

2019 ANNUAL MEETING



HOPEWELL
FEDERAL

CREDIT UNION



2019 was another year of impressive results and high member value returned to the members of Hopewell Federal Credit Union. Total assets grew 8.00%, shares grew 10% and loans grew almost 4.00%. Additional detail is provided in the Financial Report section. Over the long term, asset growth drives operational efficiency which in turn provides growth in member value. Your board of directors and management team have been committed to balance sheet growth for many years and it is proving valuable for our membership.

This growth enables us to expand branch service facilities, maintain updated services, keep pace with changes in technology and retain talented staff.

Since opening our newest full-service office located Johnstown Ohio, we have grown total credit union membership almost 2% in 2019. That community, as well as members in both the Heath and Newark communities, and have embraced Hopewell's value proposition as we strive to demonstrate that We Care about our members financial security and are continually looking for ways to help our members get ahead financially.

But even as we grow, our focus continues to be our organization. We strive to provide relevant products and services, but equally important is a commitment to our community. During 2019 your credit union continued its service through participation and support to various charitable causes within Licking County.

We recognize your steadfast loyalty and would like to thank each of you for recommending Hopewell to your friends and family. The best method that we have for marketing the benefits of Hopewell is for our current members to share with someone about their positive experience.

Thank you again for your membership and support of your financial cooperative. We look forward to 2020 and beyond in service to our communities!

Best regards,

James Johnson
President/CEO



President's Report

I'm very proud to volunteer for an organization that demonstrates growth, commitment to its community, and an appreciation for the valuable staff who serves its membership every day. A natural byproduct of this type of quality organization is proven in its success. Hopewell Federal continues to show financial and membership growth, year after year. I invite you to review Mr. Oneson's Financial Report which provides a detailed account of the past year.

When reflecting on the overall success of the organization, it is imperative to look at the leadership who is driving that success. The team has proven to have a global vision that is future focused. It is with this strong leadership that the organization can continue its upward mobility.

Community continues to be an important component to Hopewell Federal's culture. I'm always blown away by the amazing things this organization has been able to do. Pride and complete admiration for those who volunteer their time, talents and funds to make the communities we share a better place.

Each year, I pause and consider the HFCU mission statement, "To help our members get ahead financially". I truly believe that this continues to be the backbone of this outstanding organization and I am still very proud to be involved. I, along with my fellow board of directors, want to thank you for your continued support and look forward to another wonderful year.

Sincerely,
William Hepner, Jr.
Chairman of the Board of Directors
Hopewell Federal Credit Union

Chairman's Report



Net income for 2019 was \$610,837, an increase of \$280,621 compared to net income of \$330,216 for 2018. The 2019 return on average assets (ROA) was 0.61%. This was a nice rebound from 2018's net income. Net income for 2018 was lower mainly due to additional operating costs incurred due to our branch in Johnstown being open for its first full year.

Total assets at December 31, 2019 were \$104.4 million, an increase of \$7.4 million or 8.0% from year-end 2018. Total loans outstanding were \$63.0 million at December 31, 2019, an increase of \$2.1 million or 3.5% from year-end 2018. The largest growth area in our loan area again was nicely spread out with no one loan type leading the increase. The main disappointment in the loan area was in our new vehicle lease financing. New vehicle leases fell from \$4.1 million generated in 2018 to \$74,000 in 2019. This was due to our leasing partner being bought out and ceasing to do business with any credit union under \$1 billion in assets.

The balance of total shares and deposits at December 31, 2019 was \$93.6 million, an increase of \$8.4 million or 9.9%. The biggest deposit increase again was with share certificates, which increased \$3.5 million or 17.3%. Management continues to make sure we are paying a fair rate on our deposit products, but not so high that it becomes unprofitable to the organization. Our capital adequacy substantially exceeds our minimum regulatory requirement. On December 31, 2019, total Regulatory Net Worth was \$8.9 million, an increase of \$610,837 from year-end 2018. The Net Worth Ratio was 8.50%. Our Net Worth Classification is "Well Capitalized."

