# Owning THE MOMENT

## 2022 IMPACT REPORT

Hope
credit union
enterprise corporation
policy institute

Dear friends,

From an early age, we constantly hear that that the key to success in life is hard work. The tale of the Three Little Pigs serves as a prime example, where the most industrious, and ultimately the most successful pig is that one that takes the time to build a house made of bricks. In contrast, Big Bad Wolf easily blows down straw and stick houses built by the less diligent pigs.

Unfortunately, millions of our hardest-working neighbors know firsthand that effort alone has not been enough to support their families and fully participate in the American Dream. On a daily basis, they face the reality that while many can easily access the bricks and other resources needed to fortify their lives, others cannot afford straw, or systems reinforced by discriminatory policies, and practices deny them the means to achieve a decent quality of life. And when the winds of economic distress huff and puff the hardest – during the pandemic and ensuing economic crisis, as we navigate the highest inflation in decades, as devastating tornadoes disrupt lives across the region – they know that hardship falls the heaviest in low-income areas and on people of color.

Research by Opportunity Insights finds that many factors determine one's ability to realize their potential far more than hard work. A person's address, their birthplace, gender, race, or social connections all affect the steepness of their climb up the economic ladder. Primary characteristics of high-mobility communities include lower poverty rates, more stable households, better quality community facilities, higher levels of civic engagement, and greater interaction among people across income levels.

Adding to the challenge, government, private industry, and banking policies and practices often add to the barriers that limit economic mobility for society's most vulnerable residents. Examples include:

- During the early stages of the pandemic, when Black-owned businesses were closing at twice the rate of their white-owned counterparts, sole proprietorships, which constitute 96% of all Black businesses, were ineligible for the first round of the $800 billion Paycheck Protection Program.
- In Mississippi, where nearly 40% of the population is Black, Hope Policy Institute's analysis revealed that 69% of mortgage loans were made by banks that received federal funding to provide financial services in underserved markets went to white borrowers, while only 11% went to Black borrowers – a rate lower than the statewide rate for all mortgage originations.
- In Memphis, there are 114 payday lenders, check cashers, and other high-cost lending storefronts, more than twice the number of McDonald's and Starbucks combined. These outlets are disproportionately located in neighborhoods with higher percentages of Black and Latino residents.

As the United States becomes more diverse, and people of color become America's emerging majority, it is in our collective interest to ensure that everyone has the opportunity to realize their potential.

At HOPE, we do this by fostering ownership. Children with savings accounts are more likely to attend and graduate from college. The net worth of Black business owners is 12 times that of Black non-business owners. In addition to the fact that homes are the primary asset on the balance sheet of American households, families who own homes experience better education, health, stability, social cohesion, and other outcomes that increase economic mobility. We supplement these efforts to build household wealth by financing vital community assets such as schools, health care providers, grocery stores, nonprofit service providers, and affordable rental housing. The impact overview spread illustrates how HOPE's financing and related services reach deeper than traditional financial institutions.

The Hope Policy Institute uses data and lessons drawn from our program activities to ensure that the realities faced by Deep South residents are considered in rooms where policy decisions are made. HOPE's analysis and advocacy played a pivotal role in shaping legislation that directed billions of dollars, and prioritized federal support for CDFIs, persistent poverty areas and minority lending institutions. HOPE's influence was underscored when in 2022, Vice President Kamala Harris accepted our invitation to visit Greenville, Mississippi. While there, in addition to highlighting the importance of investing in rural communities, the Vice President met with Joycee Johnson, who received a Paycheck Protection Program loan from HOPE that enabled her sewing and fabric business to survive the pandemic.

As more policy makers, corporations, foundations, and individuals acknowledge the importance of an economy that works for everyone, HOPE will continue to focus our programmatic and policy capabilities on furthering this progress, lifting up the needs and potential of Deep South communities.

Thanks to you, we are in a great position to undertake this important work. Over the course of nearly three decades, we have catalyzed an ecosystem of allies, policy makers, corporations, foundations, HBCUs, municipal, and community leaders who share our commitment to an economy that works for everyone.

Your support makes this work possible. In the year ahead, we will lean into this unique moment by expanding and influencing investment in communities that have too long been on the outside of our economy. In the process, we will create more stories like those in this report, so that more high school students can touch the sky, and so elderly women in the Mississippi Delta no longer have to endure rain pouring through holes in their roofs.

Together we will harness the wolves that limit economic mobility, empowering low-resource people to build brick-fortified houses and control their destinies through ownership. By owning this moment, we will chart a brighter future for the Deep South
- one that promotes dignity and opportunity for all.

Sincerely,

Bill Bynum, CEO, HOPE

# **HOPE** GOVERNANCE


**HOPE ENTERPRISE CORPORATION**

**Robert L. Gibbs**, *Gibbs Travis, PLLC, Chair*
**Ivye Allen**, *Nonprofit Leader*
**Claiborne Barksdale**, *Attorney & Educator*
**Anne Marie Burgoyne**, *Emerson Collective*
**Mauricio Calvo**, *Latino Memphis*
**Susannah Carrier**, *Silver Lake*
**Bishop Ronnie C. Crudup**, *New Horizon Church International*
**Rebecca Dixon**, *National Employment Law Project*
**Carolyn Gill-Jefferson**, *Attorney*
**Herschell Hamilton**, *BLOC Global Group*
**Maurice Jones**, *OneTen*
**Dan Letendre**, *Bank of America*
**Blanche Lincoln**, *Lincoln Policy Group*
**Felecia Lucky**, *Black Belt Community Foundation*
**Fred Miller**, *Director, Bank of Anguilla*
**Judy Reese-Morse**, *Urban League of Louisiana*
**Martha W. Murphy**, *Murphy Family Limited Investment Partnership*
**Jeffrey Nolan**, *Nonprofit Leader*
**William A. Percy**, *Retired Businessman*
**H. Alexander Wise**, *Retired Nonprofit Leader*

**HOPE CREDIT UNION**

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**Ivye Allen**, *Nonprofit Leader*
**Bill Bynum**, *HOPE*
**Mauricio Calvo**, *Latino Memphis*
**Dexter Doyne**, *Doyne Construction Company*
**Robert L. Gibbs**, *Gibbs Travis, PLLC*
**Alice Graham**, *Retired Nonprofit Leader*
**David Jackson**, *Delta Housing Development Corporation*
**Bernard Mays, Jr.**, *University of Alabama at Birmingham*
**George Penick**, *Retired Educator, Foundation Leader*
**Brenda Richard-Montgomery**, *Community Builder & Housing Developer*
**Ann Shackelford**, *Teach for America – Greater Delta*
**Carol Spencer**, *Trinity Episcopal Church*
**Emily Trenholm**, *High Ground News*
**Carmen Walker**, *Retired Educator*

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# HOPE **IMPACT 2022**

## STRENGTHENING COMMUNITIES, BUILDING ASSETS, AND IMPROVING LIVES ACROSS THE DEEP SOUTH

**90%** People of Color

**86%** First-Time Homebuyers

**64%** Women

*Erika Scott*
*First-Time Homebuyer*
*Montgomery, AL*

## HOMEOWNERSHIP

### MEDIAN CREDIT SCORE

**663** HOPE Mortgage Borrower

**768** National Mortgage Borrower

### MORTGAGE LOANS

*Dennis Long*
*HOPE Member-Owner*
*Louisville, MS*

## RETAIL FINANCIAL SERVICES

### AVERAGE CREDIT SCORE

**641** HOPE Consumer Loan Borrower

**714** National Average Credit Score

### CONSUMER LOANS

**53%** in Economically Distressed Areas

**TOTAL LOANS CLOSED**

**3,744** By Number

**$96.3 Million** By Dollar

# BUSINESS & COMMUNITY ECONOMIC DEVELOPMENT

*Chris Paige, owner, Custom Cuts & Styles, Jackson, MS*

**79%** in Economically Distressed Areas

**64%** Black-Owned

**BUSINESS & CED LOANS**

**260** People in Affordable Rental Units

**215,000** Patients Served in HOPE Financed Health Care Facilities

**22,690** Students Served in HOPE Financed Schools

**1,235** Jobs Supported

*Cynthia Jackson*
*HOPE Member-Owner*
*Montgomery, AL*

**698** Student Checking Accounts

**1,323** Business Checking Accounts

In 2022, HOPE served **110,331** People in Member Households

**46%** of HOPE's members were unbanked or underbanked prior to joining HOPE.

Nationally, **19%** of households are unbanked or underbanked.

