



Annual Report 2018



Letter from the Chairman and President



2018 was a year of focus on the communities KCT has the privilege of serving. A few milestones enabled KCT to do even more to assist members in improving their financial well-being.

At the top of the list was our partnership with the Gail Borden Public Library District, a partnership that was the first of its kind in the nation. KCT opened two new branches in Gail Borden Library facilities enabling KCT the ability to take our motto, "Building Stronger Communities Together", and place it in action.

KCT was chosen in 2018 by members of the Elgin Mental Health Center Employees' Credit Union to merge into KCT. This relationship has enriched the product offerings to their membership. KCT will continue to serve the employees with a branch location at the Elgin Mental Health Center.

KCT has also focused on giving back to the community school districts we serve with the ability to partner in an affinity card program. These debit and credit cards are branded with the school districts' logo. KCT members' usage of these cards enables KCT the ability to donate a portion of our income to the school districts or their educational foundation. We call it the Card with Purpose!

Financially, KCT remains strong with year-end assets at \$248,585,387, a growth of approximately \$23 million. KCT net income for the year was \$1,458,490, keeping your credit union financially strong with a year-end capital position of 11.31%.

We would like to thank you for your continued support of KCT!

Year-end assets total

2016

\$218,179,510

2017

\$225,965,936

+3.5%

2018

\$248,585,387

+10%



Dave Kintz
Chairman

R. Michael Lee
President/CEO

“Financially, KCT remains strong with year-end assets at \$248,585,387, a growth of approximately \$23 million.”



Affinity Programs



To kick-off the 2018-19 school year, we introduced our second affinity program, partnered with East Aurora School District 131 and the Aurora East Educational Foundation. With every purchase using any of the Tomcats affinity cards, a portion of the transaction is given to the Aurora East Educational Foundation, which helps enrich educational programs throughout School District 131. At year-end, the program already raised over \$800. Learn more about this program and get your very own Tomcats Visa Card at SD131.kctcu.org.



The West Aurora Pride Cards finished their first full year and have already helped raise nearly \$3,000. To learn more about this program, visit SD129.kctcu.org.



We are also excited to announce the launch of our third affinity program with Geneva School District 304 and the Geneva Academic Foundation. To learn more about this program, visit Geneva304.kctcu.org.

KCT Board of Directors

Chairman



Dave Kintz

ECC Chief of Police

Vice Chairman & Credit Committee Chairman



Kim Wagner

ECC Exec Dir of Student Financial Services & Auxiliary Ent

Treasurer & Secretary



Melanie Meidel

Assistant Superintendent for Special Projects



Ray Denning

Retired Educator



Jaime Garcia

Executive Director at Centro de Información



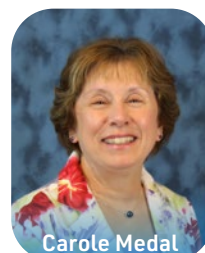
Patrick Mogge

Dir of Community Engagement & Outreach at Township High School District 214



Fred Heid

District 300 Superintendent



Carole Medal

Executive Director at Gail Borden Public Library



Keith McTyer

Safety Officer at Elgin Mental Health Center



Statement of Financial Condition



Years ending December 31,

ASSETS

	2018	2017
Loans	\$ 149,036,935	\$ 117,780,718
Allowance for Loan Losses	(2,166,913)	(1,614,714)
Cash and Cash Equivalents	14,285,764	11,990,891
Investments	59,110,201	80,421,323
Fixed Assets, Less Depreciation	6,413,404	5,520,281
Other Assets	21,905,998	11,867,438
Total Assets	\$ 248,585,387	\$ 225,965,936

LIABILITIES

Accounts Payable, Other	\$ 1,438,051	\$ 1,810,462
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RESERVES

Regular Reserves	\$ 10,600,000	\$ 8,100,000
Undivided Earnings	16,778,233	17,819,744
Equity Acquired in Merger	741,673	-
Other Comprehensive Income (Loss)	(1,153,480)	(806,919)
Total Reserves	\$ 26,966,426	\$ 25,112,825

