



2015 IMPACT REPORT

# BRANCH- ING OUT

## WHAT'S INSIDE

- Expansion
- Retail Services
- Mortgage Lending
- Community Development
- Business Lending
- Governance & Financials
- HOPE Locations





27

24 Locations 3 Announced

91%

are in Economically Distressed Areas

30,000+

members

5,035

New Members

5,618

Mobile Users

\$31,066,407

Total Lending

1,905  
Consumer Loans

133  
Mortgage Loans

77  
Affordable  
Housing Units Financed

33  
Business Loans

75,000  
Patients Served  
*by HOPE financed healthcare providers*

40,000+  
Can Access Fresh Groceries  
*through the Mid South Healthy Food  
Financing Initiative*

17,000+  
Jobs Saved/Created  
*through HOPE business lending*

1,000+  
Students Served *with the  
HOPE Charter Schools Facilities Fund*



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## EXPANSION 05

*Bringing HOPE to the Heart of the Mississippi Delta*

Dear Friends,

Over the course of HOPE's work during the past 22 years, many thousands have demonstrated what people in places like Itta Bena, Mississippi, can accomplish when they have access to the right tools.

Unfortunately, these tools are dramatically absent in the Mid South, where entrenched poverty has robbed generations of the opportunity to reach their full potential.

Across America, many states or regions know poverty. They have one or two or even a handful of places defined as Persistent Poverty Areas – counties where more than 20 percent of the population has lived below the poverty level for at least three decades. In Mississippi, where HOPE is headquartered, nearly 60 percent of the state's counties carry this damning label. More than one-quarter of the country's persistently impoverished counties are located within HOPE's service area.

With these conditions come a myriad of problems: poor health, high unemployment, low-performing schools, and high levels of predatory lending. Mainstream financial institutions shy away from these communities. In their absence, those most vulnerable either do without, or rely on expensive, predatory options for basic financial services.

This is why we place such importance on sharing the stories of people and places like those highlighted in this Impact Report, and on underscoring the central role that responsible financial services play in fostering good jobs, housing, health care, schools and nutrition – essential elements of prosperous lives that we all want for our families. As America's income and wealth divide reaches unsustainable levels, HOPE offers a promising model for tackling persistent poverty in an increasingly diverse nation.

All people and places, no matter how economically challenged, need access to affordable financial services. That's why in 2015 HOPE branched out into Itta Bena and Moorhead, two small Mississippi Delta towns, after their only banks had closed. The towns have poverty rates approaching 50 percent, and nearly 70 percent of the residents were unbanked or relied on check cashers and payday lenders. Now, in less than a year, people from all walks of life – young and old; black, white and brown; some after a lifetime of living in an ecosystem of neglect and despair – have access to tools that help them improve conditions for themselves and their communities. They now have HOPE.

Your generous and consistent support enables us to undertake this important work and we are grateful. Together, there is HOPE.

Sincerely,



William J. Bynum,  
Chief Executive Officer

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Mayor Holland Moorhead, MS

# BRINGING HOPE TO THE HEART OF THE MISSISSIPPI DELTA

Decades of entrenched poverty in the Delta have reinforced a downward cycle of negative conditions. Among the most debilitating and pervasive are low educational attainment, low wages, high unemployment, medically underserved communities, high-cost lending and unbanked households. These circumstances compound one another, and weigh most heavily on youth, the elderly and people of color. To combat this, HOPE undertakes a comprehensive array of strategies designed to create economic opportunities for people and places that need them most.

In 2015, Greenville, Itta Bena and Moorhead were the first three of five locations opened (followed by nearby Drew and Shaw in early 2016) in a Mississippi Delta cluster from which HOPE will deliver development services in one of the most impoverished regions of the country. Four of the five towns have fewer than 2,500 residents, with more than 80% of the population being African American. In three of the five, HOPE is the only financial institution in town. Now that is hope.

## PRACTICE ◀▶ POLICY

**Reinvesting in Communities**  
In 2015, Regions Bank donated to HOPE bank buildings in the Mississippi Delta towns of Drew, Itta Bena, Moorhead and Shaw, and provided a grant to help convert the branches to Hope Credit Union branches. Almost immediately, the transaction began producing benefits for these towns and their residents. An important contributor to the partnership between Regions and HOPE was the Community Reinvestment Act (CRA).

Congress passed CRA in 1977 to prohibit redlining (denying or increasing the cost of banking in racially defined neighborhoods), and to encourage efforts to meet the credit needs of all community members, including residents of low- and moderate-income neighborhoods. Since that time, CRA has become a vital tool for catalyzing investment in underserved areas.

Since the financial crisis, banking services in low-income, rural and minority communities have eroded. In response, HOPE is working with banks, regulators and policymakers to shape, strengthen and implement laws such as CRA to ensure that rural, low-income and minority residents have access to fair and responsible banking services.

Mississippi Delta Cluster Profile\*

	Delta Cluster	U.S.
Percent Below Poverty	38%	15%
Percent Unbanked	22%	8%
Percent Homeowners	54%	66%
Percent African American	70%	13%

\*Washington, Leflore, Sunflower and Bolivar Counties



# SOUTHERN CHARM & SAVINGS

"God's brought me a long way," Fannie Dotson says with a distinct southern accent that has ripened with age. God brought Ms. Dotson 100 years, to be exact. And up until her 100th birthday, Ms. Dotson had never held a bank account. That all changed when HOPE came to town. In October 2015, HOPE opened its branch in Itta Bena, Mississippi.

Years earlier, Ms. Dotson had not been welcomed by the local bank because of the color of her skin. More recently, the size of her pocketbook had proved a hindrance. HOPE welcomed Ms. Dotson as a member-owner, along with the deposit of her birthday money.