*Yvette Ezebuiro, her daughter Missy and their dog enjoy their new home.*

# FROM DREAM TO REALITY: *Owning* A **HOME** IN NOLA

Yvette Burke Ezebuiro refers to HOPE mortgage originator Abby Virgil, who shepherded her through the process of becoming a first-time homeowner, as "my angel."

After 14 years of renting a house in New Orleans, Ezebuiro decided it was time to fulfill her dream of buying a home. As a disabled person who works part-time as a cashier at the Superdome, she had been receiving rental assistance from the Housing Authority of New Orleans (HANO), funded by the U.S. Department of Housing and Urban Development. Ezebuiro applied to HANO's homeownership program, intent on using the subsidy to buy a house rather than continuing to rent. She enrolled in two HANO classes for would-be buyers, Financial Fitness and Homebuyer's Education.

Ezebuiro's friend referred her to HOPE, where she initially learned that she needed to eliminate much of her debt to qualify for a mortgage. So Ezebuiro buckled down, determined to attain her dream.

"Every time I got paid, I paid the credit cards. I don't know how I made it. God helped me because nothing ever got cut off. I pinched here, pinched there, and I made sure everything got paid," Ezebuiro said, adding that HOPE told her in detail what she needed to do, whereas another bank might have dismissed her outright as unable to meet the credit requirements.

*"It's so exciting. Because there are some people out there who don't even believe that they can own a home. It does take some legwork, but it's there. It is available. It can happen."*

**– Abby Virgil, HOPE Mortgage Loan Originator**

When her debt was paid off, Ezebuiro returned to HOPE and began working with Virgil to apply for a 30-year, fixed-rate mortgage. In addition to the federal assistance for her monthly mortgage payments, Ezebuiro received a forgivable loan from the city of New Orleans and a $15,000 Hope Enterprise Corporation grant to help with the down payment. As HOPE does with many first-time home buyers, Virgil spoke to Ezebuiro about the importance of budgeting and managing her credit.

Meanwhile, Ezebuiro looked at homes with a realtor. Unable to afford large-scale repairs, she needed a house that was ready for her to move in with her daughter, Missy, and their dog. She was outbid on her ideal house, but then it came back on the market, albeit for a higher price than she had anticipated.

"And I said, 'Lord, where am I going to get that money from?' I didn't know where I'd get it from, but I told my realtor, 'Put that house in because I'm going to get this house.' I'm in the house I wanted," she said. It's a 3-bedroom, 2-bath home with a yard where Ezebuiro is excited to host her son and two grandchildren for barbecues.

When Ezebuiro closed on the house in November 2022, she called Virgil excitedly and sent pictures holding keys to her new home. Virgil said she got goosebumps. "It's so exciting. Because there are some people out there who don't even believe that they can own a home," Virgil said. "It does take some legwork, but it's there. It is available. It can happen.

# *Owning* HER ROAD

Ashaki Clark's online application to HOPE for a car loan was her last chance, after a number of other banks turned her down. The application came to LaQuitta Welch, Senior Member Service Representative at one of the Memphis branches.

Clark, a mother of two, was recently divorced, struggling to make ends meet, and needed a car to get to work and drive her children to school. Welch told her that she had also gone through a divorce and financial challenges, understood her plight, and would do everything in her power to arrange an auto loan for Clark.

*"I am so thankful for HOPE. They took a chance with me knowing my situation, and helped me to move forward."*

– **Ashaki Clark**

"I told her I can relate. I understood her tears. I gave her a hug and just let her cry because I know what it's like being in that situation," Welch said. "I just wanted to try to get her a car loan with HOPE. I just wanted her to know that somebody else had been through what she had." Welch stayed late at work that evening, searching through Clark's financial records to piece together enough of an on-time bill payment history to increase Clark's credit profile. HOPE uses bill and rent payments as alternative documentation to raise the credit rating of customers who do not have a high enough traditional score to qualify for loans. Clark submitted records of payments for rent, her cell phone, cable service, and anything else that Welch requested.

The next morning the underwriting approved the $29,000 loan. "And when I called her, that was the most joy. She cried. I said, 'Come get your check and pick up your car,'" Welch said. "I gave her the biggest hug ever. I said.

Welch began working for HOPE in February 2022, when she moved to Memphis from Cleveland, Ohio. When she responded to the position posting, Welch had no idea of HOPE's mission to provide financial services to underbanked communities in the Deep South. But her desire to help others has been the perfect match for HOPE.

*Ashaki Clark enjoys smooth rides in her new car financed through HOPE.*

# A BUDDING LANDSCAPER *Owns* HIS FUTURE

Marc Middlebrooks works seven days a week. When he's not working in his position as a code enforcement inspector for the city of Memphis, he's taking care of 16 landscaping clients through a lawn care business he started in 2020.

In 2020, Middlebrooks was a teaching assistant at Ridgeway High School in Memphis and had been mowing lawns during the summers. A local medical office approached Middlebrooks about caring for its grounds but said he'd need to do so as a licensed business. So he approached three banks in Memphis, seeking step-by-step guidance on creating a business. They told him to research the process on the internet.

After the other banks turned him away, he came to HOPE, which walked him through the process of establishing a business, helped him open a commercial account, and arranged the $5,000 loan he needed to build credit for his budding gardening company.

"When I went to HOPE, it was so nice. They actually explained to me what was necessary," Middlebrooks said. "I felt comfortable with HOPE because they gave me the opportunity to actually get a business account." HOPE staff walked him through the process, and he opened his business account on the same day.

Two years later, Middlebrooks had gone from one client to 16, with the demand for his services expanding from cutting grass to debris removal and other landscaping projects. He needed a second riding mower, a debris loader, and more staff. "I work in rain, shine, sleet, or snow," Middlebrooks said enthusiastically. Knowing he would need capital to keep growing the business, he approached HOPE about a business loan.

"Our main goal is to make sure that we're not just assisting them with funds but teaching them how to properly manage those funds to build their business," said Karina Brewer, HOPE Senior Member Service Representative. "We're trying to help them through the process so they don't feel lost, so they're comfortable coming to us with any issues."

Middlebrooks credits HOPE with equipping him to succeed. "It is exhilarating. You start with a small goal and then it expands into something great and gets greater," said Middlebrooks, adding that he never expected his company to grow so quickly.

***"It's extremely important that we have more Black businesses in Memphis... Black men and women can actually own businesses and contribute to the community."***

**– Marc Middlebrooks**

Middlebrooks hopes that more Black residents of Memphis will turn to HOPE to begin small businesses. "It's extremely important that we have more Black businesses in Memphis because we have a huge demographic here. Instead of being shown in a negative light, we should show that Black men and women can actually own businesses and contribute to the community as well. We can actually make a change or a difference," he said. "Hopefully, I can help guide other people to realize that they don't always have to work for someone else, but that they can own their own business. Hopefully, it's an inspiration to others."

The growing landscaping business brings Middlebrooks the extra income he sought to provide for his daughter and son, who are eager to help with the work. "They believe in me because I believe in them. And that's what makes this dream possible because they believe that Daddy can do anything," he said. "Since they believe in me, I have to do it. It's just been a blessing all over. Everything happened when it was supposed to happen. I'm just truly grateful and thankful for everything."

*Marc Middlebrooks and his crew service commercial and residential clients.*

# *Owning* THE **SKIES**

Growing up in Birmingham, AL, Ruben Morris loved going with his uncle to the Birmingham airport on Sundays and watching the airplanes take off and land. While he did not attain his childhood dream of becoming a fighter pilot, Morris has created that opportunity for students in nearby Bessemer by founding the Alabama Aerospace and Aviation High School (AAAHS).

