

2022

ANNUAL REPORT



A Message from the Chair of the Board

As Chairman of the Board of Directors, I would like to say mahalo to the volunteers who give of their time, talent, and expertise by serving as Directors and on various committees. While bank boards work to maximize their profits, our volunteers work hard to maximize the value of the Credit Union for, you, the owners.

Mahalo to our management team for their work to further the mission and vision of the Board. Mahalo to the staff for providing essential services to the membership in a timely, caring, and professional manner. Our employees are committed to providing simple, easy access to financial services with a sense of belonging!

Mahalo to you, our members, for continuing to support this cooperative by utilizing our products and services and honoring your community by paying back your loans!

Mahalo to Carrie Ann Farris for completing her second year as our General Manager. Carrie is a bold leader with over 20 years of experience at the Credit Union. Carrie's leadership team includes Lending and Backoffice Manager, Karla Jennings, and Retail Manager, Melorine Naeole. The Board is excited to work with these talented women to execute on a strategic plan with the mission of empowering our members to achieve financial freedom through education and enhanced products and services. Please encourage and support them!

It has been my pleasure to serve as your Board Chair and provide guidance and mentoring. Mahalo for your ownership and support of this cooperative that was built by our Kupuna for the people of Molokai. The Board is committed to ensuring our island's future by providing economic opportunity through access to low-cost credit here on Molokai.

Sincerely,
Brent Nakihei, Board Chair

Comparative Balance Sheet

Molokai Community Federal Credit Union
Years Ending December 31, 2021 and 2022 (unaudited)

ASSETS	12/31/21	12/31/22	\$ Change	% Change
Total Loans	\$ 13,802,188	\$ 19,998,227	\$ 6,196,039	44.9%
Allowance For Loan Losses	(181,084)	(140,075)	41,009	-22.6%
Net Loans	13,621,104	19,858,152	6,237,048	45.8%
Cash & Due from Bank	9,828,180	4,104,147	(5,724,033)	-58.2%
Investments	12,035,805	11,127,356	(908,449)	-7.5%
Land/Building and Fixed Assets	626,759	548,937	(77,821)	-12.4%
NCUA Deposit	283,230	313,812	30,581	10.8%
Accrued Interest	90,023	93,883	3,860	4.3%
Other Assets	48,531	102,822	54,291	111.9%
TOTAL ASSETS	\$ 36,533,632	\$ 36,149,109	\$ (384,523)	-1.1%
LIABILITIES AND EQUITY				
Payables and Other Liabilities	\$ 881,844	\$ 157,604	\$ (724,240)	-82.1%
Total Payables	881,844	157,604	(724,240)	-82.1%
Shares	19,682,424	19,953,619	271,195	1.4%
Other Shares	2,043,034	1,844,039	(198,995)	-9.7%
Checking	5,031,607	4,448,524	(583,082)	-11.6%
IRA Shares	3,458,867	3,716,278	257,411	7.4%
Certificates	1,790,206	1,653,275	(136,931)	-7.6%
Total Shares	32,006,137	31,615,734	(390,402)	-1.2%
TOTAL LIABILITIES	32,887,980	31,773,338	(1,114,642)	-3.4%
Regular Reserve	216,842	216,842	-	0.0%
Undivided Earnings	2,549,642	3,428,810	879,167	34.5%
Undistributed Earnings	879,167	730,120	(149,048)	-17.0%
TOTAL EQUITY	3,645,651	4,375,771	730,120	20.0%
TOTAL LIABILITIES & EQUITY	\$ 36,533,632	\$ 36,149,109	\$ (384,523)	-1.1%

Comparative Income Statement

Molokai Community Federal Credit Union
As of December 31, 2021 and 2022 (unaudited)