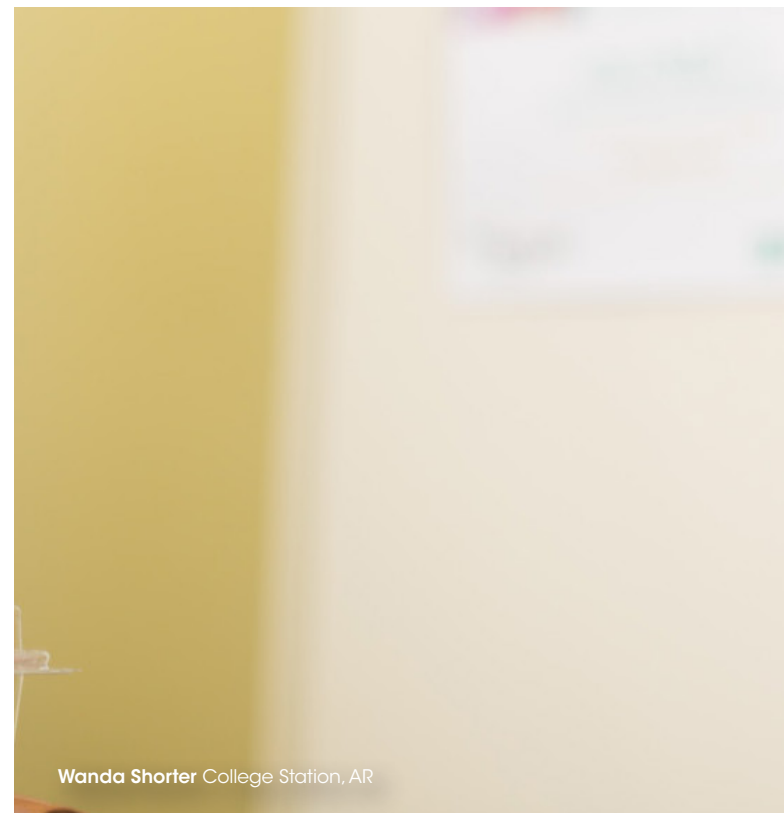
"Every year, all the kids and grandkids would give [grandma] money. And a day later, it would disappear," said Chris Dotson, her grandson. Not this year. For the first time in a century, Ms. Dotson has a financial institution of her own.

**36%**  
of HOPE members  
were unbanked  
before they joined HOPE.

**63%**  
of HOPE  
consumer loans  
were made in high-  
poverty communities.



Fannie Dotson Itta Bena, MS



Wanda Shorter College Station, AR

## WORK NOW, RIDE LATER

Little Rock native Wanda Shorter attended Eastern College of Health Vocations full time and worked hard to launch a career as a medical assistant. When it came time to buy books, however, she found herself in a bind. Books were expensive, and Ms. Shorter needed a loan to cover the costs of attending school. Finding a lender proved to be tough, though. At just 19 years of age, Ms. Shorter did not have a credit history. Then she turned to HOPE.

HOPE worked with Ms. Shorter to develop a short-term plan to purchase the books and a long-term plan to save for future needs. To cover her immediate expenses,

Ms. Shorter qualified for one of HOPE's credit builder products – a Borrow and Save Loan. She borrowed \$1,000 – \$500 for school and \$500 that was deposited in a savings account. Within seven months, Ms. Shorter repaid the loan, had started building a credit history, and had \$500 earning interest in her savings account.

HOPE stood by her side every step of the way. "If I need assistance, or if I have a financial problem, they'll figure out a solution or a way to help. And they won't let me walk out the door with my head down."

A second Borrow and Save Loan helped Ms. Shorter with car repairs. Looking ahead, she is building up her savings and her credit to purchase a new car.

## PRACTICE ◀▶ POLICY

### Protecting Consumers

After the financial crisis and Great Recession, Congress established the Consumer Financial Protection Bureau (CFPB) as an independent agency charged with protecting consumers from abusive financial practices. Since then, HOPE has worked to leverage this important resource in the Mid South, where consumer protections are among the weakest in the country.

Last spring, HOPE was invited to serve as an expert on the CFPB review panel commissioned to provide input on rules that will govern payday, auto title and other small-dollar loans. Drawing on its experience helping the scores of people who come to Hope Credit Union for assistance in escaping debt traps, HOPE provided CFPB with data and stories that demonstrate the costs to individual borrowers and to the credit union. HOPE strongly encouraged CFPB to enact rules that protect borrowers from predatory loans that they do not have the ability to repay.

**\$260,584**  
saved by members  
avoiding high-cost  
financial services.

**37%**  
of HOPE consumer  
loan customers have  
credit scores below 600  
compared to 22% nationwide.

**<1%**  
of HOPE consumer  
borrowers default on  
their loans.





## FEARING FAILURE, BUT FINDING HOPE

The Wheatley Family Greenville, MS

"I was scared of buying a house" said Jessica Wheatley, the mother of a six-year-old boy. But when she and her husband, Darren, found out that they were expecting another baby boy, she knew she needed to overcome her fears. "We couldn't raise two boys in a two-bedroom apartment."

Darren visited HOPE's Greenville branch in search of help, but it still took a while before Jessica was ready to go. During the process, she wanted to give up several times, but HOPE walked her through every step. A few months later, and before the birth of their new son, Darren and Jessica were ready to move into their new home.

"HOPE made it easy for me to express my needs and concerns," says Jessica. "They reassured me that the day I closed would be the happiest day. And it was!"

**76%**  
of HOPE mortgage  
borrowers were  
first-time homeowners.

**1/2**  
of HOPE mortgages  
were to low-income borrowers.

## PAINTING A BRIGHTER FUTURE



Tommy Cox Memphis, TN

Theodore Roosevelt suggested that one should "Speak softly and carry a big stick." Tommy Cox's twist on this philosophy might be, "Speak softly and carry a paint brush." Mr. Cox, a 43-year professional painting contractor with a bright smile, only speaks when necessary. It was necessary when his wife passed away unexpectedly.