In Fall 2022, AAAHS welcomed about 100 ninth and tenth-grade students, known at the school as "young aviation professionals." The school provides a hands-on, rigorous college preparatory curriculum to prepare students to be leaders in the classroom and in the aerospace and aviation industry as pilots, NASA engineers, aircraft maintenance experts, and air traffic controllers.

Beyond the classroom, the school offers internships, apprenticeships, and training opportunities with Delta Airlines, the Bessemer Airport Authority, and other local military and aviation partners. Long term, Morris seeks to diversify the pipeline of pilots and where his mostly Black students do not see enough role models who look like them. "With this new high school, we are inspiring students to soar and giving them the wings to do it," Morris said.

When looking for a financial partner to fund the outfitting of this unique school, Morris turned to HOPE because of its funding partnership with the U.S. Department of Education and the credit union's long track record in financing charter schools in the Deep South.

Alabama provides operational funding to public charter schools, but the schools do not receive municipal or county funding, resulting in 30% less revenue. This lack of state facility funding also makes it difficult to open a school since most Government operating money for public charters is available only after students are enrolled and the school year begins.

*"With this new high school, we are inspiring students to soar and giving them the wings to do it."*

**– Ruben Morris, Director of the Alabama Aerospace & Aviation High School**

*Alabama Aerospace and Aviation High School students learn through hands on instruction.*

To address this funding gap, most charter schools fundraise, apply for private grants, and take out loans to secure school buildings. But they often have little to no cash on hand for a down payment toward a loan, and schools opening in economically distressed areas may also have low appraisal values. These schools are thus challenged in obtaining financing from traditional commercial banks.

Recognizing these difficulties, HOPE partners with the U.S. Department of Education to provide credit enhancements that can be used for leasing, buying, building or renovating a charter school facility. HOPE utilizes this funding to fill a gap created by the lack of state/local facility funding. Once the loan is repaid, the credit enhancements are released and can be assigned to another qualifying charter school. To date, HOPE has supported 31 charter school facility projects, with no defaults. AAAHS sought a loan from HOPE for improvements to a building it will lease for the next several years, allowing AAAHS time to plan for its permanent home closer to the Bessemer airport. At scale, AAAHS will enroll up to 500 students.

"Aerospace and aviation are the poster children for opportunity gaps," said Morris, who believes that the school's investment in the community, which currently has a 31.7% poverty rate, will lead to upward mobility for the students and the community at large.

Morris also intends to apply to funding sources not available to most schools, such as aviation education grants from the Department of Defense, the Federal Aviation Administration, and private sector support from major aerospace, aviation, and defense companies.

"We have high expectations. We want our students to be champions of excellence," Morris said, adding that in flying a plane, designing a rocket, or fixing an aircraft, there is no margin for error. "You can't wake up at age 35 and say, 'I'm going to be excellent tomorrow.' We have to cultivate this attention to detail and excellence if we are going to live up to our commitment to our partners."

# *New* ROOF FOR AN OLD LEAK

When Dorris Logan received a call in spring 2022 from Delta Design Build Workshop (Delta DB) that the company was ready to repair her badly leaking roof, "I hollered, I cried, it was like I had won the lottery," she said. The rain had been pouring into the Greenwood, MS, house in multiple spots since 2018. Logan and her late husband moved into the house – built in 1945 – in 1980 but had never been able to afford a new roof so over the decades they had patched it up as needed.

Delta DB, a mission-driven architecture and construction firm, has worked with HOPE since 2020 on funding to repair the homes of elderly and low-income residents of the Mississippi Delta region. With HOPE, Delta DB applied for grants from the Special Needs Assistance Program of the Federal Home Loan Bank of Dallas (FHLB) and from the U.S. Department of Agriculture's (USDA) Rural Development Housing Preservation Grant. In 2022, the company received $80,660 from the FHLB and $99,370 from the USDA, which combined with private donations, enabled Delta DB to repair 21 homes last year, with an average repair cost of $10,600 per house. HOPE, a member of the FHLB, sponsored Delta DB's funding applications.

Undersecretary Xochitl Torres Small, the USDA Under Secretary for Rural Development, came to Mississippi in 2022, and after seeing the work of HOPE and Delta DB, doubled Mississippi's funding for 2023, of which HOPE and Delta DB will receive $184,597.

Logan was on the waitlist for three years, after hearing about Delta DB's services from a neighbor.

The Delta DB team rebuilt more than half of the roof structure. In the process, they found more than 12 layers of shingles throughout the majority of the home. The added weight had collapsed a primary part of the roof structure, bowed out a portion of the walls and caused foundation shifting.

Dontavius McLemore had been with Delta DB for nearly six years before meeting Doris. "The roof was 12 layers of shingles in some spots. They just covered problems with more layers. It looked like a club sandwich," McLemore said. "The last workers did her wrong; I'm so happy we're coming in and doing it right."

Removing this weight allowed Delta DB to rebuild the roof correctly, stabilize the walls, replace molded portions of the ceilings and remove pressure from the foundation. Now, on rainy days Logan is warm, safe, and relieved of the stress previously caused by her roof.

*Delta Design Build, an anchor partner for HOPE's housing work in the MS Delta, rebuilds a roof on a 77-year-old house in Greenwood.*

*"The roof was 12 layers of shingles in some spots... The last workers did her wrong. I'm so happy we're coming in and doing it right."*

*University District Development Corporation works to improve the quality of life in neighborhoods surrounding the University of Arkansas at Little Rock.*

# BUILDING *Ownership*

On Halloween 2022, Magan Hubbard and her daughter Mackenzie, 16, received the biggest treat of all when they moved into their new home in Little Rock, AR. Hubbard's monthly payments for the brand new house were about the same amount she had been paying to rent an apartment.

After searching for about a year, Hubbard's realtor told her about seven affordable new homes for low-income buyers being built by the University District Development Corporation (UDDC), an organization operated from the campus of the University of Arkansas at Little Rock. The university established UDDC in 2008 in partnership with the city of Little Rock, Little Rock School District, and local organizations and businesses. UDDC focuses on improving the quality of life in the neighborhoods surrounding the university, including providing safe, decent, and affordable housing.

Hubbard's priority was to secure a home so she would have an asset to leave her daughter if needed. "I wouldn't care what I had to pay as long as I could leave her something," Hubbard said. "I'm very excited about my home. It was a tedious process but the end result was great. I'm very grateful for the opportunity."

UDDC worked with HOPE to finance the construction of the homes by leveraging a $300,000 HOPE loan to obtain $700,000 from the U.S. Department of Housing and Urban Development managed by the City of Little Rock.

The three-bedroom, two-bath houses averaged about 1,400 square feet and were priced at $150,000 in a community where more than three out of ten of residents lived in poverty. Buyers also needed to meet income eligibility requirements and qualify as a first time or new homeowner.

UDDC directed customers to financial institutions that had the willingness and expertise to

*Barrett Allen, Executive Director of UDDC and his team plan their next development. Below: Barrett Allen congratulates Ms. Hubbard on the purchase of her new home. Ms. Hubbard's home in Little Rock, AR.*

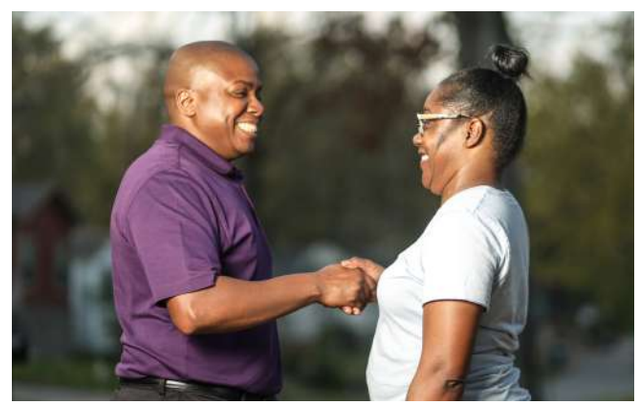
provide mortgages to low-income and first-time homebuyers. The organization also provided grants to assist with down payments and closing costs.

