



2018 IMPACT REPORT

HOPE

FOR 25 YEARS

**HOPE HAS CREATED MOBILITY PATHWAYS FOR VULNERABLE PEOPLE BY CLOSING CRITICAL FINANCIAL SERVICE GAPS AND BY ADVOCATING FOR POLICIES AND PRACTICES THAT PROMOTE ECONOMIC OPPORTUNITY.**

HOPE's story is comprised of individuals, families, communities, and many partners who have proven that when we work together, lives flourish.

During this silver anniversary year, we look back, reflecting on the lessons gleaned from our collective efforts. We also look beside us, thankful for the people and communities we serve, and the partners who helped make HOPE's work possible. And we look ahead, building on our experience to plot the course for the critical work that remains.

Based in the heart of the Deep South, HOPE's work is inextricably linked to our region's pivotal role in America's ongoing struggle for social and economic justice. At a time when the nation confronts unsustainable division and disparities, HOPE moves forward, steadfast in our commitment to build bridges in the pursuit of the common good.

With your support, in the years ahead HOPE will generate many more stories of children and families who climb the economic ladder. Stories of communities revitalized. Stories of opportunities created where they are needed most.

Stories of all that is possible, when we hope together.

"WE ALL HOPE FOR A WORLD WHERE EVERYONE CAN REACH HIS OR HER POTENTIAL.

WE SHARE IN THE BELIEF THAT WHEN OUR NEIGHBORS AND OUR COMMUNITIES THRIVE, WE ALL THRIVE.

JOINING WITH OTHERS TO BUILD ON WHAT WE HAVE IN COMMON, AND CONVERT THESE ASPIRATIONS

INTO REALITY, HAS FUELED HOPE'S WORK FOR THE PAST 25 YEARS.

WHEN WE HOPE TOGETHER, WHEN WE UNITE TO FORGE A SHARED PROSPERITY, WE ACHIEVE OUR VERY BEST."

BILL BYNUM, CHIEF EXECUTIVE OFFICER

*On the cover: Hope Credit Union members Gabrielle and Kendetric Bradley*

Building Businesses Together <i>Commercial Lending</i>	Realizing Dreams Together <i>Consumer Lending</i>	Brightening Futures Together <i>Deposit Services</i>	Celebrating "Sold" Together <i>Homeownership</i>	Revitalizing Neighborhoods Together <i>Community Development</i>	Reaching New Markets Together <i>Expansion and New Locations</i>	Moving Forward Together <i>The Impact of HOPE</i>	Shaping Policy Together	Growing Together	Financial Information	Hope Governance	Moving Forward Together
2	6	10	14	18	22	26	28	35	36	43	44



# BUILDING BUSINESSES TOGETHER

## *Commercial Lending*

TOO MANY PROMISING BUSINESS IDEAS NEVER LAUNCH DUE TO LACK OF CAPITAL.

Even when the market is there and the plan is solid, many financial institutions are hesitant to take a chance on a customer who doesn't fit the traditional model of "business owner."

HOPE sees things differently, making business loans to underserved populations at a much higher rate than other financial institutions. That's because HOPE realizes that sometimes the improbable idea that other lenders deny becomes the successful business that changes an entire community.

# HOPE

### FEDERICO “FRED” SALAS WAS WORKING IN THE CONSTRUCTION INDUSTRY WHEN LITTLE ROCK’S GROWING HISPANIC POPULATION GAVE HIM THE IDEA FOR A NEW BUSINESS.



LITTLE ROCK, ARKANSAS

# FROM UP IN FLAMES TO BACK IN BUSINESS

SALAS AND HIS BROTHER, Benjamin, grew up helping in their father’s butcher shop in Monterey, Mexico. Together, the Salas brothers put their childhood knowledge to work and opened a small meat market in a “tiny, tiny, tiny” space in Little Rock.

In 2018, HOPE closed **51** commercial loans. **4** out of **10** of these loans were made to minority- or women-owned businesses.

As the business grew, the brothers expanded until their once “tiny, tiny, tiny” store became a booming business that spanned three city blocks. The brothers added a restaurant serving Hispanic food from tamales to tacos, produced their own salsa and charcoal, and eventually launched a second venture selling produce and meat to every Hispanic restaurant in Arkansas.

“The business was always crowded, full of people,” Salas says. “Families came to the restaurant with their kids, and they enjoy the food, the environment, the people. The owners, my brother and myself, we always interact with the customers. The community around here considered us family... We were doing pretty good and were there for 15 years until we had this incident.”

This “incident” was a devastating fire that destroyed the business the Salases had worked so hard to build. The brothers lost their livelihoods, and their 52 employees lost their jobs.

The Salases had insurance, but instead of simply rebuilding, they decided to expand, to make their business even bigger and better than before. But when they sought a commercial loan, the brothers ran into an obstacle. Because they had conducted most of their business in cash, neither Fred nor Benjamin had strong credit histories.

“MY DREAM FOR THE PEOPLE OF THIS COMMUNITY IS FOR THEM TO HAVE MORE OPPORTUNITY.”  
FEDERICO SALAS



Fred and Benjamin turned to the HOPE Little Rock branch for help, where the HOPE representative walked the brothers through the loan process step-by-step - in Spanish.

“[I] can speak English, but when you get to the point where you have to understand the financial terms, it’s very useful to have somebody say, ‘Don’t worry. I’ll translate it. I’ll break it down for you and explain how this will work,’” Salas says. “Thanks to HOPE, we can now say, ‘We have hope.’”

And with hope for the Salas brothers came hope for their entire community.

“My dream for the people of this community is for them to have more opportunity,” Salas says. “God has given us the opportunity to hire people, to create jobs, to help others. Emotionally, that gives me pure satisfaction.”



**MAKING AN EARLY CASE** – HOPE made its first commercial loan to Rick Youngblood in 1994. The loan enabled Youngblood to purchase TCS Caseworks, an Arkansas-based builder of cabinets for hotels and offices. Today, TCS employs 33 people. “We’ve had to change with the industry and times,” says Youngblood, “but we’re still here, thanks to HOPE.”



# REALIZING DREAMS TOGETHER

*Consumer Lending*

ACCESS TO EVEN A SMALL AMOUNT OF CAPITAL CAN CHANGE  
THE FUTURE OF AN INDIVIDUAL OR A FAMILY.

For 25 years, HOPE has been a source of responsible financial services for people who might have been turned down by other providers or who might otherwise have turned to predatory lenders. HOPE's members have proven that a little capital can lead to big things.

# HOPE

MICHAEL BUTLER DOESN'T SHIRK HIS RESPONSIBILITIES.

BUTLER WAS WORKING HARD as a body tech at Hotard Bus Company, but previous medical bills put a strain on his finances. In December of 2017, Butler sold his vehicle to pay his bills and began making the 10-mile, four-hour roundtrip from his home to Hotard on foot.

"The bills don't stop just because you don't have a car," Butler says. "There was nothing wrong with me. I could walk."

Butler opted against taking the bus so he could save the \$3 daily fare and clocked in at Hotard at 6:30 every morning, arriving early so his co-workers would never suspect he didn't have a car. He made the trek from December through July, braving the chilly, damp winter and the steamy New Orleans summer. Based on a five-day work week, Butler put approximately 1,400 miles on his Nikes.

Since 1994, HOPE has made more than 23,000 consumer loans. In any given year, approximately half of those loans were made in economically distressed areas.

Then his mother saw a commercial for HOPE Credit Union and suggested that Butler inquire about an auto loan. With his low credit score, Butler's first thought was, "I ain't getting no vehicle through these people." But my mother convinced me that HOPE helps people. And they helped me."