"We weren't married when she bought the house. I had to refinance it and put it in my name," he says. Even though they had lived together in their Memphis home for 16 years, in just a couple months, the former mortgage company had put the house up for sale, with Mr. Cox still living in it.

Mr. Cox tried three different financial institutions before coming to HOPE. It took about a month and a half to get it all cleared up with HOPE's help, Mr. Cox says. His HOPE mortgage also saved him money. His new interest rate was 2.5% lower than his previous house note, and he takes solace in being able to stay in the home he once shared with his wife.

## PRISK

## & CREW



Prisk Family Biloxi, MS

Erin Prisk, a receptionist on the Mississippi Gulf Coast and a single mother of three girls, Stella (8), Ava (11), and Audrey (15), found it hard to make ends meet following a divorce. "They've seen me struggle at times, and know what they can live without and what they can wait for," she says about her children. Having rented since her divorce, the idea of owning a home seemed out of reach.

At least, it did until a family friend referred Ms. Prisk to HOPE. She looked at one house and found exactly what she needed – a home close to her parents that she could afford. HOPE looked at her track record and ability to pay and approved her mortgage.

The purchase, however, was not nearly so smooth. On closing day, the sellers backed out. But HOPE stood by her side. "I would contact [HOPE] and they were just so caring and they always knew me by name." Eventually, the sellers changed their minds again, and a few months later, Ms. Prisk and her daughters were moving into their four-bedroom, two-bathroom house just two streets away from her family. "It's been great. I always felt like I wasn't just pushed aside."



## LIVING WELL



Katie Evans & Grandson Yazoo, MS

Katie Evans loves her new home. "The kitchen...the floors. I love the floors!" she says. If you had witnessed the transformation of Magnolia Crossing in Yazoo City, Mississippi, you would understand why. Ms. Evans lived at Magnolia Crossing before a substantial renovation was completed in 2015. When she moved back, she loved everything about the space.

Two years ago, HOPE joined forces with affordable housing advocates across the country to make the case for increased federal investment in long-term, high-quality housing through the Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) program. HOPE estimated the economic impact of expanding the program for every state in the country. This data supported a coordinated advocacy effort, and Congress tripled the program's size.

It didn't take long for the impact to be felt in Yazoo City, where HOPE teamed up with the local Housing Authority, the State of Mississippi, the Federal Home Loan Bank of Dallas and private developers to assemble \$8.5 million to renovate 86 public housing units and complete the first ever RAD development in Mississippi.

HOPE provided \$885,000 in financing for the project, which created an affordable housing option that fits neatly within the rural landscape of the community. Magnolia Crossing is not a multi-family high rise. It is a neighborhood of single-family homes.

In addition to the financing, HOPE forged a partnership with the American Heart Association to increase access to and educate community members about healthy food. Don Hewitt of the Yazoo Housing Authority is enthusiastic about all the activities at Magnolia Crossing. "We're giving the community potters to teach [our residents] how to grow their own food."

Ms. Evans is one of the leaders for the Heart Association project. "We will get together to plant vegetables. It's more than just a place to live. It's our home. It's our community."

**231**  
residents assisted  
by HOPE-financed affordable  
housing developments.

## PRACTICE ◀▶ POLICY

### Fighting for Fair Housing

At the end of 2014, HOPE, the National Fair Housing Alliance and the Center for Community Self-Help joined together to file an Amicus Curiae (friend of the court) brief urging the U.S. Supreme Court to uphold the "Disparate Impact" doctrine under the Fair Housing Act.

The Disparate Impact standard exists to provide protections against policies and practices that have a "disproportionately adverse effect" on any group based on race, national origin, color, religion, sex, familial status or disability. HOPE was one of only two financial institutions in the country to file a brief to uphold this provision.

In June of 2015, the Supreme Court affirmed Disparate Impact protections, enabling civil rights advocates to continue using this vital tool to advance housing opportunities for those most vulnerable in society. In the Court's words, "Much progress remains to be made in our Nation's continuing struggle against racial isolation."

ENCORE Academy opened in 2012 with a vision of providing New Orleans children with a rigorous academic education strengthened by integrating arts into its curriculum. In 2015, ENCORE moved from a cramped facility that it shared with other organizations into a renovated school building that had been vacant since Hurricane Katrina. HOPE provided \$2 million in subordinate financing to make the \$7 million purchase and renovation possible.

ENCORE, an open-enrollment public charter school, originally enrolled 200 students from Pre-K through fifth grade. Terri Smith, ENCORE's leader and Chief Executive Officer, shared some of its early accomplishments: "We're in our fourth year of operation, and we have proven that arts along with academics works."

As word of the school's innovative curriculum and academic success spread, enrollment soared rapidly to nearly 500, and ENCORE expanded to serve students up to the eighth grade. This growth led to the need for more space and to the partnership with HOPE.

According to Ms. Smith, "When people from HOPE came, they recognized our commitment to ensure that all kids receive a great academic program as well as the arts. Eighty-eight percent of [the children] are living in poverty. A large portion of our children are African American, but currently 15 percent of our kids are Hispanic. We have a Caucasian population as well. So our population is a real reflection of the city of New Orleans."

Ms. Smith says, "There's a lot of joy in this building. If you can provide a great education for kids and also bring great joy to their lives – that has to be the greatest reward on the planet."

## RHYTHM & ARITHMETIC



ENCORE Academy Students New Orleans, LA



## OMEGA AS BEGINNING

After receiving a loan from HOPE to expand his fleet of vans, Ben Zapata's company, Omega Concierge, doubled in size, growing from 20 to 40 employees. The road to success, however, was neither straight nor easy.

