

BACK TO THE BASICS

“Not for profit, not for charity, but for service.”



HAWAII CENTRAL
FEDERAL CREDIT UNION
2023 ANNUAL REPORT



To better serve the Filipino Community and in conjunction with our membership recruitment efforts, we attended the Filipino Fiesta in May to introduce the Filipino Community Relations Team, headed by Filipino Community Relations Officer (and Collections Manager) Engie Pagaduan.

Message from the Chairman and President

Aloha Members!

As the global financial industry was challenged by inflation and continued central bank interest rate hikes, Hawaii Central Federal Credit Union (HCFCU) saw this as a perfect time to get *Back to the Basics*, keeping focused on members and their needs while demonstrating responsible stewardship of member deposits through the:

- Re-evaluation of Programs and Services; and
- Reorganization of Staff to improve the delivery of products and services to members.

In 2023, HCFCU's strong focus on members was recognized through a ranking by FORBES as one of the top three credit unions in the state of Hawaii. With only thirty-nine (39) employees, HCFCU was ranked above a credit

union with more than quadruple the staff and another with almost triple the staff.

In January, we announced that member deposits are insured for up to an additional \$500,000 through an Excess Share Insurance policy. This means member deposits are insured for a combined total of up to \$750,000 with the basic share insurance policy by the NCUA. We are proud to say that we are the only financial institution in the state of Hawaii to provide Excess Share Insurance to members. Member peace of mind is a top priority for HCFCU.

In addition to our FORBES ranking and our Excess Share Insurance policy increase, **HCFCU worked to build membership, surpassing our 5-year average and our new membership recruitment numbers in recent years.** We did this by engaging our community through:



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- Promotional outreach;
- New partnerships and events; and
- Increased visibility via unpaid media.

We also augmented services through the creation of a digital branch where members may work with a Digital Banking Specialist to:

- Open new accounts;
- Apply for loans;
- Get questions answered; and
- E-sign and upload certain documents.

As always, the strength of our credit union is a direct testament to the loyalty of our member/owners and dedication and devotion of our staff and volunteers.

HCFCU demonstrates our commitment to our community everyday through volunteer actions to support efforts in the community through charitable organizations and events.

Thank you for your continued trust and support.

Neil Shimogawa

Chairman of the Board

Drake Tanabe

President & CEO

Supervisory Committee Report

Aloha fellow members!

As member/owners of Hawaii Central Federal Credit Union, our Supervisory Committee is committed to the steady oversight of this credit union. Our main concern is to ensure the health of our credit union by verifying:

- Member deposits are safe,
- Member personal information is protected,
- Lending practices are sound, and
- Proper policies and procedures are enacted.

As Chair of the Supervisory Committee, I am honored to serve alongside my colleagues:

- William Lane, Vice Chairman
- Tracy Woo, Secretary
- Alan Yasuda, Committee Member
- Kathy Sugai, Committee Member

Our presence is made known through regular attendance at meetings of the HCFCU Board of Directors, and regular visits to the credit union to perform operational checks and ensure third-party audit activities are conducted in compliance with regulatory requirements set forth by the National Credit Union Association (NCUA).

Despite what we have been seeing, economically, in foreign and domestic markets, our net worth ratio, a key indicator of our credit union's health,

remains strong. Leading the way in the industry to protect member funds through a generous excess share insurance policy, increasing liquidity and carefully monitoring our lending practices, our Board of Directors and Executive Leadership has demonstrated their responsible stewardship of member funds.

This year, a third-party external audit was conducted by CU Pacific Audit Solutions, LLC. **Upon thorough review of financial records and regular oversight of credit union governance and day-to-day operations, the Supervisory Committee reports, with confidence, that HCFCU is fiscally sound, and our credit union remains strong.**

Ultimately, our commitment to each other as members of this credit union and the credit union movement is what keeps our credit union strong.

Thank you,



Blaine Hedani

Supervisory Committee Chair



9.10%

Net Worth

Hawaii Central Federal Credit Union continues to remain in the “well-capitalized” category as rated by the National Credit Union Association (NCUA), the federal regulatory agency in oversight of credit unions.



175 real estate loans (Mortgages & HELOCs) means we put members and families into homes and/or make much needed repairs to their existing home!



Ranked



724 personal loans means we helped members and their families in a time of need, maybe having nowhere else to turn.

