

2023

Annual Report





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It has once again been an honor and privilege for me to lead Hopewell Federal Credit Union and serve you, our member-owners, this past year. Our staff and our all-volunteer Board of Directors and members of the Supervisory Committee are dedicated to the mission of getting you ahead financially.

It's my pleasure to share that 2023 was another outstanding year for Hopewell, as we continued to evolve with the economic fluctuations. Hopewell remains financially strong and secure and is poised to continue supporting your financial needs well into the future. Our success is largely due to your continued loyalty to your credit union, and we are truly appreciative of your trust in us.

In April 2023, we were honored to be certified as a Community Development Financial Institution (CDFI) by the U.S. Department of Treasury. Being a certified CDFI will help magnify our community development efforts over the next several years.

Without you, we would not be where we are today with a growing membership base of over 8,900 members trusting us with over \$147 million in assets. Some additional 2023 highlights include:

- Another strong lending year (9.2% growth) fueled by auto loans.
- Significant investments in technology including the introduction of a 100% digital consumer loan application experience.
- Continued commitment to giving back to our communities. With the support from our staff, we were able to make donations to community organizations such as the Licking County Food Pantry, Licking County Humane Society, Salvation Army, and local school districts to name a few. In addition, we awarded our annual college scholarship to a well deserving member to pursue her degree at The Ohio State University.

As we look ahead to 2024, we will continue to invest in enhancements that make doing business with your credit union easier while also investing in our technology infrastructure that keeps your information safe and secure. We are well positioned for continued growth, and we look forward to serving your needs for generations to come.

On behalf of our entire team, we value your membership and are honored to be your trusted financial partner.

In Partnership Together,
Chris Simmons





Chairman's Report

On behalf of the Board of Directors of Hopewell Federal Credit Union, I am proud to present the 2023 Annual Report. Hopewell has been a member-owned financial cooperative since its founding in 1962 and our continuous focus remains on helping our members get ahead financially through personalized products and services.

Integrity, Honesty, and Respect are at the heart of our core values. It reflects our commitment to conduct business in a way that presents opportunities for members to add value to their lives. Our dedication to building member success is why we have achieved positive financial results each year.

Inflation in 2023 had an impact on everyone, including the credit union, but we continue to evaluate and adjust to ensure we stay ahead of the curve with our deposit and loan rates. Our goal is to offer loan options that are more reasonable than many financial institutions. Hopewell also continued to raise deposit rates throughout 2023, providing members the opportunity to earn more dividends.

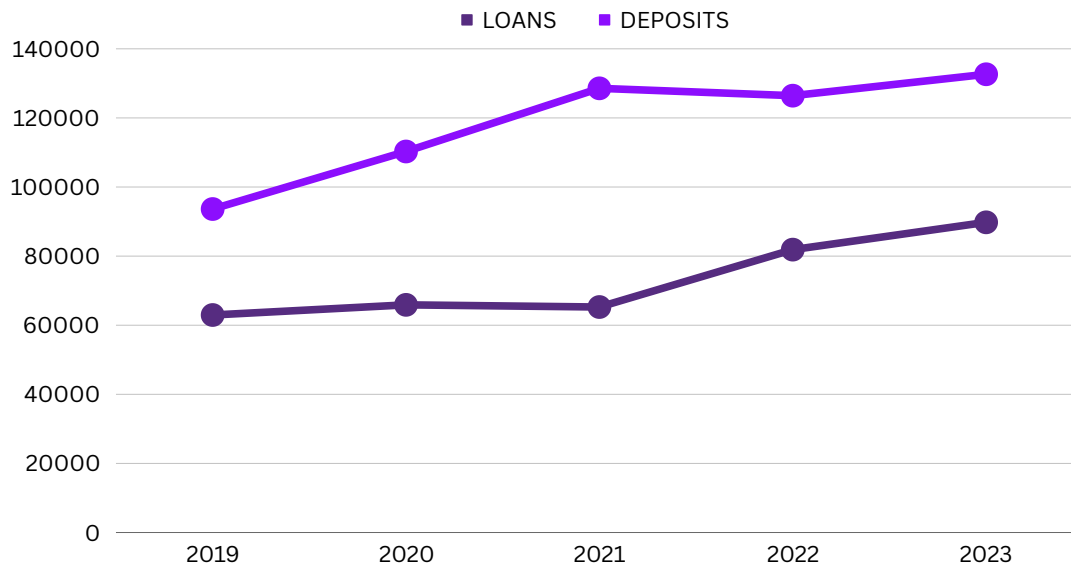
Advocating for members through excellent service remains a huge part of why Hopewell continues to build success. As a result, Hopewell finished the year with over \$147 million in assets; serving more than 8,900 members; and growing loan balances to over \$89.8 million.