While working at a bank branch in Mandeville, Louisiana, Mr. Zapata quickly earned the trust of many of the bank's customers, buoyed by a friendly personality and a tenacious work ethic. These customers included several New Orleans Saints football players. With hectic travel schedules and long days at practice, the players turned to Mr. Zapata for help with various errands, such as picking up dry cleaning, servicing vehicles, and pet care.

Before long, Mr. Zapata was making more money doing this than he was at the bank. He left his job in 2008 to start his own company, building his client base with



Ben Zapata New Orleans, LA (right)

other Saints players – until the 2011 National Football League lockout took it all away. Mr. Zapata was left with nothing. He took on a paper route to keep money coming into his household. "I knew there had to be a better way to do things," Mr. Zapata says. He recalled that in larger cities, hospitals used concierge services. He pitched his idea to a group of healthcare executives. "I told them I'd work for free to prove what I was doing would be beneficial," adds Mr. Zapata. One and a half years later, he landed a large contract.

Mr. Zapata knew he needed more business expertise and financing in order to grow, so his next move was to apply to the Goldman Sachs 10,000 Small Businesses program. The program provides entrepreneurs with management training through Delgado Community College and financing through HOPE. "Before, I just Googled a bunch of stuff... I was doing decent, growing at a good pace,

but I felt like we were at a point that we needed help," Mr. Zapata says of his experience with the program.

After Mr. Zapata completed the program, Omega's sales doubled. "The course was a big part of that and HOPE was a big part of that." HOPE loaned Omega \$50,000 to expand from one to three vehicles. "It was pretty innovative what they did," Mr. Zapata says of HOPE. "They looked at the strength of the business." He says HOPE didn't reject his application because of his low credit score: "They didn't just deny it, like other institutions." Today Mr. Zapata and his Omega Concierge team are looking at expanding into new industries and geographic markets. Omega's story, which almost ended, is just beginning.



Kevin Davis New Orleans, LA (standing)

**62%**  
of HOPE Business Loans  
were made in economically  
distressed communities.

### A Story of Recovery: 10 Years After Hurricane Katrina

Last year, HOPE released "After the Storm," a report that commemorated the 10-year anniversary of Hurricane Katrina and chronicled the lives of several HOPE members. One of those members was Kevin Davis, who rebuilt homes and businesses on the Mississippi Gulf Coast and in New Orleans.

Entrepreneur Kevin Davis worked with HOPE to restore his barber school from the damage it suffered when the levees broke in New Orleans. For the first eight months after the storm, the school sat idle, the building abandoned. When Mr. Davis approached HOPE for assistance, the credit union provided a grant and a loan through the Louisiana Small Business Grant and Loan Program. Among the lenders that participated in the program, HOPE was one of the few that focused its efforts on assisting small, minority- and women-owned businesses, and businesses located in historically underserved neighborhoods.

"A friend told me about HOPE," Mr. Davis says. "My first experience [with them] was for rebuilding the business, where they give you \$10,000 and the rest in loans," he says. "I'm real diligent, so I wasn't going to stop." Thanks to HOPE, in 2008, Park Place Barber School was the first barber school to re-open east of the river.

Not only did Mr. Davis' business bring vibrancy back to the area, but he also partnered with other nonprofits to make a bigger difference in the community. Students at Park Place provide regular haircuts for men at a nearby homeless shelter and for students heading back to school each fall.

Nestled in a Memphis arts district, on the corner of Collins Street and Broad Avenue, stands a brown brick building with bright yellow metal accents around the windows. City & State | The Art of Craft is an official sounding name for a coffee shop. But with its high-quality coffee roasts, specialty teas, eclectic assortment of other goods, industrial chic interior, and baristas in perfect plaids, City & State is undoubtedly a very cool place.

Lisa Toro enjoyed a successful career as an auditor and financial analyst at several Fortune 500 companies. But she and her husband dreamed of owning a business that celebrated high-quality craftsmanship and served as a community gathering place. A loan from HOPE helped make their dream become a reality.

After investing a significant amount of her own savings in the business start-up, Ms. Toro needed \$40,000 in working capital to purchase inventory. She and her husband applied for a loan with a local bank.

The request was turned down because the value of the collateral was too low. HOPE solved the problem by taking the time to work with Ms. Toro to secure a Small Business Administration loan guaranty.

With the loan closed, City & State thrived. Staff earn well above minimum wage, plus tips. "We've had minimal turnover, which has been critical for the success of our business," Ms. Toro says. She adds, "HOPE's commitment and support for us as a small business is huge."

