



2013
**ANNUAL
REPORT**
Save more. Earn More. Do more.



Agenda

**Call to Order by
Quorum – 6:00 p.m.**

Invocation

Minutes of Last Meeting

**Supervisory Committee
Report**

**Chairman and
CEO Report**

**Financial and
Operations Report**

**Nominating Committee
Report –
*See minutes***

Old Business – *none*

**New Business –
*Asked for in writing;
None submitted.***

Adjourn





**MINUTES
2012 Annual
Business
Meeting
March 21, 2013**

Call To Order

Board chairman, Michael Barr, called this year's Annual Business Meeting to order at 4:15 p.m. Board secretary Harold Sweat confirmed that a quorum of members was present.

INVOCATION

Scott Rose, CEO, gave the invocation.

MINUTES

Mr. Barr presented the minutes. The minutes of the last - Annual Business Meeting were approved as written.

REPORTS

Mr. Barr noted the Chairman and CEO Report, the Financial and Operations Report, and the Supervisory Committee Report, which were printed in the Annual Report distributed at the meeting. Harold Sweat made a motion to dispense with the reading of all of the reports that Howard Harris seconded. The motion carried.

Mr. Barr recognized the management team and thanked the volunteers for their service. He also noted that Kelly Community Federal Credit Union turned 50 years old on February 19, 2013.

NOMINATING COMMITTEE REPORT

Mr. Barr recognized the Nominating Committee members, and thanked each of them for their commitment and service to the credit union. He then announced the following candidates nominated for seats on the Board would be filled at the adjournment of this year's Annual Business Meeting: Mike Barr and James Stovall. There were no candidates nominated by petition. Tom McKay made a motion that was seconded by A.D. Robertson to accept by acclamation the nominations made by the nominating committee. The motion carried.

OLD BUSINESS

None

NEW BUSINESS

Called for in writing via the newsletter, none submitted.

ADJOURN

There being no further business, Harold Sweat made a motion that Tom McKay seconded to adjourn the meeting.



**Earn
More.**

Supervisory Committee Report

The National Credit Union Administration (NCUA) charges the Supervisory Committee in Part 715 of the NCUA Rules and Regulations with the responsibility of examining the affairs of the Credit Union. This includes an annual audit of its financial records and a report to the membership. Along with the financial supervision, the Supervisory Committee sees to the maintenance of proper conduct by all officers, directors, members of committees/teams and employees in carrying out the business of the Credit Union.

According to the *Federal Credit Union Act*, the Supervisory Committee is responsible for scheduling the annual audit. The audit firm RSM McGladrey, Inc. performed the 2013 Supervisory Committee Guide Audit Report for the period ending June 30, 2013. They reviewed both the financial condition and the internal audit controls for compliance with federal and state laws and internal credit union policies as established by the Board of Directors. All exceptions were noted and responded to by senior management.

The Credit Union is responsible to adhere to NCUA's Rules and Regulations and operate within the scope of the *Federal Credit Union Act*. It is the opinion of this Supervisory Committee that Kelly Community Federal Credit Union operates within the sphere of its responsibility and that the financial statements present a true and accurate report of its financial condition.

Respectfully Submitted:

Nic Lesmeister
Supervisory Committee Chairman

Other members of the Supervisory
Committee are Chris Antal and Matthew Koop.





Chairman and CEO Report

Corporately we ran across a great quote in 2013, “if you want things to stay the same, things will have to change”. That easily sums up the history of Kelly Community Federal Credit Union. Seems we always have operated in a state of change, not for change’s sake, but in order to continue to be relevant in a very competitive financial services industry.

2013 was a banner year for Kelly Community with net profit the highest in our history at \$527,847. That is a return on assets (ROA) of .61%. We can proudly say that Kelly Community’s 2013 successes were built on historically sound financial principles.