An auto loan from HOPE allowed Butler to trade in his well-worn Nikes for a 2015 Dodge 3500. And while Butler may not be the type to ask for help, he is certainly the type to give it. For Butler, the new truck is more than just a faster way to get to work. It's a tool for helping others.

Butler has used his workhorse Dodge to tow strangers' cars out of ditches and transport materials for those in need. When he drove past a man whose car had died on an interstate off-ramp, Butler turned around, pushed the stalled car to a nearby truck stop, and waited with the stranded motorist, who suffered from Parkinson's disease, until a family member arrived.

"I was overjoyed to get a car loan from HOPE," Butler says, "I haven't met too many people that nice. Of course, I want to pay it forward. Now I'm happy to be able to help other people who also need a hand."

"I WAS OVERJOYED TO GET A CAR LOAN FROM HOPE. I HAVEN'T MET TOO MANY PEOPLE THAT NICE."

MICHAEL BUTLER



A HOPEFUL ALTERNATIVE — Hope Federal Credit Union was originally chartered to address the need for non-predatory lending services in low-income neighborhoods. Mississippi, where HOPE is headquartered, has one of the highest concentrations of predatory lenders — including those offering payday loans and car title loans — in the nation, with more than 2,700 high-cost lending locations statewide.

THE AVERAGE CREDIT SCORE

for HOPE consumer loan borrowers is 629, compared to a national average of 704. One out of four members has a score lower than 600 — a credit score that would prohibit members from obtaining loans at many other financial institutions.

NEW ORLEANS, LOUISIANA

BACK IN THE DRIVER'S SEAT





# BRIGHTENING FUTURES TOGETHER

## *Deposit Services*

HOPE HAS LONG RECOGNIZED THE CONNECTION BETWEEN ECONOMIC MOBILITY AND ACCESS TO RESPONSIBLE FINANCIAL SERVICES.

HOPE offers basic financial services to populations neglected by mainstream financial institutions. “Financial inclusion” in the form of something as simple as a free checking account or installing an area’s first ATM can be the catalyst for revitalizing an entire community.

# HOPE



MEMPHIS, TENNESSEE

# FROM UNDER THE MATTRESS TO INSIDE THE VAULT

**33%** of HOPE members were previously unbanked. By avoiding payday lenders and other high-cost financial services, HOPE members saved an estimated **\$300,000** in 2018.

“My parents had looked at other financial institutions, but they didn’t feel a sense of trust there,” Alejandra says. “They had resorted to keeping all their money in cash, literally hidden under the mattress. I kept thinking, ‘What if the house burns?’”

Alejandra convinced her father to turn to HOPE, where he opened an account using his ITIN number. The entire family can rest easier knowing their money is in a safe place.

“Many undocumented people are afraid to go to a bank without a Social Security number. Others have gone to a bank and had a bad experience. When I tell them, ‘HOPE will work with you with an ITIN,’ or ‘HOPE will have someone there who can explain things to you in Spanish,’ their eyes just glow,” Alejandra says. “At HOPE, I have noticed a difference in the way people from my community are treated. If you make thousands or if you make five dollars a year, at HOPE, you are treated with the same respect.”

## “I CAME TO LATINO MEMPHIS AND LITERALLY FOUND HOPE,” ALEJANDRA SAYS.

LATINO MEMPHIS IS A NONPROFIT that provides services to the city’s Hispanic community. HOPE partners with Latino Memphis to offer financial counseling and services.

When Alejandra joined Latino Memphis as its program coordinator, she learned about Crece con HOPE (Grow with HOPE), HOPE’s program to expand service to Spanish-speaking immigrants. Crece con HOPE offers checking and savings accounts to immigrants who have an ITIN, or individual taxpayer identification number. The IRS issues ITINs to people who are not eligible to obtain a Social Security number to help these individuals comply with U.S. income tax laws.

Alejandra has referred dozens of her clients to HOPE for financial services, but no clients were happier to find HOPE than Alejandra’s own parents. Her mother and father, natives of Zacatecas, Mexico, have lived in the United States since 1999.



“AT HOPE, I HAVE NOTICED A DIFFERENCE IN THE WAY PEOPLE FROM MY COMMUNITY ARE TREATED.”

ALEJANDRA, Pictured on page 12

**JUNTOS AVANZAMOS • TOGETHER WE ADVANCE** – In January 2019, HOPE received the National *Juntos Avanzamos* Designation for its work to expand financial access to Hispanic communities. *Juntos Avanzamos* translates to “Together We Advance.” Presented by Inclusiv, an association that helps low-income people and communities achieve financial independence, the designation recognizes credit unions committed to serving the Hispanic community. HOPE is the first Mississippi-based credit union and the first operating in Tennessee to receive the award.



# CELEBRATING “SOLD” TOGETHER

## *Homeownership*

OWNING A HOME IS AN IMPORTANT TOOL FOR WEALTH BUILDING, YET HOMEOWNERSHIP CAN SEEM AN OUT-OF-REACH GOAL FOR MANY FAMILIES.

Mortgage loans from HOPE designed specifically for low-income buyers and those with less-than-perfect credit make the dream of homeownership a reality.



MEMPHIS, TENNESSEE

## CHANGE OF ATTITUDE, CHANGE OF ADDRESS

# 25

### HOMEOWNERSHIP

**“I HAD A BEAUTIFUL FIVE-BEDROOM HOUSE IN CHICAGO,” ANNIE WALLACE SAYS. “AS A SINGLE WOMAN, DID I NEED A FIVE-BEDROOM HOUSE? NO, BUT I BOUGHT IT ANYWAY.”**

FOR WALLACE, BUYING THAT HOUSE was the first in a series of poor financial decisions that quickly created a domino effect. Wallace lost the house, then lost her job, then fell behind on her bills.

“I turned to payday loans,” Wallace says. “That \$200 I borrowed from payday lenders turned into \$800 I had to pay back. So next I pulled out all of my retirement money – what poor decision are we on now? Four? Five? – and went through all of that.”

With her resources depleted, Wallace relocated to Memphis to stay with a friend, where she heard about HOPE.

“From day one, HOPE was awesome,” Wallace says. “They weren’t judgmental. In fact, they treated me like Tina Turner or Beyoncé from the first day I sashayed through the door. HOPE didn’t just want my business. They wanted to get to know me.

In 2018, HOPE closed **185** mortgage loans. **90%** of those loans were to low-income families, minority homebuyers, or first-time homeowners.

They asked me what my goals were, and I told them I wanted my own home and I needed to replace my 18-year-old car. They said, ‘Annie, here’s what we can do, but we suggest you do this first.’”

“This” was intense credit counseling with HOPE that helped Wallace avoid making the same expensive mistakes, followed by paying back a series of small loans that helped Wallace repair her shattered credit.

HOPE eventually wrote Wallace an auto loan and a mortgage loan – this time, for a modest two-bedroom house Wallace says has “plenty of space.” “I had a new car and a home through HOPE before I would have qualified to buy a weed whacker from Sears on credit. That is the evidence of what HOPE



**“FROM DAY ONE, HOPE WAS AWESOME. HOPE DIDN’T JUST WANT MY BUSINESS. THEY WANTED TO GET TO KNOW ME.”**

ANNIE WALLACE

can do,” Wallace says. “And throughout this whole ordeal, HOPE reminded me not to give up on myself. I had lost my sense of self-worth. But HOPE reminded me that this was only a situation I was going through. I was growing, and it was going to be better ahead.

“I have more than a partnership with HOPE,” Wallace continues. “I have a *friendship*. I’m a success story, and now I can help the next person who is going through the same thing, all because of HOPE.”



