

2021

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ANNUAL REPORT



# 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 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 willingness to embrace the new challenges of 2022. 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!

Congratulations Carrie-Ann Farris for completing her first year as our General Manager. Carrie is a bold leader with 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, 2020 and 2021 (unaudited)

ASSETS	12/31/20	12/31/21	\$ Change	% Change
<b>Total Loans</b>	<b>\$ 13,934,190</b>	<b>\$ 13,802,188</b>	<b>\$ (132,003)</b>	<b>-0.9%</b>
Allowance For Loan Losses	(472,056)	(181,084)	290,971	-61.6%
Net Loans	13,462,135	13,621,104	158,969	1.2%
Cash & Due from Bank	4,947,603	9,828,180	4,880,577	98.6%
Investments	11,845,272	12,035,805	190,533	1.6%
Land/Building and Fixed Assets	682,243	626,759	(55,484)	-8.1%
NCUA Deposit	236,248	283,230	46,983	19.9%
Accrued Interest	78,199	90,023	11,824	15.1%
Other Assets	92,797	48,531	(44,266)	-47.7%
<b>TOTAL ASSETS</b>	<b>\$ 31,344,497</b>	<b>\$ 36,533,632</b>	<b>\$ 5,189,135</b>	<b>16.6%</b>
<b>LIABILITIES AND EQUITY</b>				
Payables and Other Liabilities	\$ 280,932	\$ 881,844	\$ 600,912	213.9%
Total Payables	280,932	881,844	600,912	213.9%
Shares	17,925,967	19,682,424	1,756,457	9.8%
Other Shares	1,640,739	2,043,034	402,294	24.5%
Checking	4,187,407	5,031,607	844,200	20.2%
IRA Shares	3,287,745	3,458,867	171,122	5.2%
Certificates	1,368,392	1,790,206	421,814	30.8%
<b>Total Shares</b>	<b>28,410,250</b>	<b>32,006,137</b>	<b>3,595,887</b>	<b>12.7%</b>
<b>TOTAL LIABILITIES</b>	<b>28,691,182</b>	<b>32,887,980</b>	<b>4,196,799</b>	<b>14.6%</b>
Regular Reserve	216,842	216,842	-	0.0%
Undivided Earnings	2,578,600	2,549,642	(28,957)	-1.1%
Undistributed Earnings	(142,126)	879,167	1,021,294	-718.6%
<b>TOTAL EQUITY</b>	<b>2,653,315</b>	<b>3,645,651</b>	<b>992,336</b>	<b>37.4%</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 31,344,497</b>	<b>\$ 36,533,632</b>	<b>\$ 5,189,135</b>	<b>16.6%</b>

# Comparative Income Statement

Molokai Community Federal Credit Union  
As of December 31, 2020 and 2021 (unaudited)

	12/31/20	12/31/21	\$ Change	% Change
<b>INTEREST INCOME</b>				
Income on Loans	\$ 667,492	\$ 869,729	\$ 202,237	30.3%
Income from Investments	254,801	233,209	(21,592)	-8.5%
<b>Total Interest Income</b>	<b>922,293</b>	<b>1,102,938</b>	<b>180,645</b>	<b>19.6%</b>
<b>INTEREST EXPENSE</b>				
(-) Dividends	70,379	42,205	(28,174)	-40.0%
Interest on Borrowed Money	-	-	-	
<b>Total Interest Expense</b>	<b>70,379</b>	<b>42,205</b>	<b>(28,174)</b>	<b>-40.0%</b>
<b>NET INTEREST INCOME</b>	<b>851,914</b>	<b>1,060,733</b>	<b>208,819</b>	<b>24.5%</b>
(-) Provision for Loan Loss	280,545	(221,006)	(501,551)	100.0%
<b>Interest Income net of PLL</b>	<b>571,369</b>	<b>1,281,739</b>	<b>710,370</b>	<b>124.3%</b>
<b>NON-INTEREST INCOME</b>				
Fees & Charges	146,876	143,111	(3,765)	-2.6%
Misc Income	176,231	224,555	48,324	27.4%
<b>Total Non-Interest Income</b>	<b>323,107</b>	<b>367,666</b>	<b>44,559</b>	<b>13.8%</b>
<b>NET INCOME BEFORE OPERATING EXPENSES</b>	<b>\$ 894,476</b>	<b>\$ 1,649,405</b>	<b>\$ 754,929</b>	<b>84.4%</b>
<b>OPERATING EXPENSES</b>				
Compensation & Benefits	\$ 581,446	\$ 622,449	\$ 41,003	7.1%
Travel & Conference	3,668	(4,401)	(8,069)	-220.0%
Office Occupancy	74,728	71,358	(3,370)	-4.5%
Office Operations	203,746	229,208	25,462	12.5%
Marketing/Promotional	19,562	10,449	(9,113)	-46.6%
Loan Servicing	38,832	15,561	(23,271)	-59.9%
Professional Services	306,872	414,491	107,619	35.1%
Examination Fees	7,338	6,358	(980)	-13.4%
Miscellaneous	5,325	4,671	(654)	-12.3%
<b>TOTAL OPERATING EXPENSES</b>	<b>1,241,518</b>	<b>1,370,145</b>	<b>128,627</b>	<b>10.4%</b>
<b>NET INCOME FROM OPERATIONS</b>	<b>(347,041)</b>	<b>279,260</b>	<b>626,302</b>	<b>-180.5%</b>
Gain (Loss) on Sale of Assets	(37)	(24,431)	(24,394)	0.0%
Grant Income / (Expense)	254,599	737,507	482,908	189.7%
<b>NET INCOME (LOSS)</b>	<b>\$ (92,479)</b>	<b>\$ 992,336</b>	<b>\$ 1,084,815</b>	<b>-1173.0%</b>

# 2021 Annual Meeting Minutes

## SEVENTIETH ANNUAL BUSINESS MEETING MINUTES WEDNESDAY, DECEMBER 15<sup>TH</sup>, 2021

**Call to Order** - The Annual Business Meeting of the Molokai Community Federal Credit Union was called to order by Chairman Brent Nakihei at 5:00 p.m. Wednesday, December 15, 2021, 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 Pancho Alcon and seconded by Davidette Pa-Kala to accept the minutes as written. The motion was approved.