SPOTLIGHT ON HCFCU:

Member Service is ALWAYS Our #1 Priority!

by **FORBES** in the top three credit unions in the State of Hawaii in 2023, member needs are a top priority at **Hawaii Central Federal Credit Union**. While providing members with a sense of security, we demonstrated our commitment to members challenged by the current inflationary environment and followed through on our mission:

a variety of affordable financial and related services, responsive to our members' needs, in a professional manner and in the finest tradition of the credit union philosophy of helping one another and perpetuating the credit union movement.

In 2023 we financed:

- 175 Real Estate Loans (Mortgages & HELOCs)
- 242 Auto Loans
- 724 Personal Loans



242 auto loans means we helped members purchase reliable transportation to get to and from work and/or pick up school-aged children, on time, after school.



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Treasurer's Report

Aloha Members,

To fight inflation, the Federal Reserve Board raised the interest rate five times in 2023. The quickly rising interest rate caused difficulties for many banks and credit unions, including Hawaii Central Federal Credit Union (HCFCU). While we incurred a loss for the year, be assured that HCFCU remains fiscally sound. **Our net worth ratio of 9.10% as of December 31, 2023 places HCFCU in the “well capitalized” category.**

As an added benefit to protect members, HCFCU made an investment in 2023 to offer additional insurance on deposits through Excess Share Insurance (ESI). Prior to 2023, HCFCU insured member deposits with \$250,000 NCUA coverage plus \$250,000 ESI coverage. In 2023, ESI coverage doubled to \$500,000 for a combined coverage of \$750,000—arguably making us the safest financial institution in the State of Hawaii to make deposits.

Looking ahead to 2024, we remain cautiously optimistic. The **\$30 million increase in the year-end balance of loans to members should generate substantially more income** from loans and positively impact HCFCU's bottom line and our ability to serve the community.

The quick rise in interest rates is hopefully behind us. We expect interest rates to come down later this year and return to a more familiar environment. Continuing challenges for HCFCU, however, include the heightened complexity from increased regulations and the need for continuing investments in information systems. Such investments are necessary to provide additional security of confidential member information.

Your Board of Directors pledges to remain vigilant in watching over your funds and will continue to work with management to assist our members through these trying times. Thank you for your continuing support of HCFCU.



Sam Aucoin

Board Treasurer

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Financial Condition Statement

ASSETS	12/31/2023	12/31/2022	CHANGE	% CHANGE
Loans to members	173,675,061	143,253,351	30,421,710	21.24%
Loans to CU Service Corp	2,437,717	2,669,778	(232,061)	-8.69%
Total Loans	176,112,778	145,923,130	30,189,648	20.69%
Allowance for Loan Losses	(808,417)	(805,026)	(3,391)	0.42%
Cash	4,189,696	15,240,143	(11,050,447)	-72.51%
Investments	103,947,639	137,860,000	(33,912,361)	-24.60%
Property & Equipment	4,191,051	4,559,295	(368,244)	-8.08%
NCUSIF Capital Deposit	2,852,172	2,760,434	91,738	3.32%
Other Assets	13,263,519	12,767,941	495,578	3.88%
TOTAL ASSETS	303,748,438	318,305,917	(14,557,479)	-4.57%
LIABILITIES				
Accounts Payable	259,136	238,753	20,383	8.54%
Other Liabilities	7,566,511	10,470,072	(2,903,561)	-27.73%
TOTAL LIABILITIES	7,825,647	10,708,826	(2,883,179)	-26.92%
EQUITY				
Total Share Deposits	283,597,526	295,909,324	(12,311,798)	-4.16%
Regular Reserves	1,840,546	1,840,546	-	0.00%
Unrealized Gain/(Loss) on Available for Sale Investments	(14,330,566)	(16,756,134)	2,425,568	-14.48%
Undivided Earnings (Net)	24,815,285	26,603,355	(1,788,070)	-6.72%
TOTAL EQUITY	295,922,791	307,597,091	(11,674,300)	-3.80%
TOTAL LIABILITIES AND EQUITY	303,748,438	318,305,917	(14,557,478)	-4.57%

