



2016 ANNUAL REPORT

Minutes

Minutes of Annual Meeting of Members

HAWAIIAN ELECTRIC EMPLOYEES FEDERAL CREDIT UNION
Held at the Ala Moana Hotel
Saturday, April 9, 2016 at 6:00 p.m.
Notice given by mail

Call to Order

Ms. O'Brien, Chairman, presided and called the meeting to order.

Notice of the Meeting

Ms. O'Brien announced that proper notice of the meeting had been mailed to all members of the Credit Union in accordance with Article V, Section 2 of the By-laws.

Announcement of Quorum

Ms. O'Brien announced that at least 15 members, representing a quorum in accordance with Article V, Section 5 of the By-laws, were present to conduct the business of the Annual Meeting.

Minutes of Previous Meeting and Annual Reports

Ms. O'Brien announced that the minutes of the Annual Meeting of Members held on March 14, 2015 and the financial statements for the years ended December 31, 2015, and December 31, 2014, had been distributed to the members prior to the meeting.

After discussion, upon motion duly made and seconded, the minutes of the Annual Meeting of Members held on March 14, 2015 and the financial statements for the years ended December 31, 2015, and December 31, 2014, were approved.

A Message From Your Chairman

Aloha members,

We at Hawaiian Electric Employees Federal Credit Union (HEFCU) have always strived to become your financial institution of choice. From our humble beginnings in 1937 till now - 80 years later - we continue to build on that strength of service and convenience. **You, the member, are the backbone of our successful operation.** As a not-for-profit, member-owned financial institution, we are able to provide superior low-cost (sometimes no-cost) products and services and remain committed to staying focused on ensuring the safety and soundness of your hard earned dollars.

In 2016 the Credit Union's financial portfolio shows ending the year with a net income of \$46,115. This was achieved by signing 268 consumer loans totaling \$4,268,134, a 7.26% and 9.14% increase respectively from 2015. Another key in solidifying our financial strength was keeping our delinquent loans to a minimum. In 2016, the delinquency ratio was less than 1%. The Credit Union also grew its asset size by \$324,707 and increased loan-to-share ratio to 36.02% - up from 35.25% the year before.

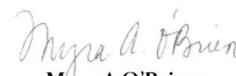
2016 proved to be a busy year for the Credit Union.

- Our field of membership increased with the addition of immediate family members, including adult children, grandchildren, brothers and sisters, and even non-related people living in your household.
- Loans were offered at very competitive rates, increasing loan volume and helping to solidify the financial strength of the Credit Union.
- Applications for loans (Web Loans) via the Credit Union's online website (www.hecofcu.org) made it faster and easier to apply for a loan.
- EMV (Europay, MasterCard, Visa) chip cards for all VISA credit cards started the reissue process as cards expired.
- Partnered with *INPAC Wealth Solutions* to bring financial wellness to your overall financial portfolio, through "financial wellness checkups" at no cost to the members and *lunch and learn seminars*.
- Started offering cancer insurance with Allstate Insurance Company.

To our Members, thank you for your continued trust and confidence in the Staff and the Board of Directors. Your unrivaled loyalty and support has enabled Hawaiian Electric Employees FCU to have another successful year.

To the Satellites and Volunteers, we could not succeed in providing convenient financial services to our members without your support. Thank you for your energy and enthusiasm and your continued feedback so that we can continue to be responsive to our members' needs.

Finally, to our fellow Board members, Pam and I thank you for your leadership and unfaltering focus of keeping the Credit Union moving forward. We look forward to working with all of you in 2017.


Myra A O'Brien
Chairman

Elections

Ms. O'Brien reported that the following members were recommended by the Nominating Committee to serve on the Board of Directors, effective April 9, 2016:

Board of Directors (2 year term)

Michelle A. Chang
Daniel M. Kanja
Kenneth H. K. Pang

Ms. O'Brien then called for nominations from the floor. There being no nominations, Ms. O'Brien stated that the nominations for the office of Director were closed.

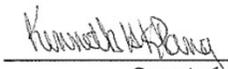
After discussion, upon motion duly made and seconded, the members elected the nominees to the office of Director, as listed above.

Adjournment

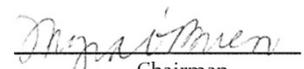
There being no further business, the meeting was adjourned upon motion duly made, seconded and carried.