# REVITALIZING NEIGHBORHOODS TOGETHER

*Community Development*

HOPE SERVES THE STATES OF ALABAMA, ARKANSAS, LOUISIANA, MISSISSIPPI, AND TENNESSEE. THESE STATES ARE HOME TO ONE-THIRD OF THE NATION'S "PERSISTENT POVERTY COUNTIES," COUNTIES WHERE THE POVERTY RATE HAS ECLIPSED 20 PERCENT OR MORE FOR AT LEAST 30 YEARS.

Many of these counties are "opportunity deserts," where residents lack access to basic amenities that most people take for granted. HOPE works to eliminate banking deserts, job deserts, education deserts, healthcare deserts, and food deserts, cultivating opportunity where it's needed the most.

# HOPE

**FOR MORE THAN A DECADE, RESIDENTS IN THE TINY TOWN OF GLOSTER, MISSISSIPPI, (POPULATION 960) HAD TO DRIVE MORE THAN 45 MINUTES TO GET TO A GROCERY STORE OFFERING FRESH FRUITS, VEGETABLES, AND OTHER HEALTHY FOODS.**



GLOSTER, MISSISSIPPI

***MORE  
IN STORE  
THAN  
GROCERIES***

Since making its first healthy food loan, HOPE has partnered with **12** grocery store owners to eliminate food deserts for more than **110,000** people.

THAT CHANGED IN 2018, when dozens of excited residents helped cut the ribbon on a new Piggly Wiggly grocery store. HOPE provided the financing that allowed Jason Cook, the store’s owner/operator, to open Piggly Wiggly’s doors and put Gloster’s residents on a path to better nutrition and improved health.

“HOPE played a part in something bigger than opening a grocery store,” Cook wrote in a letter to HOPE. “We have had a tremendous impact on people’s lives in Gloster and Amite County. I have been hugged, prayed over, thanked, and cried on as residents rejoice in their new local supermarket. I cannot express to you how moved and humbled I have been.”

Cook chose HOPE as his financial partner specifically due to HOPE’s commitment to eliminating food deserts.

“I chose to go through HOPE because it was always a bigger picture situation for me,” Cook says. “HOPE aligns itself to help people. That’s the reason I was led to the HOPE team. In business, we have to turn a profit, but being able to do work we enjoy while helping others is what’s truly satisfying.”

Months after Piggly Wiggly’s opening, Cook is still amazed by the uplifting effect the bright, clean store has had on a community that felt largely forgotten.

“One moment stands out more than any other,” Cook says. “A customer came to me and said, ‘Bless you. We haven’t felt like human beings here for years, and now we do.’”



**“A CUSTOMER CAME TO ME AND SAID, ‘BLESS YOU. WE HAVEN’T FELT LIKE HUMAN BEINGS HERE FOR YEARS, AND NOW WE DO.’”** — JASON COOK, *Pictured above*



**THE CENTER OF CENTREVILLE** — In 2015, the community of Centreville, Mississippi, celebrated the grand opening of Field Health System (FHS), a \$21 million state-of-the-art hospital built to serve a rural community where 40 percent of the population lived in poverty. HOPE provided \$6 million in New Markets Tax Credit investment and \$2.5 million in conventional financing to help open the doors to healthcare for 13,000 patients per year. With an annual payroll of more than \$10 million, Field Memorial is the largest employer in the area and the heart of the Centreville community.



# REACHING NEW MARKETS TOGETHER

*Expansions and New Locations*

OVER THE PAST 25 YEARS, HOPE HAS GROWN FROM A SINGLE LOCATION SERVING 55 COUNTIES AND PARISHES TO 31 LOCATIONS COVERING FIVE STATES.

Growth has come from opening new locations, moving into areas other financial institutions have left behind, and merging with existing credit unions.

# Montgomery

EXPANSION AND NEW LOCATIONS



MONTGOMERY, ALABAMA

*GIVING CREDIT WHERE CREDIT IS DUE*

## ERIC NETTLES HAS BUILT A SUCCESSFUL CAREER AS A REGIONAL ACCOUNT MANAGER FOR XEROX, MANAGING A FIVE-STATE AREA FROM HIS HOME BASE IN MONTGOMERY, ALABAMA.

A TALENTED SINGER, Nettles occasionally performs at a music club in his hometown. One of his favorite numbers is Luther Vandross' "Never Too Much," but as Nettles discovered during a visit to the new HOPE location in Montgomery, that song title should not apply to interest rates.

In 2018, HOPE opened **three new locations—** Montgomery, Alabama; New Orleans, Louisiana; and Memphis, Tennessee.

"I was banking with another institution when a friend suggested I stop by HOPE," Nettles says. "The representative there took one look at my car loan and said, 'With your credit score, I cannot believe you're being charged this high interest rate.' I always just looked at it as apply for the loan, get approved, and move on. HOPE showed me the difference a lower interest rate based on my excellent credit would make. I realized I was basically being robbed."

Nettles refinanced his car through HOPE at a much lower rate, and eventually moved *all* of his business, including a line of credit and pre-approval for a new mortgage loan, to HOPE. In addition to lower interest rates and better service, HOPE has given Nettles the knowledge and awareness he needs to more efficiently manage his money.

"HOPE has helped me more in a few weeks than anyone else has in all of my 47 years," Nettles says. "I don't look at my finances the same way now. HOPE helped me take control of my finances, and by doing that, they've changed my life and the lives of my wife and our children."

Nettles still performs "Never Too Much," but he's also added another favorite to his repertoire. He's reminded of his relationship with Hope Federal Credit Union every time he croons Al Green's "Let's Stay Together."

**"I WAS BANKING WITH ANOTHER INSTITUTION WHEN A FRIEND SUGGESTED I STOP BY HOPE."**

ERIC NETTLES



**BUILDING A LEGACY TOGETHER** — When Hope Federal Credit Union merges with an existing credit union, the goal is not to erase that organization's history. Instead, HOPE takes the time to learn the culture of the organization and what its members value most. Many credit unions choose to merge with HOPE to take their services and their communities to the next level. HOPE's goal is to build a member/community-owned financial institution wherever HOPE has a presence.

# MOVING FORWARD TOGETHER

32

LOCATIONS  
IN 5 STATES

## HOPE'S IMPACT IN 2018

Beginning from ground zero  
in 1994, HOPE made the  
following impact in 2018:

3,927

NEW MEMBER-  
OWNERS IN 2018  
(TOTAL = 47,976)

\$84.9

MILLION IN  
TOTAL LENDING

2,674

CONSUMER LOANS  
TOTALING \$10 MILLION

51

COMMERCIAL LOANS  
TOTALING \$53.4 MILLION

185

MORTGAGE LOANS  
TOTALING \$19.2 MILLION

7,937

STUDENTS WERE EDUCATED IN  
SCHOOLS FINANCED BY HOPE.  
89% RECEIVED FREE AND  
REDUCED-PRICE LUNCHES.

772

ADDITIONAL RESIDENTS  
IN QUALITY, AFFORDABLE  
HOPE-FINANCED RENTAL  
HOUSING (TOTAL = 5,564)

125,000

PATIENTS WERE  
TREATED IN HEALTHCARE  
FACILITIES FINANCED  
BY HOPE.



# SHAPING POLICY TOGETHER

HOPE IS BOTH AN ACTION-ORIENTED, BOOTS-ON-THE-GROUND SERVICE PROVIDER AND A TRAILBLAZING ADVOCATE FOR POLICIES AND PRACTICES THAT PROMOTE OPPORTUNITY.

