

# 2014 Annual Meeting Agenda

1. Call Meeting to Order and Ascertain Quorum (15 members)
2. Approval of minutes for 2013 Annual Meeting
3. Accept Treasurer's Report for 2013
4. Accept Chairman and Board of Directors' Report for 2013
5. Accept Supervisory Committee's Report for 2013
6. Approval for Nominating Committee's Report
7. Other business
8. Adjournment
9. Drawings for Door prizes

## 2013 Supervisory Committee Report

The Annual Comprehensive audit of our Credit Union conducted by CU Pacific Audit Solutions, LLC was completed on November 21, 2013. The audit covered the period from October 1, 2012 through September 20, 2013.

Overall, our credit union was found to be financially sound and experiencing steady growth which gives a reasonable assurance that our assets are adequately safe guarded against losses. The audit scope included testing the accuracy of the financial data with generally accepted accounting principals. The review of compliance and control was reported as adequate without any exceptions noted.

A declining loan volume and delinquencies in the real estate loans has been the real challenge for MCFCU in 2013 and will continue in 2014. Improved monitoring efforts and tracking will help mitigate the risks and improve the loan volumes.

Risk Management has been the focus from our regulatory agency, the National Credit Union Administration (NCUA) and the audit focus has also trended in that direction to have consistency in audit and regulatory controls.

Our Credit Union is considered to be well capitalized according to NCUA standards.

Management, Board of Directors and staff deserves to be highly commended for their excellent effort in continuing to provide meaningful and profitable services to the members of our Credit Union and to preserve the safety and soundness of MCFCU.

Respectfully submitted,

Garrett Goo  
Supervisory Committee Chairman

Ralph Nagamine • Glenn Okimoto  
Greg Takahashi • Robin Tanaka



# Financial Reports

## STATEMENT OF INCOME

| OPERATING INCOME                | 2013               | 2012                | Variance %     |
|---------------------------------|--------------------|---------------------|----------------|
| Loan Income                     | \$6,783,101        | \$8,022,481         | -15.45%        |
| Investment Income               | \$1,283,963        | \$1,142,913         | 12.34%         |
| Other Operating Income          | \$996,910          | \$1,031,763         | -3.38%         |
| <b>Total Operating Income</b>   | <b>\$9,063,974</b> | <b>\$10,197,157</b> | <b>-11.11%</b> |
| <b>OPERATING EXPENSE</b>        |                    |                     |                |
| Compensation                    | \$1,740,705        | \$1,707,298         | 1.96%          |
| Employee Benefits               | \$550,802          | \$522,403           | 5.44%          |
| Travel & Conference             | \$101,493          | \$86,888            | 16.81%         |
| Dues                            | \$37,340           | \$39,705            | -5.96%         |
| Occupancy Expense               | \$357,444          | \$347,911           | 2.74%          |
| Office Operating Expense        | \$533,147          | \$487,144           | 9.44%          |
| Education & Marketing           | \$100,080          | \$98,380            | 1.73%          |
| Loan Servicing                  | \$177,815          | \$285,893           | -37.80%        |
| Outside Services                | \$1,469,234        | \$1,332,678         | 10.25%         |
| Provision for Loan Losses       | \$247,269          | \$549,365           | -54.99%        |
| Member Insurance                | \$51,941           | \$93,279            | -44.32%        |
| Examination Fees                | \$53,634           | \$52,863            | 1.46%          |
| NCUA Stabilization              | \$171,544          | \$197,737           | -13.25%        |
| Misc. Operating Expenses        | \$62,038           | \$66,059            | -6.09%         |
| <b>Total Operating Expenses</b> | <b>\$5,654,486</b> | <b>\$5,867,603</b>  | <b>-3.63%</b>  |
| <b>Total Expenses</b>           | <b>\$5,654,486</b> | <b>\$5,867,603</b>  | <b>-3.63%</b>  |
| <b>Net Operating Income</b>     | <b>\$3,409,488</b> | <b>\$4,329,554</b>  | <b>-21.25%</b> |
| Gain/(Loss) on Sale of Assets   | (\$95,849)         | (\$15,227)          | 529.46%        |
| Net Income before Dividends     | \$3,313,639        | \$4,314,326         | -23.19%        |
| Dividends - Shares              | \$749,637          | \$1,192,707         | -37.15%        |
| <b>NET INCOME</b>               | <b>\$2,564,002</b> | <b>\$3,121,619</b>  | <b>-17.86%</b> |

## STATEMENT OF CONDITION

| ASSETS                   | 2013                 | 2012                 | Variance %     |
|--------------------------|----------------------|----------------------|----------------|
| Net Loans                | \$126,977,470        | \$147,416,146        | -13.86%        |
| Receivables              | \$10,692             | \$13,582             | -21.28%        |
| Cash                     | \$4,454,314          | \$2,965,388          | 50.21%         |
| Investments              | \$102,691,468        | \$80,389,359         | 27.74%         |
| Fixed Assets             | \$2,714,282          | \$2,760,932          | -1.69%         |
| Other Assets             | \$6,428,276          | \$3,616,022          | 77.77%         |
| <b>Total Assets</b>      | <b>\$243,276,502</b> | <b>\$237,161,429</b> | <b>2.58%</b>   |
| <b>LIABILITIES</b>       |                      |                      |                |
| Payables                 | \$804,421            | \$1,475,453          | -45.48%        |
| Other Liabilities        | \$35,462             | (\$45,980)           | -177.13%       |
| <b>Total Liabilities</b> | <b>\$839,883</b>     | <b>\$1,429,473</b>   | <b>-41.25%</b> |

|                                       |                      |                      |              |
|---------------------------------------|----------------------|----------------------|--------------|
| <b>MEMBER EQUITY</b>                  |                      |                      |              |
| Shares & Certificates                 | \$213,879,476        | \$209,826,311        | 1.93%        |
| Reserves & Undivided Earnings         | \$28,557,143         | \$25,905,645         | 10.24%       |
| <b>Total Member Equity</b>            | <b>\$242,436,619</b> | <b>\$235,731,956</b> | <b>2.84%</b> |
| <b>Total Liabilities &amp; Equity</b> | <b>\$243,276,502</b> | <b>\$237,161,429</b> | <b>2.58%</b> |



MAUI COUNTY  
FEDERAL CREDIT UNION

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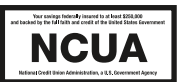
[www.mauicountyfcu.org](http://www.mauicountyfcu.org)

## 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  
2013

Federally insured by NCUA.



