



2014 Annual Report



2014 Annual Business Meeting

March 11, 2015

Agenda

Call to Order by Quorum – 6:00 p.m.	Michael Barr Chairman of the Board
Invocation	Scott Rose, CCUE, CFSP, CCE, DE CEO
Minutes of Last Meeting	Barr, P. 3
Chairman and CEO Report	Printed, P. 4 – 5
Financial and Operations Report	Rose, P. 6 – 8
Supervisory Committee Report	Printed, P. 9
Nominating Committee Report	Barr
Old Business – <i>none</i>	Barr
New Business – <i>asked for in writing; None submitted.</i>	Barr
Adjourn	Barr

MINUTES
2013 Annual Business Meeting
March 21, 2014



I. Board Chairman, Michael Barr, called this year's Annual Business Meeting to order at 12:20 p.m. Board Secretary Harold Sweat confirmed that a quorum of members was present.

II. **INVOCATION**

Scott Rose, CEO, gave the invocation.

III. **MINUTES**

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

IV. **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. Mr. Rose presented the financial reports in detail. Harold Sweat made a motion that Tom McKay seconded to dispense with the reading of the other written reports. The motion carried.

Mr. Barr recognized the management team and thanked the volunteers for their service.

V. **NOMINATING COMMITTEE REPORT**

Mr. Barr recognized the Nominating Committee members (David Moody, Bill Shanholtz, Jr., Jim Voit, Jr.), 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: Lynza Roberson and Harold Sweat. There were no candidates nominated by petition. Tom McKay made a motion that was seconded by James Stovall to accept by acclamation the nominations made by the nominating committee. The motion carried.

VI. **OLD BUSINESS**

None

VII. **NEW BUSINESS**

A member asked about the possibility of offering business accounts in the near future, to which Mr. Rose explained that it is already being considered and researched.

VIII. **ADJOURN**

There being no further business, Tom McKay made a motion that Harold Sweat seconded to adjourn the meeting at 12:45 p.m.

Michael Barr, Board Chairman

Harold Sweat, Board Secretary

Chairman's Report

As you see in the Annual Report, Kelly Community Federal Credit Union had a banner year for growth in 2014. The best growth year in our 52 year history...so far.

The term BHAG or 'Big Hairy Audacious Goal' was proposed by James Collins and Jerry Porras in their book entitled *Built to Last: Successful Habits of Visionary Companies*. Kelly Community is that type of entity, a credit union that is not afraid of casting a vision and going after it. That is a big reason we continue to thrive and not just survive into the future.

In our Strategic Planning session for 2014, the leaders of Kelly Community identified a BHAG that we wanted to vigorously pursue. Our BHAG was to achieve the following on or before December 31, 2015:

- \$100 million in assets
- 10,000 members

This BHAG was thought to be a big stretch, one that required at least two years to achieve. However, with the support of our members and hard work from our Kelly Community team, we surpassed the BHAG in 2014. Here are our final December 31, 2014 BHAG results:

- \$100.3 million in assets
- 10,427 members including joint members

While this was certainly a great achievement, there was more. We achieved other significant milestones in 2014:

- Our 10,427 members have added close to \$13.3 million in deposits.
- You, the members and owners of this institution, have borrowed more than \$70.8 million in loans outstanding or plus 19.6%.
- Whether you were a new homebuyer or a property pro, we are thrilled that you turned to your credit union for your mortgage needs. We increased our real estate portfolio by 16%.
- Favorable interest rates and a strengthening economy motivated many of you to buy new and preowned vehicles. We saw our auto portfolio increase by 21%.
- The median delinquency ratio remained strong at a combined .81%.

Your ongoing participation in Kelly Community means that we will remain in a strong financial position to continue meeting your financial needs. As not-for-profit cooperatives, credit unions are different than banks. Though we have to make a profit to keep the doors open, we do not have shareholders waiting with their hands out...there *are* no shareholders. When we can, we distribute those profits back to you.

By exercising sound business and service strategies, we can help you navigate your life-cycle challenges, weather these uncertain economic periods, and recognize the true benefits of your membership. We hope and plan for a bright future for us all, and in reaching for the stars, we want to look at new and better ways of defining and redefining our success as we grow and learn and change.

For instance . . .

- We want to offer more and better resources that allow us to focus more attention on our members using the most efficient and safe use of technology available;

- We want to grow our community impact through basic interest payouts, financial capability programs, payment deferral during community emergencies, and working with members facing the challenges of the life phase they might be in;
- We want to target particular segments of our community where we can make the greatest impact—for example, helping with financial literacy and account management for our members who are most vulnerable, such as pre-high school children, young adults, retirees, and our elderly;
- As members focus more on use and less on ownership, we will consider how our credit union can responsibly finance life activities, such as education, small businesses, and transportation; and
- We want to be a knowledge hub that places the credit union at the center of our members' financial lives by allowing them to trade peer advice and insights about budgeting, buying, retiring, and saving.
- As a financial cooperative, we understand that we can most effectively serve you and strengthen the credit union movement by working through local, regional, national, and even international structures. That is why we seek to be involved in our local chapter, The Tyler Area Credit Unions.

With the continued success of Kelly Community Federal Credit Union, we can offer a wealth of savings tools and other financial products and services that enhance your life, improve our delivery channels, and expand our outreach in the community and beyond.