- Assets grew 3.08% to \$86,192,203;
- Loans grew minimally at 1.65% to \$59,235,285;
- Deposits grew by 2.11% to \$76,987,921;
- Checking deposits grew by 11.56% to \$11,032,754.
- And our membership increased by 2.35% to 9,791.

Along with these successes, our loan delinquency remains strong at a combined .44%, a great testimony to the way you handle your obligations, our underwriting standards, and our solid collection efforts.

Your participation in Kelly Community means we are in a strong financial position to continue meeting your lending needs, offer a wealth of savings tools, and other essential financial products and services. Enhanced technologies enabled us to improve our delivery channels and expand our outreach. Just as there were challenges in 2013, there will undoubtedly be challenges in 2014. We are confident that by remaining focused, working together, and being united; Kelly Community remains well positioned to meet any challenge ahead.

We are often asked how credit unions differ from banks. Obviously, like a bank, we have to make a profit to keep the doors open. The difference is what we don’t do with those profits. Unlike a bank, we don’t have shareholders. The board of directors at Kelly Community are volunteers elected by you, so there are no shareholders to pay.

As a financial cooperative, your credit union is guided by seven principles:

1. Voluntary and Open Membership: Kelly Community is a financial cooperative, and cooperatives are voluntary organizations open to all people.

2. **Democratic Member Control:** Kelly Community is a democratic organization controlled by you – the members and owners. So as we have already noted, the board of directors are volunteers elected by you. So when we set policies or make decisions about the future direction of your credit union, we do so with you in mind.
3. **Members' Economic Participation:** As a member of Kelly Community you contribute equally to, and democratically control, the capital of this institution.
4. **Autonomy and Independence:** As a financial cooperative, Kelly Community is an autonomous, self-help organization controlled by you – the member.
5. **Education, Training, and Information:** We want to ensure that our staff – from the front line to the executive office, as well as the board of directors and other volunteers – are knowledgeable and competent to fulfill their commitment to the organization, and more importantly, to you. Therefore, we provide education and training so we can all contribute effectively to the development of Kelly Community. We ask all employees to be a “10” or perfect when it comes to training and development. In 2013, 100% of all employees completed enough training to qualify as a training “10”.
6. **Cooperation among Cooperatives:** As a financial cooperative, Kelly Community understands that we can most effectively serve you, and strengthen the credit union movement by working together through local, regional, national, and international structures. That is why we are very involved in our local chapter, and take advantage of the training, tools, and resources available through our trade association, the Cornerstone Credit Union League. We are also very supportive of our Cornerstone’s advocacy efforts because we understand the impact legislation, as well as regulations, has on our ability to serve your financial services’ needs.
7. **Concern for Community:** While our primary focus is on meeting your needs, as a cooperative, we feel a responsibility to give back to our community. We are active in the community with 100% of our employees volunteering time in 2013. We promote our Kelly Community Scholarship Fund as well as getting into local schools and colleges to promote “Financial Reality Fairs”.

Much has changed over the years; but one thing remains the same, our ability to change without losing our identity. This allows the legacy created over 51 years ago to not just survive, but thrive into the future. We appreciate being able to serve you and as always we thank each and every one of you for your business.



Michael E. Barr
Chairman of the Board



Scott L. Rose, CCUE, CFSP, CCE, DE
CEO

Financial Highlights

Years Ended December 31

	2013	2012	Change
Assets	\$ 86,192,203	\$ 83,612,813	3.08%
Deposits	\$ 76,987,921	\$ 75,402,736	2.10%
Loans	\$ 59,235,285	\$ 58,272,660	1.65%
Members	9,791	9,566	2.35%

2013 Statement of Retained Earnings

	Regular Reserve	Special Reserve	Non- operating Gain/Loss	Undivided Earnings
Balance at beginning of year	\$1,731,462	\$137,726	\$0	\$6,375,156
Net Change	\$0	\$11,387	\$0	\$0
Net Income	\$0	\$0	\$1,167	\$527,847
Balance at year end	\$1,731,462	\$149,113	\$1,167	\$6,903,003

