

Annual Report

2017



Building Stronger Communities Together



Letter from the Chairman and President

We are pleased to announce that 2017 was an exceptional year for KCT!

Financially, it was the best year in over a decade with income of \$1,484,134, keeping your credit union financially strong with a year-end capital position of 11.47%.

We also invested in the future with a number of projects in 2017 to enhance member experience. One of the projects we would like to highlight is the remodel of the Aurora Branch Lobby. This much needed upgrade creates a modern and open space for members but also makes KCT a better place to work for our fellow team members.

The Board of Directors and Management take our motto of “Building Stronger Communities Together” seriously. As a not-for-profit cooperative financial institution (credit union), we believe our top priority is to help people live better financially. We accomplished this by providing financial advice that people/members can trust. Additionally, KCT has the ability to customize solutions based on individual needs through the unique products and services we have developed, including the Get Out of Debt Loan, Student Loan Refinance and Totally Free Checking. KCT has developed these products and services to help people keep more of their hard-earned money.

Another way to live our motto of “Building Stronger Communities Together” is to partner with like-minded organizations. KCT was recently recognized by Elgin Area School District U-46 as their Business Partner of the Year. This award captures KCT’s commitment to the communities we serve!

We also developed an Affinity Card Program that enables KCT to give back to school districts by use of school branded debit and credit cards. West Aurora School District 129 was the first district to partner with KCT to provide much needed funds for athletics, band, arts, etc. We are excited to announce our partnership with Gail Borden Public Library to provide KCT products and services at two library locations (coming soon). Two organizations devoted to the communities we serve; Gail Borden Public Library through literacy and KCT through financial literacy.

KCT had a great year in 2017 but none of this would have been possible without the support we received from the members, businesses and communities we have the privilege of serving.

Thank you for helping KCT live our motto!

Best regards,

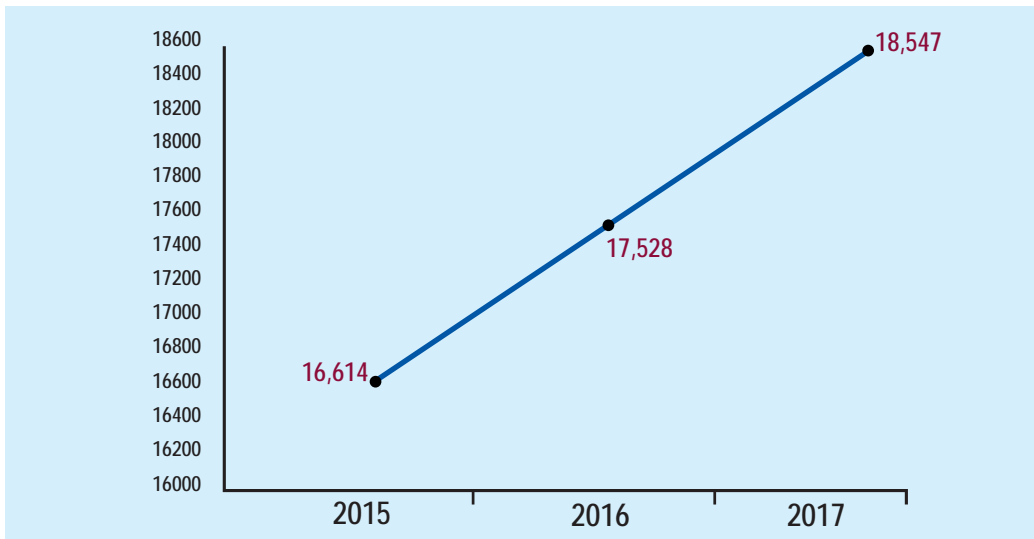
Dave Kintz
Chairman



R. Michael Lee
President/CEO



Year-end Membership Total





KCT in our Communities

Credit Union Days

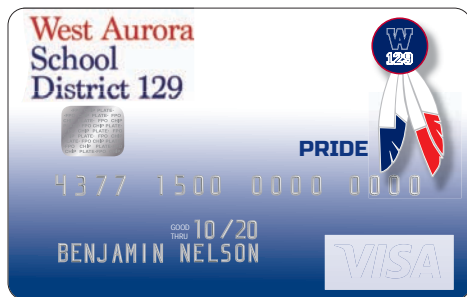
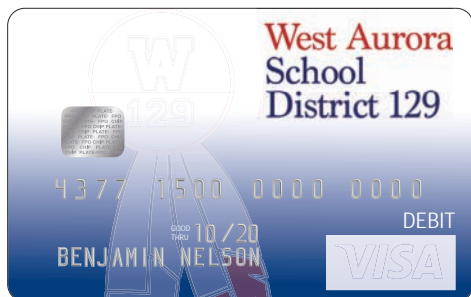
Throughout 2017, KCT held over 30 credit union days and participated in 5 teacher orientations. During the credit union days, KCT staff visited partner locations to provide onsite enrollment and to discuss and answer any questions regarding our products and services. KCT was invited and participated in New Teacher Orientations for School Districts U46, 101, 300, 302 and 304. During these events, KCT sponsored breakfast or lunch and was available to provide onsite enrollment and discuss the benefits of credit union membership.