APPROVED

Kenneth H K Pang


Secretary

Myra A O'Brien


Chairman

Financial Report

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2016, AND 2015

| | 2016 (Unaudited) | 2015 (Audited) |
|-------------------------------------|--------------------------|--------------------------|
| Assets: | | |
| Loan to Members | 10,881,121 | 10,548,561 |
| (Less) Allowance for Loan Losses | <u>(101,254)</u> | <u>(75,293)</u> |
| Net Loans | <u><u>10,779,867</u></u> | <u><u>10,473,268</u></u> |
| | | |
| Cash | 2,043,473 | 2,120,238 |
| Investments | 22,565,000 | 22,456,000 |
| Office Furniture & Equipment (Net) | 23,627 | 28,209 |
| NCUA Share Insurance Capitalization | 298,369 | 305,884 |
| Other Assets | <u>77,879</u> | <u>79,909</u> |
| Total Other Assets | <u>25,008,348</u> | <u>24,990,240</u> |
| | | |
| Total Assets | <u><u>35,788,215</u></u> | <u><u>35,463,508</u></u> |
| | | |
| Liabilities and Equity | | |
| Other Liabilities | 30,771 | 36,798 |
| Member Shares | 30,205,628 | 29,921,008 |
| Reserves Undivided Earnings | 434,445 | 434,445 |
| Undivided Earnings | <u>5,117,371</u> | <u>5,071,256</u> |
| Total Liabilities | <u><u>35,788,215</u></u> | <u><u>35,463,508</u></u> |

STATEMENT OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2016, AND 2015

| | 2016 (Unaudited) | 2015 (Audited) |
|--|-----------------------|-----------------------|
| Income: | | |
| Interest from Loans | 515,770 | 510,646 |
| (Less) Interest Refunded | | |
| Interest from Investments | <u>281,108</u> | <u>227,182</u> |
| Total Income | <u><u>796,877</u></u> | <u><u>737,828</u></u> |
| | | |
| Interest Expense: | | |
| Dividends Paid to Members | 57,073 | 58,502 |
| Interest on Borrowed Money | | |
| Provision for Loan Losses | <u>84,859</u> | <u>42,309</u> |
| Total Interest & Provisions Expense | <u><u>141,932</u></u> | <u><u>100,811</u></u> |
| | | |
| Net Interest Income after Provisions | 654,945 | 637,017 |
| | | |
| Expenses: | | |
| Salaries, Benefits, Payroll Taxes | 292,993 | 260,169 |
| Office Operations | 104,968 | 127,509 |
| Office Occupancy | 79,500 | 77,018 |
| Loan Servicing | 5,993 | 10,671 |
| Professional & Outside Services | 145,160 | 132,102 |
| Member Insurance | - | - |
| Annual Meetings | 1,559 | 4,315 |
| Educational & Promotional | 17,248 | 12,783 |
| Miscellaneous Operating Expenses | <u>7,429</u> | <u>10,923</u> |
| Total Expenses | 654,855 | 635,490 |
| | | |
| Operating Income | | |
| Other Operating Income | 46,040 | 54,204 |
| Trading Profits and Losses | | |
| Non-Operating Income | | |
| Gain (loss) on Disposal of Assets | | |
| Other Non-Operating Inc/(Exp) | | |
| Net Income | <u><u>46,115</u></u> | <u><u>55,731</u></u> |

Supervisory Committee

The Supervisory Committee is responsible for ensuring the effectiveness of internal checks and balances (i.e. the system of internal control) and adherence to established policies and practices in financial recordkeeping and its operations. In accordance with the requirements of the National Credit Union Administration, the CPA firm of Kwock and Company CPA's was contracted to perform an audit of the Credit Union's financial records for the twelve-month period ending December 31, 2016.

The audit will be conducted in accordance with auditing standards generally accepted in the United States of America to provide reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements in conformity with accounting principles generally accepted in the United States of America. A copy of the completed audit will be available for viewing at the Credit Union.

The Supervisory Committee would like to acknowledge the Board of Directors and the Staff of the Credit Union for their cooperation in 2016, which enabled us to fulfill our duties and responsibilities to you, the Members. We were honored to serve you.

Respectfully submitted,


Yvonne P.H. Phillipson
Chairperson

