



2023



**HAWAII LAW
ENFORCEMENT**
FEDERAL CREDIT UNION

ANNUAL REPORT

CHAIRPERSON AND PRESIDENT/CEO'S MESSAGE TO OUR MEMBERS

Aloha Law Enforcement Ohana,

At its peak, there were 120 credit unions in the State of Hawaii. As with any industry, market demand, competition, financial stability, operational efficiency, the economy, technology, and leadership changes eventually eroded our industry, causing mergers. Today there are only forty-seven credit unions in Hawaii.

Since January 1937, our Credit Union has proudly served the financial needs of our law enforcement Ohana, weathering the Great Depression, World War II, natural disasters, Y2K, 911, the Great Recession, and the COVID-19 Pandemic. Subsequently, growing to be the 15th largest credit union in the State. We recognize that our continued growth would not have been possible without the loyalty of our members, board, volunteers, management, and staff.

To move the Credit Union forward, our Board of Directors and Managers concluded a two-day planning session in October 2023, developing values-based strategies to provide all stakeholders (members, board, volunteers, and employees) with a clear understanding of Hawaii Law Enforcement Federal Credit Union's goals and how success is measured, providing our employees a focus on what matters most, our members.

The values-based strategies include member interest, long-term resilience, community engagement, and outstanding work culture, as follows:

- **Member Interest** – We are a member-owned, not-for-profit financial cooperative that provides our law enforcement ohana with an alternative banking method. We aim to build long-term relationships with our members, not just transact with them on a one-off basis. We strive to understand their financial activities and the problems they need to solve. We design products and services to meet our members' unique needs. Decisions to join our Credit Union, use our products and services, and be an active member are important indicators of our success.
- **Long-Term Resilience** - We shall focus on long-term sustainability, not short-term gain. We cannot entirely insulate the Credit Union from external shocks, but we can manage risk and build protection for long-term resilience. Our strategy aims to prioritize efforts, effectively allocate resources, and ensure data and sound reasoning are utilized to back our decisions.
- **Community Engagement** - We aim to build long-term relationships with our members. To do this, we will build trust by engaging with the law enforcement communities we serve.
- **Outstanding Work Culture** - We shall attract and retain the talent needed to ensure resiliency, build and maintain members' trust, and engage in the communities we serve. To do this, we must work hard to maintain the heart of our working culture. We shall embrace the responsibility to serve our members and one another at the highest ethical standards. We shall provide each other with the tools to succeed, a voice in decision-making, and the power to solve problems. We understand that our employees are the heart of the Credit Union.

With renewed vigor, the Board, Volunteers, Managers, and Staff are looking forward to the continued success of the Hawaii Law Enforcement Federal Credit Union. Thank you for your continued support.

With great respect and aloha,

Russell Ikeda, Chairperson
Rene Matsuura, President/CEO



Russell Ikeda,
Chairperson
(24 Years)



Mark Nakagawa,
Vice-Chairperson
(16 Years)



Roy Helepololei,
Treasurer
(33 Years)



Frank Fujii,
Secretary
(22 Years)



Robert Aton,
Director
(36 Years)



Derrick Tsukayama,
Director
(24 Years)



Cary Okimoto,
Director
(14 Years)



Robert Kane
Director Emeritus
(42 Years)



Rene Matsuura,
CEO/President
(35 Years)