In January 2018, KCT was honored as U-46's Business Partner of the Year for our dedication to the district, staff and teachers.

Affinity Programs

To kick-off the start of the 2017-2018 school year, KCT launched its first affinity card program partnered with West Aurora School District 129. The program offers a Blackhawks' branded debit card and 2 credit cards. With each purchase, a portion of the transaction is given to School District 129 to help fund programs including athletics, fine arts and other after school activities. The program has helped raise nearly \$1,000 and continues to grow each month. Later this year, we will be launching our second affinity program with East Aurora School District 131.



KCT Board of Directors



Dave Kintz
Chairman
(ECC Chief of Police)



Kim Wagner
Vice Chairman &
Credit Committee
Chairman
(ECC Exec Dir of
Student Financial
Services & Auxiliary Ent)



Melanie Meidel
Treasurer & Secretary
(Assistant Superintendent
Human Resources for
School District U-46)



Ray Denning
(Retired Educator)



Jaime Garcia
(Executive Director
at Centro de
Información)



Patrick Mogge
(Director of Community
Engagement & Outreach
at Township High School
District 214)



Fred Heid
(District 300
Superintendent)



Gail Borden Partnership

Gail Borden Branches

KCT has partnered with Gail Borden Public Library District to open a KCT Branch in the downtown Elgin and South Elgin library locations. We are excited for these new branch locations, not only to offer a more convenient location for our members, but also align with Gail Borden in educating our community by offering financial seminars and KCT products and services to Gail Borden visitors. Both of these branches will be full-service with an ATM located inside, and have the same hours as our other KCT Branch lobbies. The South Elgin branch recently opened on Monday, March 12th, while the downtown Elgin branch is expected to open in the third quarter 2018.

With the opening of the downtown Elgin branch, we will be launching all new youth accounts for kids and teens. These accounts will be designed to help youth establish healthy saving habits, and provide financial literacy to help them learn and become more comfortable with finances.

We will also partner with Gail Borden to host educational financial seminars for the community. These seminars will be free to attend and include topics such as financial literacy, car buying, teacher retirement, student loan forgiveness and home buying.

For updates and news regarding these new branches, stay tuned to kctcu.org or follow us on Facebook and Twitter.

Gail Borden Elgin Branch (proposed)



Gail Borden South Elgin Branch





KCT Updates

Aurora Branch Remodel

Earlier this year, we remodeled our KCT Aurora Branch to maximize the available space and create an updated, open space for our members and staff.

Aurora Branch Lobby



A Year in Review

**\$1.6 Mil. Direct
Financial Benefits***



**12,000 +
KCT Online
Users**

**19%
Loan
Growth**



**401 Premier
Members**



**\$7.8 Mil. +
Debt
Refinanced**

**Digital Card
App Launched**



*Source: Datatrac, NCUA, and CUNA. Benefits calculated by comparing loan rates, deposit yields, and account/service fees between credit unions and banks.



Statement of Financial Condition

Years ending December 31,

ASSETS

Loans	\$ 117,780,718	\$ 98,650,731
Allowance for Loan Losses	(1,614,714)	(1,056,952)
Cash and Cash Equivalents	11,990,891	17,856,810
Investments	88,129,226	93,693,844
Fixed Assets, Less Depreciation	5,520,281	5,164,270
Other Assets	4,159,535	3,870,807
Total Assets	\$ 225,965,936	\$ 218,179,510

LIABILITIES

Accounts Payable, Other	\$ 1,810,462	\$ 1,736,512
-------------------------	--------------	--------------

RESERVES

Regular Reserves	\$ 8,100,000	\$ 6,700,000
Undivided Earnings	17,819,744	17,735,610
Other Comprehensive Income (Loss)	(806,919)	(311,626)
Total Reserves	\$ 25,112,825	\$ 24,123,984

MEMBERS' EQUITY

Regular Shares	\$ 109,221,470	\$ 104,755,588
All Other Shares	89,821,179	87,563,427
Total Members' Equity	\$ 199,042,649	\$ 192,319,015

Total Liabilities, Members' Equity and Reserves

\$ 225,965,936	\$ 218,179,510
-----------------------	-----------------------

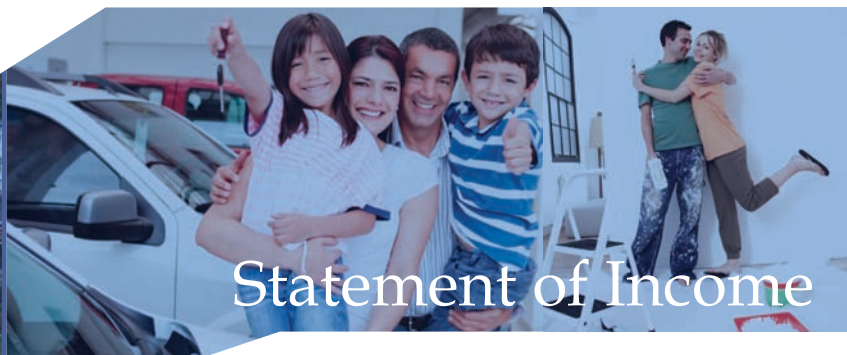
Report of the Credit Committee



Kim Wagner
Vice Chairman & Credit
Committee Chairman

KCT had another positive net loan growth year! Our Membership, Sponsor Employee Groups and the Communities we serve have continued to recognize the enormous savings KCT loan products offer. Our relationship with our Membership is developed by taking the time to educate and ensure that our Members are placed in safe, affordable loan products that meet their needs while sustaining safe and sound loan growth for KCT.

