

# President's Message

"The main objective of credit unions is to substantially improve the economic condition of people who work for a living. It seems, therefore, that the first objective of any credit union should be to bring its service to all persons eligible to membership. But mere membership is not the ultimate goal. Members must participate to obtain the full benefits of credit union services. It is essential for them to know how to use their credit union to improve their economic condition." KCFCU President James E. Nishida, 1955

Kauai Community Federal Credit Union's commitment to provide our members with the very best in financial products and personal service continues and grows with each year. The growth in each area of service is evidence our members use our products and services.

We continue to expand our services to accommodate the changing needs of the membership, including the introduction of our Platinum Visa Rewards program, which has become very popular with our members. Our savings programs, investment services, automobile and consumer loan programs, and home loan programs, including purchase, refinance and home equity loans, are well used by our members. The convenience of our home banking and bill payer programs enhances the daily lives of many of our members. We also continue to maintain the unique free member benefits of Life Savings Insurance, Loan Protection Insurance, Travelers Checks and Money Orders.

In a challenging economy, we continue our commitment to offer programs to increase our members' financial knowledge, education and awareness of the steps needed to establish and maintain a sound financial foundation, including financial seminars and one-on-one financial

counseling. We also continue to concentrate on the financial education of our youth members.

Financially, your credit union's Assets grew by 5.5% with a year end total of \$304.9 million. Members' savings accounts increased by \$14 million as members chose KCFCU as their primary financial institution for savings. Loans showed significant growth rising from \$183 million to \$202 million, an 11.0% increase from the previous year.

In 2007, your credit union's assets surpassed the \$300 million milestone. It's important to note, however, that it is you the members who are our most important asset. Your confidence, commitment, and continued use of our services are the primary reasons KCFCU has grown and evolved into the strong member-owned, financial co-operative we are today.

I would like to express my appreciation to our volunteer Board of Directors and Committee members, our dedicated management team and staff and, most importantly, to each of you, the members of Kauai Community Federal Credit Union for another successful year.

Respectfully submitted,



Melvin I. Chiba  
President/CEO

**At KCFCU, we offer a complete package of financial services just for you!**

## Ask us about our... LOANS

- Mortgage Loans
- Home Equity Line of Credit
- New & Used Auto Loans
- Visa Credit Cards

## SAVINGS

- Savings Accounts
- Sharedraft Checking Accounts
- Share Certificates
- Money Market Accounts

## 24-HOUR ACCOUNT ACCESS

- Online Banking
- Bill Payer Services
- ATM/Visa Check Cards
- Audio Access

## OTHER SERVICES offered through Community Financial Services Group, LLC, wholly owned by KCFCU:

- Accidental Death & Dismemberment Insurance
- Auto & Homeowners Insurance
- Cancer Insurance
- Life Insurance
- Pet Insurance
- Prepaid Legal Services
- Vehicle Extended Warranty Services

## LOCATIONS AND INFORMATION

LIHUE BRANCH OFFICE  
4434 Hardy Street  
P.O. Box 1447 • Lihue HI 96766  
Phone 808.245.6791 • Fax 808.245.7180

KUKUI GROVE BRANCH OFFICE  
4405 Kukui Grove Street, Suite 101  
Lihue HI 96766  
Fax 808.246.0246

WAIMEA BRANCH OFFICE  
9936 Kaunualii Highway  
Waimea HI 96796  
Fax 808.338.0901

ELEELE BRANCH OFFICE  
Eleele Shopping Center  
Eleele HI 96705  
Fax 808.335.0234

KAPAA BRANCH OFFICE  
985 Kipuni Way  
Kapaa HI 96746  
Fax 808.822.0771

WEB SITE  
[www.kcfcu.org](http://www.kcfcu.org)

E-MAIL  
[info@kcfcu.org](mailto:info@kcfcu.org)



We do business in accordance with  
the Federal Fair Housing Law and  
the Equal Credit Opportunity Act.