Lastly, our longtime CEO of 18 years Scott Rose leaves us to accept a new challenge at another credit union. Under Mr. Rose's leadership Kelly Community has grown from a small \$39 million credit union to a thriving \$100 million financial player. On behalf of the Board of Directors we wish Mr. Rose and his family much success in their future endeavors.

Now the mantel passes to his protégé Michelle Small. Ms. Small is a veteran of 12 years at Kelly Community having held several positions including Chief Operations Officer. The Board is excited about the future with Ms. Small at the helm.

I like to say, "If you aren't growing, you're dying". As Chairman of the Board of Directors of Kelly Community Federal Credit Union, I am pleased to announce there is no funeral planned for Kelly Community any time soon.



Michael E. Barr
Chairman of the Board



Consolidated Balance Sheet

ASSETS:	2014	2013	Change
Gross Loans	70,842,521	59,235,285	19.60%
Allowance for Loan Loss	(473,471)	(335,896)	40.96%
Accounts Receivable	230,915	440,532	-90.78%
Cash	12,800,755	3,739,808	242.28%
Investments	12,742,949	18,825,416	-32.31%
Other Assets	386,160	361,159	6.92%
Fixed Assets	3,799,204	3,925,899	-3.23%
Total Assets	\$ 100,329,033	\$ 86,192,203	16.40%
LIABILITIES:			
Accounts Payable	75,386	308,643	75.57%
Taxes Payable	2	(1)	-350.77%
Accrued Expenses	209,388	112,060	86.85%
Total Liabilities	\$ 284,776	\$ 420,702	32.31%
DEPOSITS:			
Shares	29,164,576	27,875,178	4.63%
Checking	13,655,053	11,032,754	23.77%
Escrow	233,568	184,501	26.59%
IRA Shares	4,603,253	4,787,876	-3.86%
IRA Certificates	5,918,553	6,482,508	-8.70%
Money Market	9,802,734	9,985,242	-1.83%
Regular Certificates	15,939,268	16,639,863	-4.21%
Nonmember Certificates	10,937,000	0	100.00%
Total Deposits	\$ 90,254,005	\$ 76,987,921	17.23%
RESERVES & UNDIVIDED EARNINGS:			
Reserves	1,944,616	1,880,575	3.41%
Undivided Earnings	7,845,636	6,903,003	13.66%
Total Reserves & Undivided Earnings	\$ 9,790,252	\$ 8,783,578	11.46%
TOTAL LIABILITIES, EQUITY & CAPITAL	\$ 100,329,033	\$ 86,192,203	16.40%



Consolidated Income Statement

	2014	2013	Change
INCOME:			
Interest and Fee Income			
Interest on Loans	3,679,627	3,147,782	16.90%
Fees and Charges	682,746	577,811	18.16%
Misc. Operating Income	734,975	464,695	58.16%
Total Int./Fee Income	\$ 5,097,348	\$ 4,190,288	21.65%
Investment Income	170,457	191,945	-11.19%
GROSS INCOME	\$ 5,267,804	\$ 4,382,232	
Less: Dividend Expense	395,928	435,038	-8.99%
NET INCOME	\$ 4,871,877	\$ 3,947,194	23.43%
EXPENSES:			
Salaries and Benefits	1,624,505	1,517,768	7.03%
Travel, Education & Conf.	89,890	94,337	-4.71%
Miscellaneous Dues	38,283	39,746	-3.68%
Office Occupancy	353,289	341,455	3.47%
Office Operations	1,042,570	854,385	22.03%
Marketing & Promotion	175,915	134,794	30.51%
Loan Servicing	99,946	67,289	48.53%
Professional Services	272,455	162,341	67.83%
Members Insurance	9,714	11,265	-13.77%
Miscellaneous Operating	7,185	3,349	114.52%
Total Operating Exps.	\$ 3,713,751	\$ 3,226,730	15.09%
Operating Gain (Loss)	1,158,125	720,464	60.75%
NCUSIF Stabilization	0	61,515	-100.00%
Non-Oper. Gain (Loss)	(3,937)	(1,167)	237.34%
PROFIT (LOSS)	\$ 1,154,189	\$ 657,782	75.47%
Provision for Loan Loss	226,159	129,933	74.06%
NET PROFIT (LOSS)	\$ 928,030	\$ 527,848	75.81%



Financial Highlights

(Years Ended December 31)

	2014	2013	Change
Assets	\$ 100,329,033	\$ 86,192,203	16.40%
Deposits	\$ 90,254,005	\$ 76,987,921	17.23%
Loans	\$ 70,842,521	\$ 59,235,285	19.60%
Members (including joint members)	10,427	9,791	6.50%

2014 Statement of Retained Earnings

	Regular Reserve	Special Reserve	Non-operating Gain/Loss	Undivided Earnings
Balance at beginning of year	\$1,731,462	\$149,113	\$0	\$6,903,003
Net Change	\$21,944	\$42,097	\$0	\$14,603
Net Income	\$0	\$0	(\$3,937)	\$928,030
Balance at year end	\$ 1,753,406	\$ 191,210	(\$3,937)	\$7,845,636



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 2014 Supervisory Committee Guide Audit Report for the period ending June 30, 2014. 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 were/are Chris Antal, Matthew Koop, and Howard Harris.