Statement of Income

For the Period Ending December 31, 2023

	2023	2022
Operating Income		
Interest on Loans	\$5,366,503	\$4,489,028
Interest on Investments	\$1,658,775	\$1,289,600
Fees and Charges	\$328,781	\$306,411
Miscellaneous Income	\$875,090	\$998,769
Total Income	\$8,229,151	\$7,283,810
Operating Expenses		
Compensation	\$2,396,277	\$2,339,082
Employee Benefits	\$612,567	\$496,358
Travel & Conference	\$21,272	\$5,287
Association Dues	\$37,125	\$48,173
Office Occupancy	\$806,384	\$841,570
Office Operations	\$701,362	\$682,114
Education & Promotion	\$154,938	\$101,069
Loan Servicing	\$433,620	\$453,181
Professional Services	\$859,380	\$845,026
Provision for Loan Loss	\$56,150	\$122,498
Member Insurance	\$25,233	\$20,913
NCUA Operating Fee	\$35,256	\$34,693
Fed Exam Fees	\$0	\$0
Interest on Borrowed Funds	\$1	\$1
Annual Meeting	\$18,251	\$10,253
Miscellaneous	\$67,872	\$57,690
Total Operating Expense	\$6,225,694	\$6,057,915
Income (Loss) from Operations	\$2,003,457	\$1,225,894
Gain (Loss) on Investments	(\$50,311)	\$2,579,773
Gain (Loss) on Disposal of Assets	\$1,953,145	\$3,805,668
Non-Operating Income (Loss)	\$952,440	\$360,115
Gain (Loss) on OREO		
Gain (Loss) Rental on OREO	\$1,000,705	\$3,445,552
Net Income (Loss) Before Dividends	\$1,953,145.65	\$3,805,668
Dividends	\$952,440.42	\$360,115
Net Income (Loss)	\$1,000,705.23	\$3,445,552

We certify, to the best of our knowledge and belief, this statement and the related statements are true and correct and present fairly the financial position and the results of operations for the period.

Financial Comparison

For period ending December 31, 2023

Category	2023	2022	Difference	% Change
Assets	\$209,045,552	\$207,523,548	+1,522,004	+0.73%
Shares	\$184,795,312	\$195,366,239	-\$570,927	-0.31%
Loans	\$117,623,947	\$121,500,051	-\$3,876,104	-3.19%
Net Worth Ratio	13.12%	12.94%	+0.18%	+1.39%
Number of Members	14,597	14,513	+84	+0.58%

Maui Wildfires

In August of last year, our Maui Ohana experienced devastating wildfires that affected Lahaina and Kula. Fifteen Maui Police Department (MPD) Employees' homes burned during the event, 14 in Lahaina and 1 in Kula.

Promptly after the wildfires, the Credit Union placed canisters at all our branches in hopes of raising enough funds to donate to our MPD Ohana during the holidays. Thanks to your generous monetary donations, \$300 checks were distributed directly to each of the MPD Employees during the holidays, just in time for Christmas.

In addition to the monetary donations, we had the opportunity to visit MPD to bring bentos, needed supplies, and our heartfelt appreciation for all they do. We also had the opportunity to attend the Maui Wellness Fair, where we made furikake popcorn and cotton candy for the first responder community.

Treasurer's Report

The Federal Funds (Fed Funds) rate is one of the Federal Reserve's critical tools for guiding U.S. monetary policy. It impacts everything from the annual percentage yields earned on savings accounts to the rate paid on credit card balances and loans, which means the Fed Funds rate effectively dictates the cost of money in the U.S. economy. By the end of 2023, the Federal Reserve raised rates four times, each time by a quarter of a percent, bringing overnight rates to 5.25% - 5.50%.

As a result of the increases in Fed Funds rates, member demand for higher deposit yields became apparent at last year's annual meeting on March 25, 2023. Members inquired about our low certificate rates. In response to our members' concerns, certificate rates were adjusted nine times, and money market rates were adjusted twice.

The adjustments to share certificates and money market rates caused 2023's dividend expenses to increase to \$952,440 from 2022's \$360,115. Although dividend expenses increased, the Credit Union benefited from improved interest income on loans and investments, a key driver in maintaining a net income of over \$1 million. As a result of our strong earnings, the Credit Union net worth ratio improved by 18 basis points to 13.12%.

On the opposite side of the balance sheet, the Credit Union was mindful of our member borrowers' needs. We kept loan rates reasonable so members could afford their new car, family vacation, and consolidate bills.

Thank you for your continued support.