**42%**  
of HOPE Business Loans  
were made to minority- and  
women-owned businesses.

## COFFEE, COOL & COMMITMENT ON COLLINS



City & State Memphis, TN

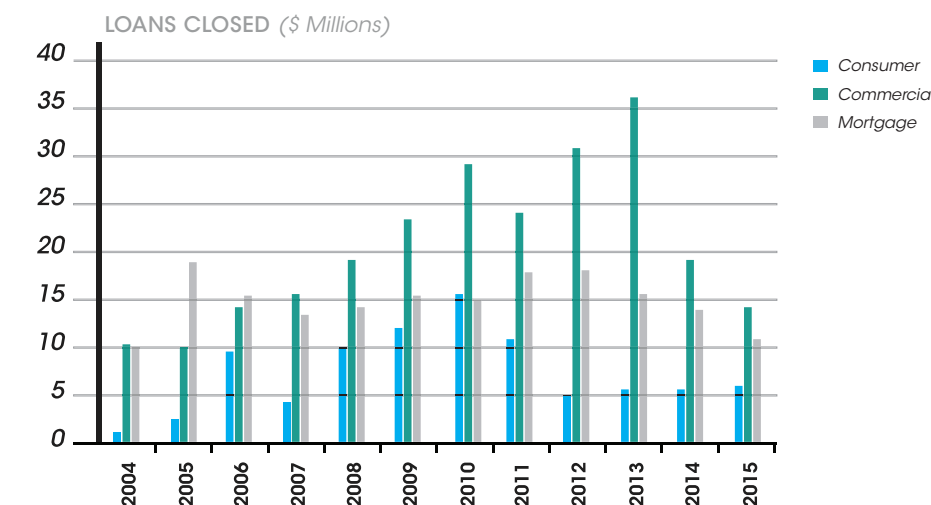
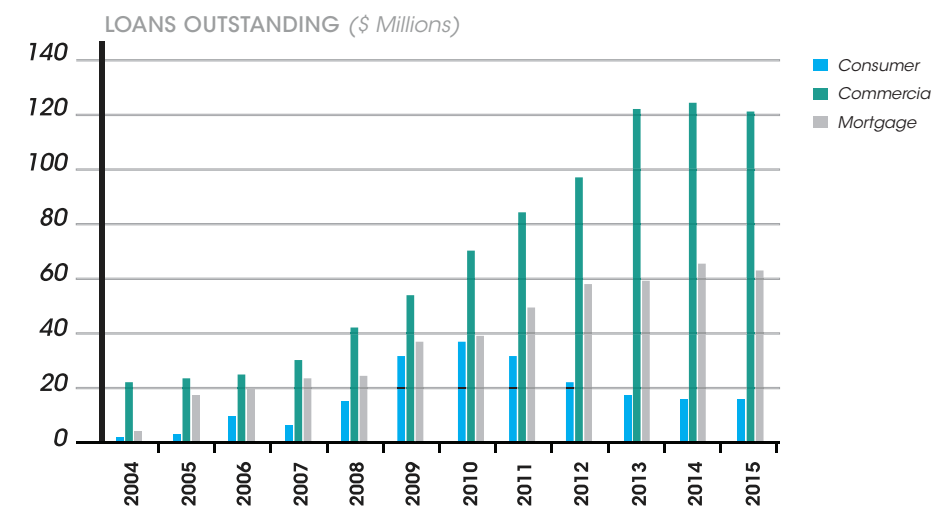
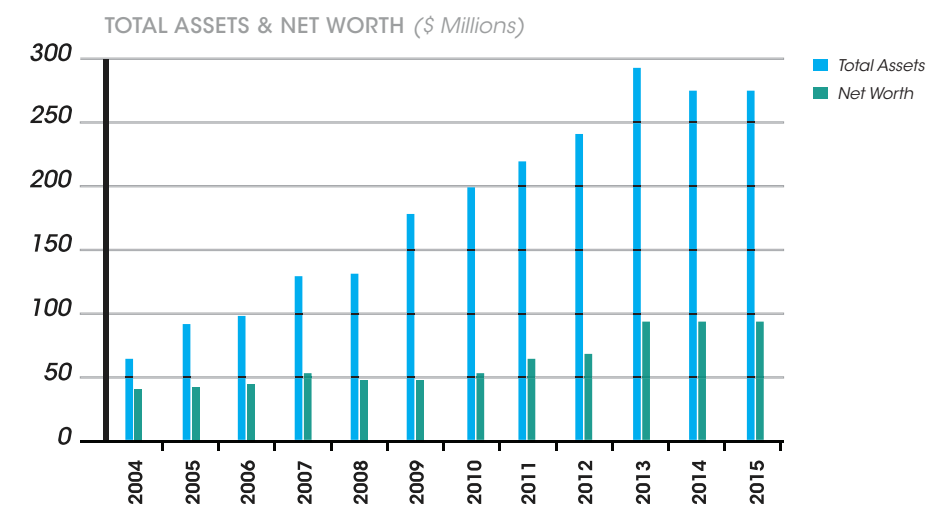
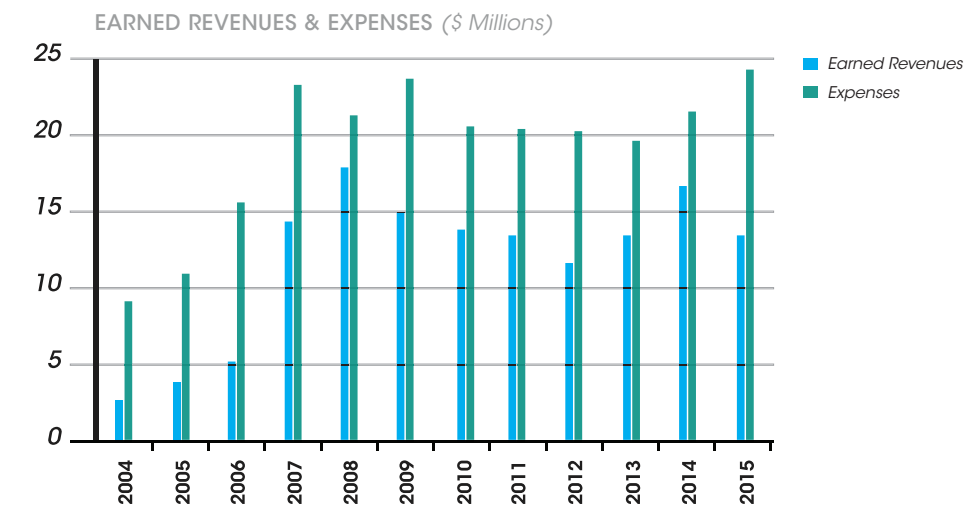