Charity Hallman, HOPE's senior vice president for community and economic development, worked with UDDC on this project. "It hits a couple of HOPE's mission points. First, it's increasing access to affordable homeownership. The second is supporting municipal initiatives. We partner with the city of Little Rock. And we are working to close the homeownership gap for people of color," Hallman said.

Barrett Allen, Executive Director of UDDC, spoke of the disbelief and joy he sees from people who purchase these homes. "Once they walk in, they're just astonished and can't believe that they can get this style and caliber of home at this price point in this location," Allen said. "On sites, we're about to hand somebody the keys and you see the tears, you see the joy, you just see the looks on their face. It just blows them away. And that's what it's about at the end of the day. It comes down to people helping people."

Allen said that prospective customers say in disbelief, "You're going to give me a new home or make a new home available for me, you have this mortgage product that's specifically designed for the home, and I can pick from banks that you've worked with over the years to help create these products. And on top of that, you're going to potentially assist me with down payment and the closing cost. And if I need more, you're going to point me to some of your other partners to assist on top of that."

Allen said that HOPE's mission is critical to getting these homebuyers secured in their new houses. "HOPE is a joy to work with. The staff are accessible and as a community development



financial institution, they get it. They align directly with us. So when it comes to working with HOPE, I can pick up the phone and they're going to be responsive, and they're going to do all they can to make it happen," he said.

# TAPPING INTO THE *Power* OF HBCUs

Oakwood University, located in Huntsville, Alabama, a Historically Black College & University, educates more than 1,400 predominantly Black students annually, with 64% from low-income families.

HOPE is supporting OU by bringing health and cultural options to the surrounding community. Most HBCUs are in economically distressed areas of the South and serve as anchors of their surrounding communities. The historically high levels of disinvestment in these areas makes them prime locations to foster alliances between HBCUs and Community Development Financial Institutions (CDFIs) to improve the overall well-being of local residents.

In 2015, OU launched its "Healthy Campus 2020" program to reverse poor health outcomes and preventable diseases among Oakwood students. Now OU is expanding this initiative to battle the health, food, and job insecurity faced by residents of Northwest Alabama. HOPE partnered with OU to finance the "Healthy Campus, Healthy Community" project, aligning with its mission of closing gaps among underserved populations, providing $7 million in New Markets Tax Credits to the $16 million project.

The project has three components to tackle local inequities in health, nutrition and access to cultural resources:

**Community Health Action Center**
The newly constructed Community Health Action Center (CHAC) will house Huntsville Hospital's 2,000-square foot ambulatory care clinic, which will provide quality primary care and referral

*HOPE provided financing to Oakwood University to fund the Healthy Campus, Health Community Project.*

services. Sixty-five percent of clinic patients are expected to qualify as low-income persons. The CHAC will also provide free access to its Food Pantry, stocked with items sourced from the Food Bank of North Alabama. The CHAC's Mobile Market Food Pantry provides low cost, pesticide-free fruits and vegetables to residents of eight public housing developments without close access to other fresh food sources. Food for the Mobile Market/Pantry is sourced form OU's Oakwood Farms, and prices are set to be affordable for low-income consumers. "We want to ensure that our community members have access to fresh foods, whole foods, and vegetables. If they are unable to come to the campus and visit our market, we don't want that to stop them from consuming healthier foods so we bring this service to them," said Lisa Dalrymple, the Healthy Campus Director.

**Oakwood Farms & Oakwood Market**

OU created both Oakwood Farms and the Oakwood Market as part of the university's industry Recovery Plan (IRP), an effort to support and expand viable industries in Northwest Alabama. Oakwood Market is the distribution point for fresh products grown on Oakwood Farm's 20 acres, including vegetables, herbs, and fruits. Phase One of the Marketplace was recently opened with 5,114 square feet of flexible merchandising and an open floor plan shopping experience like that of a farmer's market, serving an average of 200-300 customers daily.

**Peters Music Hall**

OU is renovating and expanding its Peters Music Hall to provide a vibrant and high-level arts program to both OU students and the Huntsville community. Once a vibrant venue, Peters Hall, built in 1964, aged beyond its capacity to provide the programming sought by local residents. With this renovation and expansion, Peters Hall will grow its public music and education programs; increase auditorium capacity from 144 to 391; add four recording arts and voice summer camps for low-income middle and high school students; add adult music classes; create a new entrance to provide ADA-compliant elevator access to all floors; and expand the lobby to accommodate events and activities for stakeholders and the community.

# *Community-Owned* HOSPITAL IS A **VITAL LIFELINE**

HOPE uses federal tax credits to finance capital projects in rural, underserved areas where residents and institutions have few other options to modernize homes and facilities. In 2022, HOPE received $55 million in New Markets Tax Credits from the Treasury Department and granted them to institutions seeking financing for capital projects to benefit their communities.

## Rural Community Owns Better Health Care with New Hospital

In May 2022, Tippah County Hospital leaders cut the ribbon on a new 56,000-square-foot facility in Ripley, Mississippi, with 25 beds, adding surgery to the medical services available to local residents and enhancing its primary care outpatient health clinic. In a rural county where 21% of the 22,000 residents live in poverty and the nearest emergency room is 25 miles away, this new hospital "is a vital lifeline for the community," said CEO Dr. Patrick Chapman.

Chapman credits HOPE with "getting the ball rolling" in the hospital's quest to finance a new building, beginning with a conversation with HOPE'S Executive Chief Program Officer, Cassandra Williams at a conference in 2018. The hospital was 70 years old, the building was deteriorating, and its leadership had concluded that constructing a new facility would be less expensive than trying to update the original building. Williams drove to Ripley, listened to details about the $26.5 million project and projected costs, said she believed it aligned with HOPE's mission and capabilities, and determined that the hospital would need support from additional partners.

Tippah County's diabetes rate of **34%** is the highest per capita in the U.S., and this new facility is improving the health care of its residents as well as the **8,000 residents** of neighboring Benton County which has no hospital.

"Ms. Williams was an encouragement and a cheerleader. She helped us to believe that we could do this," Chapman said. "When we started looking at this project and how daunting it was for a small community to pull this off, it was so important to have someone who says, 'Look we've been through this before, we've made it happen in other communities, it can happen. You have to have a vision and stick to it and move forward.' And so we did."

HOPE agreed to provide $10 million in New Markets Tax Credits and three other partners provided a total of $15.5 million. Tippah County provided $11 million, the state provided $2 million, and the hospital arranged to borrow $2.5 million from HOPE and $2.5 million from a local bank.

"We're doing primary care and preventive care. We've brought in cardiology, we're doing cardiac screenings, we're embarking on wound care and women's health. We've brought in surgery," Chapman said, adding that the emergency room served 5,799 patients in 2022. "Many lives were saved because they were stabilized here before they were transferred to another facility. They would not have made it otherwise."

Tippah County Hospital is more than a health lifeline for the community. It's an economic engine of the county. When leaders were developing their plan to build a new facility, the owner of a furniture manufacturer, the county's largest factory, said that if the hospital closed he would have to close the factory because he would be unable to afford liability insurance without a local medical center. The hospital employs 165 people with annual salaries totaling $18 million. Indirectly, Chapman said the hospital indirectly creates an additional 322 jobs.

Chapman said that patients and local residents likely do not know about HOPE's role in bringing them a brand-new hospital that plays such an important role in their health and economic well-being. "In my mind, they are the unsung heroes," Chapman said, adding that leadership of other small hospitals now visit Tippah County. "I give them HOPE's contact numbers and say, 'Give them a call. You might be able to pull it off.'"

# *Owning* THE MOMENT: ADVOCATING FOR CHANGE

*Vice President Kamala Harris meets with HOPE Member Joycee Johnson at her fabric store during her visit to Greenville, MS to announce a $9 billion community development investment program managed by the U.S. Department of Treasury*

HOPE's advocacy serves as a force multiplier to our financing and other program activities by advancing policies and practices that increase investment in marginalized communities. HOPE's advocacy brings about change in the Deep South and throughout the United States. In 2022, HOPE's work contributed to the deployment of an unprecedented level of federal funding for community development, the strengthening of consumer protections, and a new program that channeled federal funds to support Black owned businesses.

