

Agenda

1. Call to order

- Roll Call
- Minutes of the 64th Annual Meeting

2. Reports of Officials

- Supervisory Committee
Kamika Smith

- Credit Committee
Stephen Fujii

- Recruiting Committee
Victor Punua, Sr.

- Chairman of the Board
Walton Hong

- President/CEO
Tess Shimabukuro

3. Unfinished Business

4. New Business

- Estimated Budget for 2019
- Suggestions/Actions
Recommended by Membership
- Election of Officials
 - Board of Directors
 - Credit Committee

5. Adjournment

2018 Membership Meeting Minutes

The 64th Annual Membership Meeting of Kauai Community Federal Credit Union convened at 1:32 p.m. on Saturday, March 10, 2018 at the Kauai Marriott Resort with Chairman Walton D.Y. Hong presiding.

Roll Call

Luncheon tickets sold to the Membership as well as tickets issued at the door for those attending the meeting totaled 664 members. A quorum was declared to be present. (Article IV, Section 5 of the Bylaws requires that 15 members be present.)

Board Chairman Walton D.Y. Hong introduced the Officials of the Credit Union:

Board of Directors: Vice Chairman Victor Punua, Sr., Secretary/Treasurer Caroline Ozaki, Tammy Ando, Phil Fudge, Eric Honma, George M. Masuoka, Earl Miyao, and Walter Kamika Smith.

President/CEO: Tess Shimabukuro

Supervisory Committee: Walter Kamika Smith, Deborah Christian, Kent Kikuchi, Joseph Kobayashi, and Dulcie Yano

Credit Committee: Stephen Fujii, Mitchell Ikeda, and Brent Mizutani

Chairman Hong recognized Ms. Jackie Garces and the Kauai Marriott Resort for hosting the luncheon and meeting, and Mr. Paul Togioka for providing the beautiful music.

Agenda – There being no objections, the agenda was amended as follows:

Addition

- Marketing Team Presentation

Minutes – On motion duly made, seconded and carried, the minutes of the March 18, 2017, 63rd Membership Meeting, was approved as circulated.

Reports of Officials

Committee Reports. On motions duly made, seconded and carried, the reports of the Supervisory Committee and Credit Committee were accepted. Recruitment Committee. Ms. Tammy Ando, Chairperson of the Recruitment Committee, presented the following nominations:

Board of Directors-3 Year Term: Mr. Eric Honma
Mr. Victor Punua, Sr.
Mr. Walter Kamika Smith
Credit Committee-3 Year Term: Mr. Mitchell Ikeda

On motion duly made, seconded and carried, the Nominating Committee Report was accepted.

Chairman's Report. Chairman Hong and President/CEO Tess Shimabukuro conveyed to the Members the significance of the brand and its impact upon the success of the Credit Union. The brand requires relevance to the consumers. The founders of the Credit Union in 1954 gathered together and shared their resources and ideas to provide a better life for their families and the island of Kauai. The practice of gathering has continued to today and has contributed to the growth of the Credit Union from 10 pineapple farmers to 34,000 members and \$460 million in assets. However, changes are occurring within the communities that it serves that must be recognized and addressed. The movement of larger credit unions taking over smaller credit unions is continuing. The Credit Union needs to be proactive and provide for growth and possible expansion beyond Kauai if necessary.

A great deal of research was conducted resulting in the conclusion that the name "Kauai Community Federal Credit Union" is limiting the Credit Union's potential to grow and is confusing as there are also other credit unions utilizing "Kauai" in their names. Chairman Hong announced to the Members that the decision was made to change the name from "Kauai Community Federal Credit Union" to "Gather Federal Credit Union". "Gather" symbolizes the Credit Union's past, the present, and its future.