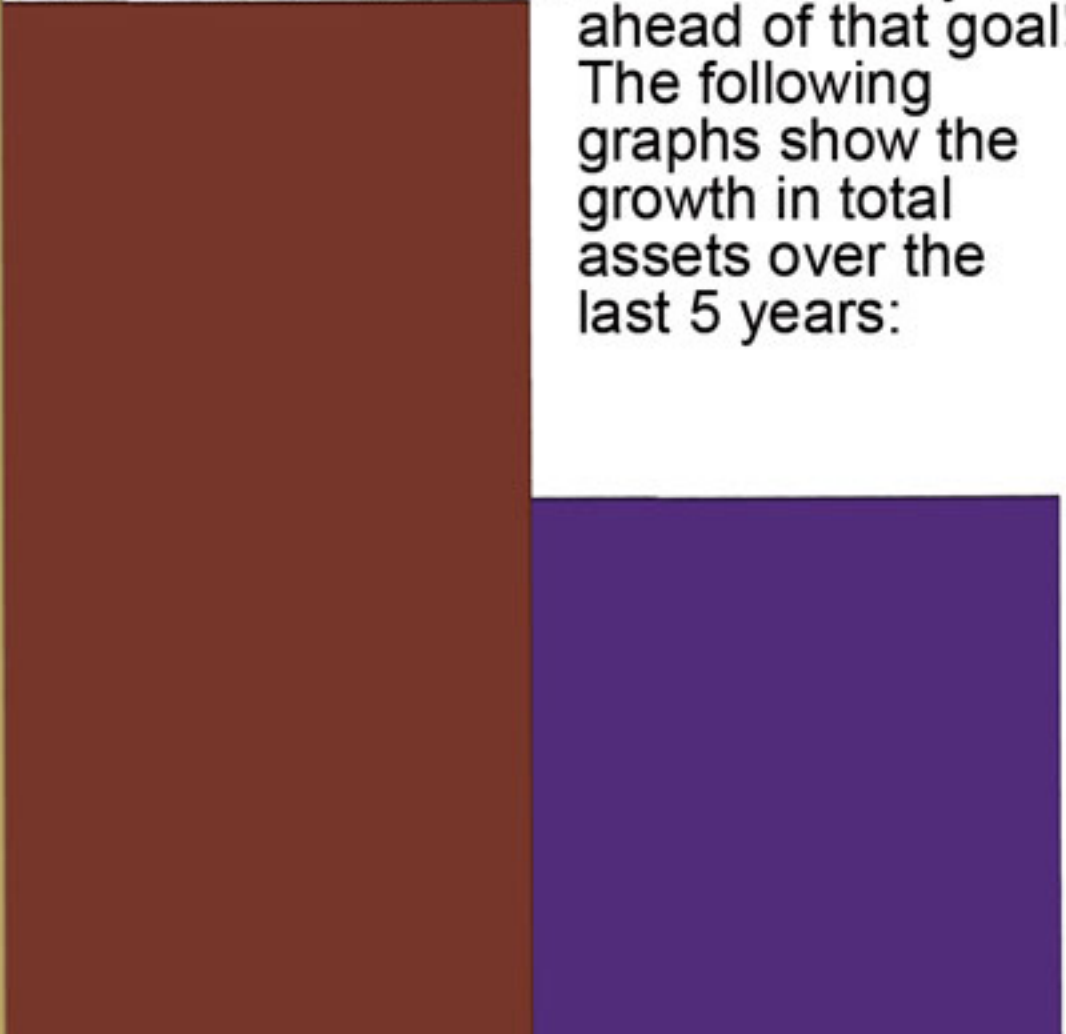
We again had positive membership growth. We grew from 7,909 members at year-end 2018 to 8,056 member at year-end 2019, an increase of 147 members. We continue to be proud to be growing not just in assets, but in the number of members we serve. Problem loans continue to be a very minimal problem for us. Delinquent loans totaled \$214,000 at year-end 2019, which is only 0.33% of total loans. Net loans charged off during 2019 was down to \$65,000, or 0.10% of total loans.

