



www.hickamfcu.org

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BRANCHES

Hickam Branch
Joint Base Pearl Harbor-Hickam

Kahala Mall Kiosk Branch
Kahala Mall

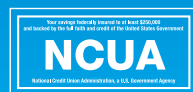
Kaneohe Branch
Windward Mall

Kapolei Branch
Kapolei Marketplace

Mililani Branch
Town Center of Mililani

Pearlridge Branch
Pearlridge Center Mauka

Pearl City Branch
1260 Kuala Street



2022 ANNUAL REPORT *Holomua*

Board of Directors



Carol J. Ebia
Chair



Adrian Yunson
Vice Chair



Abigail K. Nishida
Chief Financial Officer
and Secretary



Tina Mendes
Director



Francis Miyazawa
Director



Harry Okamoto Jr.
Director



Cheryl Suzuki
Director



Chair's Message

2022 challenged the credit union and our members in ways no one could have predicted. From the continuing threat of COVID-19, supply chain issues, and excessive inflation, we had a lot to contend with over the past year. Yet, despite additional hardships, Hickam Federal Credit Union remained strong and continued to evolve to better serve our members.

Continuing our commitment to educating and uplifting our members, Hickam FCU greatly increased the number of certified Financial Counselors in our ranks in 2022. Additionally, in May, we began a new partnership with Island Wealth Management to provide our members with investment services and complimentary financial planning. These initiatives are in addition to the financial wellness services Hickam FCU already offers via our partnership with GreenPath Financial Wellness.

Hickam FCU also continued to lend a hand to our community in 2022 by offering complimentary tax preparation services to lower-income families, those with disabilities, and the elderly through our participation in the Volunteer Income Tax Assistance program for the 15th consecutive year. Further, we helped to foster the growth of our next generation through support to the DreamHouse 'Ewa Beach charter school, our continued sponsorship of Banzai Financial Literacy for select Oahu schools, and the awarding of scholarships to six incredible college students. The credit union also continued to help feed our community by raising a record \$7,500 for the Hawaii Foodbank, and helped support the critical mission of the Kapiolani Medical Center for Women & Children by raising \$3,000 for them.

In addition to serving the financial needs of our members and community, Hickam FCU continued to grow its environmental stewardship efforts too. In 2022, our staff and ohana members rolled up their sleeves to remove microplastics from Waimānalo Beach Park during Sustainable Coastlines Hawaii's Annual Earth Day Festival. Last year, we also began the planning process to install a photovoltaic system at our Pearl City branch to help lower our carbon footprint and lower our operating expenses.

On top of everything else we accomplished last year, I'm proud to say that Hickam FCU was named THE Best-In-State Credit Union for 2022 by Forbes, topping our second-place ranking the previous year. This incredible honor is a testament to the work we do and the outstanding love and support of our members.

On behalf of the Board of Directors, management, and staff, I thank you for your continued loyalty and support. Together, we will continue to progress and make it better!

Mahalo Nui Loa,

Carol J. Ebia
Carol J. Ebia
Chair





President’s Message

2022 was a year few could have predicted. The ongoing effects of the COVID-19 pandemic and the war in Ukraine helped to fuel rampant inflation, the likes of which we haven’t seen in decades. To counter rapidly rising prices, the Federal Reserve enacted a series of unprecedented rate hikes. Despite their efforts, inflation continued throughout the year, leading to a one-two punch of higher prices and interest rates. This combination created a challenging economic environment for all, further squeezing households around the country.

Despite the economic challenges, Hickam Federal Credit Union has remained steadfast in our commitment to bettering the lives of our members. Unlike other financial institutions, we kept our members’ finances more predictable with products like our fixed-rate “Cards with a Cause” credit cards, which feature rates that don’t fluctuate with the market. We also managed to continue offering advantageous loan rates and enticing deposit rates. Plus, we continued to support many non-profit organizations throughout our community.

To better help guide members on their financial journey, Hickam FCU began partnering with Island Wealth Management in May 2022 to provide investment and insurance services. These services join the financial wellness services we already offer with our partnership with GreenPath Financial Wellness and our own certified Financial Counselors.

In addition to helping build a better future for our members, our team at Hickam FCU has been hard at work, laying the groundwork for exciting things yet to come. Throughout 2022, we’ve been busy preparing for significant upgrades that build upon the previous year’s improvements in anticipation of implementing even more conveniences for members in 2023.

On top of everything else we accomplished in 2022, Hickam FCU was named one of Hawaii Business Magazine’s “Best Places to Work in Hawaii for a third straight year and placed first in the Forbes Best-in-State Credit Union in Hawaii rankings. But, of course, these remarkable accomplishments wouldn’t be possible without the tremendous support of our fantastic staff and incredible members. So on behalf of our Board of Directors, management, and staff, thank you for your loyal support. We can make it better, together.

Sincerely,

Scott Kaulukukui
President & CEO



Chief Financial Officer’s Report

After the roller coaster ride 2021 provided, few could’ve predicted the chaos 2022 would bring. The ongoing effects of the pandemic, coupled with the war in Ukraine, sent inflation soaring last year. U.S. inflation peaked in June at 9.1%, making it the highest we’ve seen in 40 years. In addition, energy prices spiked 41.6%, while food prices increased 10.4% from June 2021 to June 2022.