KCT's net loan growth as of year ending December 2017 was \$19.1 million, or 19%, over December 2016. Every consumer loan type experienced growth in 2017. The largest growth came from our Consumer and Mortgage lending products. December 2017 Loan-to-Shares and Loan-to-Assets increased to 59.7% and 52.12%, respectively, compared to December 2016 ratios of 51.3% and 45.22%, respectively.



Statement of Income

Years ending December 31,

OPERATING INCOME

Interest on Loans
Interest on Investments
Service Charges on Deposits and Loans
Other Operating Income

Total Operating Income

2017	2016
\$ 5,731,783	\$ 4,557,727
2,673,512	2,113,734
992,692	994,860
1,638,966	1,277,883
\$ 11,036,953	\$ 8,944,204

OPERATING EXPENSE

Compensation and Benefits
Office Occupancy
Office Operations
Professional and Outside Services
Loan Servicing
Marketing and Promotion
Operating Expense, Misc.
Provision for Loan Losses
Borrowing Interest
Supervisory, IDFP

Total Operating Expense

\$ 4,416,500	\$ 4,039,180
604,752	619,948
727,958	644,099
613,674	535,795
270,020	227,264
122,449	167,356
607,378	863,588
1,465,472	724,370
513,990	—
49,899	47,418
\$ 9,392,091	\$ 7,869,019

Net Operating Income Before Dividends
Dividends Paid to Members

Net Income from Operation

1,644,862	1,075,185
253,439	235,750
\$ 1,391,423	\$ 839,435

NON-OPERATING INCOME (EXPENSE)

Gain (Loss) on Investments
Gain (Loss) on Disposition of Assets
Other Non-Operating Income (Expense)

Total Non-Operating Expense

192,263	185,031
—	—
(99,552)	(23,749)
\$ 92,711	\$ 161,282

NET INCOME

\$ 1,484,134	\$ 1,000,717
---------------------	---------------------

Report of the Supervisory Committee



Ray Denning
Chairman, Supervisory
Committee

The Supervisory Committee's responsibility is to serve KCT's members by ensuring that the Credit Union is operated in accordance with its By-Laws, the Illinois Credit Union Act, and Generally Accepted Accounting Principles. This committee receives and reviews member inquiries and resolves any problems that may exist.

The Supervisory Committee contracted the accounting firm Selden Fox Ltd. of Oak Brook, Illinois to perform an annual audit of the credit union. Their report, dated February 1, 2018, states that their audit was performed in accordance to auditing standards generally accepted in the United States of America. Selden Fox CPAs concluded that the financial statements present fairly, in all material respects, the financial position of Kane County Teachers Credit Union as of December 31, 2017 and 2016, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KCT Credit Union contracted Selden Fox for quarterly compliance and procedural assessments. These proactive assessments address emerging regulations and protect our members.



Mission Statement

A member owned and controlled financial institution.

Vision Statement

We (KCT) strive to build lifelong relationships with staff, members, and communities based on total disclosure.

KCT Products and Services

- Free checking with no minimum balance requirements.
- Credit Cards with fixed, low-rates and no annual fees.
- Customized loans that fit your budget and needs.
- KCT mortgage and refinance services, including home equity loans.
- Make sure you're paying the best rate on your loans with KCT's Debt Checkup.
- Financial and retirement planning through KCT Financial Services.
- Over 75,000 surcharge-free ATMs nationwide.
- Access to the CO-OP Shared Branch Network with over 5,000 shared branches throughout the nation.
- Find your nearest ATM or shared branch location by visiting locations.kctcu.org.
- KCT Online/KCT Mobile
 - 24/7 account access
 - Make transfers between accounts, including accounts outside the credit union and other KCT members
 - Schedule recurring or make one-time payments with our free Bill Pay service
 - Setup savings goals to help you save for your next big purchase
 - Budgeting tools to help stay on top of your expenses
 - Deposit checks without visiting a branch with KCT Mobile
- Receive near real-time alerts whenever your KCT Debit or Credit Card is used with the KCT Digital Card app.

Visit kctcu.org, call us at 847.741.3344 or find your nearest branch at

locations.kctcu.org



AMERICAN SHARE INSURANCE

Your deposits are insured up to \$250,000 per account. This institution is not federally insured.

Follow Us on:



Building Stronger Communities Together