# 2013 Annual Meeting Minutes

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

**CALL TO ORDER AND DETERMINATION OF QUORUM:** The meeting was called to order by Chairman Edwin Okubo at 6:00 p.m. on Saturday, March 2, 2013 at the Wailuku Community Center. Chairman Okubo reported that approximately 586 members were in attendance and that a quorum was present for the meeting.

**CHAIRMAN'S ANNOUNCEMENT:** Chairman Okubo reported on the following:

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. The drawings for the door prizes will be conducted after the business portion of the meeting is concluded.
3. Explained why a different caterer was being used to prepare food for the meeting.
4. Requested that the members review the 2012 annual report which was distributed to the members and which contained the Supervisory Committee's report, Treasurer's report, Minutes of the annual meeting of members and the Chairman and Board of Director's report.
5. Mr. Donald Terada's 2012 resignation from the Board of Directors and his 28 years as a volunteer of the MCFCU (9 years on the credit committee and 19 years on the Board of Directors, including several years as its Chairman), and asked that the members join him in thanking Mr. Terada for his many years of dedicated service to MCFCU.

and called on Ms. Frances Nelson to offer grace before receiving the food.

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

**MEETING RECONVENED:** Chairman Okubo reconvened the meeting at 7:20 p.m.

**MINUTES:** Upon motion duly made and seconded, **it was unanimously voted: TO ACCEPT** the Treasurer's Report for 2012.

**REPORT OF THE CHAIRMAN AND BOARD OF DIRECTORS:** Upon motion duly made and seconded, **it was unanimously**

**voted: TO ACCEPT** the Chairman and Board of Directors' report for 2012.

**REPORT OF THE SUPERVISORY COMMITTEE:** Upon motion duly made and seconded, **it was unanimously voted: TO ACCEPT** the Supervisory Committee's report.

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

**Board of Directors:** Chairman Edwin Okubo, Vice Chairman Wesley Wong, Jr., Secretary/ Treasurer Karen Oura, Directors Frederico Asuncion, Clifford Zane, Ty Yoshimi, and Richelle Lu.

**Supervisory Committee:** Committee Member Glenn Okimoto. Committee Chair Robert Kawahara and members Garrett Goo, Lyle Kobashigawa, and Robin Tanaka were not present.

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

Mr. Yoshimi explained the nominating process that is specified by the MCFCU by-laws, and reported that after the process was completed, the Nominating Committee was nominating Clifford Zane, Karen Oura and Richelle Lu to fill the three upcoming vacancies on the Board of Directors.

Upon motion duly made and seconded, **it was unanimously voted: TO APPROVE** the Nominating Committee's report.

Chairman Okubo announced that Clifford Zane, Karen Oura, and Richelle Lu have been elected to serve two-year terms on the MCFCU Board of Directors.

**ADJOURNMENT:** There being no further business, the meeting was adjourned at 7:45 p.m.

**DOOR PRIZES:** Door prizes, including merchandise, gift certificates and airfare/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

The national and local economy continued its slow recovery in 2013, and MCFCU has continued to work diligently in assisting our members who are in need of help.

With the economy being as it is, many credit unions, especially the smaller ones, are finding it difficult to operate on a profitable basis. This has made it necessary for some of those credit unions to merge with a larger credit union, and in other cases, the NCUA, the federal agency that regulates credit unions, has ordered the take-over by a credit union that is operating profitably to protect the interest of the members.

We are pleased to report that MCFCU is fiscally sound and operating on a profitable basis. In fiscal year 2013, MCFCU generated a net income of \$2,564,001.88 and its total assets increased from \$237,161,428.77 to \$243,276,501.65. MCFCU is considered well capitalized with a net worth ratio of 11.93%, and its loan delinquency rate and net charge-off rate are 3.87% and 0.80%, respectively. MCFCU currently has a total of 174 Select Employer Groups (SEGs) and a total of 14,338 members. A complete listing of organizations and employers that are SEGs of MCFCU is available in the "Membership" section of our credit union's website.

The NCUA has issued rules and regulations requiring credit unions to develop sound processes to manage the risks associated with its business model and strategies. To comply with this requirement, MCFCU retained the services of a nationally recognized consulting firm to assist MCFCU in developing an Enterprise Risk Management (ERM) program.

The ERM program is not a process that will eliminate risk or enforce risk limits, but a process to encourage credit unions to take a broad look at all risk factors, understand the relationships among those factors, define an accept-

able level of risk, and continuously monitor functional areas to ensure that the defined risk threshold is maintained.

The ERM program is a process that is:

- ongoing and applied throughout the credit union,
- effected by people at every level of the credit union,
- applied in strategy setting,
- a credit union-wide portfolio view of risk,
- designed to identify potential events that could affect the credit union and to manage risk within the credit union's risk appetite,
- able to provide reasonable assurance to a credit union's management and board of directors, and
- geared to achieve objectives in one or more separate but overlapping categories.

Your membership in MCFCU is greatly valued and your commitment and support is much appreciated.

Respectfully submitted,

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