HOPE's record of success lies in its close connections to the communities and people it serves. It's this frontline work that positions HOPE to speak with authority on policy matters, ultimately leading to lasting impact.

Since its inception, HOPE has leveraged billions of dollars and improved the lives of millions in the Deep South and across the nation. Through advocacy, HOPE dramatically expands its impact while also changing the systems that make its work so necessary in the first place.



Federal Reserve Chairman Jerome Powell headlined the forum Rural Places, Rural Spaces at Mississippi Valley State University.

HOPE

# CLOSING THE FINANCIAL SERVICES GAP

**CONSUMERS WHO HAVE ACCESS TO MAINSTREAM FINANCIAL INSTITUTIONS, INCLUDING BANKS AND CREDIT UNIONS, HAVE A GOVERNMENT-INSURED, NON-PREDATORY FINANCIAL RESOURCE THAT ENABLES THEM TO SAVE, BUILD CREDIT, SECURE LOANS FOR AUTOMOBILES OR HOMES, OR FINANCE A SMALL BUSINESS.**

NATIONALLY, ONE IN FOUR AMERICANS has no relationship with a financial institution. These consumers don't have access to loans for mortgages or capital to grow small businesses; in many cases, they don't even have access to an ATM or a place to open a basic checking account.

HOPE works to create paths out of poverty by closing this financial services gap.

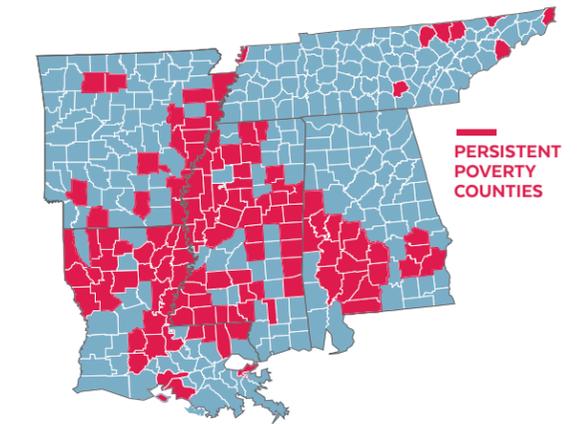
### RURAL PLACES, RURAL SPACES

Some of the most important work undertaken by HOPE in 2017-18 was its advocacy for increasing investment in persistent poverty areas – places where the poverty rate has exceeded 20 percent for three decades or more in a row.

As part of the U.S. Partnership on Mobility from Poverty, HOPE focused national attention on the connection between financial services and economic mobility – particularly in persistent poverty areas. A resulting paper, titled *Opening Mobility Pathways by Closing the Financial Services Gap*, was the catalyst for a HOPE-hosted June 2018 forum in Birmingham, Alabama, which convened representatives from the banking, philanthropic, and public sectors to build upon recommendations in the paper and forge action steps for moving forward.

In early 2019, HOPE's policy forum, titled "Rural Places, Rural Spaces: Closing Financial Service Gaps in Persistent Poverty America," brought Federal Reserve Chairman Jerome Powell to Itta Bena, Mississippi, to underscore the importance of investing in historically underserved people and places. The forum generated national coverage such as the NBC "Today" show, CNBC, and the *Wall Street Journal*.

After 25 years of injecting capital into low-income areas, HOPE continues to take the argument for increasing investment in those communities to the highest levels of United States policy development, finance, and philanthropy.



### PERSISTENT POVERTY WORKING GROUP

Nationwide, there are **395 PERSISTENT POVERTY COUNTIES** where the poverty rate has eclipsed **20 PERCENT** for three decades in a row. HOPE's service area is home to **ONE-THIRD** of those counties. Over the last several years, HOPE has banded together with CDFIs located in other persistently poor places, including Appalachia, the U.S./Mexico border, and Native American communities to advocate for increased public, private, and philanthropic investment in these underserved regions.

### FOUNDATION FUNDING PER PERSON

ALABAMA BLACK BELT/MISSISSIPPI	\$41
COAL AND LOW COUNTRY	\$43
NEW YORK CITY	\$1,966
SAN FRANCISCO	\$4,095

Source: National Committee on Responsive Philanthropy as the South Grows



**HOPE formed Small Town Partnerships**  
with the communities of: Drew Moorhead · Itta Bena · Shaw · Utica  
Yazoo City · Louisville

**SMALL TOWN PARTNERSHIP**

Small, rural towns often lack community and economic development staff, leaving them at a disadvantage when competing for resources.

HOPE's Small Town Partnership has responded to that need in seven Mississippi towns by working hand-in-hand with local residents, leaders, and stakeholders to identify needs and develop plans to help their communities grow and thrive.

One outcome of the planning process was an innovative program to remove abandoned houses and create related jobs in Shaw, Drew, and Yazoo City. HOPE partnered with these towns, the Mississippi Home Corporation, and local businesses to dismantle the homes and recycle the materials, resulting in the removal of 38 blighted properties and the employment of five to eight individuals per house, who received on-the-job training in the building and construction trades by learning how to deconstruct a home.

**“UNEMPLOYMENT IS NEAR A HALF-CENTURY LOW, AND ECONOMIC OUTPUT IS GROWING AT A SOLID PACE. But that prosperity has not been felt as much in some areas, including many rural places.”**

*JEROME H. POWELL, FEDERAL RESERVE BOARD CHAIRMAN*



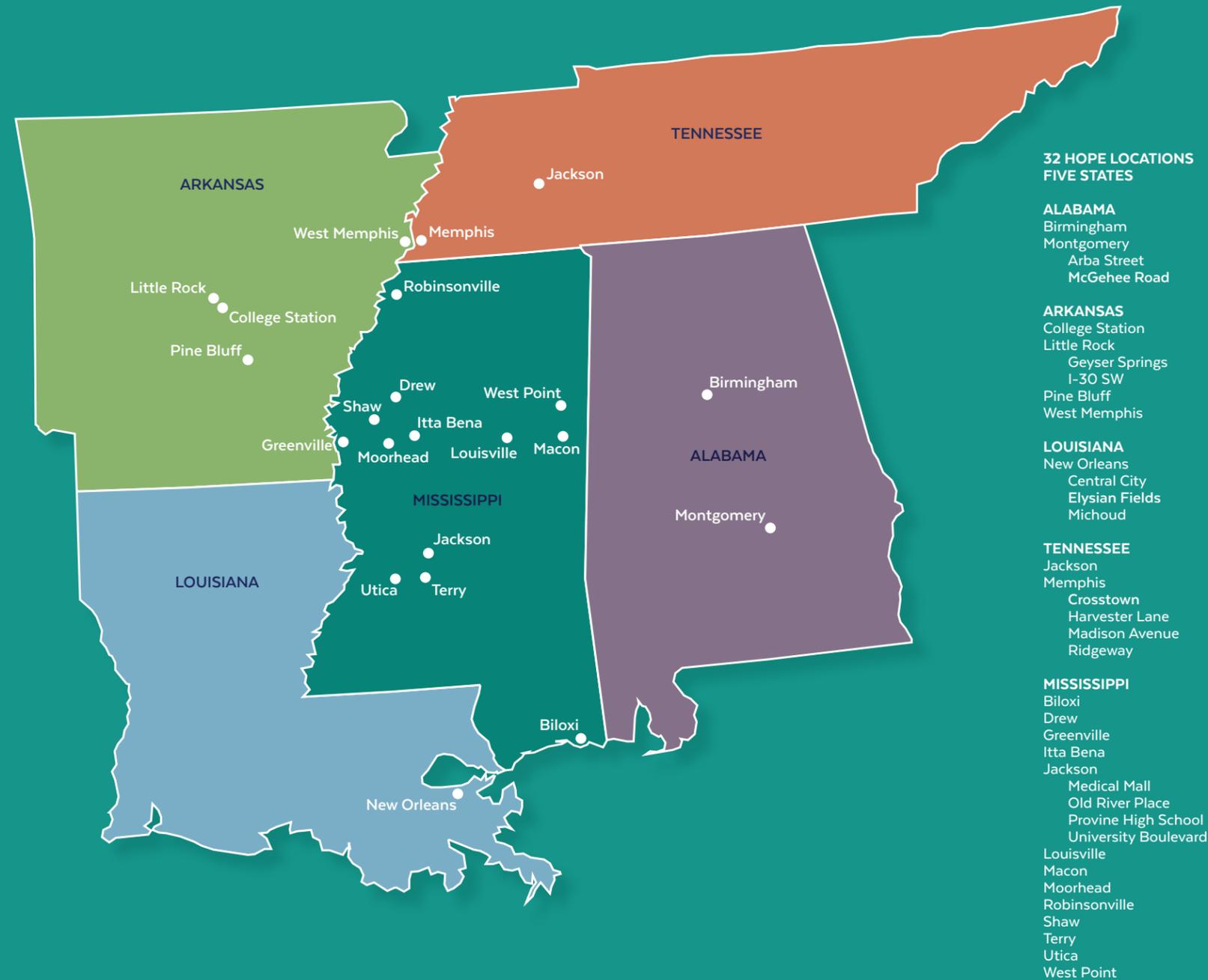
Through the Small Towns Partnership, HOPE pursues innovative affordable housing solutions.

