

2013 Annual Report



A Message from the Chairman:

It is my pleasure, as Board Chairman, to present the 2013 Annual Report for the Kern Federal Credit Union. The Report provides important information regarding the credit union's fiscal status and significant accomplishments during 2013. I have been especially proud this year of the Board, Management, and the entire credit union staff as they all continue to demonstrate their full commitment to improve every aspect of security, product development, and services – for you our members. Examples of recent accomplishments and member opportunities include:

New Branch Location

- In February 2013, the Riverlakes Branch opened on Coffee Road. If any of you have yet to visit this beautiful, full service, modern facility, (now with “Drive-up” service), I encourage you to do so at your earliest convenience.

New and Improved Services

- Member document shredding services are now provided once each month – rotating service between the two KFCU branches.
- Members can now access information and services 24 hours a day from our Call Center with live representatives or a live “Chat” availability online.
- The monthly newsletter “Dollars and Sense” is now provided electronically to all members who have shared their e-mail address.
- Estate Planning services are now available to members by Chris Hamilton, an attorney with the Young Wooldridge law firm.
- Our Mobile Banking APP has been available since last August.

Major Promotions

- Spring Car Sale
- Fall Car Sale
- Holiday Loan Promotion
- Visa Credit Card Campaign with low interest rate balance transfer (early 2014).
- Significant new marketing strategy for all CU services

New Services scheduled for “roll-out” in 2014 include:

- A new Mobile Banking platform
- Remote Deposit Capture capability
- Online Account Opening
- Much more to come

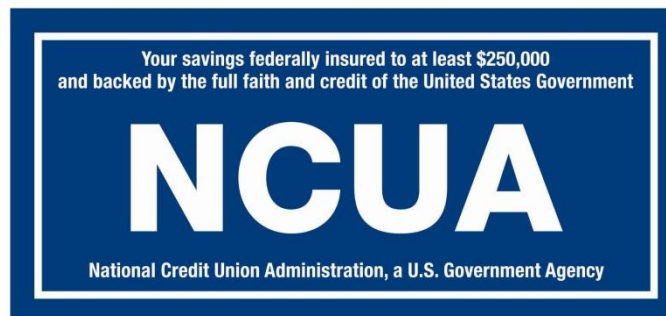
We are all very proud of what was accomplished in 2013, but we are looking toward 2014 with great anticipation. Management will be presenting a proposed new Strategic Plan (now in its final stages) to the Board very soon. The plan will provide guidance for the Credit Union’s near and mid-term future and assure that the progress made last year will continue.

I want to thank each of you for your trust and confidence in the Credit Union, and thank all Volunteers, Management, and other staff for their continued dedication, creativity, and loyalty to further the fiduciary and service mission of the Credit Union.

Respectfully submitted,

Guy Greenlee

Chairman of the Board



Supervisory Committee Report:

The Supervisory Committee was established to safeguard member's funds, assets, and interest by ensuring that the Kern Federal Credit Union comply with all government regulations, general accounting principles, and Board policies. Each month, the committee meets independently to discuss and review the credit union's financial records, audits, and overall soundness of its operations and practices. The committee also reviews the credit union's internal controls to determine if its activities and procedures are adequate to maintain compliance and accountability. The Supervisory Committee members serve on other standing committees at the request of the Board of Directors. All the members of the Supervisory Committee are credit union volunteers.

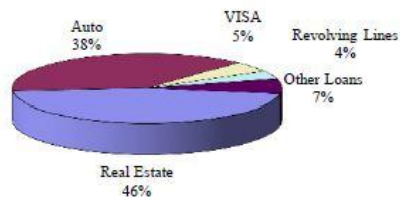
In 2013, the Supervisory Committee retained the services of an independent accounting firm to conduct the credit union's annual financial audit and issue certified financial statements as it relates to the overall financial security and stability of the credit union. The certified public accounting firm selected was Turner, Warren, Hwang and Conrad. Based on the comprehensive audit they performed, and the financial reports and audits reviewed by the Supervisory Committee, we conclude that the credit union is financially sound and its fiscal controls are effective in maintaining compliance, and securing our member's financial assets and interest. Copies of these audits are available to members of the credit union upon request.

Respectfully submitted,

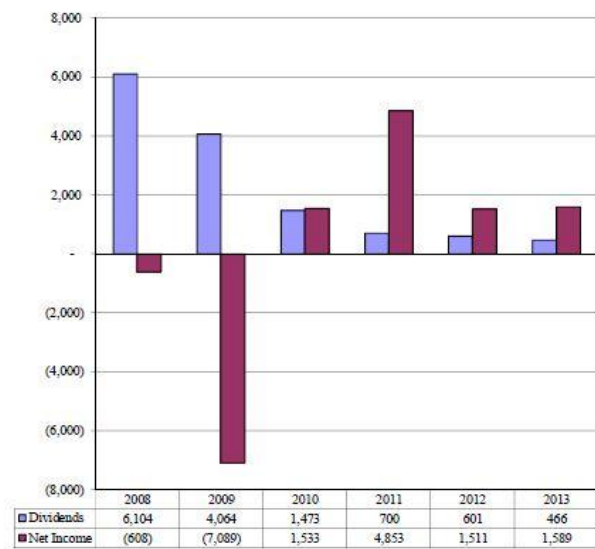
Lito Morillo
Chairman, Supervisory Committee