## Historic Investment in Community Development Financial Institutions Announced in Greenville, Mississippi

On April 1, 2022, Vice President Kamala Harris visited Greenville, Mississippi to highlight opportunities for investing in small businesses and communities. She spoke about the critical role of Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) in reaching people, businesses, and communities underserved by traditional financial institutions. She also highlighted the Treasury Department's historic $9 billion investment in CDFIs and MDIs called the Emergency Capital Investment Program (ECIP). HOPE's advocacy during the pandemic played a central role in shaping the program to ensure that it was directed towards institutions with a demonstrated track record of serving people and communities of color. After receiving a $93 million investment through ECIP, HOPE announced a $1 billion commitment to the region. "People in the Deep South are incredibly resilient, and can do anything, if they have the tools," said HOPE CEO, Bill Bynum. "With this historic investment by the Treasury. HOPE will ensure that for families, entrepreneurs, and communities in the Mississippi Delta, in the Black Belt, and in rural areas and inner cities throughout the Deep South, access to affordable financial tools will no longer be a barrier to their success."

## New Small Business Loan Reporting Requirements to Shine Light on Capital Gaps for Entrepreneurs of Color

Over the last three years, 78% of small business owners of color were denied a loan in the region, in contrast to less than half of white-owned businesses. Unfortunately, a data source did not exist to identify which financial institutions contributed most to the capital gap. That will all change with the implementation of new rules published by the Consumer Financial Protection Bureau (CFPB) requiring all small business lenders to report lending outcomes by race. HOPE played an integral role in shaping the rules by serving on the small business review committee for the CFPB, organizing advocates to weigh in on the rule's key provisions, and submitting public comments. Upon the release of the rules, HOPE CEO, Bill Bynum, expressed support. "With the finalizing of the 1071 rulemaking process, the CFPB has taken critical action towards injecting transparency and equity into the banking system – particularly for entrepreneurs of color seeking loans to grow their businesses," said Bynum. "The rule will begin to shine light where neglect is deepest and on the actors most responsible in this important step towards reforming a system that only works when it works equitably for all."

## Black-Owned Businesses Stabilized through Pandemic Relief Program

With federal funding through the American Rescue Plan, HOPE partnered with Hinds County (Mississippi) to launch the Hinds County Small Business COVID-19 Recovery and Resiliency Program (HCSBRP). The program was structured as a loan and grant program to provide flexible and affordable financing to mitigate hardships arising from the outbreak of COVID-19. HOPE managed HCSBRP and within five months had deployed over $4 million to 94 Black owned businesses – nearly half of which were owned by women.

Chris Paige, owner of Custom Cuts and Styles in Jackson, MS, said that his customer volume is still not back to pre-pandemic levels. "Some people never came back. It was much-needed for the business. Having the funds available would carry me to the point where we weren't hurting anymore," said Paige.

Tiffany Kelly received a $25,000 loan and grant through the program to help her business take care of 60 children at her child care center, Creative Imagination. Kelly said that sometimes, if a family is unable to make its weekly payment, she forgives the fee knowing that the pandemic caused economic hardship among local residents. "I love HOPE," said Kelly. "They helped me out financially when I needed them. It was a big help to my facility."

*Chris Paige gives a customer a haircut at Custom Cuts & Styles.*

*Tiffany Kelly and daycare teacher teach the students in classroom.*

# *Owning* CHANGE WITH TRANSFORMATIONAL DEPOSITS

Bruce Ware, Vice President of Joint Ventures at DaVita Kidney Care, went from growing up in a family with no bank account to leading the charge in HOPE's largest Transformational Deposit to date. Growing up between Texas and Mississippi, Ware watched his mom use money orders to pay her bills every month because she didn't have a bank account.

"My mom died on her 60th birthday," Ware said. "And I think, man, how much of her life did she waste standing in the line for money orders?"

For many residents of rural communities and people of color without bank accounts, processing money orders is not an inefficient way of the past, but their present reality. And those with accounts tend not to have balances large enough to support the other traditional services that banks offer such as loans and lines of credit.

Three out of four HOPE members earn less than $50,000 a year, and two out of three members on any given day have less than $1,000 in their savings account. As a result, in many of the communities that we serve, the assets are simply not available to create a deposit base for HOPE's services in the same way that traditional banks use customer deposits to fund products such as loans and lines of credit.

To address this challenge, HOPE created "Transformational Deposits," seeking to import low-cost deposits into opportunity deserts across the Deep South.

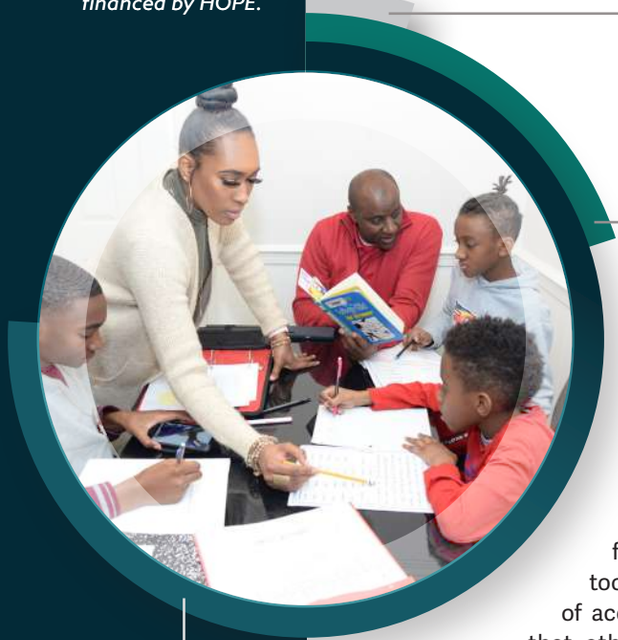
Since launching its Transformational Deposits initiative in 2021, HOPE has received a total of $147.7 million in deposits, largely from individuals and companies outside HOPE's service area of the five Deep South states, Alabama, Arkansas, Louisiana, Mississippi, and Tennessee. Depositors are motivated by the idea that their money, not in the form of a donation but in a checking or savings account, can fund financial services that are at the root of closing the racial wealth gap.

"I listened to the audiobook of '1619,' hearing the stories of things that are happening to Black people today," said Julie Reiswig, co-owner with her husband of an equine dental practice in Newark, Ohio, who made a deposit of $59,000. "It's just mind-boggling to me to hear about a Black farmer in Louisiana who is being systematically discriminated against to the point that he loses his land. How? This isn't the Dust Bowl we're talking about, this isn't even Jim Crow. This is happening in a day and age when we should be more enlightened and knowledgeable about the terrible things that people can do to each other through discrimination. I want to be part of the solution."

Reiswig and her husband first heard of HOPE through financial advisor friends at Just Money in Louisville, Kentucky, after a pastor at their church grounded in social justice reform, United Church of Granville, peeled back the layers of racism in a sermon.

"It didn't seem very productive to have money that could be invested in something active, something that would be helpful to people, just sitting there," said Reiswig, reflecting on her individual Transformational Deposit with the goal of leveling the playing field for Black people. Reiswig described her deposit in HOPE Credit Union, instead of making a charitable donation, as an easy decision. "That deposit is directly helping people who have been discriminated against and need access to money. Let's get the money in their hands so that they can buy a home or start a business, so that they can pursue their dreams too."

*Lee and his wife Kyla help their children with their schoolwork in their new home financed by HOPE.*



**5%**
Non-profits/
Foundations
*29 total deposits*

**20%**
Small Businesses/
Corporations
*117 Total Deposits*

**76%**
Individuals
*452 Total Deposits*

## Individuals Comprise Three-Fourths of All Transformational Depositors

In 2020, after the murder of George Floyd, Ware and the DaVita Kidney Care team became eager to address systemic injustices that have faced Black people for all too long, including their lack of access to financial services that others in the U.S. take for granted.