**LEVERAGING THE OPPORTUNITY ZONES PROGRAM IN MISSISSIPPI**

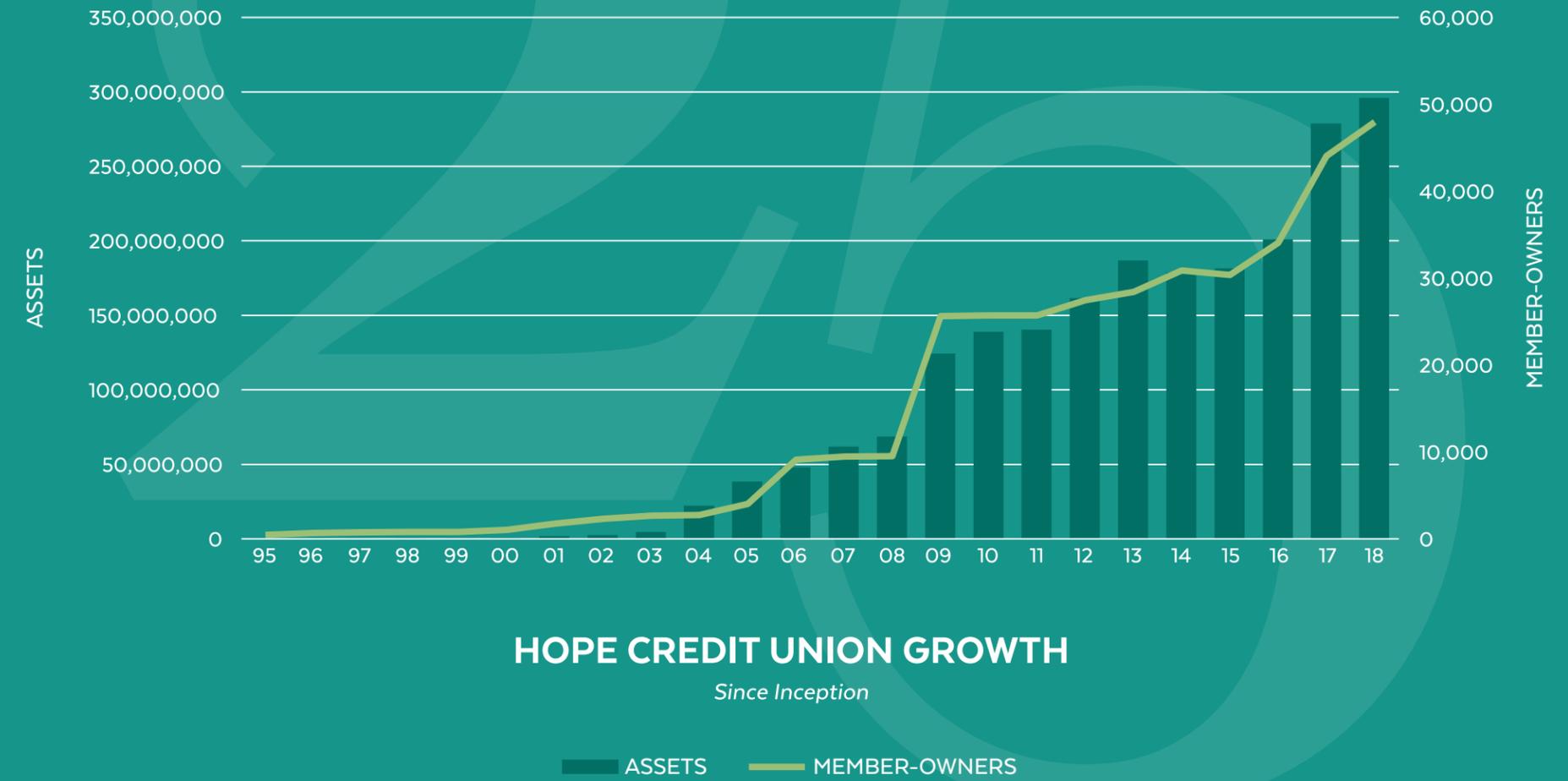
In 2018, HOPE served on Mississippi Governor Phil Bryant's Opportunity Zones Task Force. By emphasizing the value of including high-poverty, low-median family income census tracts with stable levels of small business lending and adding Small Business Administration data to the range of variables under consideration in the Opportunity Zones selection process, HOPE identified census tracts, particularly in rural areas, that may not have otherwise been included in the final list of recommendations. A number of HOPE's recommendations, particularly in the Delta and including parts of Sunflower County, were incorporated into the final list.



**THE CALM AFTER THE STORM** — When Hurricane Katrina swept away areas of the Gulf Coast in 2005, HOPE drafted the affordable housing section of Mississippi's recovery plan, placed the first newly constructed homes on the Gulf Coast, and launched recovery programs for individuals and small business owners. HOPE's efforts leveraged nearly \$1 billion and provided housing for **655 FAMILIES**, enabled **625 BUSINESSES** to reopen their doors, and helped more than **30,000 PEOPLE** put their lives back together.