To counter inflation, the Federal Reserve implemented seven rate hikes last year, increasing rates from 0.25% to 4.50%, the most drastic since the 1980s. These rate hikes led to high market volatility and the worst overall market performance since 2008. The Nasdaq performed particularly poorly, declining 33.1% in 2022, while the S&P 500 followed at 19.4%. Despite all these economic challenges, our State, Community, and credit union remained strong and resilient.

In 2022, Hickam Federal Credit Union increased loan growth by \$35.4 million or 11.9%, bringing our Total Loans to \$332.8 million. However, our Total Assets decreased by 4.6% in 2022, ending at \$676.4 million. The decrease was caused by the sudden increase in interest rates or market values, which lowered the value of our investments by \$39 million. Without the devaluation of our investments, our Total Assets would have increased by 1.0%. The rate environment also created challenges in retaining deposits. Throughout the year, we offered five competitive Certificates of Deposit (CD) promotions, which helped to stem the outflow of funds by generating \$94 million in deposits. This resulted in Total Member Deposits decreasing slightly by 0.6%, bringing the total to \$640.2 million.

Overall, the credit union ended the year with our net income totaling \$1.8 million, which is 5% higher than in 2021. Thanks to our solid performance, we remain financially strong and well-capitalized, with Members’ Equity at \$64.7 million and our net worth ratio at 9.6% - up from 8.9% in 2021. This puts us in an excellent place to withstand geopolitical uncertainty and a potential recession in 2023 while also allowing us to continue to invest in our infrastructure to optimize our products and services for our members.

On behalf of Hickam Federal Credit Union, I would like to express our sincere gratitude for allowing us to continue serving you and your family. We are passionate about living our core values of caring, integrity, and commitment, and we want to thank you for your continued support. Working together, we look forward to another successful year in 2023 and wish all of you a safe and prosperous new year.

Sincerely,

Abigail Nishida
Chief Financial Officer & Secretary

Statement of Financial Condition

As of December 31, 2022 (unaudited)

ASSETS	2022
Loans	
net of allowance for loan losses	\$331,307,342
Cash and cash equivalents	\$7,107,890
Investments	\$297,397,387
Property and equipment, net	\$29,076,539
All other assets	\$11,508,780
TOTAL ASSETS	\$676,397,938

LIABILITIES AND MEMBERS’ EQUITY	
LIABILITIES	
Members’ deposits	\$640,249,368
Notes payable	\$0
Accounts payable	\$6,873,114
All other liabilities	\$3,559,610
TOTAL LIABILITIES	\$650,682,092
MEMBERS’ EQUITY	\$25,715,846
TOTAL LIABILITIES AND MEMBERS’ EQUITY	\$676,397,938

Statement of Income

For the year ending December 31, 2022 (unaudited)

	2022
Interest on loans	\$11,970,835
Income from investments	\$6,034,192
TOTAL INTEREST INCOME	\$18,005,027
Dividends paid on members’ shares	\$1,823,021
Interest on borrowed funds	\$0
TOTAL INTEREST EXPENSE	\$1,986,378
NET INTEREST INCOME	\$16,018,649
Provision for loan loss	\$854,547
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	\$15,164,102
Compensation	\$5,894,023
Employee benefits	\$1,984,341
Travel & conference	\$141,306
Office occupancy	\$1,877,353
Office operations	\$3,920,311
Education & promotion	\$567,304
Loan servicing expense	\$954,942
Professional & outside service	\$1,578,640
Member Insurance	\$0
NCUA Operating fees	\$115,228
Annual meeting	\$18,843
Other expenses	\$111,715
TOTAL OPERATING EXPENSE	\$17,164,006
TOTAL OTHER OPERATING INCOME	\$3,961,375
NET OPERATING INCOME	\$1,961,375
Other non-operating gain/(loss)	(\$152,310)
NET INCOME	\$1,809,056

Supervisory Committee



Curtis J. Popa
Chair



Robert Davis
Secretary



Cris Ildefonso
Member

Supervisory Committee Report



The Supervisory Committee is appointed by the Board of Directors and is tasked with the responsibility of ensuring that financial reporting requirements are met and that the practices and procedures established by the Board and Management are sufficient to safeguard members’ assets.

To assist the Committee in carrying out these responsibilities, Kwock & Company CPAs was engaged to perform an independent financial audit of the credit union. In addition to fulfilling a regulatory requirement, the annual audit helps to ensure that policies and procedures are established and followed, and that the credit union is operating in accordance with current laws, regulations and bylaws as adopted by the Board. Also assisting the Committee is an internal auditor who performs audits and periodic reviews of credit union operations under the direction of the Committee.

While the financial audit for calendar year ending December 31, 2022 is underway, I am pleased to report that Kwock & Company concluded its review of the Hickam Federal Credit Union financial statements for calendar year ending December 31, 2021, and assisted the Committee in performing the required verification of members’ account balances. Most importantly, Kwock & Company reported that the 2021 financial statements present fairly, in all material respects, the financial position of the credit union and that the results of its operations and cash flows are in accordance with generally accepted accounting principles.

I would like to extend my deepest appreciation to the members of Hickam Federal Credit Union for their continued loyalty and support. And, on behalf of the Supervisory Committee, I would like to thank the credit union’s Board of Directors, management, and staff for their commitment of ensuring that the financial position of Hickam Federal Credit Union remains fiscally safe and sound into the future.

Respectfully,

Curtis J. Popa
Supervisory Committee Chair