HOPE supports underbanked communities from the ground up, transforming lives with mortgages that enable home ownership and small business loans to support wealth creation. For this reason, Ware considered HOPE to be the best place to start his company's contribution to racial wealth equity after weighing several other options for DaVita to give back.

"We know that financial security is a determinant of so many outcomes. It's just really exciting to be a part of a place that's so thoughtful; that figures out how it can provide capital to an entity that is doing what HOPE does; that is serving the customer base that HOPE serves; that is moving people out of the check cashing line and out of the payday loan line, and into the traditional bank line," said Ware, reflecting on DaVita Kidney Care's $15 million Transformational Deposit to HOPE. "I mean, isn't that just novel?"

When faced with the same call to address economic inequities following George Floyd's murder in 2020, Mike Little, Executive Director of the Faith and Money Network, also believed that HOPE was the right choice for making a meaningful impact. Little has put anti-racism at the heart of his organization's core values. Comparing a map of 1860 showing enslaved populations across the US, and a 2010 census map showing the highest concentration of poverty in the South, Little realized that the places with the highest number of enslaved people in 1860 were also largely the same places with the highest number of impoverished Black Americans today.

"We started doing workshops and conferences, teaching in some seminaries around the country, and working with individuals and families trying to help them connect their faith with their money. God created the world in a way that there's enough for everyone."

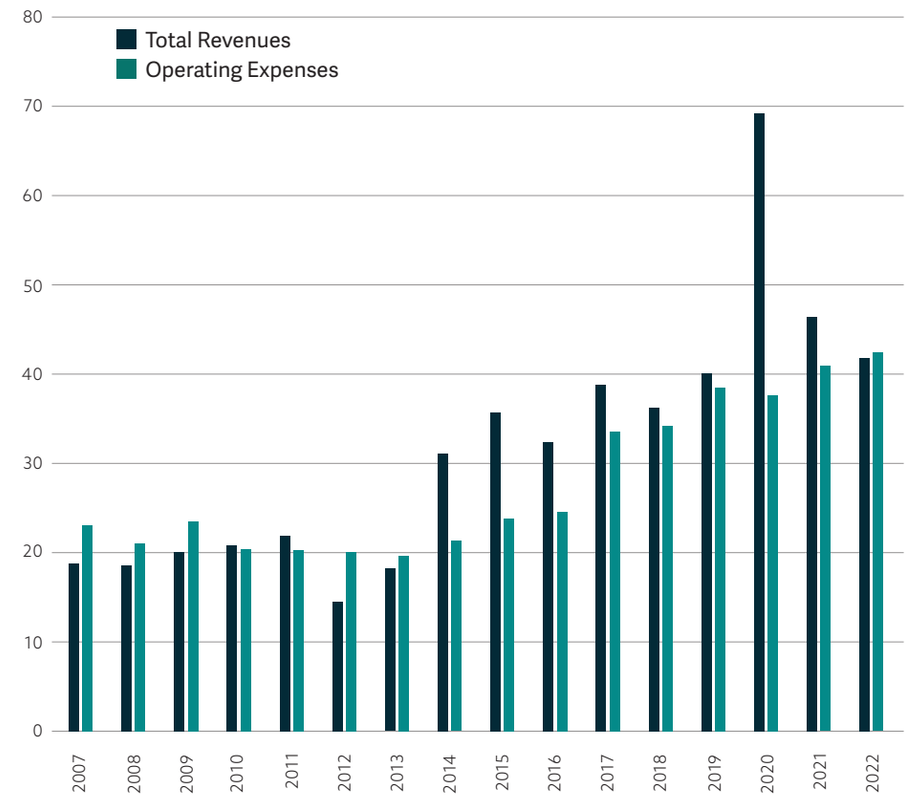
Little said that Faith and Money Network first made a Transformational Deposit, then urged board members to independently do so before encouraging members nationwide to consider opening individual checking or savings accounts with HOPE. Now, almost all the board members and staff at Faith and Money Network have Transformational Deposit accounts at HOPE.

"Reparations need to happen in all ways," said Little, with hopes of being a co-creator of a more equitable society. "But to me, making a Transformational Deposit is just one anti-racist action you can do today. If you really want to take one step toward being anti-racist today, put your money where your mouth is. I feel like we owe it to them."

## HOPE FEDERAL CREDIT UNION/ HOPE ENTERPRISE CORPORATION

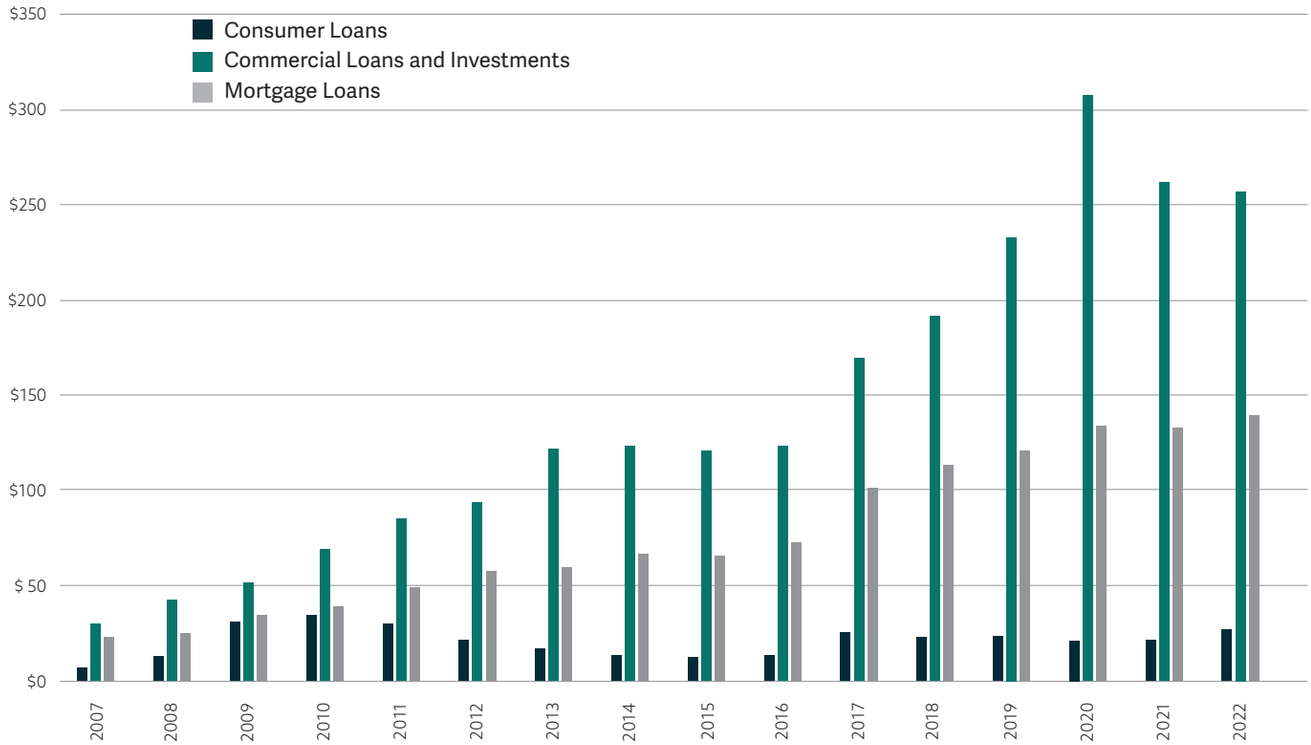
Consolidated and Combined Financial Highlights

| | Year Ended December 31 2022 | 2021 |
|---|---|---|
| **Results of Operations** | | |
| Total Revenues | $ 41,854,715 | $ 46,426,829 |
| Operating Expenses | 42,462,080 | 40,962,592 |
| Loan Loss Reserve Expense | -386,179 | 5,516,753 |
| Change in Net Assets (Net Income) | -221,186 | -52,516 |
| **Financial Position** | | |
| Total Assets | $ 752,681,935 | $ 671,298,281 |
| Total Net Assets (Net Worth) | 297,964,062 | 222,545,394 |
| Loans | 423,593,198 | 415,653,615 |
| Total Debt | 205,820,410 | 142,991,908 |
| Total Deposits | 351,358,736 | 349,187,314 |
| **Results of Activities** | | |
| Total Loans Closed | 90,209,250 | 108,990,285 |

