

BREAKING  
BARRIERS  
WITH  
HOPE

2019

IMPACT REPORT

2019

2019

2019



Hope 



Reverend Farrell Duncombe,  
Hope Credit Union Board  
Member and former Pastor, St.  
Paul A.M.E., Montgomery, AL

**ALABAMA GREAT SEAL**

### ROSA PARKS RETURNS TO ST. PAUL A.M.E.

Rosa Louise McCauley Parks, the Mother of the Civil Rights Movement, passed away in Detroit on Oct. 24, 2005 at the age of 92. Six days later, dressed in the uniform of an A.M.E. deaconess, her body arrived by horse-drawn carriage at St. Paul A.M.E., her former Montgomery home church, for a vigil and memorial service. Thousands of Alabamians, including Condoleezza Rice, were joined by actress Cicely Tyson and other guests for tributes and joyful hymns.

The following two days in the nation's capital, thousands waited in line for hours to view the unadorned casket in the Rotunda of the U.S. Capitol. She was the first civilian to be accorded the honor to lie in state. President George W. Bush and Laura Bush placed a presidential wreath on the center of the casket.

During a memorial service at Washington's Metropolitan A.M.E. Church, Mrs. Parks' life-long friend Johnnie Carr of Montgomery joined U.S. Sen. Ted Kennedy, Oprah Winfrey, Julian Bond and other civil rights leaders. Mrs. Parks was buried at Woodlawn Cemetery in Detroit on Nov. 2, 2005.

The U.S. Congress commissioned a statue of a seated Mrs. Parks that was unveiled in National Statuary Hall in the U.S. Capitol on Feb. 27, 2013.

SOURCE: "ROSA PARKS: A LIFE" BY DOUGLAS BRINKLEY

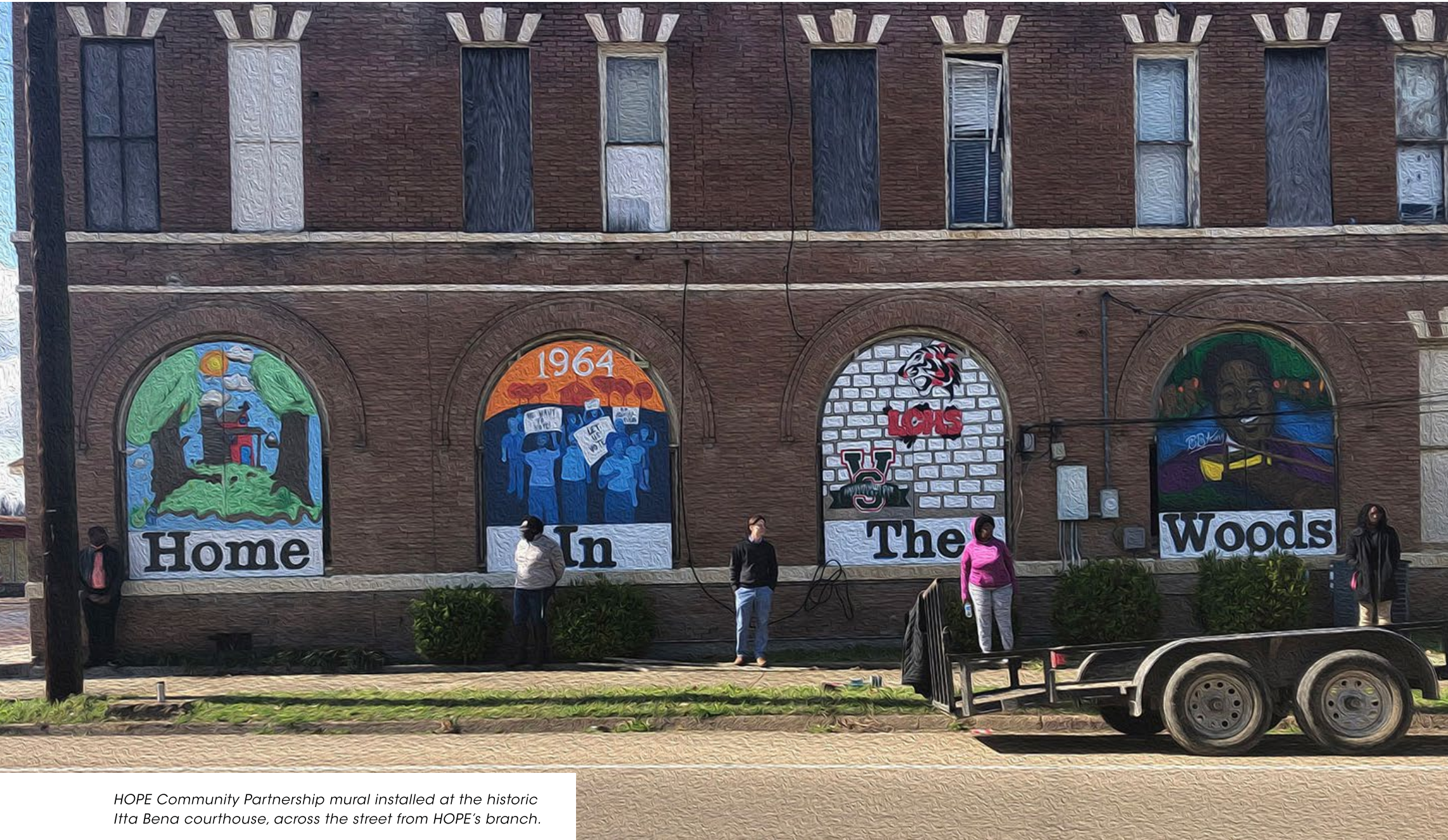
Across the Deep South, generations of resilient public servants, artists and business leaders have broken barriers, distinguishing themselves, while making life better for others. In a region marked by entrenched economic, racial and social disparities, HOPE taps into this wellspring of determination, innovation and courage to fulfill our mission.