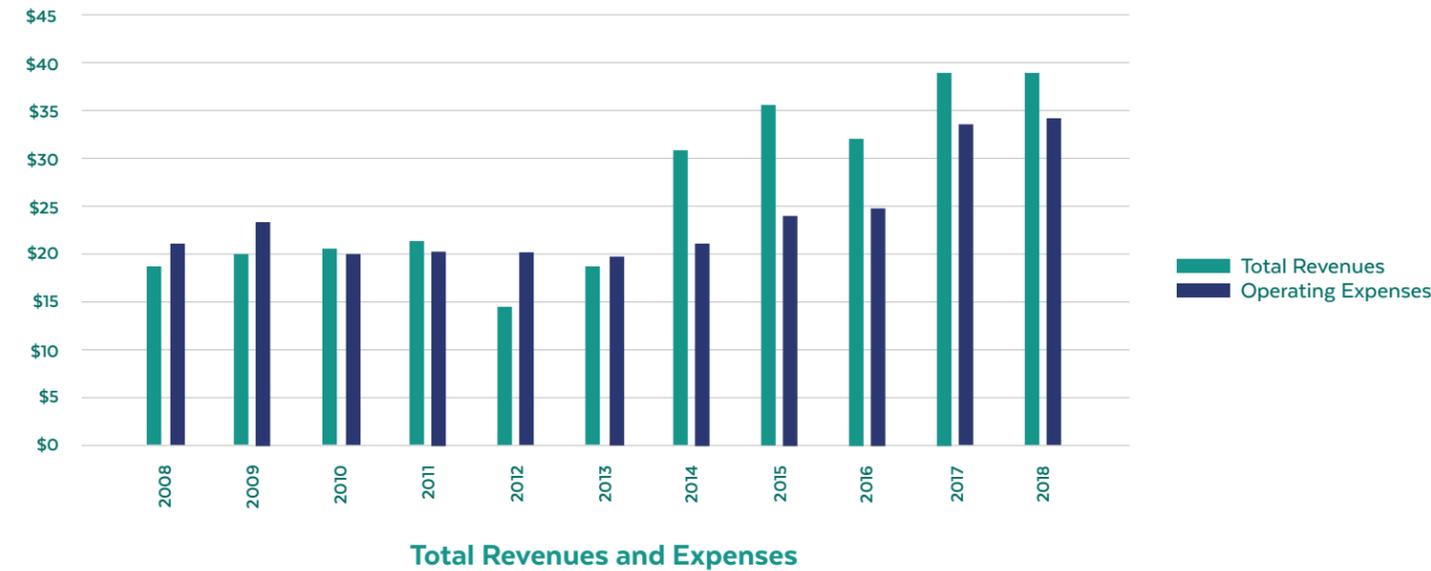


# GROWING TOGETHER

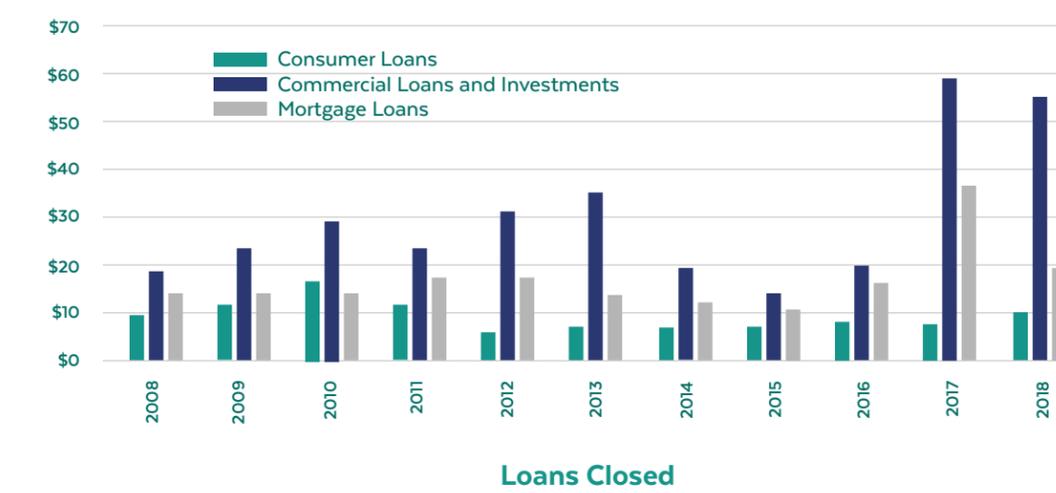
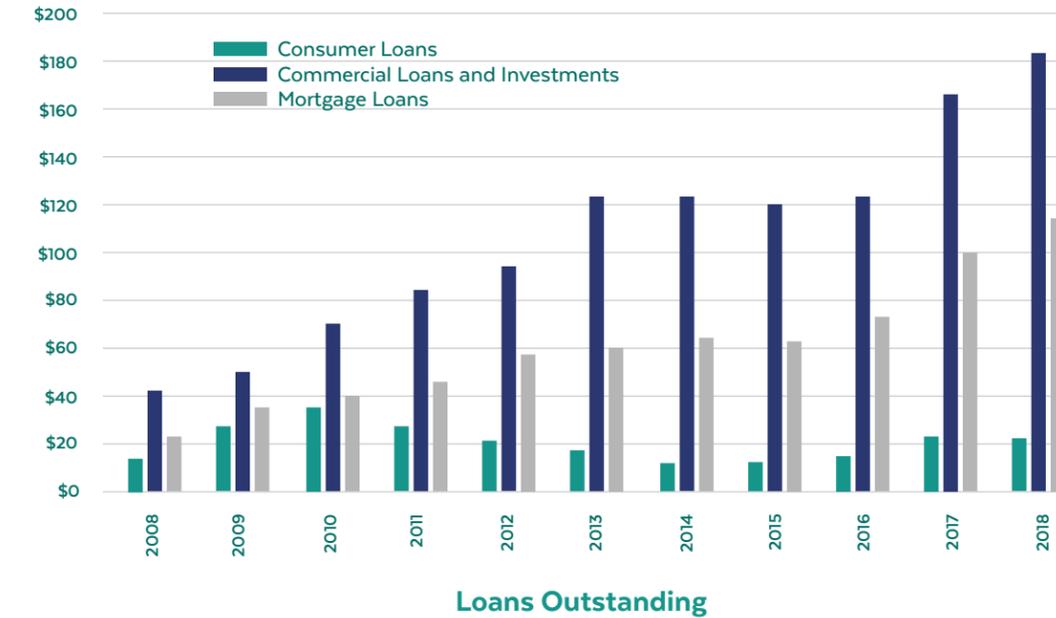


# CONSOLIDATED AND COMBINED FINANCIAL HIGHLIGHTS

HOPE ENTERPRISE CORPORATION/HOPE FEDERAL CREDIT UNION



# CONSOLIDATED AND COMBINED FINANCIAL HIGHLIGHTS



	YEAR ENDED DECEMBER 31	
	2018	2017
<b>RESULTS OF OPERATIONS</b>		
Total Revenues	\$38,709,569	\$38,824,306
Operating Expenses	34,177,247	33,614,163
Loan Loss Reserve Expense	4,266,629	10,387,431
Change in Net Assets (Net Income)	265,694	(10,897,777)
<b>FINANCIAL POSITION</b>		
Total Assets	\$425,843,147	\$384,597,923
Total Net Assets (Net Worth)	128,758,350	104,427,200
Loans	328,167,363	296,058,315
Total Debt	61,003,071	67,023,338
Total Deposits	236,081,726	213,147,385
<b>RESULTS OF ACTIVITIES</b>		
Total Loans Closed	84,930,136	101,954,226