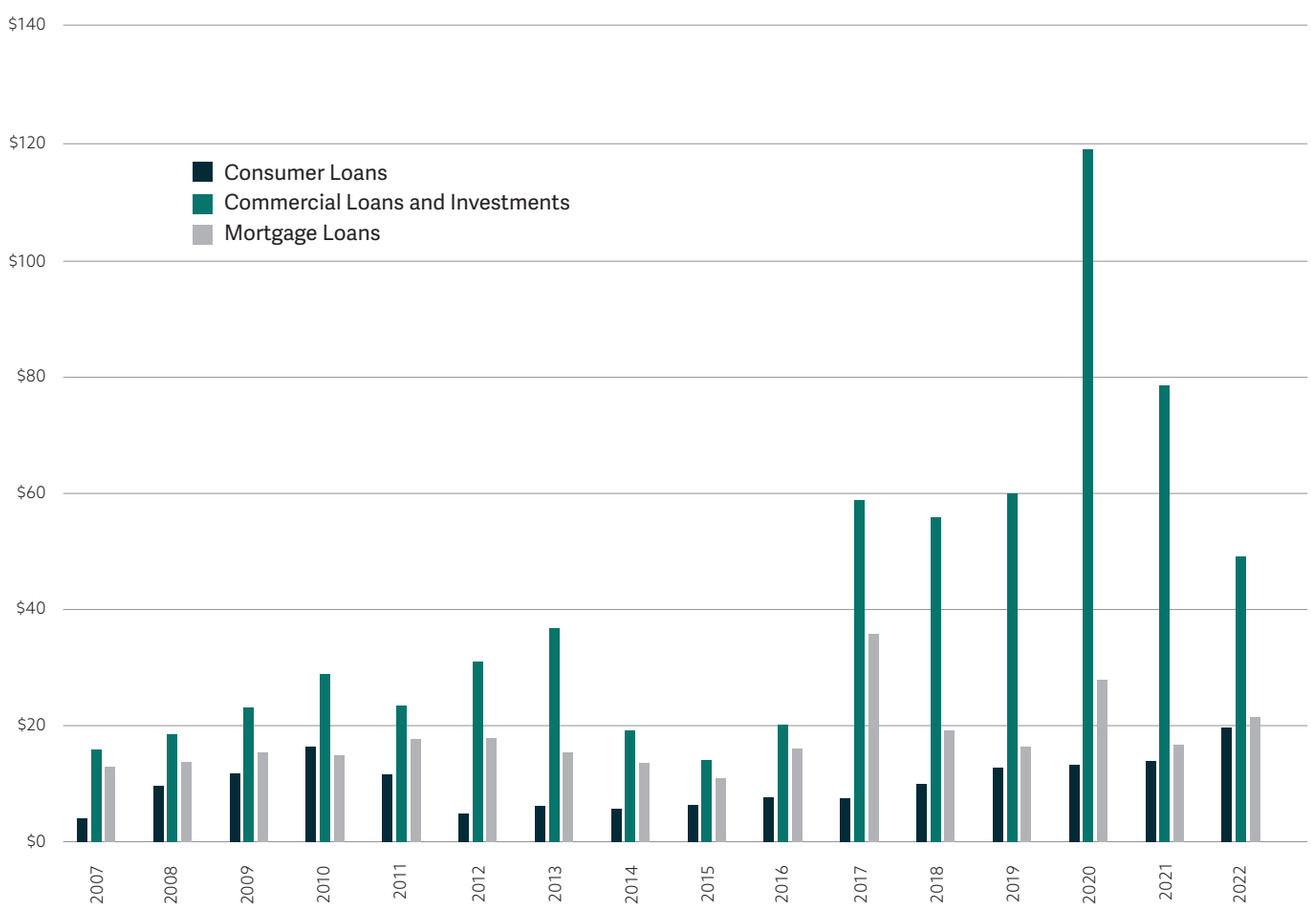



**TOTAL REVENUES AND EXPENSES**

**TOTAL ASSETS AND NET WORTH**




**LOANS OUTSTANDING**




**LOANS CLOSED**

## COMBINED STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 2022

| | HEC Consolidated | Hope Credit Union | Eliminations | Combined 2022 | Combined 2021 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 36,596,423 | $ 82,113,205 | $ (20,101,948) | $ 98,607,680 | $ 104,820,679 |
| Restricted cash | 4,136,758 | | | 4,136,758 | 10,760,353 |
| Debt and other securities | 66,183,053 | 178,877,996 | (38,035,775) | 207,025,274 | 128,949,002 |
| Cash restricted for collateral on subsidiary's note | | | | | |
| Investment in non-consolidated partnerships | | | | | 1,187,725 |
| Grants and other receivables | 3,970,845 | 1,336,905 | | 5,307,750 | 692,482 |
| Prepaid expenses | 481,283 | 628,699 | | 1,109,982 | 818,398 |
| Other assets | 50,000 | 5,173,595 | | 5,223,595 | 5,102,971 |
| Interest receivable | 468,840 | 1,707,557 | | 2,176,397 | 1,396,834 |
| Consumer loans | | 26,961,421 | | 26,961,421 | 21,229,890 |
| Commercial loans | 159,492,212 | 98,333,100 | (744,013) | 257,081,299 | 261,788,427 |
| Residential mortgage loans | 3,977,822 | 135,572,656 | | 139,550,478 | 132,635,298 |
| Allowance for loan losses | (3,873,328) | (6,799,091) | | (10,672,419) | (12,547,257) |
| **Loans, net** | 159,596,706 | 254,068,086 | (744,013) | 412,920,779 | 403,106,358 |
| Foreclosed property | | 1,190,380 | | 1,190,380 | 256,283 |
| Goodwill | | 73,342 | | 73,342 | 97,789 |
| Property and equipment, net | 2,010,707 | 12,899,291 | | 14,909,998 | 14,109,407 |
| **Total assets** | $ 273,494,615 | $ 538,069,056 | $ (58,881,736) | $ 752,681,935 | $ 671,298,281 |
| **LIABILITIES** | | | | | |
| Accounts payable | $ 2,787,306 | $ 9,224,327 | $ | $ 12,011,633 | $ 11,203,812 |
| Dividends payable | | 146,538 | | 146,538 | 262,113 |
| Member deposits | | 371,460,684 | (20,101,948) | 351,358,736 | 349,187,314 |
| Other liabilities | 86,052 | | | 86,052 | |
| Deferred Revenue | 4,894,146 | | | 4,894,146 | 7,046,214 |
| Notes payable and long-term loans | 65,856,391 | 24,083,390 | (3,719,013) | 86,220,768 | 81,053,434 |
| **Total Liabilities** | 73,623,895 | 404,914,939 | (23,820,961) | 454,717,873 | 448,752,887 |
| **NET ASSETS AND EQUITY** | | | | | |
| Uninsured capital and reserves | | 133,154,117 | (35,060,775) | 98,093,342 | 55,625,055 |
| Unrestricted net assets | 39,063,096 | | | 39,063,096 | 39,785,370 |
| Non-controlling interests | 143,293,561 | | | 143,293,561 | 109,345,170 |
| **Total unrestricted** | 182,356,657 | 133,154,117 | | 280,449,999 | 204,755,595 |
| With Donor Restrictions | 17,514,063 | | | 17,514,063 | 17,789,799 |
| **Total net assets** | 199,870,720 | 133,154,117 | | 297,964,062 | 222,545,394 |
| **Total liabilities and net assets** | $ 273,494,615 | $ 538,069,056 | $ (58,881,736) | $ 752,681,935 | $ 671,298,281 |

