

2019

ANNUAL REPORT



**HAWAII LAW
ENFORCEMENT**
FEDERAL CREDIT UNION





Honoring Our Fallen Officers

The unprecedented line-of-duty loss of two Honolulu Police Officers, Tiffany Enriquez and Kaulike Kalama on the morning of January 19, 2020, shook, not only our community at large, but our law enforcement community as well, to its core. It also brought back the memory of the tragic line-of-duty loss of Hawaii Police Officer Bronson Kaliloa on July 18, 2018. These unprecedented losses serve as a somber reminder of the risks and sacrifices our men & women in uniform make every day to keep our communities safe. But, the events also serve as poignant reminders to us about why we do what we do - serving and protecting the financial needs of Hawaii's protectors. We consider it our honor and duty to serve you and your families; to ensure that you have what you need to do your job and provide for your loved ones. So, from the bottom of our hearts, we'd like to thank you all for all that you do. And know that we, the only financial institution dedicated to you, stand beside you, always ready to serve and protect.



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Chairperson's Report



The Hawaii Law Enforcement Federal Credit Union continued to make notable progress in 2019, both in numbers and programs for members.

The Credit Union had a solid year of growth in four key areas, which included increases in assets (\$181.0 million, +6.0%), shares (\$155.6 million, +2.0%), loans (\$112.3 million, +13.9%), and membership (14,690, +1.4%). In addition, the Credit Union continued to reflect strong earnings, which amount to \$1.798 million.

At the same time, the Credit Union's hardworking team introduced two new electronic services. External Account Transfer allows members to transfer funds to or from other financial institutions electronically. DX Mobile, the Credit Union's plastic card app, allows members to control card transactions, place travel notices, and even block cards

from usage. These services were incepted to improve member convenience to meet the needs of your busy lives.

The most exciting news of 2019 took place when we made it official that HLEFCU will be relocating its headquarters from our current offices on Young Street to a new, state-of-the-art facility at 1936 S. King Street in May 2021. Construction is scheduled to begin by summer 2020. When completed, the Credit Union's new headquarters and main branch facility will offer everything members want to conduct their business, and our employees need to do their job.

The interior space will be approximately 13,400 square feet, which is 60% larger than our current location. Members will have more meeting space options and enhanced privacy to meet with the Credit Union's representatives to discuss their financial needs. There will be more parking spaces and direct access to the main branch, with members entering at street level.

Members can be assured that the Credit Union has been carefully planning and budgeting for the relocation of its headquarters to a larger facility for the past several years. A dedicated budget with funding available to pay for the cost of construction is in place.

On behalf of your Board of Directors, thank you for your continued support, involvement, and business you have provided to the Hawaii Law Enforcement Federal Credit Union. We have and will always be ready to "Serve to Honor."

Aloha and Malama Pono,

Russell Ikeda, Chairperson
Mark Nakagawa, Vice-Chairperson
Robert Aton, Treasurer
Frank Fujii, Secretary
Robert Kane, Director
Roy Helepololei, Director
Derrick Tsukayama, Director

Board of Directors



Mark Nakagawa
Vice-Chairperson



Robert Aton
Treasurer



Frank Fujii
Secretary



Robert Kane
Director



Roy Helepololei
Director



Derrick Tsukayama
Director

CEO's Message



Aloha Members and Supporters,

The Hawaii Law Enforcement Federal Credit Union (Credit Union) exists to serve the men and women of law enforcement who dedicate their lives to serving and protecting Hawaii.

Thus, everything we do – whether it is offering loan programs, introducing remote banking technology, or planning a move into a new and larger headquarters facility – is done to help make the lives of our Law Enforcement 'Ohana better.

This mindset was a guiding principle of our Credit Union upon its founding in 1936 and continues to define why we exist today.

Our Credit Union team cherishes their role in supporting Hawaii's Law Enforcement 'Ohana and stands committed to assisting our members with important life decisions like buying a home, funding a child's college education, or planning for retirement.

There are moments that we take for granted, believing that there is always another day. Then, tragedy strikes, which reminds us to hold close those who are dear to us. The tragic passing of Honolulu Police Officers Tiffany Enriquez and Kaulike Kalama deeply impacted us. The subsequent tributes and memories shared about officers Enriquez and Kalama have been emotional and moving and reminded everyone at the Credit Union that we must do all we can to support our Law Enforcement 'Ohana.

As we move forward at the Credit Union, we are inspired by the memory of Officers Enriquez and Kalama, and the knowledge that Hawaii is blessed with outstanding law enforcement officers throughout the state. It is with this knowledge that we shall continue to develop products and services that cater to our Law Enforcement 'Ohana.

Last year, our Credit Union saw success in strong earnings and growth in assets, shares, loans, and membership, but more important to us was the ability to serve our law enforcement 'ohana's needs. Mahalo for your service to Hawaii, and the opportunity to serve you.