# GOVERNANCE

HOPE ENTERPRISE CORPORATION DIRECTORS	AFFILIATION
DR. IVYE ALLEN	Foundation for the Mid South
CLAIBORNE BARKSDALE	Attorney & Educator
BONNIE BOLTON	JPMorgan Chase
KIM BOYLE	Phelps Dunbar, LLP
WILLIAM BYNUM	HOPE
HODDING CARTER, III	University of North Carolina
BISHOP RONNIE CRUDUP	New Horizon Church International
HON. MIKE ESPY	Former U.S. Secretary of Agriculture
ROBERT GIBBS	Gibbs Travis, PLLC
DAVID JOHNSON	BankPlus
MAURICE JONES	Virginia Secretary of Commerce and Trade
EDWIN LUPBERGER	Nesher Investments (Emeritus)
FRED MILLER	Bank of Anguilla (Retired)
MARTHA MURPHY	Murphy Family Limited Investment Partnership
JEFFREY NOLAN	Loutr Land and Timber Company
GRIFFIN NORQUIST	Bank of Yazoo (Retired)
WILLIAM PERCY	Retired Businessman
HON. WILLIAM WINTER	Former Mississippi Governor (Emeritus)

HOPE FEDERAL CREDIT UNION DIRECTORS	AFFILIATION
DR. IVYE ALLEN	Foundation for the Mid South
JAMES BROOKS	Mississippi Department of Education (Retired)
WILLIAM BYNUM	HOPE
RICHARD CAMPBELL	HOPE
ROBERT GIBBS	Gibbs Travis, PLLC
REV. ALICE GRAHAM	Back Bay Mission
DAVID JACKSON	Delta Housing Development Corporation
DR. GEORGE PENICK	St. Andrew's Episcopal School
MAURA JELLIFFE	Mortgage Guarantee Insurance Corporation
AUSTIN PORTER, JR.	Porter Law Firm
BRENDA RICHARD-MONTGOMERY	Secure Patient Delivery, LLC
REV. CAROL SPENCER	Episcopal Diocese of Mississippi (Retired)
EMILY TRENHOLM	Community Development Council of Greater Memphis
CARMEN WALKER	Noxubee County Mississippi Schools (Retired)
REV. NEDDIE WINTERS	Mission Mississippi

# CONSOLIDATED & COMBINED FINANCIAL HIGHLIGHTS



YEAR ENDED DECEMBER 31

	2015	2014
<b>RESULTS OF OPERATIONS</b>		
Earned Revenues	\$13,601,714	\$16,621,664
Operating Expenses	23,839,461	21,285,397
Loan Loss Reserve Expense	3,376,983	1,172,665
Change in Net Assets (Net Income/Loss)	5,934,442	9,408,103
<b>FINANCIAL POSITION</b>		
Total Assets	\$272,490,760	\$270,856,986
Total Net Assets (Net Worth)	88,838,512	91,068,163
Loans	198,409,011	203,213,658
Total Debt	55,722,284	56,201,847
Total Deposits	127,959,964	123,586,976
<b>RESULTS OF ACTIVITIES</b>		
Total Loans Closed	31,166,027	38,249,641



# COMBINING STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015 AND 2014

	Hope Enterprise Corporation <i>Consolidated</i>	Hope Credit Union	Eliminations	Combined <i>2015</i>	Combined <i>2014</i>
<b>ASSETS</b>					
<i>Cash and cash equivalents</i>	\$12,985,166	\$20,240,167	\$(4,581,035)	\$28,644,298	\$25,494,602
<i>Debt and other securities</i>	18,528,936	17,518,860	(12,725,000)	23,322,796	17,689,003
<i>Cash restricted for collateral and subsidiary's note</i>	-	-	-	-	-
<i>Investment in non-consolidated partnership</i>	8,883,489	-	-	8,883,489	10,566,949
<i>Grants and other receivables</i>	4,232,499	4,372,148	(2,408,076)	6,196,571	2,076,421
<i>Prepaid expenses</i>	117,414	971,439	-	1,088,853	991,514
<i>Other assets</i>	563,531	2,269,726	-	2,833,257	3,635,966
<i>Interest receivable</i>	-	548,330	-	548,330	547,213
<i>Consumer loans</i>	-	12,203,437	-	12,203,437	13,450,283
<i>Commercial loans</i>	65,399,936	56,451,748	(1,021,571)	120,830,113	123,164,157
<i>Residential mortgage loans</i>	3,673,513	61,701,948	-	65,375,461	66,599,218
<i>Allowance for loan losses</i>	(4,417,598)	(2,460,529)	-	(6,878,127)	(4,132,559)
<b><i>Loans, net</i></b>	<b>64,655,851</b>	<b>127,896,604</b>	<b>(1,021,571)</b>	<b>191,530,884</b>	<b>199,081,099</b>
<i>Foreclosed property</i>	244,556	212,748	-	457,304	2,567,045
<i>Goodwill</i>	-	244,472	-	244,472	244,472
<i>Property and equipment, net</i>	1,748,056	6,992,450	-	8,740,506	7,962,702
<b><i>Total assets</i></b>	<b>\$111,959,498</b>	<b>\$181,266,944</b>	<b>\$(20,735,682)</b>	<b>\$272,490,760</b>	<b>\$270,856,986</b>

<b>LIABILITIES</b>					
<i>Accounts payable</i>	\$700,316	\$329,418	-	\$1,029,734	\$788,768
<i>Dividends payable</i>	-	178,607	-	178,607	158,376
<i>Member deposits</i>	-	132,510,999	(4,581,035)	127,929,964	123,586,976
<i>Other liabilities</i>	23,097	3,240,729	(2,408,076)	855,750	1,043,638
<i>Notes payable and long-term loans</i>	27,048,116	40,356,648	(13,746,571)	53,658,193	54,211,065
<b><i>Total Liabilities</i></b>	<b>27,771,529</b>	<b>176,616,401</b>	<b>(20,735,682)</b>	<b>183,652,248</b>	<b>179,788,823</b>