Lifelong barrier breaker Pastor Farrell Duncombe, who studied at the feet of his Sunday school teacher, Rosa Parks, says, "I see a correlation between the Civil Rights Movement and the challenges HOPE addresses today. When we talk about justice and equality, no matter what the goal, economics will be involved."

HOPE champions those on the edge of the economy, working in small towns and inner city neighborhoods to remove obstacles that limit one's ability to prosper. We are committed to a Deep South that works for all - regardless of race, gender, birthplace or station in life.

HOPE is especially proud to work alongside and continue the legacy of countless barrier breakers, including those who are longtime leaders and those of the next generation. Together, we are the barrier breakers for this time.

*Bill Bynum*  
Bill Bynum  
Chief Executive Officer



HOPE Community Partnership mural installed at the historic Ifita Bena courthouse, across the street from HOPE's branch.

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Birmingham Mayor Randall Woodfin greets children at the A.G. Gaston Boys & Girls Club, a facility he attended as a youth.

**A.G. GASTON BOYS & GIRLS CLUB**  
BIRMINGHAM, ALABAMA

"We are about breaking cycles," says Frank Adams, Jr., CEO of the A.G. Gaston Boys & Girls Club. "We serve children who may have wonderful parents, but who face a number of barriers. They deal with food insecurity, safety issues in their neighborhoods, a lack of technology that most people take for granted, and other challenges that come with poverty.

"Within the four walls of this building, we try to mitigate those challenges," Adams continues. "We provide bright paths and opportunities for our children, no matter where they come from. We are a place of hope."

That place of hope became even more hopeful on February 19, 2020, when the A.G. Gaston Boys & Girls Club opened the doors to a new, \$15.5 million clubhouse.

The sparkling new facility offers space to provide tutoring, mentoring services, and after-school activities for 450 children at one time – nearly twice the capacity of the old clubhouse. Added amenities include a dedicated Teen Center, a commercial kitchen for preparing hot meals, a performing arts venue, and spacious, well-equipped areas for academic, STEM, and indoor

and outdoor recreational activities. The new facility will also serve as a community gathering space, a "village center" for neighborhood meetings and programming.

HOPE provided \$9 million in New Markets Tax Credit as part of the financing for the construction of the new facility.

"HOPE has been an example of servant leadership in our community. They've not only provided financial support, they've also provided enthusiasm and emotional support for our work," Adams says.



*Breaking Barriers for Future Generations*

**"HOPE 'got' our vision and understood that we wanted to be a source of catalytic change in this community. They saw this project not just as a business opportunity, but as a way to focus on the needs of our community. This clubhouse is transformative for our community and for individual children and it is the direct result of the support of HOPE."**

**— Frank Adams, CEO of the A.G. Gaston Boys & Girls Club**



*The Sky's the Limit*

#### LAMAR LIFE LOFTS JACKSON, MISSISSIPPI

The revitalization of Jackson, Mississippi's capital city, is vital to the economic future of the entire state. Unfortunately, over the last couple of decades, businesses have migrated to the suburbs and vacancies for commercial office space have steadily risen. In 2019, more than 1 out of 5 commercial office spaces in downtown Jackson were vacant.

The economic hardship facing the central business district of Jackson was precisely the type of challenge HOPE takes on when it considers leveraging the New Markets Tax Credit (NMTC) program. The program was created nearly 20 years ago to increase and direct capital into economically distressed communities. Historically, HOPE has used NMTC to fund projects that otherwise would not receive funding from any other entity.