Hopewell's connections and interactions with the community is also important and will continue to be a priority as we support local community organizations and school districts throughout 2024.

In conclusion, Hopewell has provided personalized financial solutions to our members for the past 61 years. We continue to build off that success by providing friendly service and tremendous value. Thank you to all our members for their continuous support. This commitment is extremely important to the credit union's success, and we thank you for choosing us to serve all your financial needs.

William Hepner Jr.
Board Chair

5 Year Loan Growth



Net income for 2023 was \$472,568, a decrease of \$294,577 from \$767,145 in 2022. Net income in 2023 was negatively affected by a \$295,351 non-operating expense relating to our pension plan. Net income for 2022 was positively affected by a special income tax refund of \$211,009. Without these items, net income would have been \$767,919 in 2023 compared to \$449,290 in 2022, an increase of \$318,629. Net interest income after the provision for loan losses increased by \$280,320. This was due to interest rates going up as well as loan growth. Fee income and other operating income was up marginally by \$9,187. Total operating expenses were up \$82,265 in 2023 compared to 2022. Compensation and benefits decreased \$147,597 due to retirements and turnover of several long-term employees in late 2022 and early 2023. Office occupancy, operations, and other operating expenses increased by \$229,862 in 2023 mostly due to inflationary pressures.

Total assets on December 31, 2023 were \$147.2 million, an increase of \$8.6 million or 6.2% from year-end 2022. Total loans outstanding were up \$7.9 million or 9.7%. The largest increase was with vehicles loans and leases, which grew \$4.9 million or 16.8% during 2023. Vehicle leases loans were up \$5.7 million. Cash on hand and on deposit increased \$4.6 million due to deposit increases in November and December 2023.

The balance of total shares and deposits on December 31, 2023 was \$132.6 million, an increase of \$6.2 million or 4.9%. This was driven by an \$11.5 million increase in share certificates as our members took advantage of rising interest rates paid on time certificates. Borrowed funds increased slightly from \$6.0 million to \$6.7 million to also help fund the increase in loan balances.

On December 31, 2023, total Regulatory Net Worth was \$10.7 million, which gives us a Net Worth ratio of 7.28% which continues to qualify us as “Well Capitalized”. We had good membership growth in 2023, growing by 228 members to 8,931 members at year-end, an increase of 2.6% in members using our services. Problem loans continue to be a very minimal problem for us. Delinquent loans totaled \$112,287 at year-end 2023, a decrease of \$29,527. Net loans charged off during 2023 totaled \$92,102, or 0.10% of total loans.

Marvin Oneson
Chief Financial Officer



Supervisory Report

In addition to the outstanding support we receive from members, Hopewell Federal Credit Union builds success as a strong financial institution through excellent financial management; strong policies, procedures and internal controls; and compliance with relevant laws and regulations.

This continues to be a challenge in an industry where change can happen quite frequently and is comprised of many complex laws and regulations. The safety and soundness of your credit union rely on these critical areas to be routinely reviewed, and the Supervisory Committee has been tasked to oversee the review and audit program to ensure it meets the requirements.

The Committee comprises five Board appointed volunteers devoted to serving the best interests of Hopewell and its members. The Committee met four times over the course of the year and fulfilled all responsibilities during 2023.

One of the most critical duties performed by the Committee is to review the financial condition of Hopewell. Related to this process is the completion of a verification of accounts. The last review was completed to the satisfaction of the Committee with an effective date of September 30, 2023. As a certified audit is required by law, the Committee engaged the independent firm of Lillie & Company, LLC. Additionally, Hopewell's primary regulator, the National Credit Union Administration (NCUA) performed an examination of the credit union to evaluate safety and soundness with an effective date of September 30, 2023.

I am pleased to report that your credit union was found to be in good order during these reviews and audits conducted in 2023. It is the Committee's belief that the organization remains a strong and viable credit union. On behalf of the Supervisory Committee, I wish to express our gratitude to serve our members in this capacity.

