lahaina, HI 96761-1525

Office Hours

Monday to Friday
8:30 a.m. to 4:30 p.m.

Kahului Branch

270 Dairy Rd., #146
Kahului, HI 96732-2986

Office Hours

Monday to Friday
9:00 a.m. to 5:00 p.m.
Saturday
9:00 a.m. to 1:00 p.m.

(808) 244-7968 Fax (808) 242-1690
(800) 783-6597 (Neighbor Islands)
www.mauicountyfcu.org

Teller Tone Service

(800) 285-2932

"Chartered 1937"

Board of Directors

Edwin Okubo, Chairman
Clifford Zane, Vice Chairman
Karen Oura, Secretary/Treasurer
Frederico Asuncion, Director
Richelle Lu, Director
Robert Kawahara, Director
Glenn Okimoto, Director

Mission Statement

Caring For Our Members Needs



AMERICA'S
CREDIT UNIONS™
Where people are worth more than money.™

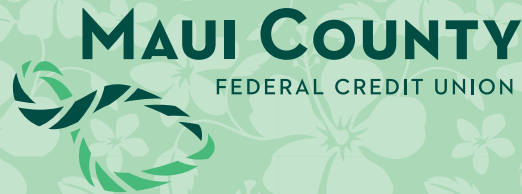


EQUAL HOUSING
LENDER

NCUA Your savings federally insured to at least \$250,000 and backed by the full faith and credit of the United States Government
National Credit Union Administration, a U.S. Government Agency



2018 Annual Report



Federally insured by NCUA.

MAUI COUNTY FEDERAL CREDIT UNION

2018 Annual Meeting Minutes

WELCOME BY CHAIRMAN: Chairman Edwin Okubo introduced himself and welcomed the members to the meeting, and conveyed a special welcome to the former members of the West Maui Community Federal Credit Union.

CALL TO ORDER AND ASCERTAIN PRESENCE OF QUORUM: The meeting was called to order by Chairman Okubo at 6:02 p.m. on Thursday, March 8, 2018 at the Wailuku Community Center. Chairman Okubo reported that approximately 550 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 ANNOUNCEMENTS: 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 and the meeting is adjourned.
3. On June 29, 2017, the members of the West Maui Community Federal Credit Union voted to approve the proposed merger of their credit union with the Maui County Federal Credit Union (MCFCU) and the merger was finalized and became effective on September 1, 2017.

He reported that we now have a beautiful, new branch office at the intersection of the Honoapiilani Highway and Lahainaluna Road, and invited the members to visit the new branch office when they’re in Lahaina.

In addition, he reported that at the time of the merger, MCFCU’s total assets increased by \$36,791,894 to a total of \$312,476,635, and MCFCU’s membership increased by 3,004 members to a total of 18,584 members.
4. He reported that thanks to the hard work of the credit union’s management, staff and volunteers, and the loyalty of our members, the credit union had another very successful year in 2017. He also reported on the following:

- The credit union had a net income of \$8,126,157.52, which included a one-time “merger acquisition gain” of \$5,588,079.63
- Total assets increased by 15.05% to \$317,103,283;
- The delinquent loans to total loans ratio was a manageable 2.84%
- The net charge-offs to average loan ratio was a low 0.27%

- The credit union’s net worth to total assets ratio increased from 14.03% to 14.76%
 - The credit union’s membership grew from 15,279 members to 18,721 members, and he stated that all of these factors contributed to the credit union being in a very strong financial position.
5. He requested that the members review the 2017 annual report, which was distributed to the members, because during the business portion of the meeting, the members will be asked to take action on the Minutes of the 2017 annual meeting, the Treasurer’s financial reports, the Chairman and Board of Directors’ report, and the Supervisory Committee’s report.
6. He also requested that the members review the Nominating Committee’s written report which was distributed with the 2017 annual report, because it includes a detailed explanation of a number of things that occurred prior to the Nominating Committee making its recommendation; and the members will be asked to approve the Nominating Committee’s report.

OFFERING OF GRACE: Chairman Okubo called on Ms. Fran Nelson to offer grace before the serving of the food and thanked Ms. Nelson after she had finished.

MEETING RECESSED: Chairman Okubo recessed the meeting at 6:13 p.m.

MEETING RECONVENED: Chairman Okubo reconvened the meeting at 7:02 p.m.

APPROVAL OF MINUTES: Chairman Okubo requested a motion to approve the Minutes of MCFCU’s March 9, 2017 annual meeting. Upon motion duly made and seconded, it was unanimously voted to approve the Minutes of the 2017 annual meeting.

ACCEPTANCE OF THE TREASURER’S REPORTS: Chairman Okubo requested a motion to accept the Treasurer’s financial reports for 2017. Upon motion duly made and seconded, it was unanimously voted to accept the Treasurer’s financial reports for 2017.