Income & Expense Statement

OPERATING INCOME	2023	2022	CHANGE	% CHANGE
Income on Loans (net)	7,498,504	5,231,357	2,267,147	43.34%
Gross Investments/Other	4,473,926	4,169,529	304,397	7.30%
TOTAL OPERATING INCOME	11,972,430	9,400,886	2,571,544	27.35%
LESS:				
Dividends to Members	3,504,828	828,943	2,675,885	322.81%
Other Interest Expense	514,664	38,250	476,414	1245.52%
TOTAL INTEREST EXPENSE	4,019,492	867,193	3,152,299	363.51%
NET INTEREST INCOME	7,952,938	8,533,693	(580,755)	-6.81%
Operating Expenses				
Salaries and Benefits	4,076,765	3,830,292	246,473	6.43%
Office Occupancy	546,534	544,676	1,858	0.34%
Office Operations	592,002	570,265	21,737	3.81%
Education & Promotions	152,813	162,172	(9,359)	-5.77%
Professional Services	493,031	458,568	34,463	7.52%
Provision for Loan Losses	1,431,365	466,892	964,473	206.57%
Other Miscellaneous	1,803,331	1,610,094	193,237	12.00%
TOTAL OPERATING EXPENSES	9,095,841	7,642,958	1,452,883	19.01%
Other Non-Operating Income	(645,167)	217,217	(862,384)	-397.01%
NET INCOME	(1,788,070)	1,107,953	(2,896,023)	-261.39%



Board Chairman Neil Shimogawa addressed the members in attendance at the 85th Annual Meeting.

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85th ANNUAL MEETING MINUTES

April 01, 2023

CALLED TO ORDER

The 85th Annual Meeting of Hawaii Central Federal Credit Union was called to order by Board Chairman Neil Shimogawa at 11:14 a.m.

Board Chairman Shimogawa called on Interim Board Secretary Ariel Chun for a quorum. She reported that 127 members were in attendance; therefore, a quorum was established.

MINUTES OF THE LAST ANNUAL MEETING

Chairman Shimogawa referred to the minutes of the 84th Annual Membership Meeting held on March 10, 2022 printed in the Annual Report. He asked if there were any additions, deletions or corrections. There were no responses from the membership; therefore, the minutes were accepted as presented.

ANNUAL REPORTS

Chairman Shimogawa directed the members' attention to the *Chairman and President's Message* along with the *Treasurer's and Supervisory Committee's Reports* also printed in the Annual Report. He asked if there were any objections or questions to the reports. Since there were no responses, the reports were accepted as presented.

UNFINISHED BUSINESS

Chairman Shimogawa asked Interim Board Secretary Chun for any unfinished business; she replied that there was no unfinished business to report.

NEW BUSINESS

Chairman Shimogawa then asked Interim Board Secretary Chun for any new business. She replied that there was none.

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Interim Board Secretary Ariel Chun announced that 127 members were present at the 2023 annual meeting, achieving quorum. Board Treasurer Sam Aucoin looks on.

At this point Chairman Shimogawa called on Interim Board Secretary Chun to read the list of nominees. She reported that there were two (2) vacancies on the Hawaii Central FCU's Board of Directors. Notices for nomination and petitions were posted in the October 2022 and January 2023 newsletters. There were two (2) nominees, incumbents Garret Kawamura and Neil Shimogawa filed nomination papers, and they ran unopposed. As stated in the Bylaws, there were no nominations from the floor. Interim Board Secretary Chun congratulated Garret Kawamura (3-year term) and Neil Shimogawa (3-year term) on their election to the Board of Directors.

Chairman Shimogawa reported that in 2022, we closed out with just over \$318 million in asset size and grew our loans to our members to over \$143 million.

Chairman Shimogawa recognized the credit union staff and management under the leadership of President Drake Tanabe. He reported that they do their best every day to ensure the integrity of the credit union and the quality of the products and services we provide.

In closing, Chairman Shimogawa thanked the members for attending and supporting the credit union.

ADJOURNMENT

A motion to adjourn the meeting at 11:18 a.m. was made, seconded and carried.

Neil Shimogawa
Board Chairman

Ariel Chun
Interim Board Secretary



Staff conducted another plate lunch fundraiser to support the Hawaii Credit Union League's fundraising efforts for victims of Lahaina Fires.



Staff surprised the non-profit HUGS with a check of more than \$1,000 from a plate lunch fundraiser, helping seriously ill children and their families.



In the Background: Staff joined the Oahu Filipino Council to volunteer for a highway cleanup, earning us press in print media targeted at the Filipino Community.

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In addition to raising awareness around the need for volunteers at the Institute for Human Services (IHS) through a joint press release with IHS, staff meal service volunteerism resulted in a Midweek feature on the IHS and a second feature on HCFCU volunteer efforts.