Annual Statements

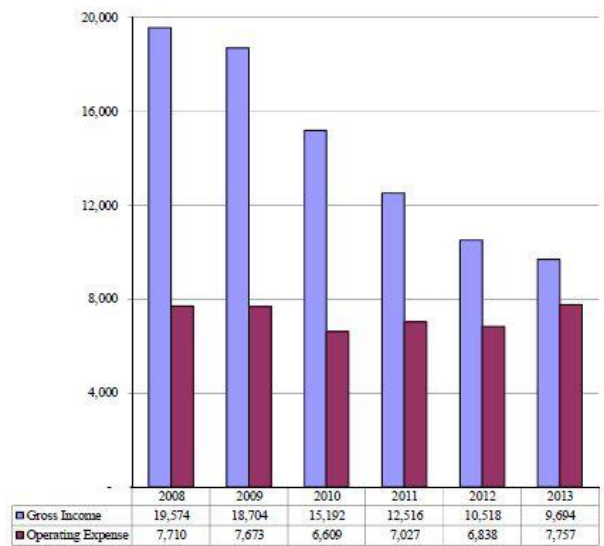
Member Loans
(Percentage of Total Loans)



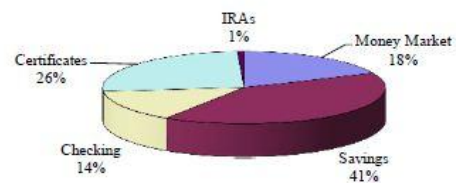
Member Dividends & Net Income
(000's Omitted)



Gross Income & Operating Expense
(000's Omitted)



Member Shares
(Percentage of Total Shares)



Statements

Statement of Income
For the Year Ended September 30, 2013
(000's Omitted)

	2012	2013
Income		
Interest on Members' Loans	\$ 7,347	\$ 6,420
Investment Income	505	511
Other Income	2,666	2,763
Gross Income	\$ 10,518	\$ 9,694
Expenses		
Provision for Loan Loss	\$ 1,266	\$ (264)
Interest on Borrowed Funds	303	146
Other Operating Expenses	6,838	7,757
NCUA Premium & Impairment		
Operating Expenses	\$ 8,407	\$ 7,638
Income from Operations		
Income from Operations	\$ 2,112	\$ 2,055
Non-Operating Gain (Loss)	-	-
Income Before Dividends	2,112	2,055
Dividends Paid to Members	601	466
Net Income	\$ 1,511	\$ 1,589

Condensed Statement of Financial Condition
As of September 30, 2013
(000's Omitted)

	2012	2013
Assets		
Loans to members	\$ 122,369	\$ 135,443
Cash	7,209	20,477
Investments	74,159	46,641
Interest Receivable	529	494
Premises & Equipment	2,602	2,535
Other Assets	3,125	3,257
Total Assets	\$ 209,995	\$ 208,848
Liabilities/Shares/Equity		
Dividends Payable	\$ -	\$ -
Other Liabilities	10,039	2,173
Members Share Accounts	173,408	178,635
Members' Equity	26,548	28,039
Total Liabilities/Shares/Equity	\$ 209,995	\$ 208,848

KERN FEDERAL CREDIT UNION
MINUTES OF THE ANNUAL MEETING
OF THE MEMBERS

Chairman Denney called the regular meeting of the members to order on April 18, 2013, at 5:35 p.m., at 1717 Truxtun Ave., Bakersfield, California.

DIRECTORS PRESENT: JACKIE DENNEY
GUY GREENLEE
GLENN BASCONCILLO
DEBBIE STEVENSON
STEVE LONG
MARGO RAISON

DIRECTORS ABSENT: ROLAND BURKERT

Chairman Denney welcomed the members to the 64th Annual Meeting of Kern Federal Credit Union.

Chairman Denney requested Director Basconcillo to ascertain that a quorum was present. Director Basconcillo confirmed that a quorum was present.

Director Long led the Pledge of Allegiance, followed by the invocation, which was delivered by Director Greenlee.

Chairman Denney introduced the following members of the Board of Directors: Glenn Basconcillo, Debbie Stevenson, Steve Long, Margo Raison, Guy Greenlee and noted that Director Roland Burkert was unable to be in attendance.

Chairman Denney introduced the following members of the Supervisory Committee: Lauren Frapwell, John Devlin, Lito Morillo and Steve Long.

Chairman Denney noted the minutes from last year's Annual Meeting, as well as the Annual Report, had been provided to the attendees.

Chairman Denney called for a motion to approve the minutes of the April 19, 2012 Annual Meeting. A motion was made by Director Long and seconded by Director Greenlee to approve the minutes as presented.

AYES: ALL

Chairman Denney introduced President/CEO Straub, and requested that she introduce Senior Vice President Linda Crosby and VP of Operations Brenda O’Doherty. President/CEO Straub also asked for other staff to stand and be recognized.

Chairman Denney asked if there was any unfinished business. There was no unfinished business.

Chairman Denney asked if there was any new business. There was no new business.

Chairman Denney introduced Lee Stahl, who noted Committee Member Nancy Lawson and Committee Member Annette Given were unable to be in attendance. Nominating Committee Chairman Lee Stahl reported that the committee had submitted the following names for nomination to the Board of Directors:

- Guy Greenlee (Incumbent) for a three-year term
- John Devlin for a three-year term

Chairman Denney announced that under the credit union’s bylaws, elections will not be conducted by ballot and there will be no nominations from the floor when there is only one nominee for each position to be filled. Chairman Denney advised that the Chair would entertain a motion to declare nominations closed and all nominees elected by acclamation. A motion was made by Director Stevenson and seconded by Director Raison to declare the nominations closed and elect the nominees by acclamation.

AYES:

ALL

Chairman Denney announced that Guy Greenlee and John Devlin had been elected to the Board of Directors for a three-year term. She congratulated the newly elected Board members.

Chairman Denney adjourned the meeting at 5:42 p.m.

CHAIRMAN

SECRETARY

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