Financial Report

Marvin Dneson



As noted above, we passed the \$100 million mark in total assets during 2019 and finished the year with \$104 million in total assets. When we expanded our market area in 201 to include Delaware and Franklin counties, our five-year goal was to grow to \$100 million in total assets by the end of 2022. We are obviously well ahead of that goal! The following graphs show the growth in total assets over the last 5 years:



BALANCE SHEETS

	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Assets		
Credit card loans	\$ 3,675,394	\$ 3,452,058
Vehicle loans and leases	17,410,549	17,201,075
First mortgage loans - residential	22,464,201	21,930,652
First mortgage loans - business	8,967,321	8,721,668
Other mortgage loans	7,393,861	6,772,404
Other loans	3,044,302	2,733,162
Gross loans	<u>62,955,628</u>	<u>60,811,019</u>
Allowance for loan loss	(281,847)	(309,464)
Net loans	<u>62,673,781</u>	<u>60,501,555</u>
Cash & cash equivalents	4,330,808	7,436,647
Certificate of deposit investments	20,625,428	13,641,550
Federal agency securities available-for-sale	5,399,974	4,553,912
Other investments	2,996,938	2,240,905
Land, building & equipment	4,010,539	4,072,461
Other assets	4,356,860	4,248,718
TOTAL ASSETS	<u><u>\$ 104,394,328</u></u>	<u><u>\$ 96,695,748</u></u>
Liabilities & Equity		
Share drafts	\$ 15,978,987	\$ 14,869,008
Regular shares	35,440,261	33,309,095
Money market shares	11,683,400	10,510,141
Share certificates	23,853,250	20,327,522
IRA accounts	6,672,917	6,194,464
TOTAL SHARES	<u>93,628,815</u>	<u>85,210,230</u>
Borrowed funds	1,477,914	2,966,278
Other liabilities	1,342,228	1,137,551
TOTAL LIABILITIES	<u>96,448,957</u>	<u>89,314,059</u>
Members equity	7,945,371	7,381,689
TOTAL LIABILITIES & EQUITY	<u><u>\$ 104,394,328</u></u>	<u><u>\$ 96,695,748</u></u>