The Credit Union is local and will always remain local. The values upon which the Credit Union was built will never change. It will continue to grow and prosper in the years to come as the increasing number of members gather together to make the Credit Union an essential part of their financial lives. Chairman Hong asked for the Members' support in the transition to Gather Federal Credit Union as it continues its mission of helping its fellow members and the communities that it serves. Chairman Hong conveyed his appreciation to his fellow Directors, the Management and Staff for their dedication and hard work that made 2017 such a success. On behalf of the Board of Directors, Chairman Hong thanked the membership for their continued support and confidence in the Board and Management Team as Gather Federal Credit Union moves forward into a very bright future. A video was shown to the Members reflecting the new name and brand.

President/CEO's Report. Ms. Shimabukuro reported that in 2017, Assets grew by \$27 million or 5.90%, Member Savings grew by \$22 million or 5.49%, and Loans grew by \$27 million or 11.66%. Net income at yearend amounted to \$3.3 million totaling \$486 million in assets, \$267 million in loans to members, and total member savings of \$434 million. Efforts have continued to promote financial literacy by offering educational seminars, and opening the third student credit union at Waimea High School along with the Bank Bus Program at several elementary schools. Other accomplishments included the EMV chip on the VISA Credit and Debit cards for added protection, and enabling Members to visit more than 5,600 credit union Shared Branch locations nationwide which includes over 70 locations statewide. The Credit Union also continued to be active within the community through its involvement with nearly 100 charitable and non-profit organizations as well as raising \$36,000 through its annual charitable golf tournament for Wilcox Pediatric Services on Kauai, and \$17,000 to the Kauai Independent Food Bank. In 2018, the Kapa'a, 'Ele'ele and Waimea Branch Offices will be renovated to continue the Credit Union's commitment to better service its members. New branding materials will also be seen throughout the coming months.

Ms. Shimabukuro expressed her appreciation to the volunteer Board of Directors and Committee Members who donate their time towards improving the lives of the membership, and to the Staff and Management for all that they do for the Members. On behalf of the Gather Federal Credit Union Team, appreciation was conveyed to the membership for their continued trust and confidence in their Credit Union.

Unfinished Business – None.

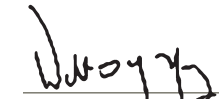
New Business

Election of Officials. Chairman Hong called for nominations from the floor for the vacancies on the Board of Directors and the Credit Committee. There were none. There being no objections, the nominations were closed with the Secretary casting a unanimous ballot electing Mr. Eric Honma, Mr. Victor Punua, Sr., and Mr. Walter Kamika Smith to a three-year term on the Board of Directors, and Mr. Mitchell Ikeda to a three-year term on the Credit Committee. Estimated Budget for 2018. On motion duly made, seconded and carried, the Estimated Budget was accepted as an operating guide for the year 2018. Suggestions/Actions Recommended by Membership. Questions were raised by members whether they would have to change their checks and credit cards, and whether the Credit Union's intent is to take over credit unions on the outer islands. Chairman Hong responded that the KFCU checks and credit cards will still be usable and honored, and that the opening of offices on the outer islands may become a necessity in the future to sustain the Credit Union but that it will always be done with aloha.

Adjournment

There being no further business, the meeting was adjourned at 2:08 p.m.

Respectfully submitted,



Walton D.Y. Hong
Chairman of the Board



Caroline K. Ozaki
Secretary

Financial Statement

Comparative Balance Sheet

Assets	2018	2017
Loans to Members	\$287,169,578.47	\$266,456,349.49
Less Allowance for Losses	(3,252,166.78)	(3,299,000.45)
Cash & Equivalents	27,234,630.07	30,348,821.42
Investments	161,637,670.76	161,456,431.74
Land and Buildings	15,009,715.07	15,416,958.03
Other Fixed Assets	1,604,825.53	1,522,510.74
Other	19,440,374.12	14,145,875.99
Total Assets	\$508,844,627.24	\$486,047,946.96
Liabilities		
Accounts Payable	\$753,897.16	\$672,068.83
Dividends Payable	405,866.62	386,157.19
Other Liabilities	3,392,856.02	4,172,645.25
Member Savings	452,638,554.78	434,479,683.03
Total Liabilities	\$457,191,174.58	\$439,710,554.30
Equity		
Reserves	\$2,652,060.02	\$2,652,060.02
Undivided Earnings	52,202,177.21	46,352,814.39
Appropriated Undivided Earnings		11,372.56
Pension and Other Comprehensive Loss	(3,200,784.57)	(2,678,854.31)
Total Equity	\$51,653,452.66	\$46,337,392.66
Total Liabilities & Equity	\$508,844,627.24	\$486,047,946.96