	12/31/21	12/31/22	\$ Change	% Change
INTEREST INCOME				
Income on Loans	\$ 869,729	\$ 996,616	\$ 126,887	14.6%
Income from Investments	233,209	244,348	11,138	4.8%
Total Interest Income	1,102,938	1,240,964	138,025	12.5%
INTEREST EXPENSE				
(-) Dividends	42,205	37,770	(4,436)	-10.5%
Interest on Borrowed Money	-	-	-	0.0%
Total Interest Expense	42,205	37,770	(4,436)	-10.5%
NET INTEREST INCOME	1,060,733	1,203,194	142,461	13.4%
(-) Provision for Loan Loss	-221,006	68,901	289,908	-131.2%
Interest Income net of PLL	1,281,739	1,134,293	(147,447)	-11.5%
NON-INTEREST INCOME				
Fees & Charges	143,111	176,806	33,695	23.5%
Misc Income	224,555	206,927	(17,628)	-7.9%
Total Non-Interest Income	367,666	383,733	16,067	4.4%
NET INCOME BEFORE OPERATING EXPENSES	\$ 1,649,405	\$ 1,518,025	\$ (131,380)	-8.0%
OPERATING EXPENSES				
Compensation & Benefits	\$ 622,449	\$ 611,674	\$ (10,775)	-1.7%
Travel & Conference	(\$4,401)	7,309	11,710	-266.1%
Office Occupancy	71,358	70,781	(577)	-0.8%
Office Operations	229,208	245,690	16,481	7.2%
Marketing/Promotional	10,449	7,807	(2,642)	-25.3%
Loan Servicing	15,561	37,028	21,467	137.9%
Professional Services	414,491	420,816	6,325	1.5%
Examination Fees	6,358	5,776	(583)	100.0%
Miscellaneous	4,671	17,151	12,480	267.2%
TOTAL OPERATING EXPENSES	1,370,145	1,424,030	53,886	3.9%
NET INCOME FROM OPERATIONS	279,260	93,995	(185,265)	-66.3%
Grant/Other Income / (Expense)	737,507	636,125	1,373,631	186.3%
NET INCOME (LOSS)	\$ 992,336	\$ 730,120	\$ (262,217)	-26.4%

2022 Annual Meeting Minutes

SEVENTY FIRST ANNUAL BUSINESS MEETING MINUTES WEDNESDAY, SEPTEMBER 14TH, 2022

Call to Order - The Annual Business Meeting of the Molokai Community Federal Credit Union was called to order by Chairman Brent Nakihei at 6:30 p.m. Wednesday, September 14th 2022, at the Mitchell Pauole Center in Kaunakakai.

Ascertainment of Quorum - Chairman Nakihei confirmed a total of 201 members present in person exceeding the quorum requirement of 15 members.

Prior Year Minutes - The prior year minutes were reviewed, and a motion was made by Wilma Noelani Joy and seconded by Linda Rin to accept the minutes as written. The motion was approved.

Chairman's Report - Chairman Nakihei read the report.

Treasurer's Report – Treasurer, Sybil Lopez read the report.

Loan Committee Report – General Manager, Carrie Ann Farris read the report.

Supervisory Committee Report – Committee Chairman, Henry Keanini Jr. read the report.

Unfinished Business - None

New Business - None

Election - Nominating Committee Chair, Rochelle Borden announced that the positions of Directors Venegas and Davis were up for re-election and that they were nominated for another three-year term. After the introduction of the nominees and a call for floor nominations, Director Borden declared the nominees elected by acclamation since there were no floor nominations and only as many nominees as open positions.

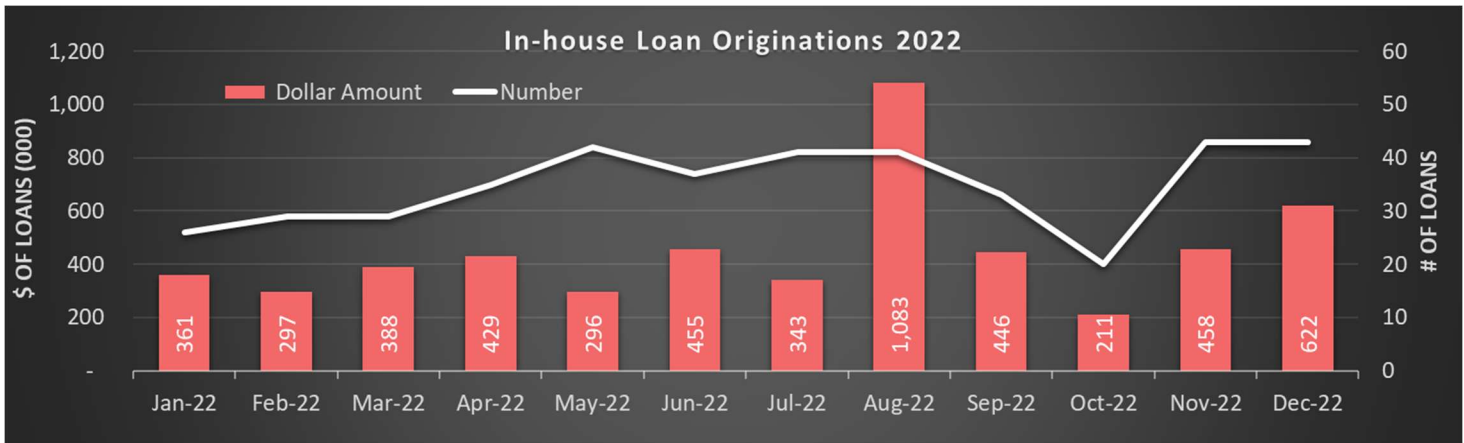
Adjournment - The meeting was adjourned at 6:57 p.m.