FORBES Ranks Us in the Top 3

FORBES ranked Hawaii Central Federal Credit Union in the top 3 credit unions in the State of Hawaii in 2023. The ranking was a combination of Google reviews between March 2020 and April 2023, accounting for 20% of scoring, and a nationwide Best-in-State survey, accounting for 80% of scoring. In the survey, members were asked to rank credit unions on criteria to include customer service, quality of financial advice offered by representatives, transparency and reasonability of fees, website navigation, in-branch services and level of trust, overall.

Volunteer Efforts Earn More Than \$10,000 in Unpaid Media

As ranked by FORBES, we have an outstanding staff who cares for our community, volunteering their time with various community organizations and events. In 2023, press releases on staff efforts helped increase awareness about Hawaii Central Federal Credit Union. While 100% of our press releases were picked up nationally and helped to build relationships with others in the credit union community, local media primarily focused on stories highlighting our efforts in the community. Staff volunteer efforts earned us and the organizations served more than \$10,000 in print media, locally, and much more nationally! Additional efforts to reach our field of membership included a public service announcement on Video Banking and a financial education series for broadcast on `Olelo Community Media.

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Mahalo nui to our volunteers who work to ensure our credit union carries out our mission to *provide a variety of affordable financial and related services, responsive to our members' needs, in a professional manner and in the finest tradition of the credit union philosophy of helping one another and perpetuating the credit union movement.*

Board members pledge to effectively carry out their vital leadership, legal and stewardship responsibilities and act in the best interests of the members of the credit union. The Supervisory Committee independently evaluates the safety and soundness of the credit union's operations and activities.

Board of Directors



Neil Shimogawa
Chairman



Fred Tsuda
Vice Chairman



Alan Yasuda
Secretary



Sam Aucoin
Treasurer



Ariel Chun
Director



Garret Kawamura
Director



Wayne Toma
Director

Supervisory Committee



Blaine Hedani
Chairman



Bill Lane
Vice Chairman



Tracy Woo
Secretary



Kathy Sugai
Member



Alan Yasuda
Member

ROLL it OVER.

YOUR IRA is SAFE with US!

Your Nest Egg is INSURED
up to \$750,000! *



Because you've worked hard!

*Member deposit accounts are insured up to \$250,000 by the NCUA and an additional \$500,000 by Excess Share Insurance, for a total of \$750,000.



HAWAII CENTRAL
FEDERAL CREDIT UNION



Remote Services:

VIDEO BANKING Open a new account, apply for a loan, e-sign certain documents, conduct cashless transactions, ask us questions & much more through video banking services at hawaiiicentral.org!

SHARED BRANCHING Conduct basic transactions at over 5,000 credit union offices that participate in the Shared Branching Network, nationwide. For a list of Shared Branching locations, visit hawaiiicentral.org.

ATM ACCESS Access HCFCU accounts, surcharge-free, at over 200 First Hawaiian Bank ATMs throughout Hawaii and more than 30,000 CO-OP ATMs nationwide.

Visit Us:

MAIN BRANCH
681 South King Street
Honolulu, Hawaii 96813

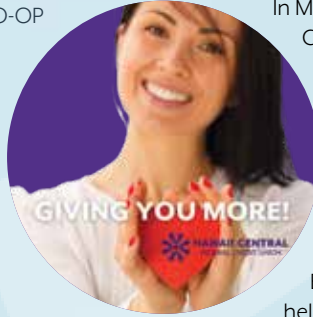
HOURS
Monday: Thursday: 8:00 am—4:30 pm
Friday: 8:00 am—5:00 pm

HARKNESS BRANCH
Queen's Medical Center
Harkness Annex, Rm. 139
Honolulu, Hawaii 96813

HOURS
Monday: Thursday: 8:00 am—4:30 pm
Friday: 7:15 am—4:30 pm
CLOSED FOR LUNCH: 1:00-2:00pm



Consumer Loan Officer at Harkness!



In March, we began Consumer Loan Service on-site at the Harkness Branch, located in the Harkness Annex of the Queen's Medical Center. Since the change, members visiting our Harkness Branch may now get help with:

- Personal Loans
- Auto Loans
- Lines of Credit
- Credit Cards
- And Much More!

Please note that since the changes went into effect, the Harkness branch is closed from 1-2 PM for lunch. Mahalo!

Call Us: **MEMBER SERVICES**
(808) 536-3677

CONSUMER LOANS
(808) 536-0833

REAL ESTATE LOANS
(808) 529-4599
NMLS #412820

HawaiiCentral.org