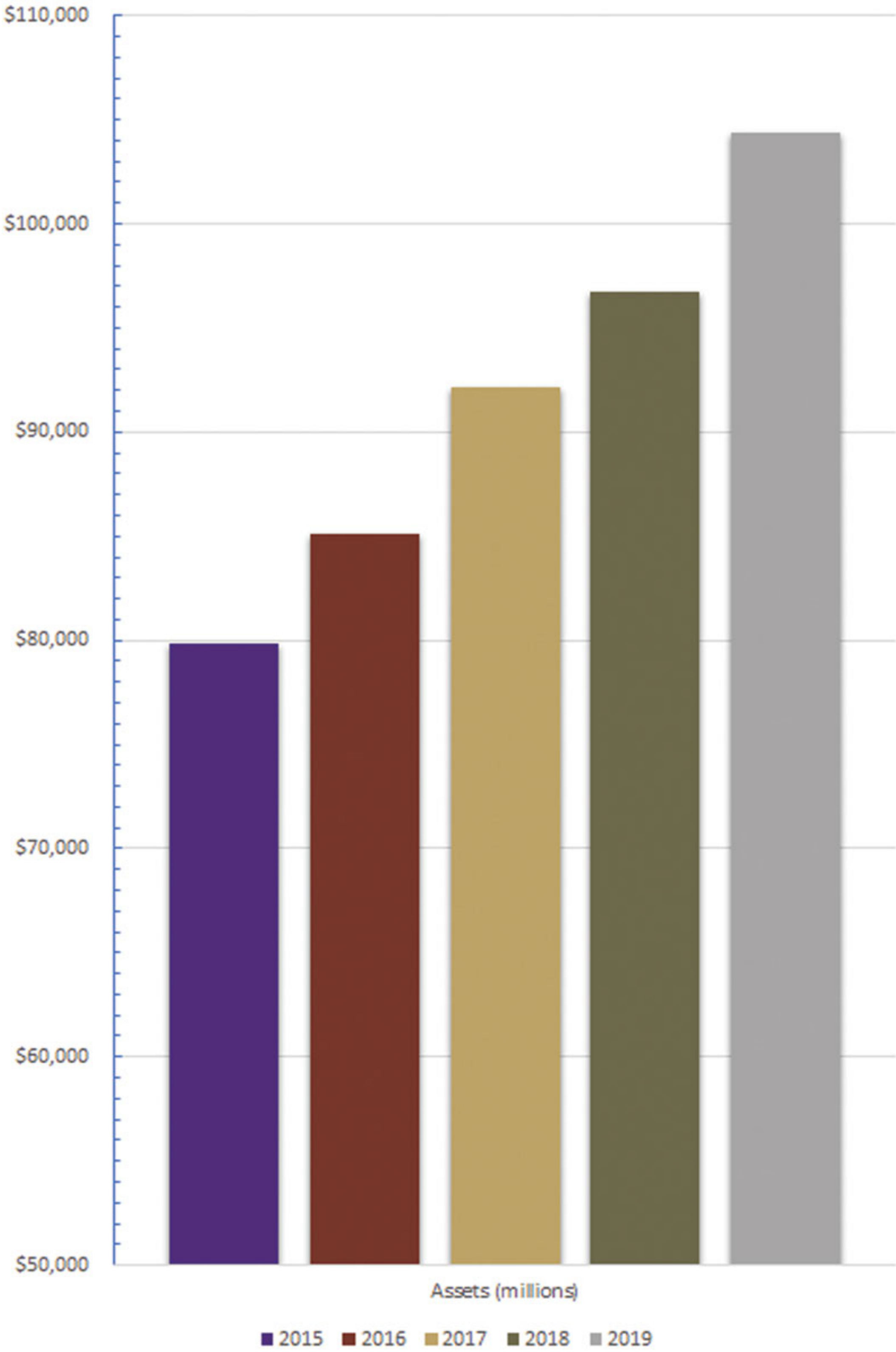
STATEMENTS OF INCOME

	<u>2019</u>	<u>2018</u>
Interest on loans	\$ 2,710,377	\$ 2,543,731
Interest on investments	805,764	493,936
TOTAL INTEREST INCOME	<u>3,516,141</u>	<u>3,037,667</u>
Interest on shares and borrowed funds	635,772	395,714
NET INTEREST INCOME	<u>2,880,369</u>	<u>2,641,953</u>
Provision for loan loss	37,576	123,300
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSS	<u>2,842,793</u>	<u>2,518,653</u>
Fee income	814,671	647,031
Other operating income	787,613	732,215
Gain (loss) on sale of assets	264	(1,821)
Other non-operating income (expense)	-	-
TOTAL NON-INTEREST INCOME	<u>1,602,548</u>	<u>1,377,425</u>
Compensation & benefits	2,025,539	1,812,948
Office occupancy & operations	814,667	784,004
Other operating expenses	994,298	968,910
TOTAL NON-INTEREST EXPENSE	<u>3,834,504</u>	<u>3,565,862</u>
NET INCOME	<u><u>\$ 610,837</u></u>	<u><u>\$ 330,216</u></u>

OTHER ITEMS

Total number of members	8,056	7,909
Total delinquent loans	\$ 213,727	\$ 120,303
Total loans charged off, net of recoveries	\$ 65,192	\$ 76,083

5 Year Asset Growth



The Operations area of Hopewell FCU had another busy year. New Membership numbers and deposit balances continue to grow at each of our 3 branches. Additionally, we closed over 19 million dollars in mortgage loan balances in 2019.

