

2020

ANNUAL REPORT

MOLOKAI COMMUNITY
FEDERAL CREDIT UNION



A Message From the Chair of the Board

Aloha Members!

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 banks boards work to maximize their profits, these volunteers work hard to ensure the priorities of the credit union are focused maximizing the value of the credit union for, you, our owners.

Mahalo to our management team for their willingness to embrace all of the challenges of 2020 and 2021. Mahalo to the staff for providing our necessary services to the membership in a timely, caring, and professional manner. Our employees exemplify our motto of “people helping people with Aloha!”

Mahalo to you, our members, for supporting the required changes to operations that were made to safely serve you during this unique and challenging event of the pandemic.

Finally, mahalo to our former General Manager, Lawrence Lasua and Assistant Manager, Diane Medeiros for their 30+ years of service. We wish them the best in their retirement. I am excited to announce the promotion of Carrie-Ann Farris from Operations Manager to replace Lawrence as our new General Manager. Carrie is a bold leader with almost 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 a new three-year strategic plan with a 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 in these unprecedented times. Mahalo for your ownership and support of this cooperative 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

Comparitive Balance Sheet

Molokai Community Federal Credit Union
 Years Ending December 31, 2020 and 2019 (unaudited)

<u>ASSETS</u>	12/31/20	12/31/19	\$ Change from prior yr	% Change
Total Loans	\$ 13,934,190	\$ 10,831,904	\$ 3,102,287	29%
Allowance For Loan Losses	(472,056)	(251,402)	(220,654)	88%
Net Loans	13,462,135	10,580,502	2,881,633	27%
Cash & Investments	16,792,875	15,227,090	1,565,785	10%
Land/Building and Fixed Assets	682,243	487,859	194,383	40%
Other Assets	407,244	637,762	(230,518)	-36%
TOTAL ASSETS	\$ 31,344,497	26,933,213	\$ 4,411,283	16%
<u>LIABILITIES AND EQUITY</u>				
Total Payables	\$ 280,932	\$ 500,822	\$ (219,891)	-44%
Membership Shares	17,925,967	15,434,248	2,491,719	16%
Other Shares	1,640,739	1,149,562	491,177	43%
Checking	4,187,407	3,059,603	1,127,803	37%
IRA Shares	3,287,745	3,146,363	141,382	4%
Certificates	1,368,392	898,802	469,590	52%
Total Shares	28,410,250	23,688,579	4,721,671	20%
TOTAL LIABILITIES	28,691,182	24,189,401	4,501,781	19%
TOTAL EQUITY	2,653,315	2,743,812	(90,497)	-3%
TOTAL LIABILITIES & EQUITY	\$ 31,344,497	\$ 26,933,213	\$ 4,411,284	16%

Comparative Income Statement

Molokai Community Federal Credit Union
As of December 31, 2020 and 2019 (unaudited)

	2020	2019	\$ Change	% Change
INTEREST INCOME				
Income on Loans	\$ 667,492	\$ 874,629	\$ (207,137)	-23.7%
Income from Investments	254,801	332,135	(77,334)	-23.3%
Total Interest Income	922,293	1,206,764	(284,471)	-23.6%
INTEREST EXPENSE			-	
(-) Dividends	70,379	91,881	(21,502)	-23.4%
(-) Interest on Borrowed Money	-	-	-	0.0%
Total Interest Expense	70,379	91,881	(21,502)	-23.4%
NET INTEREST INCOME	851,914	1,114,883	(262,969)	-23.6%
(-) Provision for Loan Loss	280,545	161,788	118,757	73.4%
Interest Income after Loss Provision	571,369	953,095	(381,726)	-40.1%
NON-INTEREST INCOME			-	
Total Non-Interest Income	323,452	400,727	(77,275)	-19.3%
NET INCOME BEFORE OPERATING EXPENSES	\$ 894,821	\$ 1,353,822	\$ (459,001)	-33.9%
OPERATING EXPENSES				
Compensation & Benefits	\$ 578,046	\$ 549,937	\$ 28,109	5.1%
Travel & Conference	3,668	6,108	(2,440)	-39.9%
Office Occupancy	68,428	69,658	(1,230)	-1.8%
Office Operations	181,117	132,887	48,230	36.3%
Marketing/Member Education	17,924	13,622	4,302	31.6%
Loan Servicing	15,020	48,739	(33,719)	-69.2%
Professional Services	345,947	507,670	(161,723)	-31.9%
NCUA Examination Fees	7,338	7,370	(32)	-0.4%
Miscellaneous	22,429	24,214	(1,785)	-7.4%
TOTAL OPERATING EXPENSES	1,239,917	1,360,205	(120,288)	-8.8%
NET INCOME FROM OPERATIONS	(345,096)	(6,383)	(338,713)	5306%
Grant Proceeds	254,599	198,510	56,089	28%
NET INCOME (LOSS)	\$ (90,497)	\$ 192,127	\$ (282,624)	-147%