Income Statement

Comparative Statement of Income

Income	2018	2017
Interest on Loans	\$16,174,805.23	\$14,574,211.43
Investment Income	3,568,438.96	3,053,661.58
Other Income	3,910,092.22	3,351,603.63
Total Income	\$23,653,336.41	\$20,979,476.64
Operating Expenses		
Employee Compensation	\$4,453,562.79	\$4,234,909.97
Employee Benefits	1,249,049.53	1,185,384.61
Travel and Conference	213,076.09	219,890.36
Association Dues	74,389.31	72,451.49
Office Occupancy	947,745.20	883,435.50
Office Operations	1,706,737.58	1,666,638.42
Educational & Promotional	1,042,501.32	690,048.55
Loan Servicing	1,217,781.48	1,144,696.17
Prof. & Outside Services	589,707.94	602,027.09
Provision for Loan Losses	2,106,868.95	2,849,753.47
Operating Fees	118,867.20	104,902.18
Annual Meeting	18,729.45	11,430.54
Direct Cost of Services to Members	1,518,251.97	1,284,224.35
Misc. Operating Expenses	257,751.91	36,558.56
Total Operating Expenses	\$15,515,020.72	\$14,986,351.26
Income from Operations	\$8,138,315.69	\$5,993,125.38
Non-Operating Gain/Loss	\$570,248.20	\$132,346.14
Dividends to Members	\$2,870,633.63	\$2,743,799.71
To Undivided Earnings & Reserves	\$5,837,930.26	\$3,381,671.81

Estimated Budget for 2019

	2019	2018
I. Operating Income		
Interest on Loans	\$17,356,605	\$16,148,548
Income from Investments	3,563,069	2,954,057
Fees and Charges	1,529,681	1,461,224
Other Miscellaneous Income	2,214,211	1,883,839
Total Operating Income	\$24,663,566 100.00%	\$22,447,668 100.00%
II. Cost of Funds		
Dividends	\$3,219,784	\$3,109,534
Total Cost of Funds	\$3,219,784 13.05%	\$3,109,534 13.85%
III. Gross Margin	\$21,443,782 86.95%	\$19,338,134 86.15%
IV. Operating Expenses		
Salaries	\$5,087,659	\$4,913,055
Employee Benefits	1,558,717	1,541,088
Employees' Travel & Conference	171,651	173,196
Officers'/Directors' Travel & Conference	102,540	82,580
Association Dues	74,935	75,958
Office Occupancy	1,243,425	970,671
Subscriptions & Training	48,891	45,191
Office Communications	188,412	213,650
Rental of Furniture & Equipment	4,000	5,495
Maintenance of Furniture & Equipment	777,873	786,254
Stationery & Supplies	111,375	131,700
Insurance	115,052	115,160
Depreciation of Furniture & Equipment	518,342	513,361
Armored Car Service	51,940	71,376
Bank Service Charges	72,100	52,200
Other Office Operations	8,200	8,200
Educational/Promotional	685,000	639,225
Business Development and SEG	14,900	25,150
Loan Servicing	955,050	967,900
Visa Loan Expenses	274,000	231,000
Professional/Outside Services	822,526	699,455
Provision for Loan Losses	1,780,000	1,500,000
NCUA Operating Fees	115,000	105,000
Cash Over/Short	1,000	1,000
Annual Meeting	20,000	40,000
Miscellaneous Operating Expenses	56,764	78,846
Direct Cost of Services to Members	1,518,100	1,288,400
Total Operating Expenses	\$16,377,452 66.40%	\$15,275,111 68.05%
Non Operating Gain/Loss	0	0
V. Net Income Before Gain	\$5,066,330 20.54%	\$4,063,023 18.10%



GATHER
Federal Credit Union

2018 Annual Report





Chairman's Report

This year will be the 65th year of the establishing of your credit union. While we have had some changes, the credit union will continue to strive in providing you, the members, with the best possible financial services available.