Roy Heleopololei,
Treasurer
(33 Years)



Samuel Emerson,
Chief Financial Officer
(9 Years)

Supervisory Committee Report

The Supervisory Committee is responsible for ensuring that the Credit Union operates with sound internal controls, maintains accurate records of its assets, adheres to practices that safeguard those assets, and, most of all, safeguards the interests of its members.

Last year, the Supervisory Committee developed an Audit Work Plan that included twenty-eight different audits to be divided among the Committee, Compliance (Internal Auditors), and External Auditors, CU Pacific Audit Solutions. These audits are scheduled to be completed monthly, quarterly, or annually to deter unauthorized transactions and employee misconduct and enhance our service level for you. Although a few mistakes have been detected, our staff takes pride in their work and are quick to correct errors. As a result of our audits, we believe that members are receiving an improved level of service.

We also started to attend monthly board meetings to gain a better perspective on board decisions and the newly developed values-based strategies. We are excited about the enhancements the Credit Union is making and are looking forward to the many improvements to come.



Carlene Lau
Chairperson
(9 Years)



Dave Barnett
Secretary
(12 Years)



Scott Tamasaka
Member
(12 Years)



Kent Harada
Member
(12 Years)



Corbin Matsumoto
Member
(3 Years)

Mission - The mission of the Hawaii Law Enforcement FCU is to serve the financial needs of our members by fostering relationships.

Vision - The Hawaii Law Enforcement FCU's vision is to be our members' first choice to meet their financial needs.

Brand Statement - We Serve to Honor

Values - We take ownership of our success. We solve problems and create opportunities. We are inclusive. We are committed to making a difference.

Our Commitment to Community

Over the past year, Hawaii Law Enforcement FCU has stood steadfast in its commitment to supporting the law enforcement community. Whether it was fundraisers, retirees, or up and coming police officers, we sought to support various events for the law enforcement community throughout the year. Additionally, we proudly sponsored community events that honored the dedication and sacrifices of law enforcement officers and retirees, reinforcing our unwavering commitment to being more than just a financial institution but a partner in the well-being and prosperity of those who serve to protect.



SENIOR MANAGEMENT TEAM



Rene Matsuura
President/CEO
(35 Years)



Samuel Emerson
Chief Financial Officer
(9 Years)



Rolann Regidor
Chief Lending Officer
(7 Years)



Mark Komatsu
Chief Compliance Officer
(3 Years)



Veronica Kanemaru
Operations Manager
(8 Years)



Dawn Kalili-lokia
Electronic Services Manager
(6 Years)



James Horiuchi
IT Manager
(4 Years)



Valerie Chun
Human Resources Manager
(5 Years)



Dylan Lee
Marketing Manager
(1 Year)

SERVICE MANAGEMENT TEAM



Baha Suzuki
Mortgage Loan Manager
(3 Years)



Darien Sato
Loan Servicing Manager
(2 Years)



John Natividad
Branch Manager
(3 Years)

ADMINISTRATIVE TEAM



JoAnn Kwock
Administrative Assistant II
(33 Years)



Kanani Smythe
Administrative Assistant I
(8 Years)

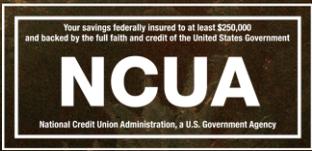
Member Testimonials:

*"We are very thankful of John Natividad's service. He is always, always welcoming, and helpful. His patience in going over paperwork with us is very appreciated. We look forward to continuing business with HLEFCU."
-Kendall and Evangeline"*

"I've been a member since 1999 and I'm so glad to be a part of the HLEFCU. Just wanted to say that Misty and Lynette have been a big reason I'm still enrolled. Not only great workers but also great people. Very professional, friendly, and kind. They're so welcoming and always put a smile on my face. Thanks ladies. Great friends."



WE SERVE TO HONOR



Federally Insured by NCUA



@hlefcu | #hlefcu | #weservetohonor