2019 Annual Meeting Minutes

SIXTY-NINTH ANNUAL BUSINESS MEETING MINUTES FRIDAY, NOVEMBER 20, 2020

Call to Order - The Annual Business Meeting of the Molokai Community Federal Credit Union was called to order by Chairman Brent Nakihei at 4:00 p.m. Friday, November 20, 2020, via Zoom.

Ascertainment of Quorum - Chairman Nakihei confirmed a total of 23 members present in person or on zoom exceeding the quorum requirement of 15 members.

Prior Year Minutes - The prior year minutes were reviewed and a motion was made by Claire Luuloa and seconded by Cheryl Davis to accept the minutes as written. The motion was approved.

Chairman's Report - Chairman Nakihei read the report as submitted by the previous Chair, John Kaalekahi. Cheryl Davis moved and Henry Keanini Jr seconded to accept the Chairman's report as read. Motion approved.

Treasurer's Report - Chairman Nakihei read the Treasurer's report as submitted by Jerry Clemente. Juan Alcon Jr. made a motion which was seconded by Kapua Balbas to accept the Treasurer's written report. Motion approved.

Credit Committee Report - Chairman Nakihei read the Credit Committee's report as submitted by the Committee. Cheryl Davis motioned to approve the report which was seconded by Juan Alcon Jr. Motion approved.

Supervisory Committee Report

Chairman Nakihei read the Supervisory Committee's report as submitted by the Committee. Claire Luuloa made a motion which was seconded by Rochelle Borden to approve the report. Motion approved.

Unfinished Business - None

New Business - None

Election - Director Rochelle Borden, Chair of the Nominating Committee, announced that Directors John Kaalekahi Sr and Jerry Clemente were not running for another term and thanked them for their years of service on the Board. Two members, Sybil Lopez and LuAnn Lankford Faborito, were nominated to fill the vacant positions. Director Borden also informed the membership that Omer Merkel was nominated for the one opening on the Credit Committee. After the introduction of the nominees, Chairman Nakihei made mention of the fact that the Board voted to eliminate floor nominations in 2020 and declared the nominees elected by acclamation since there were only as many nominees as open positions.