**Chairman's Report** - Chairman Nakihei read the report.

**Treasurer's Report** - Chairman Nakihei read the Treasurer's report as submitted by Sybil Lopez.

**Credit Committee Report** - Chairman Nakihei read the Credit Committee's report as submitted by Omer Merkel.

**Supervisory Committee Report** - Chairman Nakihei read the Supervisory Committee's report as submitted by Henry Keanini Jr.

**Unfinished Business** - None

**New Business** - None

**Election** - Director Lankford Faborito, Chair of the Nominating Committee, announced that the positions of Directors Nakihei, Borden, and Keanini Jr. were up for re-election and that they were nominated for another three year term. Director Lankford Faborito also informed the membership that Charlotte Seales was nominated for an opening on the Supervisory Committee. After the introduction of the nominees, Director Lankford Faborito declared the nominees elected by acclamation since there were only as many nominees as open positions.

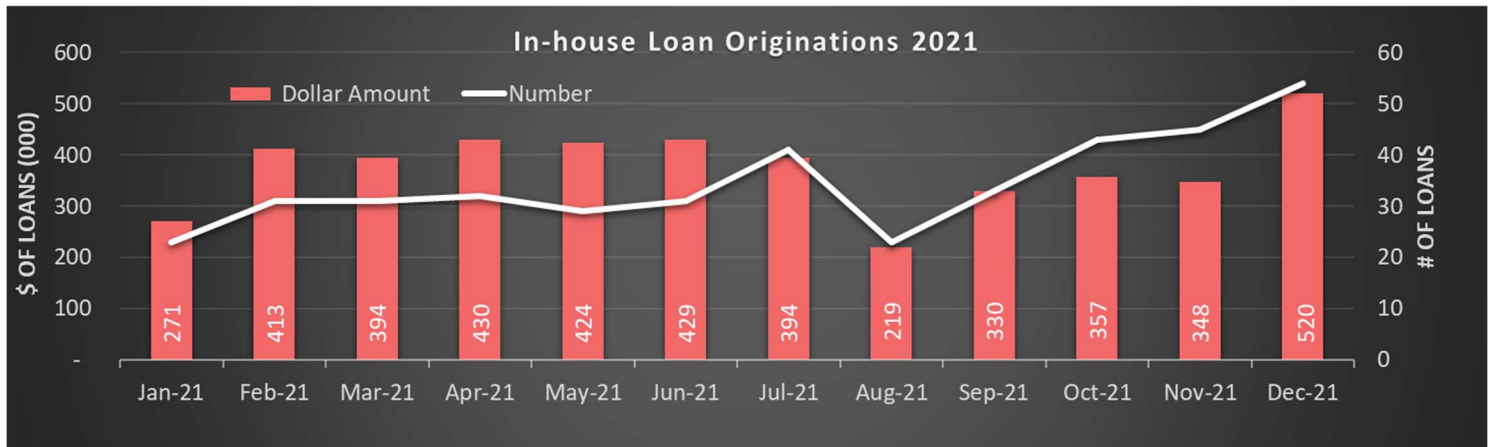
**Adjournment** - The meeting was adjourned at 5:23 p.m.

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 2021 for a total of \$4.5 million. A Community Development grant was awarded to the Credit Union and was primarily used to fund lending programs, training, and staffing to provide financial services and loans to the membership in compliance with grant requirements. Net charged-off loans were \$71,000 in 2021 compared to \$60,000 in 2020. Stimulus funds from the government helped our unemployed members impacted by the pandemic pay back their loans. Additionally, the Credit Union worked with the membership to defer and/or lower loan payments when possible. The Credit Union is using grant funds to continue to provide low-cost credit to the membership in 2022 but we are currently seeing an increase in charged off loans which 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, charge-off rates have almost doubled 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 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 added boat and solar loans to our offerings in 2021 and we are currently testing mortgage loan products. 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, 2020 to June 30, 2021. They reported no material findings giving us confidence that the financial statements are fairly presented. CU Pacific conducts periodic audits of our internal controls in addition to a periodic regulatory exam from NCUA which was last conducted 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

## Management and Staff

Carrie-Ann Farris	General Manager
Karla Jennings	Backoffice Manager
Melorie Naeole	Retail Manager
Terri Carroll	Bookkeeper
Kaiulani Pauole	Backoffice Specialist
Debra-Ann Naeole	BSA Officer
Courtney-Rhyan Turner	Member Service Representative II
Taisha "Punahale" Mavaega	Member Service Representative II
Saydee Anela Semitara Makaiwi	Member Service Representative I
Abigail "Abbie" Adachi-Aki	Member Service Representative I
Aolani Ahina	Member Service Representative I