ACCEPTANCE OF THE CHAIRMAN AND BOARD OF DIRECTORS’ REPORT: Chairman Okubo requested a motion to accept the Chairman and Board of Directors’ Report for 2017. Upon motion duly made and seconded, it was unanimously voted to accept the Chairman and Board of Directors’ report for 2017.

ACCEPTANCE OF THE SUPERVISORY COMMITTEE’S REPORT: Chairman Okubo requested a motion to accept the Supervisory Committee’s Report for 2017. Upon motion duly made and seconded, it was unanimously voted to accept the Supervisory Committee’s report for 2017.

RECOGNITION OF VOLUNTEERS: Chairman Okubo introduced the following MCFCU volunteers on the Board of Directors and asked them to stand when their name is called:

*Vice Chairman Clifford Zane
Secretary/Treasurer Karen Oura
Director Frederico Asuncion
Director Richelle Lu
Director Robert Kawahara
Director Glenn Okimoto
Chairman Edwin Okubo*

Chairman Okubo then introduced Member Greg Takahashi of the Supervisory Committee. Chairman Okubo also reported that the other members of the Supervisory Committee who were not present included Chairman Robin Tanaka, Member Ralph Nagamine and Member Wesley Yoshioka.

Chairman Okubo then asked the members of the credit union to join him in thanking all of the volunteers on the Board of Directors and Supervisory Committee for their commitment and dedication to the credit union.

UNFINISHED BUSINESS: Chairman Okubo reported that there was no unfinished business to act on.

NEW BUSINESS: Chairman Okubo reported that there was one new business item to act on, which was the election of directors, and called on Director Glenn Okimoto, Chair of the Nominating Committee to present the Nominating Committee’s report.

Mr. Okimoto reported that a number of things had occurred during the nomination process so the Nominating Committee decided to present its report in writing, and was nominating Frederico Asuncion, Robert Kawahara and Edwin Okubo to serve on the Board of Directors.

Chairman Okubo thanked Mr. Okimoto 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 by acclamation, Frederico Asuncion, Robert Kawahara and Edwin Okubo have been elected to serve on the Board of Directors for a term of two years.

ADJOURNMENT OF MEETING: There being no other business for the meeting, Chairman Okubo adjourned the meeting at 7:12 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*

Chairman and Board

of Directors' Report

In May 2009, the National Credit Union Administration (NCUA) created the Temporary Corporate Stabilization Fund (Stabilization Fund) to accrue losses from five failed corporate credit unions and to assess federally-insured credit unions for such losses over the ensuing twelve years to preserve the National Credit Union Share Insurance Fund (NCUSIF), to pay for the costs of NCUA’s Corporate System Resolution Program and to provide short-term and long-term funding to resolve a portfolio of conserved “legacy assets” (residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds).

Under the Corporate System Resolution Program, NCUA created a re-securitization program where NCUA issued a series of NCUA guaranteed notes which were sold to investors to provide long-term funding for the legacy assets. Funding for the program came primarily from a \$5.1 billion loan from the U.S. Treasury to NCUA. Repayment of the loan came from \$4.8 billion in assessments paid by federally-insured credit unions as well as net proceeds of lawsuit settlements NCUA recovered from sellers of the legacy assets. NCUA was able to fully repay the loan from the Treasury in October 2016, well ahead of the loan’s scheduled maturity of June 2021.

From 2009 to 2017, the NCUA assessed the Maui County Federal Credit Union (MCFCU) and the West Maui Community Federal Credit Union (WMCFCU), which had merged with the MCFCU on September 1, 2017, a total of \$1,150,211 for the stabilization fund.

Through the advocacy efforts of the Credit Union National Association (CUNA) and the credit union leagues, the NCUA Board approved the closure of the stabilization fund in September 2017. If the stabilization fund was not closed at that time, MCFCU would have been required to pay approximately \$369,116 more in premium into the share insurance fund in 2018. On February 15, 2018, the NCUA Board also unanimously approved an equity distribution of \$736 million from the NCUSIF, targeted for payment to eligible credit unions in the third quarter of 2018.

Pursuant to the NCUA’s final adopted rules, the NCUA established a framework for a pro rata NCUSIF equity distribution to federally-insured credit unions, and MCFCU’s pro rata share of the equity distribution was \$205,781.14. This amount was received by the MCFCU on July 24, 2018 and was included in MCFCU’s net income for 2018.

Respectfully submitted,
BOARD OF DIRECTORS
*Edwin Okubo, Chairman
Clifford Zane, Vice Chairman
Karen Oura, Secretary/Treasurer
Frederico Asuncion, Director
Richelle Lu, Director
Robert Kawahara, Director
Glenn Okimoto, Director*