## COMBINED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2018

	HEC Consolidated	Hope Credit Union	Eliminations	Combined 2018	Combined 2017
<b>ASSETS</b>					
Cash and cash equivalents	\$11,369,898	\$31,924,227	\$(4,550,870)	\$38,743,255	\$45,161,516
Restricted cash	5,124,098	-	-	5,124,098	1,390
Debt and other securities	20,622,855	13,193,642	(12,475,000)	21,341,497	23,793,635
Investment in non-consolidated partnerships	1,036,558	-	-	1,036,558	1,036,558
Grants and other receivables	13,893,164	3,696,206	(1,307,825)	16,281,545	14,436,559
Prepaid expenses	362,131	332,241	-	694,372	2,381,669
Other assets	274,743	5,591,625	-	5,866,368	3,484,942
Interest receivable	148,865	939,928	-	1,088,793	857,639
Consumer loans	-	22,717,559	-	22,717,559	25,571,254
Commercial loans	96,292,209	96,286,935	(864,812)	191,714,332	169,341,304
Residential mortgage loans	2,880,277	110,855,195	-	113,735,472	101,145,757
Allowance for loan losses	(2,496,836)	(5,031,953)	-	(7,528,789)	(15,897,453)
<b>Loans, net</b>	<b>96,675,650</b>	<b>224,827,736</b>	<b>(864,812)</b>	<b>320,638,574</b>	<b>280,160,862</b>
Foreclosed property	132,520	564,303	-	696,823	633,757
Goodwill	-	171,131	-	171,131	195,578
Property and equipment, net	2,486,929	11,673,204	-	14,160,133	12,453,818
<b>Total assets</b>	<b>\$152,127,411</b>	<b>\$292,914,243</b>	<b>\$(19,198,507)</b>	<b>\$425,843,147</b>	<b>\$384,597,923</b>
<b>LIABILITIES</b>					
Accounts payable	\$3,057,303	\$4,108,611	\$(1,307,825)	\$5,858,089	\$4,109,815
Dividends payable	-	463,504	-	463,504	343,761
Member deposits	-	240,632,596	(4,550,870)	236,081,726	213,147,385
Other liabilities	21,522	-	-	21,522	21,521
Notes payable and long-term loans	25,425,528	42,574,240	(13,339,812)	54,659,956	62,548,241
<b>Total Liabilities</b>	<b>28,504,353</b>	<b>287,778,951</b>	<b>(19,198,507)</b>	<b>297,084,797</b>	<b>280,170,723</b>
<b>NET ASSETS AND EQUITY</b>					
Uninsured capital and reserves	-	5,135,292	-	5,135,292	5,008,106
Unrestricted net assets	6,133,130	-	-	6,133,130	10,334,706
Non-controlling interests	88,252,979	-	-	88,252,979	64,427,517
<b>Total unrestricted</b>	<b>94,386,109</b>	<b>5,135,292</b>	<b>-</b>	<b>99,521,401</b>	<b>79,770,329</b>
With Donor Restrictions	29,236,949	-	-	29,236,949	24,656,871
<b>Total net assets</b>	<b>123,623,058</b>	<b>5,135,292</b>	<b>-</b>	<b>128,758,350</b>	<b>104,427,200</b>
<b>Total liabilities and net assets</b>	<b>\$152,127,411</b>	<b>\$292,914,243</b>	<b>\$(19,198,507)</b>	<b>\$425,843,147</b>	<b>\$384,597,923</b>

See accompanying notes.

## COMBINED STATEMENT OF ACTIVITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	Unrestricted	With Donor Restrictions	2018 Total	2017 Total
<b>REVENUES AND GAINS</b>				
Grants and contributions	\$14,006,940	\$7,947,539	\$21,954,479	\$27,566,463
Program income	15,541,237	-	15,541,237	10,428,713
Investment income	1,213,853	-	1,213,853	829,130
	30,762,030	7,947,539	38,709,569	38,824,306
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of program restrictions	3,045,733	(3,045,733)	-	-
Expiration of time restrictions	20,000	(20,000)	-	-
Transfers from changes in program restrictions	301,728	(301,728)	-	-
<b>Total Revenues and Gains</b>	<b>34,129,491</b>	<b>4,580,078</b>	<b>38,709,569</b>	<b>38,824,306</b>
<b>EXPENSES</b>				
Program expenses				
Commercial lending and assistance	9,520,650	-	9,520,650	16,365,255
Mortgage lending and housing	3,347,899	-	3,347,899	2,919,563
HOPE and consumer lending	11,093,423	-	11,093,423	6,320,129
Other programs	1,390,621	-	1,390,621	6,317,423
	25,352,593	-	25,352,593	31,922,370
Development and communications	1,459,574	-	1,459,574	1,604,256
General Administration	11,631,708	-	11,631,708	10,474,968
<b>Total Expenses</b>	<b>38,443,876</b>	<b>-</b>	<b>38,443,876</b>	<b>44,001,594</b>
<b>EQUITY IN EARNINGS OF AFFILIATED COMPANY</b>				
Change in net assets before minority interests	(4,314,384)	4,580,078	265,694	(10,897,777)
Change in other comprehensive gains/losses	(113,943)	-	(113,943)	(62,582)
Minority interests in subsidiaries losses	353,937	-	353,937	14,100,648
<b>Change in net assets attributable to controlling interest</b>	<b>(4,074,390)</b>	<b>4,580,078</b>	<b>505,688</b>	<b>3,140,289</b>
Acquisition of non-controlling interest	-	-	-	-
<b>Net assets attributable to controlling interest</b>				
At beginning of year	15,342,812	24,656,871	39,999,683	36,859,394
<b>Dividends paid to controlling interests</b>				
At end of year	11,268,422	29,236,949	40,505,371	39,999,683
<b>Net assets of minority interests</b>	<b>88,252,979</b>	<b>-</b>	<b>88,252,979</b>	<b>64,427,517</b>
<b>Net assets and equity at the End of Year</b>	<b>\$99,521,401</b>	<b>\$29,236,949</b>	<b>\$128,758,350</b>	<b>\$104,427,200</b>

See accompanying notes.

# NOTES TO COMBINED & CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) FOR THE YEARS ENDING DECEMBER 31, 2018 AND 2017

## 1. BASIS OF PRESENTATION

The accompanying combined and consolidated financial statements include the consolidated financial statements of the Hope Enterprise Corporation (HEC) (formerly Enterprise Corporation of the Delta (ECD)) and the financial statements of Hope Federal Credit Union (formerly Hope Community Credit Union (HCU)). HEC has received a ruling from the Internal Revenue Service for exemption from income taxes as a public charity under Internal Revenue Code Sections 501(c)(3) and 509(a)(2). HCU is a chartered cooperative association located in Jackson, Mississippi. During 2011, HCU converted from a state charter to a federal charter organization under the provisions of the Federal Credit Union Act and is organized for the purpose of promoting thrift among and creating a source of credit for its members as defined in its charter and bylaws. All significant intercompany accounts and transactions have been eliminated in the combination and consolidation. The purpose of this presentation is to report HEC and HCU as operating together to fulfill their joint mission. HEC is the primary sponsor of HCU and encompasses the field of membership of HCU. HEC and HCU share staff and resources in operating terms. Separate audited financial statements of HEC and HCU are available at www.hope-ec.org and www.hopecu.org.

Subsidiaries of HEC include ECD Investments, LLC (ECDI), ECD Investments BIDCO Corporation (BIDCO), ECD Associates, LLC (ECDA), ECD New Markets, LLC (ECDNM), Home Again, Inc. (Home Again), ECD New Markets 4 LLC, ECD New Markets 5, LLC, Hope New Markets 1, LLC, Hope New Markets 2, LLC, Hope New Markets 3, LLC, Hope New Markets 4, LLC, Hope New Markets 5, LLC, Hope New Markets 6, LLC, Hope New Markets 7, LLC, Hope New Markets 8, LLC, Hope New Markets 9, LLC, Hope New Markets 10, LLC, Hope New Markets LLC, 11 and Hope New Markets 12, LLC. ECDI, a Mississippi Limited Liability Company, was formed in 1997 as a for-profit subsidiary of HEC. HEC holds the controlling interest in ECDI through its ownership of all of ECDI's outstanding Class B units. Class A and C units of ECDI were sold for investment to qualified institutional and individual investors. Investments made