With great respect and aloha,

Rene Matsuura

President and Chief Executive Officer



Statement of Income

For the period ending December 31, 2019

	2019	2018
Operating Income		
Interest on Loans	4,959,227.77	4,464,365.74
Interest on Investments	1,484,461.14	1,322,733.34
Fee and Charges	278,494.33	223,085.78
Miscellaneous Income	<u>1,125,963.02</u>	<u>1,228,693.63</u>
Total Income	<u>7,848,146.26</u>	<u>7,238,878.49</u>
Operating Expenses		
Compensation	2,032,088.33	1,720,627.72
Employee Benefits	481,613.69	434,925.87
Travel & Conference	66,225.18	78,469.96
Association Dues	49,056.67	46,866.18
Office Occupancy	594,311.70	591,519.52
Office Operations	583,937.50	563,646.16
Education & Promotion	170,454.00	152,011.76
Loan Servicing	322,246.26	350,470.52
Professional Services	1,039,032.41	801,488.85
Provision for Loan Losses	58,912.46	85,908.04
Member Insurance	-	-
NCUA Operating Fees	46,005.84	44,535.90
Fed Exam Fees	-	-
Interest on Borrowed Funds	32,337.74	0.06
Annual Meeting	32,000.14	24,569.12
Miscellaneous	<u>76,190.49</u>	<u>59,396.30</u>
Total Operating Expenses	<u>5,584,412.41</u>	<u>4,952,490.29</u>
Income (Loss) from Operations	<u>2,263,733.85</u>	<u>2,286,388.20</u>
Gain (Loss) on Investments	-	-
Gain (Loss) on Disposal of Assets	(3.00)	(163.00)
Non-Operating Income (Loss)	-	-
Gain (Loss) on OREO	-	-
Gain (Loss) Rental on OREO	-	-
Net Income (Loss) before Dividends	<u>2,263,730.85</u>	<u>2,286,225.20</u>
Dividends	464,926.94	396,374.44
Net Income (Loss)	<u>1,798,803.91</u>	<u>1,889,850.76</u>

We certify, to the best of our knowledge and belief, this statement and the related statements are true and correct and present fairly the financial position and the results of operations for the period.

Treasurer's Report



Last year marked another successful year for the Hawaii Law Enforcement Federal Credit Union. The Credit Union continues to endeavor towards fostering deeper relationships with our membership as we lay the groundwork for prosperity in the next decade. For the year, the Credit Union's performance on key financial measures is as follows:

- Assets grew by \$10.2 million (6.00%) to \$181,016,229
- Shares grew by \$3.0 million (2.00%) to \$154,550,096
- Loans grew by \$13.7 million (13.90%) to \$112,298,239
- Membership grew by 209 (1.44%) to 14,690
- Net income totaled \$1.8 million

The Hawaii Law Enforcement Federal Credit Union remains focused on the process of improving member service, and expanding the products and services we offer so that we can achieve our objective of being the primary financial institution for all of our members. These financial performance measures are indicators that we are making progress in accomplishing our goals.

Loan growth generated by the Credit Union's mortgage program in 2019 totaled \$17.5 million and represents the primary contributor towards total loan growth. The Credit Union launched a reduced down payment, first time home buyer program in 2019 and through this program we were able to assist three members in achieving the goal of home ownership. We hope that through this program we can help more members overcome the housing affordability challenge in Hawaii in the years to come.

Strong earnings allowed the Credit Union to increase dividend payments to members by \$68,000 for the year while also increasing our net worth ratio from 11.21% to 11.57%. This ratio represents an important measure of the safety and soundness of the Credit Union, and is well above the minimum guideline of 7% required by the National Credit Union Administration.

Stable earnings over the past three years has permitted the Credit Union to allocate investment towards a new headquarters which is a substantial undertaking made with thoughtful analysis and reflection on the long-term goals for this organization. This new headquarters will permit the Credit Union to continue to grow sustainably in the future and we hope it will become a hub for our Law Enforcement Ohana in the years to come.

On behalf of the Management and staff of the Hawaii Law Enforcement Federal Credit Union we express humble gratitude for the opportunity to serve as your trusted financial partner. We serve to honor.

Robert Aton, Treasurer

Financial Comparison

For the period ending December 31, 2019

Category	2019	2018	Difference	% Change
Assets	\$181,016,229	\$170,769,117	\$10,247,112	6.00%
Shares	\$154,550,096	\$151,518,034	\$3,032,062	2.00%
Loans	\$112,298,239	\$98,591,126	\$13,707,113	13.90%
Net Worth Ratio	11.57%	11.21%	0.36%	3.20%
Number of Members	14,690	14,481	209	1.44%

Supervisory Committee Report



Cary Okimoto, Chairperson
Christopher Park, Secretary
Nathan Matsuoka, Member
Allan Lewis, Member
Carlene Lau, Member

The purpose of the Supervisory Committee is to conduct objective reviews and evaluations of the overall financial performance of the Credit Union. Comprised of five Hawaii Law Enforcement Federal Credit Union members appointed by the Board of Directors, it is this Committee's responsibility to ensure that the Credit Union operates with sound internal controls, maintains accurate records of its assets, and adheres to practices that safeguard those assets.

To ensure that these responsibilities are completed, the Committee has retained CU Pacific Audit Solutions for the following:

- Conducting periodic audits of the Credit Union's records and processes
- Conducting an annual audit of the Credit Union's financial statement
- Conducting a bi-annual audit of member account verifications
- Conducting quarterly internal control audits

Throughout their evaluations in 2019, the Supervisory Committee did not detect any anomalies.

Credit Committee Report



Kent Harada, Chairperson
Rene Matsuura, Member
Radford Real, Member

In 2019, the Credit Union had a record year. We funded \$19.4 million in mortgages, which helped our Law Enforcement Ohana save thousands of dollars through lower interest rates and helped others attain their dreams of homeownership. Further, we funded \$26.7 million in consumer loans, which enabled our Law Enforcement Ohana to buy new family vehicles, vehicles for work, take a much-needed vacation, pay for college tuition, and more. In total, we were able to grant a total of \$46.1 million in new loans last year, which was one of our best years on record. However, despite our fantastic loan growth in 2019, we were able to lower our delinquent ratio by 0.06%, from 0.11% down to 0.05%.

The Credit Union and our Loan Team are elated that we were able to assist so many members last year, while also preserving their financial health. We thank our Law Enforcement Ohana for continuing to entrust us with their financial needs and are looking forward to another year of serving our members.



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National Credit Union Administration, a U.S. Government Agency



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