*See accompanying notes.*

## COMBINED STATEMENT OF ACTIVITY
For the Year Ended December 31, 2022

| | Unrestricted | With Donor Restrictions | 2022 Total | 2021 Total |
|---|---|---|---|---|
| **REVENUES AND GAINS** | | | | |
| Grants and Contributions | $ 16,012,112 | $ 610,600 | $ 16,622,712 | $ 20,991,029 |
| Program Income | 23,505,067 | | 23,054,107 | 24,634,536 |
| Interest Income | 5,372,271 | | 5,372,271 | 2,462,769 |
| HEC Unrealized Gains/Losses | (3,189,085) | | (3,189,085) | (1,661,505) |
| | **41,249,405** | **610,600** | **41,860,005** | **46,426,829** |
| **Net Assets Released from Restrictions** | | | | |
| Satisfaction of Program Restrictions | 886,336 | (886,336) | | |
| Expiration of Time Restrictions | | | | |
| Transfers from Changes in Program Restrictions | | | | |
| **Total Revenues and Gains** | 42,135,741 | (275,736) | 41,860,005 | 46,426,829 |
| **EXPENSES** | | | | |
| Program Expenses | | | | |
| Commercial Lending and Assistance | 5,937,271 | | 5,937,271 | 14,998,630 |
| Mortgage Lending and Housing | 1,947,980 | | 1,947,980 | 2,028,904 |
| HOPE and Consumer Lending | 13,782,051 | | 13,782,051 | 13,633,773 |
| Other Programs | 3,465,251 | | 3,465,251 | (1,266,026) |
| Total Program Expenses | 25,132,553 | | 25,132,553 | 29,435,281 |
| Development and Communications | 486,313 | | 486,313 | 530,964 |
| General Administration | 16,462,325 | | 16,462,325 | 16,513,100 |
| **Total Expenses** | 42,081,191 | | 42,081,191 | 46,479,345 |
| **EQUITY IN EARNINGS OF AFFILIATED COMPANY** | | | | |
| Change in Net Assets before Minority Interests | 54,550 | (275,736) | (221,186) | (52,516) |
| Change in Other Comprehensive Gains/Losses | (14,655,067) | | (14,655,067) | (1,359,986) |
| Minority Interests in Subsidiaries Losses | 91,943,645 | | 91,943,645 | 15,411,774 |
| **Change in Net Assets Attributable to Controlling Interest** | (536,340) | | (536,340) | 548,152 |
| Acquisition of Non-controlling Interest | 76,806,788 | (275,736) | 76,531,052 | 14,547,424 |
| Net Assets Attributable to Controlling-interest | | | | |
| **At Beginning of Year** | 60,349,650 | 17,789,799 | 78,139,449 | 114,064,574 |
| Dividends Paid to Controlling Interests | | | | |
| At End of Year | 137,156,438 | 17,514,063 | 154,670,501 | 128,611,998 |
| Net Assets of Minority Interests | 143,293,561 | | 143,293,561 | 109,345,170 |
| Net Assets and Equity at the End of Year | $ 280,449,999 | $ 17,514,063 | $ 297,964,062 | $ 237,957,168 |

*See accompanying notes.*

# NOTES TO COMBINED & CONSOLIDATED FINANCIAL STATEMENTS
## (Unaudited) For the years ending December 31, 2022 and 2021

**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 combined and consolidated financial statements. 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 Associates, LLC (ECDA), ECD New Markets, LLC (ECDNM), Home Again, Inc. (Home Again), 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, Hope New Markets 12, LLC, Hope New Markets 13, LLC, Hope New Markets 14, LLC, Hope New Markets 15, LLC, Hope New Markets 16, LLC, Hope New Markets 17, LLC, Hope New Markets 18, LLC, Hope New Markets 19, LLC, Hope New Markets 20, LLC and Hope New Markets 21, 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. ECDI was 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 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. Home Again has continued to provide affordable housing solutions in Mississippi.

Since 2009, HCU has successfully completed six mergers with other credit unions. The most recent mergers were during 2017 when HCU acquired all the assets and liabilities of B&W Mississippi Employees Federal Credit Union, Michoud Credit Union, and Tri-Rivers Federal Credit Union. The Michoud and Tri-Rivers mergers were directed by NCUA.

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.

**2. Cash and Marketable Securities**

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

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents (including restricted cash) | $102,744,438 | $115,581,032 |
| Debt and other securities | 207,025,274 | 128,949,002 |
| | $309,769,712 | $244,530,034 |

**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, 2022 will be received and available for support of HEC/HCU's programs as follows:

| | |
|---|---|
| Grants due in less than one year | $ 677,500 |
| Grants due in one to five years | 744,136 |
| Total grants and other receivables | 1,421,636 |
| Less adjustment to reflect grants receivable at fair value at the date of grant, based on 2.5% discount rate | (25,990) |
| Net grants and other receivables | $ 1,395,646 |

**4. Loans**

The composition of the loan portfolios are as follows:

| | 2022 | 2021 |
|---|---|---|
| Consumer loans outstanding | $ 26,961,421 | $ 21,229,890 |
| Commercial loans outstanding | 257,081,299 | 261,788,427 |
| Residential mortgages loans outstanding | 139,550,478 | 132,635,298 |
| | $423,593,198 | $415,635,615 |

Consumer loans are either uncollateralized or secured by vehicles, deposits, or other personal assets.

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.

Residential mortgage loans are typically collateralized by residential real estate with a loan to value ratio of 97% or less.

During 2021, HEC/HCU originated more than $58 million of Paycheck Protection Program (PPP) loans. PPP loans are secured by a 100% guaranty from the Small Business Administration (SBA) and may be eligible for up to 100% loan forgiveness by the SBA. The PPP loans are funded with advances from the Federal Reserve Bank of Cleveland's PPP Lending Facility.

**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. During 2020 and 2021, Management set aside additional provision expenses due to the uncertainty created by the COVID-19 pandemic. These additional provisions were recaptured in 2022, as available.

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

| | 2022 | 2021 |
|---|---|---|
| Balance at beginning of year | $ 12,547,257 | $ 8,284,103 |
| Provision charged to operating expenses | (386,179) | 5,516,753 |
| Loans and investments charged-off and foreclosed-net | (1,488,659) | (1,253,599) |
| Balance at end of period | $ 10,672,419 | $ 12,547,257 |

**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 by members 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. Notes Payable and Long-Term Debt**

The maturities of long-term debt, including secondary capital notes, at December 31, 2022 are as follows:

| | |
|---|---|
| 2023 | $ 16,179,692 |
| 2024 | 2,940,194 |
| 2025 | 4,259,994 |
| 2026 | 9,723,016 |
| 2027 | 6,352,375 |
| Thereafter | 154,120,916 |
| | $ 193,576,187 |

**9. Uninsured Capital and Reserves**

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

**10. Non-Controlling Interests**

HEC is the sole managing member of ECDA and elects three of the five board of directors of ECDNM. ECDA is the primary investing member of ECDNM. HEC is the sole managing member of each additional New Markets Tax Credit (NMTC) entity and elects two of the three board directors of each company. Although HEC controls the board of directors of these entities, HEC has a minority investment in each NMTC entity and thus receives minimal allocations of earnings or losses from these entities.

# FINANCIAL INCLUSION OFFICES

## HOPE SERVICE AREA

### ALABAMA

Birmingham
Montgomery
- Arba Street
- McGehee Road

### ARKANSAS

College Station
Little Rock
- I-20 SW
- Geyer Springs

West Memphis

### LOUISIANA

Baton Rouge
New Orleans
- Central City
- Elysian Fields

### MISSISSIPPI

Biloxi
Drew
Greenville
Itta Bena
Jackson
- East River Place
- Medical Mall
- Old River Place
- Provine High School
- University Boulevard

Louisville
Moorhead
Shaw
Terry
Utica
West Point

### TENNESSEE

Memphis
- Crosstown
- Harvester Lane
- Madison Avenue
- Ridgeway Road

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