by qualified institutional and individual investors less accumulated losses are shown as minority interest in subsidiary. BIDCO is a wholly-owned subsidiary of ECDI. ECDI and BIDCO were created to extend HEC's commercial lending activities. ECDA, a Mississippi Limited Liability Company was formed in 2004 to raise capital to invest in ECDNM, a Mississippi Limited Liability Company formed in 2003. HEC is the managing member of ECDA and ECDNM. Units of ECDA were sold for investment to qualified institutional and individual investors. Capital invested by ECDA in ECDNM was used to invest in HCU. In return, ECDA received New Markets Tax Credits and cash over the investment periods which are distributed to investors in ECDA. Home Again, Inc. (Home Again) began operation in 2006 with the HEC as primary sponsor. Home Again provided mortgage financing and recovery consultation services to eligible persons in the coastal region of Mississippi in the aftermath of Hurricane Katrina. It has continued to provide affordable housing solutions in the region covered by HEC. ECD New Markets 3, LLC began operations in 2010 and is a commercial loan fund in partnership with a local bank. ECD New Markets 4, LLC began operations in 2011 and is a commercial loan fund in partnership with a local bank. ECD New Markets 5, LLC was formed in late 2012 and began operations in 2013. Hope New Markets 1, LLC began operations in 2013 and is a commercial loan fund in partnership with a bank. Hope New Markets 2, LLC began operations in 2013 and is a commercial loan fund in partnership with a bank. Hope New Markets 3, LLC began operations in 2013 and is a commercial loan fund in partnership with a bank. Hope New Markets 4, LLC began operations in 2013 and is a commercial loan fund with a bank. Hope New Markets 5, LLC began operations in 2017 and is a commercial loan fund in partnership with a bank. Hope New Markets 6, LLC began operations in 2018 and is a commercial loan fund in partnership with a bank. Hope New Markets 7, LLC began operations in 2017 and is a commercial loan fund in partnership with a bank. Hope New Markets 8, LLC began operations in 2017 and is a commercial loan fund in partnership with a bank. Hope New Markets 9, LLC began operations in 2017 and is a commercial loan fund in partnership with a bank. Hope New Markets 11, LLC began

operations in 2018 and is a commercial loan fund in partnership with a bank. Hope New Markets 12, LLC began operations in 2018 and is a commercial loan fund in partnership with a bank. ECD New Markets 3 was liquidated in 2018.

During 2017, HCU acquired all the assets and liabilities of B&W Mississippi Employees Federal Credit Union, Michoud Credit Union and Tri-Rivers Federal Credit Union in NCUA directed mergers accounted for as purchases. These mergers resulted in a net gain on acquisition of approximately \$989,000.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about HEC/HCU's financial position, results of operations and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters. Certain reclassifications have been made to the 2017 combined financial statements to conform to the presentation in 2018.

## 2. CASH AND MARKETABLE SECURITIES

Cash and marketable securities are comprised of cash and cash equivalents and other securities held by HEC/HCU in the ordinary course of business:

	2018	2017
Cash and cash equivalents (including restricted cash)	\$43,867,353	\$45,162,906
Debt and other securities	21,341,497	23,793,605
	\$65,208,850	\$68,956,541

## 3. GRANTS AND OTHER RECEIVABLES

Unconditional grants are recognized as revenue in the period the commitment is received. Unconditional grants to be received over a period of time in excess of one year are recorded at fair value at

the date of the grant based upon the present value of payments to be received. HEC/HCU's management anticipates grants receivable at December 31, 2018 will be received and available for support of HEC/HCU's programs as follows:

Grants due in less than one year	\$13,206,467
Grants due in one to five years	2,954,371
Contacts and other receivable	242,492
<b>Total grants and other receivables</b>	<b>16,403,330</b>
Less adjustment to reflect grants receivable at fair value at the date of grant, based on 2.5% discount rate	(121,785)
<b>Net grants and other receivables</b>	<b>\$16,281,545</b>

## 4. LOANS

The composition of the loan portfolios are as follows:

	2018	2017
Consumer loans outstanding	\$22,717,559	\$25,571,254
Commercial loans outstanding	184,072,067	169,341,304
Residential mortgages loans outstanding	113,222,038	101,145,757
	\$320,011,664	\$296,058,315

Consumer loans are either uncollateralized or secured by vehicles or deposits.

Commercial loans are typically collateralized by property, equipment, inventories, and/or receivables with loan-to-value ratios from 50% to 100%. Commercial loans are typically guaranteed by the principals of the borrower.

Commercial loan commitments are made to accommodate the financial needs of HEC/HCU's customers/members. These arrangements have a credit risk essentially the same as that involved in extending loans to customers of commercial banks and

are subject to HEC/HCU's normal credit practices.

HEC/HCU also originates residential mortgage loans. These loans are typically collateralized by residential real estate with a loan to value ratio of 97% or less.

## 5. ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at a level considered adequate by management to provide for probable loan losses related to specifically identified loans and for losses inherent in the loan portfolio that has been estimated as of the balance sheet date. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolios, growth and composition of the loan portfolios, economic conditions and other relevant factors. The allowance is increased by provisions for loan losses charged to expense.

Transactions in the allowance for loan losses are summarized as follows:

	2018	2017
Balance at beginning of year	\$15,897,453	\$6,504,489
Provision charged to operating expenses	4,266,629	10,387,431
Loans and investments charged-off and foreclosed-net	(12,635,293)	(994,468)
<b>Balance at end of period</b>	<b>\$7,358,789</b>	<b>\$15,897,453</b>

## 6. FORECLOSED PROPERTY

Foreclosed property consists of properties repossessed on foreclosed loans. These assets are stated at the lower of the outstanding loan amount (including accrued interest, if any) or fair value at the date acquired less estimated costs to sell. Losses arising from the acquisition of such property are charged against the allowance for loan losses. Declines in value resulting from disposition of such property are expensed as impairment loss on foreclosed property or loss on disposition of foreclosed property, as applicable.

## 7. DIVIDENDS PAYABLE AND SHARES AND SHARE CERTIFICATES

Dividends payable are dividends earned on share draft accounts, share accounts and share certificates by members of HCU and not yet paid by HCU. Share draft accounts are the credit union equivalent of bank checking accounts. Interest is earned on some HCU share draft accounts and money market share draft accounts. Share accounts are the credit union equivalent of bank savings accounts and share certificates are the credit union equivalent of bank certificates of deposit. All share draft accounts, share accounts and share certificates are insured by the National Credit Union Administration up to \$250,000 per member.

## 8. LONG-TERM DEBT

The maturities of long-term debt at December 31, 2018 are as follows:

2019	\$6,588,021
2020	5,199,039
2021	3,325,984
2022	7,557,176
2023	4,905,514
Thereafter	27,084,222
	<b>\$ 54,659,956</b>

## 9. UNINSURED CAPITAL AND RESERVES

The uninsured capital and reserves include accumulated reserves, and undivided earnings of HCU.



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# MOVING FORWARD TOGETHER



HOPE DOESN'T THRIVE IN A VACUUM. The progress reflected in these pages didn't come through HOPE's efforts alone. Every success is the result of the combined efforts of the communities and people HOPE serves and the forward-thinking partners that share HOPE's vision of financial inclusion for everyone, regardless of their circumstance.

**TO FIND OUT HOW YOU OR YOUR ORGANIZATION CAN JOIN US, VISIT [HOPECU.ORG](https://HOPECU.ORG).**

WITH YOUR VISION, WE WILL CONTINUE TO REVITALIZE COMMUNITIES AND CHANGE LIVES.  
WITH YOUR PARTICIPATION, WE WILL CONTINUE TO WORK, GROW, AND IMPROVE.  
WITH YOUR HELP, WE WILL CONTINUE TO HOPE TOGETHER.



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