<b>NET ASSETS AND EQUITY</b>					
<i>Uninsured capital and reserves</i>	-	4,650,543	-	4,650,543	4,583,653
<i>Unrestricted net assets</i>	14,310,827	-	-	14,310,827	13,502,753
<i>Non-controlling interests</i>	58,947,574	-	-	58,947,574	68,969,205
<b><i>Total unrestricted</i></b>	<b>73,258,401</b>	<b>4,650,543</b>	<b>-</b>	<b>77,908,944</b>	<b>87,055,611</b>
<i>Temporarily restricted</i>	8,941,056	-	-	8,941,056	2,235,040
<i>Permanently restricted</i>	1,988,512	-	-	1,988,512	1,777,512
<b><i>Total net assets</i></b>	<b>84,187,969</b>	<b>4,650,543</b>	<b>-</b>	<b>88,838,512</b>	<b>91,068,163</b>

<b><i>Total liabilities and net assets</i></b>	<b>\$111,959,498</b>	<b>\$181,266,944</b>	<b>\$(20,735,682)</b>	<b>\$272,490,760</b>	<b>\$270,856,986</b>
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See accompanying notes.

# COMBINED STATEMENT OF ACTIVITY

FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
<b>REVENUES &amp; GAINS</b>					
<i>Grants &amp; contributions</i>	\$11,146,723	\$10,517,369	\$400,000	\$22,064,092	\$14,483,376
<i>Program income</i>	13,137,797	-	-	13,137,797	16,149,513
<i>Investment income</i>	463,917	-	-	463,917	472,151
	24,748,437	10,517,369	400,000	35,665,806	31,105,040
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>					
<i>Satisfaction of program restrictions</i>	3,718,343	(3,718,343)	-	-	-
<i>Expiration of time restrictions</i>	93,010	(93,010)	-	-	-
	189,000	-	(189,000)	-	-
<b><i>Total revenues &amp; gains</i></b>	<b>28,748,790</b>	<b>6,706,016</b>	<b>211,000</b>	<b>35,665,806</b>	<b>31,105,040</b>
<b>EXPENSES</b>					
<i>Program expenses</i>					
<i>Commercial lending &amp; assistance</i>	7,887,930	-	-	7,887,930	7,003,528
<i>Mortgage lending &amp; housing</i>	2,684,979	-	-	2,684,979	2,380,263
<i>HOPE &amp; consumer lending</i>	8,317,145	-	-	8,317,145	7,102,969
<i>Other programs</i>	1,022,698	-	-	1,022,698	607,152
	19,912,752	-	-	19,912,752	17,093,912
<i>Development &amp; communications</i>	283,514	-	-	283,514	253,631
<i>General administration</i>	7,020,178	-	-	7,020,178	5,110,519
<b><i>Total expenses</i></b>	<b>27,216,444</b>	<b>-</b>	<b>-</b>	<b>27,216,444</b>	<b>22,458,062</b>
<b>EQUITY IN (LOSSES) EARNINGS OF AFFILIATED COMPANY</b>	<b>(1,257,460)</b>	<b>-</b>	<b>-</b>	<b>(1,257,460)</b>	<b>380,561</b>
<b><i>Change in net assets before minority interests</i></b>	<b>274,886</b>	<b>6,706,016</b>	<b>211,000</b>	<b>7,191,902</b>	<b>9,027,542</b>
<i>Change in other comprehensive gains/losses</i>	(173,991)	-	-	(173,991)	208,804
<i>Minority interests in subsidiaries losses</i>	774,097	-	-	774,097	(1,485,893)
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST</b>	<b>874,992</b>	<b>6,706,016</b>	<b>211,000</b>	<b>7,792,008</b>	<b>7,750,453</b>
<b>NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST</b>					
<i>At beginning of year</i>	18,086,406	2,235,040	1,777,512	22,098,958	14,348,936
<b>DIVIDENDS PAID TO CONTROLLING INTEREST</b>	<b>(28)</b>	<b>-</b>	<b>-</b>	<b>(28)</b>	<b>(431)</b>
<i>At end of year</i>	18,961,370	8,941,056	1,988,512	29,890,938	22,098,958
<b>NET ASSETS OF MINORITY INTERESTS</b>	<b>58,947,574</b>	<b>-</b>	<b>-</b>	<b>58,947,574</b>	<b>68,969,205</b>
<b><i>Net assets &amp; equity at the end of year</i></b>	<b>\$77,908,944</b>	<b>\$8,941,056</b>	<b>\$1,988,512</b>	<b>\$88,838,512</b>	<b>\$91,068,163</b>

See accompanying notes.



# NOTES TO COMBINED & CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) FOR THE YEARS ENDING DECEMBER 31, 2015 AND 2014

## 1. BASIS OF PRESENTATION

The accompanying combined and consolidated financial statements include the consolidated financial statements of 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 headquartered 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](http://www.hope-ec.org) and [www.hopecu.org](http://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 Central City, LLC; ECD New Markets 3, LLC; 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; and Hope New Markets 4, LLC. ECD New Markets 5, LLC, Hope New Markets 1, LLC, Hope New Markets 2, LLC, Hope New Markets 3, LLC and Hope New Markets 4, 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 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. It has continued to provide affordable housing solutions in the region covered by HEC. MDCIIC was acquired by HEC in 2007 and is a Mississippi corporation that provides loans and technical assistance to small businesses in a thirteen-county service area in the Delta region of Mississippi. ECD First Commercial and ECD Plus began operations in 2007 and are commercial loan funds in partnership with local banks. ECD Central City, LLC, began operations in 2009 and is a commercial loan fund in partnership with a local bank. 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 in partnership with a bank. During October 2014, as scheduled, ECD First Commercial was liquidated. Effective December 31, 2014, as scheduled, HEC acquired the non-controlling interest in ECD Chase, an affiliate, and it was liquidated with its assets and liabilities transferred to HEC. Also, effective December 31, 2014, MDCIIC, after having paid its bond indebtedness and completed its purpose, was liquidated, as scheduled, with remaining assets transferred to HEC. ECD Plus was liquidated in 2015.