Kyle Miller
Supervisory Committee Chair

Meet Our Board



BOARD CHAIR
WILLIAM HEPNER JR.



VICE CHAIR
TERRY JACKSON



TREASURER
NASIE GALLAGHER



SECRETARY
CARLA COLE



DIRECTOR
EILEEN SCARRETT-DUDGEON



DIRECTOR EMERITUS
CLEDEYS HENRY

Associate Directors: Haley Akers, Tom Ash

Audit



Independent Auditor's Report

To the Board of Directors of
Hopewell Federal Credit Union

Opinion

We have audited the financial statements of Hopewell Federal Credit Union, which comprise the statements of financial condition as of September 30, 2023 and 2022, and the related statements of income and comprehensive income (loss), members' equity and cash flows for the years that ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hopewell Federal Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hopewell Federal Credit Union's ability to continue as a going concern for 12 months beyond the issuance of the financial statements.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hopewell Federal Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lillie & Company LLC
Sunbury, Ohio
December 7, 2023



Financial Statements



BALANCE SHEETS

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Assets		
Credit card loans	\$ 3,506,311	\$ 3,458,407
Vehicle loans and leases	34,490,328	29,540,748
First mortgage loans - residential	24,861,977	26,005,923
First mortgage loans - business	12,315,227	10,588,280
Other mortgage loans	10,741,973	9,227,281
Other loans	3,865,769	3,057,449
Gross loans	89,781,585	81,878,088
Allowance for loan loss	(291,164)	(293,167)
Net loans	89,490,421	81,584,921
Cash on hand and on deposit	10,262,548	5,694,770
Time and other deposits	7,027,484	9,712,261
Investment securities	32,683,763	33,143,644
Other investments	1,082,125	1,036,625
Foreclosures, land, building & equipment	3,575,218	3,585,107
NCUA Share Insurance Capitalization	1,240,474	1,183,380
Other assets	1,879,819	2,676,859
TOTAL ASSETS	<u>\$ 147,241,852</u>	<u>\$ 138,617,567</u>
Liabilities & Equity		
Share drafts	\$ 24,369,940	\$ 24,552,612
Regular shares	54,250,905	57,115,220
Money market shares	14,040,492	16,566,809
Share certificates	33,547,750	22,053,111
IRA accounts	6,425,714	6,149,999
TOTAL SHARES	<u>132,634,801</u>	<u>126,437,751</u>
Borrowed funds	6,650,000	6,000,000
Other liabilities	628,389	567,946
TOTAL LIABILITIES	<u>139,913,190</u>	<u>133,005,697</u>
Undivided earnings	10,717,417	10,244,849
Unrealized losses on securities	(2,887,713)	(3,841,547)
Other comprehensive income	(501,041)	(791,432)
Members equity	7,328,663	5,611,870
TOTAL LIABILITIES & EQUITY	<u>\$ 147,241,853</u>	<u>\$ 138,617,567</u>

STATEMENTS OF INCOME

	<u>2023</u>	<u>2022</u>
Interest on loans	\$ 4,141,736	\$ 2,917,911
Interest on investments	992,115	836,385
TOTAL INTEREST INCOME	<u>5,133,851</u>	<u>3,754,296</u>
Interest on shares and borrowed funds	1,452,589	328,654
NET INTEREST INCOME	<u>3,681,262</u>	<u>3,425,642</u>
Provision for loan loss	90,100	114,800
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSS	<u>3,591,162</u>	<u>3,310,842</u>
Fee income	701,200	715,479
Other operating income	815,910	792,444
Miscellaneous gains and losses	76,381	(35,006)
Other non-operating income (expense)	(295,351)	317,855
TOTAL NON-INTEREST INCOME	<u>1,298,140</u>	<u>1,790,772</u>
Compensation & benefits	2,188,083	2,335,680
Office occupancy & operations	909,284	839,566
Other operating expenses	1,319,367	1,159,223
TOTAL NON-INTEREST EXPENSE	<u>4,416,734</u>	<u>4,334,469</u>
NET INCOME	<u>\$ 472,568</u>	<u>\$ 767,145</u>

OTHER ITEMS

Total number of members	8,931	8,703
Total delinquent loans	\$ 112,287	\$ 141,814
Total loans charged off, net of recoveries	\$ 92,102	\$ 44,751

LOOKING BACK AT 2023