MEMBERS' EQUITY

Regular Shares	\$ 126,796,972	\$ 109,221,470
All Other Shares	93,383,939	89,821,179
Total Members' Equity	\$ 220,180,911	\$ 199,042,649

Total Liabilities, Members' Equity and Reserves

\$ 248,585,387	\$ 225,965,936
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Report of the Credit Committee

KCT loan percentage growth (27%) in 2018 resulted as one of the highest in the Credit Union industry. Our Membership, Select Employee Groups, and the Communities we serve continue to believe in KCT loan products. Our Membership recognizes the enormous savings our loan products offer. KCT's dedication of ensuring our Members are placed in a safe, affordable loan product(s) continues to sustain the safe and sound loan growth KCT has experienced over the past three years.

KCT net loan growth as of year ending December 2018 was \$31.3 million, or 27%, over December 2017. Every loan type experienced growth in 2018 except for the small Participation loan pool. The largest growth came from our Consumer and Mortgage loan products. December 2018 Loan-to-Share and Loan-to-Assets increased to 67.69% and 59.95%, respectively, compared to December 2017 ratios of 59.17% and 52.12%, respectively.

Kim Wagner, Credit Committee



Kim Wagner
Vice Chairman &
Credit Committee
Chairman



Statement of Income



Years ending December 31,

	2018	2017
OPERATING INCOME		
Interest on Loans	\$ 7,126,337	\$ 5,731,783
Interest on Investments	2,991,411	2,476,605
Service Charges on Deposits and Loans	1,046,283	992,692
Other Operating Income	2,436,063	1,835,873
Total Operating Income	\$ 13,600,094	\$ 11,036,953
OPERATING EXPENSE		
Compensation and Benefits	\$ 5,513,511	\$ 4,416,500
Office Occupancy	653,236	604,752
Office Operations	857,922	727,958
Professional and Outside Services	665,984	613,674
Loan Servicing	416,071	270,020
Marketing and Promotion	152,810	122,449
Operating Expense, Misc.	828,796	607,378
Provision for Loan Losses	1,524,565	1,465,472
Borrowing Interest	1,176,334	513,990
Supervisory, IDFPF	47,768	49,899
Total Operating Expense	\$ 11,836,997	\$ 9,392,091
Net Operating Income Before Dividends	1,763,096	1,644,862
Dividends Paid to Members	276,276	253,439
Net Income from Operation	\$ 1,486,820	\$ 1,391,423
NON-OPERATING INCOME (EXPENSE)		
Gain (Loss) on Investments	(20,706)	192,263
Gain (Loss) on Disposition of Assets	—	—
Other Non-Operating Income (Expense)	(7,625)	(99,552)
Total Non-Operating Income (Expense)	\$ (28,330)	\$ 92,711
NET INCOME	\$ 1,458,489	\$ 1,484,134

Report of the 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, 2019, 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, 2018 and 2017, 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.

Ray Denning, Supervisory Committee



Ray Denning
Chairman, Supervisory
Committee



Partnerships



KCT welcomed two new partners in 2018: Antunes of Carol Stream and Kennicott Brothers, headquartered in Chicago. All of their employees now have access to all of our products and services, including onsite visits to help make joining KCT more convenient.

KCT Representatives had 70 Credit Union Days, several county-wide professional development days, career expos, benefit fairs and much more. At each of these events, our representatives had the opportunity to share the KCT Difference, answer questions, and make our services available to our communities.

We also have hosted and participated in a variety of educational seminars. At Gail Borden Library we co-hosted events on topics including Identity Theft and Home Buying. We are looking forward to partnering with other community organizations and continuing to offer more seminars in 2019.

More On Our Schools

Throughout 2018, we assisted, attended and hosted many events to support our surrounding school districts. Elgin Area School District U-46 and the Elgin Chamber of Commerce recognized KCT Credit Union for our dedication to their teachers and staff and named us U-46's Business Partner of the Year.