Consolidated Income Statement

	<u>2013</u>	<u>2012</u>	<u>Change</u>
INCOME:			
Interest and Fee Income			
Interest on Loans	3,147,782	3,257,375	-3.36%
Fees and Charges	577,811	566,698	1.96%
Misc. Operating Income	464,695	389,052	19.44%
Total Int./Fee Income	<u>\$ 4,190,288</u>	<u>\$ 4,213,125</u>	-0.54%
Investment Income	191,945	209,373	-8.32%
GROSS INCOME	\$ 4,382,232	\$ 4,422,498	
Less: Dividend Expense	435,038	545,523	-20.25%
NET INCOME	\$ 3,947,194	\$ 3,876,975	1.81%
EXPENSES:			
Salaries and Benefits	1,517,768	1,403,852	8.11%
Travel, Education & Conf.	94,337	85,896	9.83%
Miscellaneous Dues	39,746	38,071	4.40%
Office Occupancy	341,455	335,311	1.83%
Office Operations	854,385	898,434	-4.90%
Marketing & Promotion	134,794	102,094	32.03%
Loan Servicing	67,289	79,946	-15.83%
Professional Services	162,341	279,523	-41.92%
Members Insurance	11,265	10,727	5.02%
Miscellaneous Operating	3,349	10,680	-68.64%
Total Operating Exps.	<u>\$ 3,226,730</u>	<u>\$ 3,244,534</u>	-0.55%
Operating Gain (Loss)	720,464	632,441	13.92%
NCUSIF Stabilization	61,515	71,546	-14.02%
Non-Oper. Gain (Loss)	<u>(1,167)</u>	8,953	* -113.03%
PROFIT (LOSS)	\$ 657,782	\$ 569,848	15.43%
Provision for Loan Loss	129,933	87,096	49.18%
NET PROFIT (LOSS)	\$ 527,847	\$ 482,753	9.34%

Consolidated Balance Sheet

ASSETS:	2013	2012	Change
Gross Loans	59,235,285	58,272,660	1.65%
Allowance for Loan Loss	(335,896)	(315,484)	6.47%
Accounts Receivable	440,532	0	100.00%
Cash	3,739,808	6,833,263	-45.27%
Investments	18,825,416	14,329,147	31.38%
Other Assets	361,159	319,982	12.87%
Fixed Assets	3,925,899	4,173,245	-5.93%
Total Assets	<u>\$ 86,192,203</u>	<u>\$ 83,612,813</u>	3.08%
LIABILITIES:			
Accounts Payable	308,643	(237,663)	229.87%
Taxes Payable	(1)	1,677	-100.04%
Accrued Expenses	112,060	201,719	-44.45%
Total Liabilities	<u>\$ 420,702</u>	<u>\$ (34,268)</u>	1327.69%
DEPOSITS:			
Shares	27,875,178	25,126,113	10.94%
Checking	11,032,754	9,889,511	11.56%
Escrow	184,501	151,680	21.64%
IRA Shares	4,787,876	4,785,509	0.05%
IRA Certificates	6,482,508	7,037,991	-7.89%
Money Market	9,985,242	9,209,221	8.43%
Regular Certificates	16,639,863	19,202,711	-13.35%
Total Deposits	<u>\$ 76,987,921</u>	<u>\$ 75,402,736</u>	2.10%
RESERVES & UNDIVIDED EARNINGS:			
Reserves	1,880,575	1,869,188	0.61%
Undivided Earnings	6,903,003	6,375,156	8.28%
Total Reserves & Undivided Earnings	<u>\$ 8,783,578</u>	<u>\$ 8,244,344</u>	6.54%
TOTAL LIABILITIES, EQUITY & CAPITAL	<u>\$ 86,192,203</u>	<u>\$ 83,612,813</u>	3.08%