Of course, the biggest change was the new name of your credit union, from Kauai Community Federal Credit Union, to Gather Federal Credit Union. Following the announcement of the name change at the last annual meeting, the staff, management, and even members of the board of directors had to respond to numerous inquiries as to the reason for, and reaction to, the change.

The staff and management displayed extraordinary patience and effort to explain the reasons for the change. I believe that most of the members have accepted the new name of Gather Federal Credit Union as being necessary once they understood the rationale behind the move.

Gather FCU also reached another milestone. We have now joined the ranks of the larger credit unions with assets in excess of \$500,000,000. From its inception, when ten farmers joined together to create an entity to meet the financial needs of their neighbors and fellow farmers, to becoming one of the leading financial institutions on the Garden Island is something of which we can all be proud.

But as I have tried to convey over the past years, we cannot rest on our laurels. We must continue to progress, or we will be left behind. We have implemented many new programs, utilizing the latest and appropriate electronic applications to serve you. Management is continually evaluating better and more efficient ways to meet your needs.

We are still working towards obtaining the necessary approvals for building a branch office at Kilauea. But

we continue to be hampered by the entitlement and permitting process, with the latest issue being the size of a potable water storage tank, since the Department of Water will not permit the credit union from tapping into the existing County system.

The threat of larger credit unions coming to Kauai and taking over the smaller and more vulnerable credit unions is no longer just a threat, as one mainland credit union already has its foot in the door. Gather Federal Credit Union is very cognizant of this, and there has been discussions among some of Kauai's credit unions in preparing against more onslaughts by off island credit unions. We ask that all of you keep in mind that if we are to remain true to our belief that the Kauai credit unions need to meet the financial needs of its members with the spirit of Aloha and caring which we have experienced and shared in the past with each other and with the other Kauai credit unions, we must be willing and able to evolve into a stronger credit union. We need to stick and work together to present the strongest defense possible.

For this, the members of Gather Federal Credit Union and the other Kauai credit unions must remain loyal and support their respective credit unions. We can ask no less of you.

I would like to thank my fellow directors, the management and the staff of Gather Federal Credit Union for their usual and outstanding work in maintaining the professional, yet neighborly, services given to the members. It is through their hard work and sincere dedication that we have continued to be such an important part towards your successful financial planning and needs.

Your Board of Directors and management look forward to another successful year.

Respectfully submitted,

Walton D. Y. Hong
Chairman of the Board of Directors



President's Report

A year ago, we embraced a new name: Gather Federal Credit Union. A callback to our humble roots. We began as ten hard-working pineapple farmers back in 1954. A group who believed they could provide a better life for their families, community, and for Kauai. Values we continue to stand by today. It's a name that felt more than right that will carry a bright outlook towards the future. We couldn't be happier with our members' dedicated, continuous support with the change.

Your community credit union celebrated another successful year in 2018. We are now open on Saturdays from 9am to 12pm at our Kukui Grove office.

Assets grew by \$23 million or 4.69%; Member Savings grew by \$18 million or 4.18%; Loans grew by \$21 million or 7.81%. Net income for the year amounted to \$5.8 million. Gather Federal Credit Union at \$508 million in assets, with \$287 million in loans to members, and total member savings of \$452 million is financially stable and sound.