In U-46, we participated in Principal for a Day where our VP of Business Development, Yvonne Irving, acted as the Principal at Channing Elementary where she met with staff, teachers and students. KCT also sponsored several events throughout 2018 including U-46's Explore 2018: A Community, Curriculum, and Career Expo where KCT representatives shared how you can grow a career with credit unions. We donated \$3,000 to the U-46 Superintendent Scholarship which awards students who are the first in their families to attend college.

We donated \$1,000 to Kane County ROE KEEP's Homeless Youth Scholarship, which provides homeless youths the means to achieve a quality education. We were also named the official banking partner of Judson University's World Leader Forum. In sponsoring Elgin Community College's Project Backpack, we not only donated \$1,000 but also collected over 2,000 backpacks filled with school supplies for local families in need. While this is only a brief overview of what we have done in 2018, we are very proud of how we've been able to assist our communities. We're looking forward to what 2019 has in store.



Gail Borden & Elgin Mental Health Center



Gail Borden

In 2018, KCT Credit Union expanded its partnership with the Gail Borden Public District Library to open branches inside two of their library locations, which was the first of its kind in the nation. These branches allow KCT to bring financial literacy to library patrons to help them live better lives financially. Gail Borden is an award-winning library with a focus on literacy and being a focal point in the community for educational and informational seminars. Both Gail Borden Public Library and KCT Credit Union are dedicated to the wellbeing of our communities, so collaborating with Gail Borden to open two branches made perfect sense.



Elgin Mental Health Center

Another milestone for KCT was being selected by the members of Elgin Mental Health Center Employee's Credit Union to merge into KCT Credit Union. This new relationship has allowed KCT to enrich the preexisting membership of EMHECU by offering all of our products and services to the employees of Elgin Mental Health Center.



Jaime Garcia
Chairman, Membership
Committee

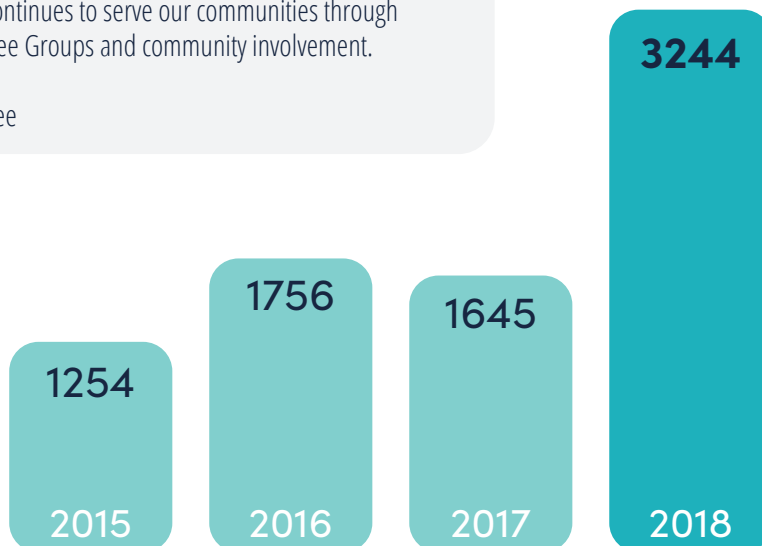
Report of the Membership Committee

During 2018, KCT Credit Union added 3,244 new memberships which was higher than the previous three years. KCT continues to serve our communities through our partnerships with Select Employee Groups and community involvement.

Jaime Garcia, Membership Committee

New Membership Through the Years.

2018 saw new membership increase 97% over the previous year.



Year in Review

Home Equity Growth

Home Equity
Line of Credit:
23.6%
Home Equity
Fixed Rate:
113.5%

**Affinity
Revenue
Share 2018**
\$3,712

KCT Protection Payouts

Loan Protection:
\$147,615
Mechanical Repair
Coverage:
\$34,257
GAP:
\$51,633

**New
Memberships**
3,244

Mortgages
84 New Mortgages
33.3% growth

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

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.