On January 1, 2009, HCU acquired all the assets and liabilities of American Savings Credit Union in an NCUA-directed merger accounted for as a purchase. This merger resulted in an excess of fair value of liabilities assumed over fair value of assets acquired of approximately \$244,000. In July 2010, HCU converted to a federal charter and changed its name to Hope Federal Credit Union. On October 1, 2010, HCU acquired all the assets and liabilities of East Central Federal Credit Union in an NCUA-directed merger accounted for as a purchase. This merger resulted in a net gain on acquisition of approximately \$531,000.

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 2014 combined financial statements to conform to the presentation in 2015.

## 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:

	2015	2014
Cash and cash equivalents	\$28,644,298	\$25,494,602
Debt and other securities	23,322,796	17,689,003
	\$51,967,094	\$43,183,605

## 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, 2015, will be received and available for support of HEC/HCU's programs as follows:

Grants due in less than one year	\$5,036,500
Grants due in one to five years	100,000
Grants due in six to eight years	60,000
Contracts and other receivables	1,022,835
Total grants and other receivables	6,219,335
Less adjustment to reflect grants receivable at fair value at the date of grant, based on 1.25% discount rate	(22,764)
Net grants and other receivables	\$6,196,571

## 4. LOANS

The composition of the loan portfolios are as follows:

	2015	2014
Consumer loans outstanding	\$12,203,437	\$13,450,283
Commercial loans outstanding	120,830,113	123,164,157
Residential mortgage loans outstanding	65,375,461	66,599,218
	\$198,409,011	\$203,213,658

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 ratios of 97% or less. During 2014, HOPE transferred its mortgage loans held-for-sale to loans receivable held for investment purposes as a result of increased restrictions in the secondary market for sales of mortgage loans originated with credit risk characteristics of HOPE's typical borrowers. As a result of these increased restrictions, management does not believe the majority of these loans will be sold in the foreseeable future.

## 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 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:

	2015	2014
Balance at beginning of year	\$4,132,559	\$3,648,697
Provision charged to operating expenses	3,376,983	1,172,665
Loans and investments charged-off and foreclosed-net	(631,415)	(688,803)
Balance at end of period	\$6,878,127	\$4,132,559

## 6. FORECLOSED PROPERTY

Foreclosed property consists of properties repossessed or charged-off. 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, 2015, are as follows:

2016	\$9,741,100
2017	4,931,648
2018	4,260,166
2019	992,764
2020	2,142,292
Thereafter	31,590,224
	\$53,658,193

## 9. UNINSURED CAPITAL AND RESERVES

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



# HOPE LOCATIONS

## ARKANSAS

**College Station (2008)**  
4000 Gray Street, Suite B  
College Station, AR 72053

**Little Rock (2016)**  
8411 I-30  
Little Rock, AR 72209

**Little Rock Program Office (2006)**  
6917 Geyer Springs Road  
Suite 6-N | Little Rock, AR 72209

**Pine Bluff (1996-2006, 2013)**  
615 South Main Street  
Pine Bluff, AR 71601

**West Memphis (2009)**  
1114 Missouri Street  
West Memphis, AR 72301

## LOUISIANA

**Central City (2004)**  
1726 O.C. Haley Boulevard  
New Orleans, LA 70113

**Circle Food Store (2014)**  
1522 St. Bernard Avenue  
New Orleans, LA 70116

## MISSISSIPPI

**Biloxi (2005)**  
188 Porter Avenue  
Biloxi, MS 39530

**Camden (2005)**  
1493 Highway 17  
Camden, MS 39045

**Drew (2016)**  
140 West Shaw Avenue  
Drew, MS 38737

**Greenville (1995)**  
546 Martin Luther King, Jr.,  
Boulevard North  
Greenville, MS 38701

**Itta Bena (2015)**  
120 Humphrey Street  
Itta Bena, MS 38941

**Medical Mall (2000)**  
350 Woodrow Wilson Avenue,  
Suite 370B  
Jackson, MS 39213

**Rainbow Kiosk/ATM (2013)**  
2807 Old Canton Road  
Jackson, MS 39216

**University Boulevard (2005)**  
1748 University Boulevard  
Jackson, MS 39204

**Louisville (2010)**  
108 East Main Street  
Louisville, MS 39339

**Macon (2010)**  
16299 Highway 45  
Macon, MS 39341

**Moorhead (2015)**  
917 West Delta Avenue  
Moorhead, MS 38761

**Robinsonville (2009)**  
11495 Old Highway 61 North  
Robinsonville, MS 38664  
662-357-9230

**Shaw (2016)**  
134 East Peeler Avenue  
Shaw, MS 38773

**Terry (2014)**  
109 West Cunningham Avenue  
Terry, MS 39170

**Utica (2011)**  
106 East Main Street  
Utica, MS 39175

## TENNESSEE

**Jackson (2009)**  
113 Executive Drive  
Jackson, TN 38305

**Harvester Lane (2009)**  
3048 Harvester Lane  
Memphis, TN 38127

**Madison Avenue (2004)**  
1451 Madison Avenue  
Memphis, TN 38104

**Ridgeway (2009)**  
2923 Ridgeway Road  
Memphis, TN 38115

*Corporate Office (1994)*  
4 Old River Place  
Jackson, MS 39202  
601-944-1100





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