NCUA  
National Credit Union Administration

# 2007 Annual Report



## Chairman's Message

Over the years, as a result of careful planning and a loyal, growing membership, Kauai Community Federal Credit Union has remained the largest credit union on Kauai, and one of the top ten largest credit unions in the State of Hawaii. This is an accomplishment of which we can all be proud. As a member of KCFCU, in addition to sharing the pride of ownership, you can rest assured that one of your credit union's highest priorities is meeting your financial needs. Another priority is to ensure that your credit union continues to provide you, the membership, with a safe, sound and convenient place to save and borrow at fair and competitive rates designed for your benefit.

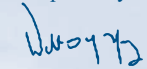
2007 was another successful year at your credit union. We continued to provide member-owners with quality and excellence by offering affordable financial services with beneficial results for the membership. Our share certificate dividend rates continued at the highest level on Kauai while loan interest rates remained affordable. Our overall financial performance, shown elsewhere in this annual report, is evidence of a continuation of our efforts towards a well balanced growth structure. Our efforts at giving back to the community continued with direct participation and monetary donations to charitable organizations on Kauai. We also continued to promote our financial literacy program which is directed towards middle and high school students, adult education, and seniors.

Last year, I reported that the architectural firm of Group 70 International had been selected for the design and construction of our new building at the Kukui Grove Village West subdivision. The Building Committee, consisting of selected Board members and Staff, has completed the employee and space projections, and the schematic design phase has been completed by the architect. The plans have been submitted to the County's Planning Department. We are hopeful that ground breaking can be held this summer, and construction is anticipated to begin soon after.

In October of 2007, your Board of Directors and Management Staff gathered for a Strategic Planning Session. Your credit union's strategic plan is a systematic process that defines management's course in the next three years to assure that the organization continues to prosper. After a commitment to the credit union's mission, vision, operating principles, and core values, a three year plan was established to address strategies in various areas appropriate for continued success.

I would like to thank my fellow Board Members and Committee Members for their outstanding efforts during the course of the year. And most importantly, I want to express my gratitude to the loyal members of KCFCU. Your continuing support and cooperation is the heartbeat of our credit union. Once again, it has been my privilege to serve you.

Respectfully submitted,



Walton D.Y. Hong  
Chairman of the Board

## Supervisory Committee Report

The Supervisory Committee is appointed by the Board of Directors to examine and evaluate the adequacy and effectiveness of internal controls at the Credit Union. To assist the Supervisory Committee, the professional services of McGladrey & Pullen, L.L.P. were retained to perform an annual independent audit of the consolidated financial statements of Kauai Community Federal Credit Union and Subsidiary for the fiscal year ending June 30, 2007.

On behalf of the Committee, I am happy to report that KCFCU is financially sound and operating in compliance with all federal and state regulations. Furthermore, the financial condition of the Credit Union's financial statements, and management practices and procedures are sufficient to safeguard member assets.

We thank the Board of Directors, Management and Staff, whose hard work and diligence helped maintain the financial safety and soundness of your Credit Union. Our sincerest appreciation goes out to you, the members, for your support and confidence. It has been a pleasure to serve you.

Respectfully submitted,



Phil Fudge  
Chairman

### Committee Members:

Gwynne Duarte  
Kei Inazu  
Joseph Kobayashi  
Lon Shimanuki

## Credit Committee Report

Kauai Community Federal Credit Union's Credit Committee works in conjunction with the credit union's Board and Management to create and monitor credit services and policies. Our goal is to offer loan and credit programs that are affordable to the membership and result in growth and security for KCFCU.

KCFCU's loan portfolio experienced considerable growth in 2007. The Credit Committee approved 5,714 loans totaling \$96,088,475. Loan growth was primarily for purposes of New and Used Auto loans, Consumer Loans, VISA Loans and Home Equity loans. As we look forward to the coming year, KCFCU will continue to offer programs that benefit the membership, and result in growth and security for the credit union.