Brent Nakihei
Chairman

LuAnn Lankford Faborito
Secretary

Lending Committee Report

Carrie Ann Farris, Chair



The graph above shows that we originated over 400 loans in 2022 for a total of \$5.4 million. A Community Development grant was awarded to the Credit Union in 2021 and used in 2022 to fund lending programs, training, and staffing to provide financial services and loans to the membership in compliance with grant requirements. This enabled us to start a mortgage program.

Net charged-off loans increased last year. They were \$110,000 in 2022 compared to \$71,000 in 2021. There is no doubt inflation has caused difficulty for the membership. The Credit Union does work with members to defer and/or lower loan payments when possible, to avoid loan losses. Please let us know if you need help.

The Credit Union is using grant funds to continue to provide low-cost credit to the membership in 2023 but the increase in charged-off loans may impact future rates along with rate increases from the Federal Reserve Bank. Mahalo to 98% of our membership that honorably pay back their loans.

Treasurer's Report

Sybil Lopez, Treasurer

Although prevailing interest rates have risen quickly in response to high inflation, your Credit Union continues to offer competitive loan rates. It is the vision of the Board to ensure the future of our Island by providing affordable capital and economic opportunity.

Despite high unemployment during COVID, government stimulus funding offered our members relief in 2020 and 2021 so loan default rates stayed low. Unfortunately, charged-off amounts increased by 50% in 2022 causing management to tighten underwriting requirements. When one member walks away from their financial obligation, the loss comes out of the pockets of every member of the Credit Union. The Board understands the difficulty of the current economic environment but encourages community honor by taking care of kuleana.

We are fully committed to the financial security and soundness of the membership while helping our community manage the one-hundred-year event of COVID. In 2021, we were awarded a new Community Development grant made available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This funding ensures that low-cost loans are available to our membership. Additionally, we were able to increase our regulatorily required reserves so that we have the flexibility to add programs such as new lending products. We added boat and solar loans to our offerings in 2021 and a mortgage loan product in 2022. Additionally, we can now provide small loans (under \$50,000) for your business.

Mahalo for continuing to look to the Credit Union for your financial needs and trusting us to provide simple and easy access to financial services with a sense of belonging.

Supervisory Committee Report

Henry Keanini Jr., Chair

The Supervisory Committee members are volunteers appointed by the Board of Directors to ensure that established practices and procedures are sufficient to safeguard members' assets and that reports accurately and fairly represent the financial condition of the Credit Union.

The Committee hired CU Pacific Audit Solutions, LLC to conduct a financial statement audit from July 1, 2021 to June 30, 2022. They reported no material findings giving us confidence that the financial statements are fairly presented. CU Pacific conducts periodic audits of our internal controls which was last conducted in January of 2023. Additionally, we are examined by our federal regulator, the National Credit Union Administration, who last examined us in January of 2022. These reviews have given us confidence that management practices and procedures are sufficient to safeguard members' assets at this time.

Board of Directors

Brent Nakihei	Chair
Rochelle Borden	Vice-Chair
Sybil Lopez	Treasurer
LuAnn Mahiki Lankford Faborito	Secretary
Esmeralda "Amy" Makaiwi	Director
Cheryl Davis	Director
Henry Keanini Jr.	Director

Loan Committee

Carrie Ann Farris	Chair
Sybil Lopez	Member
Karla Jennings	Member
Melorie Naeole	Member

Supervisory Committee

Henry Keanini Jr.	Chair
Davidette "Hala" Pa-Kala	Member
Charlotte Seales	Member
Caroline "Kui" Adolpho	Member

Management and Staff

Carrie Ann Farris	General Manager
Karla Jennings	Backoffice Manager
Melorie Naeole	Retail Manager
Terri Carroll	Bookkeeper
Kaiulani Pauole	Backoffice Specialist
Courtney-Rhyan Turner	Lead Member Service Representative
Abigail "Abbie" Adachi-Aki	MSR I / Administrative Assistant
Aolani Ahina	Member Service Representative I
Catherine "Cat" Alcon	Member Service Representative I
Chadlyn Hirata	Member Service Representative I