We would like to thank our Eastside members in particular for their patience as we recently completed construction on our Kapaa office. Our newly remodeled office now offers convenience and a better member experience with our brand new Teller Pod Stations, dual drive through lanes, and an ATM that is designed to do nearly all your banking needs.

For members living further East, our plans to procure land in Kilauea has been delayed, we will however be installing an ATM in the Ching Young Village Shopping Center in Hanalei this first quarter. There, you can withdraw and make deposits to your Gather FCU account, 24/7.

To remain relevant with current and future generations, we must adapt to new opportunities. As of August, Gather FCU members with personal or auto loans began receiving loan payment text message reminders. We improved our phone service as members call in to the credit union. Instead of waiting on HOLD, members will be able to request a call-back from a Gather FCU

representative with the press of a button.

We understand how busy life is and have brought you a more responsive mobile App which allows you to do check deposits, transfer money, or simply check your balances from virtually anywhere and anytime. For your convenience, we upgraded the ATMs at our offices to dispense various denominations, deposit cash and checks, and provide images of checks deposited for your records. Your Gather FCU Debit and ATM cards provide access to over 30,000 surcharge free CO-OP® Network ATMs nationwide.

In 2018 we implemented digital member surveys which allow you to provide feedback on an ongoing basis. We appreciate hearing from you – as we exist to serve you better.

Through your support, last year the credit union donated over \$90,000 to a number of organizations on Kauai. These were in the form of student scholarships, various sponsorship events along with annual fundraisers. Gather staff also volunteered over 200 hours of volunteer service with the flood relief efforts in our North and South Shore communities. Your cash donations supported the keiki in need of school supplies, uniforms and other educational items.

We have continued to promote financial literacy by offering educational classes ranging from Understanding your Credit Score to ABC's of Home Ownership and have supported our student branch credit unions at the high schools and the kid's savings programs in the elementary schools.

Thank you once again for voting us the Best Credit Union in the Garden Island newspaper poll. We are also proud to have been recognized as the SBA 7(a) Lender of the Year in Category III.

I would like to express my appreciation to our volunteer Board of Directors and Committee members who donate their time to ensure our plans and decisions improve the lives of our members. And to the Gather FCU Staff and Management, my sincere gratitude for all you do for our membership. Finally, I thank you, the membership, for your confidence and your continued support and loyalty.

Respectfully submitted,

Tess Shimabukuro
President/CEO



Credit Committee Report

Gather 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 Gather FCU.

In 2018, the Credit Committee approved 3,960 loans totaling \$105,529,955.37. The three highest categories in dollar amounts were for purposes of auto loans, mortgage refinances, and home equity loans. As we look forward to the coming year, Gather FCU will continue to offer programs that benefit the membership, and result in growth and security for the credit union.

Loans at Gather FCU are for its members only and benefits derived are shared only amongst the membership. We are proud of the fact that Gather FCU's loan program continues to offer a full range of loan products with some of the lowest interest rates available.

On behalf of the Credit Committee, I would like to express my appreciation to the Board of Directors, Management and Staff for their continued support. The members, however, are the ones who make it 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,

Stephen Fujii
Chairman

Committee Members:
Mitchell Ikeda
Brent Mizutani



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 Moss Adams LLP were retained to perform an annual independent audit of the consolidated financial statements of Gather Federal Credit Union for the fiscal year ending June 30, 2018.

On behalf of the Committee, I am pleased to report that Gather FCU is financially sound. Our independent auditors issued their opinion that the consolidated financial statements are presented fairly, in all material respects, and in accordance with Generally Accepted Accounting Principles (GAAP). The condition of the Credit Union's financial statements and management practices and procedures are sufficient to safeguard member's 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,

Kamika Smith
Chairman

Committee Members:
Deborah Christian
Kent Kikuchi
Joseph Kobayashi
Dulcie Yano



www.gatherfcu.org | 808.245.6791

Locations:

Kukui Grove, Lihue, Kapaa, Eleele, Waimea



This credit union is federally insured by the National Credit Union Administration.

BALLOT