Loans at KCFCU are for its members only and the benefits derived are shared only among the membership. We are proud of the fact that Kauai Community FCU's loan program continues to offer one of the lowest interest rates available plus the best Loan Protection Insurance program on the island of Kauai. The unique credit union Loan Protection Insurance, which pays up to \$15,000 in the event of death or permanent disability at no direct cost to the borrower, is not available at any other type of lending institution.

On behalf of the Credit Committee, I would like to express my thanks to the Board of Directors, Management and Staff for their continued support. The members however, are the ones who make it all happen. Thank you for the privilege of servicing your financial needs. We look forward to continuing to effectively serve you for many years to come.

Respectfully submitted,



Brent Mizutani, Chairman

### Committee Members:

Mitchell Ikeda  
Stephen Fujii

## Financial Statement

### Comparative Balance Sheet as of December 31, 2007

Assets	2007	2006
Loans to Members .....	\$201,366,701	\$183,142,832
Less Allowance for Losses ..	(2,164,135)	(1,968,614)
Cash & Equivalents .....	15,684,488	16,435,292
Investments .....	77,005,702	79,855,703
Land and Buildings.....	6,558,896	6,775,691
Other Fixed Assets.....	545,574	496,336
Other .....	5,932,586	5,448,879
<b>Total Assets .....</b>	<b>\$304,929,812</b>	<b>\$290,186,119</b>
<b>Liabilities</b>		
Accounts Payable.....	571,439	466,692
Dividends Payable .....	1,000,047	923,384
Other Liabilities.....	854,490	1,113,427
Member Savings .....	269,230,376	255,296,618
<b>Total Liabilities .....</b>	<b>\$271,656,352</b>	<b>\$257,800,121</b>
<b>Equity</b>		
Reserves.....	2,652,060	2,652,060
Undivided Earnings .....	30,115,109	29,176,774
Appropriated Undivided		
Earnings .....	589,282	663,842
Unrealized Loss-Mutual		
Fund .....	(82,991)	(106,678)
<b>Total Equity .....</b>	<b>\$ 33,273,460</b>	<b>\$ 32,385,998</b>
<b>Total Liabilities &amp;</b>		
<b>Equity .....</b>	<b>\$304,929,812</b>	<b>\$290,186,119</b>

## Income Statement

### Comparative Statement of Income

Income	2007	2006
Interest on Loans.....	\$13,007,188	\$11,389,057
Investment Income.....	3,972,632	3,220,060
Other Income .....	1,822,657	1,633,846
<b>Total Income .....</b>	<b>\$18,802,477</b>	<b>\$16,242,963</b>
<b>Operating Expenses</b>		
Employee Compensation .....	\$ 3,083,555	\$ 2,833,910
Employee Benefits.....	1,348,001	1,329,003
Travel and Conference .....	170,662	153,654
Association Dues .....	51,348	49,679
Office Occupancy .....	619,790	610,659
Office Operations .....	903,944	872,039
Educational & Promotional .....	380,550	297,185
Loan Servicing.....	467,457	321,681
Prof. & Outside Services .....	416,721	309,088
Provision for Loan Losses .....	1,877,981	1,223,910
Member Insurance .....	323,023	250,703
Operating Fees .....	58,121	55,781
Annual Meeting .....	29,773	9,875
Direct Cost of Services to.....		
Members .....	673,141	692,386
Misc. Operating Expenses .....	113,430	63,656
<b>Total Operating Expenses .....</b>	<b>\$10,517,497</b>	<b>\$9,073,209</b>
<b>Income from Operations .....</b>	<b>8,284,980</b>	<b>7,169,754</b>
<b>Non-Operating Gain (Loss) ..</b>	<b>385</b>	<b>—</b>
<b>Dividends to Members.....</b>	<b>\$ 7,421,590</b>	<b>\$ 5,454,955</b>
<b>To Undivided Earnings</b>		
<b>&amp; Reserves .....</b>	<b>\$ 863,774</b>	<b>\$ 1,714,799</b>