Product enhancements included changes to our mobile banking app. Members may now access monthly statements and bill pay directly from the mobile app. Additionally we have added links to loan and deposit rates and a search history function allowing quick searches for checking and savings accounts through the app.

In addition to the strong lending/deposit and membership growth, Hopewell's Operations area continues to meet Hopewell's mission statement by providing the very best service to our members. Jennifer Morgan was recently promoted to branch manager at our Newark office. Jennifer brings many years of service experience for our Newark office members.

Meet the team of Member Service Associates and Branch Managers at Hopewell FCU. Stop in and visit with them and let them help you "get ahead financially".



JOHNSTOWN
Cille
Assistant
Branch Manager

Joe
Branch Manager

NEWARK
Jennifer
Branch Manager

Rob
Member
Service Associate

HEATH
Jessica
Branch Manager

Bethany
Member
Service Associate

Operations Report

Nancy Barker



ROSTER OF OFFICIALS

BOARD OF DIRECTORS



CHAIRMAN

William Hepner, Jr.



VICE CHAIR

Nasie Galligher



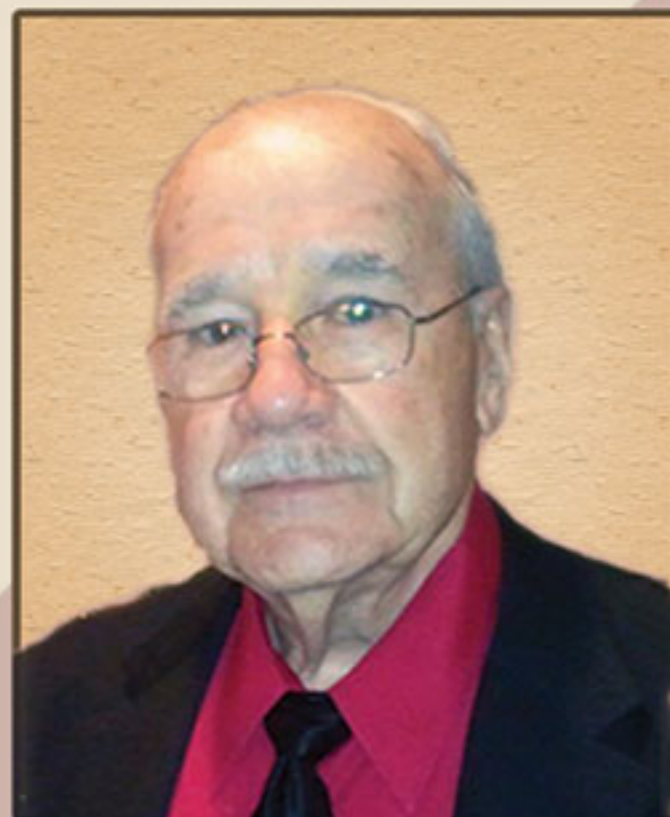
TREASURER

Terry Jackson



HR DIRECTOR

Eileen Scarrett-
Dudgeon



SECRETARY

Cledys Henry

SUPERVISORY COMMITTEE

Kyle Miller, Chair
Lisa Miller, Secretary
Craig White, Member

EXECUTIVE MANAGEMENT

James G. Johnson
President / Chief Executive Officer

Nancy Barker
Chief Operations Officer

Marvin D. Oneson
Chief Financial Officer



Lillie
& Company

CPAs for Credit Unions

Independent Auditor's Report

To the Board of Directors of
Hopewell Federal Credit Union

Report on the Financial Statements

We have audited the accompanying statements of financial condition of Hopewell Federal Credit Union as of September 30, 2019 and 2018 and the related statements of income and comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the credit union's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the credit union's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hopewell Federal Credit Union as of September 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lillie & Company LLC

Sunbury, Ohio
December 20, 2019

Adding insight... Not just numbers.

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