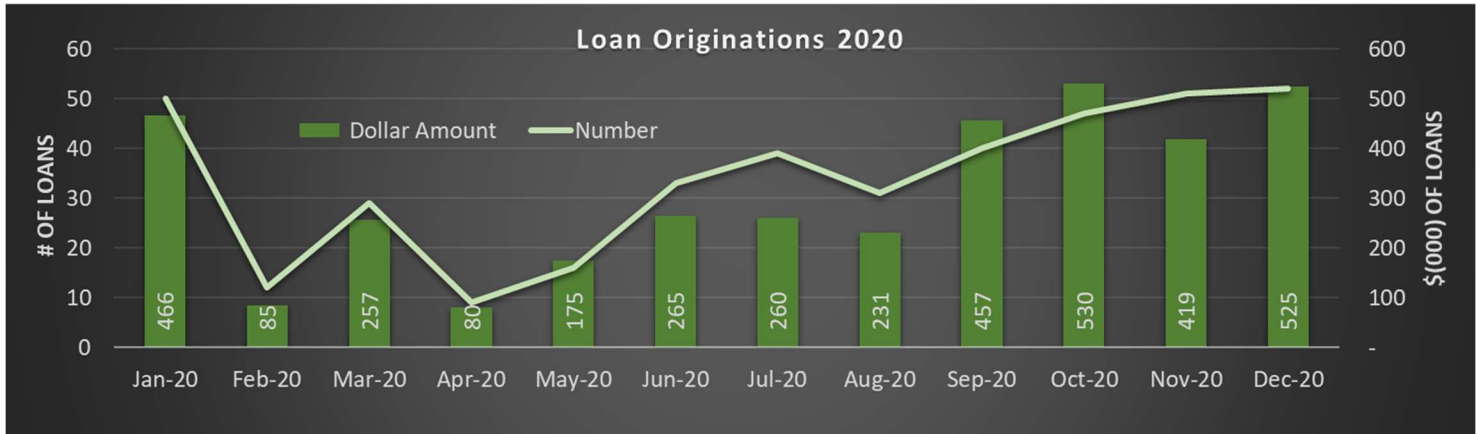
Adjournment - The meeting was adjourned at 4:30 p.m.

Brent Nakihei
Chairman

Esmeralda Makaiwi
Secretary

Credit Committee Report

Omer Merkel, Chair



The graph above shows that we originated around 400 loans in 2020 for a total of \$3.75 million. A Community Development grant was awarded to the Credit Union and was primarily used to fund financial literacy training and staffing to provide financial services and loans to the membership in compliance with grant requirements. Charged off loans were \$103,000 in 2020 compared to \$115,000 in 2019. Stimulus funds from the government helped our unemployed members impacted by the pandemic keeping losses low. Additionally, the Credit Union worked with the membership to defer and/or lower loan payments when possible. We have received more grant funds to continue to provide low-cost credit to the membership in 2021 but are currently seeing an increase in charged off loans which may impact rates. Mahalo to 99% of our membership that honorably pays back their loans so that we may continue to keep our costs low.

Treasurer's Report

Sybil Lopez, Treasurer

Although prevailing interest rates fell to historic lows, your credit union continued to offer competitive rates on your share deposits in 2020 and kept loan rates low to allow you to have the extra funds for unforeseeable expenses while you faced unique challenges from the pandemic.

As a precaution, the Credit Union set aside a high level of loan loss reserves causing a net loss for the year of 2020. However, government stimulus funding offered our members relief and we were able to reverse much of this reserve funding in 2021 since loan default rates stayed low.

We are fully committed to the financial security and soundness of the membership while helping our community survive this one-hundred-year event. In 2021, we were awarded a new Community Development grant made available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This funding will ensure that low-cost loans are available to our membership. Additionally, we will be able to increase our regulatorily required reserves so that we have the flexibility to invest in your future by providing enhanced loan products. We now offer boat loans and loans for solar upgrades to your home. Additionally, we can 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, 2019 to June 30, 2020. They reported no material findings giving us confidence that the financial statements are fairly presented. CU Pacific conducts periodic audits of our internal controls along with a periodic regulatory exam from NCUA which was last conducted in January of 2021. 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
Lu Ann Mahiki Lankford Faborito	Secretary
Esmeralda Makaiwi	Director
Cheryl Davis	Director
Henry Keanini Jr	Director

Credit Committee

Omer Merkel	Chair
Claire Luuloa	Member
Juan Alcon Jr	Member

Supervisory Committee

Henry Keanini Jr	Chair
Davidette K. Pa-Kala	Member

Management and Staff

Carrie Ann K. Farris	General Manager
Karla L. Jennings	Backoffice Manager
Melorine K. Naeole	Retail Manager
Terri M. Carroll	Bookkeeper
Kaiulani K. Pauole	Backoffice Specialist
Debra-Ann R. Naeole	PT BSA Officer
Courtney-Rhyan L. Turner	Member Service Representative II
Saydee Anela K. Semitara Makaiwi	Member Service Representative I
Tanycia H. Kawaauhau-Puaa	Member Service Representative I
Aolani K. Ahina	PT Member Service Representative I