HOPE partnered with developer Andrew Mattiace to secure \$10 million in NMTCs to completely renovate and repurpose Jackson's historic Lamar Life building. The city's first "skyscraper" and a landmark downtown property, the graceful building and its stately clock tower had stood watch over Capitol Street since 1924. The property was still in use as an office building, but Mattiace and HOPE saw the potential for a modern development that also expanded affordable housing.

Work began on the penthouse-to-basement renovation in 2017. The building's entire infrastructure, including



all electrical and plumbing, was replaced with modern, state-of-the-art equipment; every floor of the grand, 11-story building received a cosmetic facelift; and the building was converted from 100 percent office space to a modern mix of luxury apartments, office, and retail space. Importantly, 15% of the housing units created were also set aside for affordable housing.

Work was completed in January of 2019; by March 1, the entire building, now known as the Lamar Life Lofts, was leased. The renovation of this signature property, which is listed on the National Register of Historic Places, has served as a catalyst for additional development and investment in downtown Jackson.

"I needed an office in a convenient, central location," says Taylor Sledge, who runs a financial services business from his office in the Lamar Life Lofts. "This building has that location and also offers a conversation and a community feeling. It's a great atmosphere. I think the success of this project will encourage the entrepreneurial spirit in Mississippi. In how many other cities could you take this kind of dream and make this happen?"

HOPE New Markets Tax  
Credit Outcomes  
2002 - 2019

**\$398 million**

Invested across the Deep South

**3,737**

Total Jobs Created  
or Retained

**33%**

Average Poverty Rate in  
Communities Supported by  
HOPE Investments

## Barrier Breaker

CAROL BEBELLE  
NEW ORLEANS, LOUISIANA

*Ashé* is West African for “amen” or “so let it be done.”

It’s a fitting name for the Ashé Cultural Arts Center, the organization that turned a once-blighted neighborhood into a cultural tourism destination. Located in Central City, a low-income area in New Orleans, Ashé was the brainchild of HOPE member Carol Bebelle.

“New Orleans is famous for its African-influenced culture,” Bebelle says. “But everyone was making money off of the culture except the artists. There was a need for a cultural center where the black folks had the keys.”

Under Bebelle’s leadership as executive director, Ashé rented a building in the heart of Central City in 1998. More than just a physical space, Bebelle envisioned Ashé as the anchor for a cultural corridor that would promote commerce and foster a sense of community.

HOPE was a part of that vision from the beginning. The Central City Merchants and Business Association chose HOPE to conduct a feasibility study to assess the community’s potential for economic development. Realizing that potential was strong, HOPE wrote Ashé a bridge loan that kept the center running until its first substantial

source of funding, a grant from the Ford Foundation, came in. Grants from the W.K. Kellogg Foundation, Annie E. Casey Foundation, and others followed.

HOPE was also the first financial institution to establish a location in Central City.

Today, the Ashé Cultural Center is a hub for art exhibitions, cultural presentations, and community gatherings, and the corridor Ashé anchors is a lively swath of businesses, museums, and restaurants. Ashé purchased the space it once rented, ensuring it will continue to be a community anchor for years to come.

Ashé continues to partner with HOPE to plan for Central City’s future.

“As the property value goes up, we’re looking at financial products that will help local people purchase homes and open businesses here, so that Central City doesn’t become out of reach financially for the people and culture the neighborhood is built on,” says Bebelle, who retired as Ashé’s director in 2019. “We’re moving from place making to place keeping.”

Yet another reason to say, “Ashé.”

“HOPE looked at this area and saw more than poverty and blight. HOPE saw our potential.”

— Carol Bebelle



**CARLOS RENE OTERO CRUZ**  
BIRMINGHAM, ALABAMA

With help from HOPE, Carlos Rene Otero Cruz is living the American dream.

Otero Cruz immigrated to America from Colombia and landed a job on the assembly line at Bimbo International, a company that produces bread and other baked goods for Walmart, Target, and large supermarkets.

When he saw the opportunity to purchase a Bimbo distribution route, Otero Cruz was eager to make the leap from employee to business owner. But when he turned to his bank for a loan to purchase a bread delivery truck, Otero Cruz was turned down due a lack of credit history.

Then the Hispanic Interest Coalition of Alabama recommended he apply for a loan through HOPE. HOPE used credit enhancement funds through the Wells Fargo Diverse Community Capital program to provide a cash security that closed the gap between Otero Cruz' available collateral and what was needed to cover the loan.

Otero Cruz walked into HOPE as an assembly line worker and left HOPE as a small business owner. His next goal is to work with HOPE on a mortgage loan as he continues to build a successful life in America.

"I never thought this would be possible. HOPE has helped me realize my dream of owning my own business in this beautiful country and given me the financial independence to provide for my loved ones," Otero Cruz says.

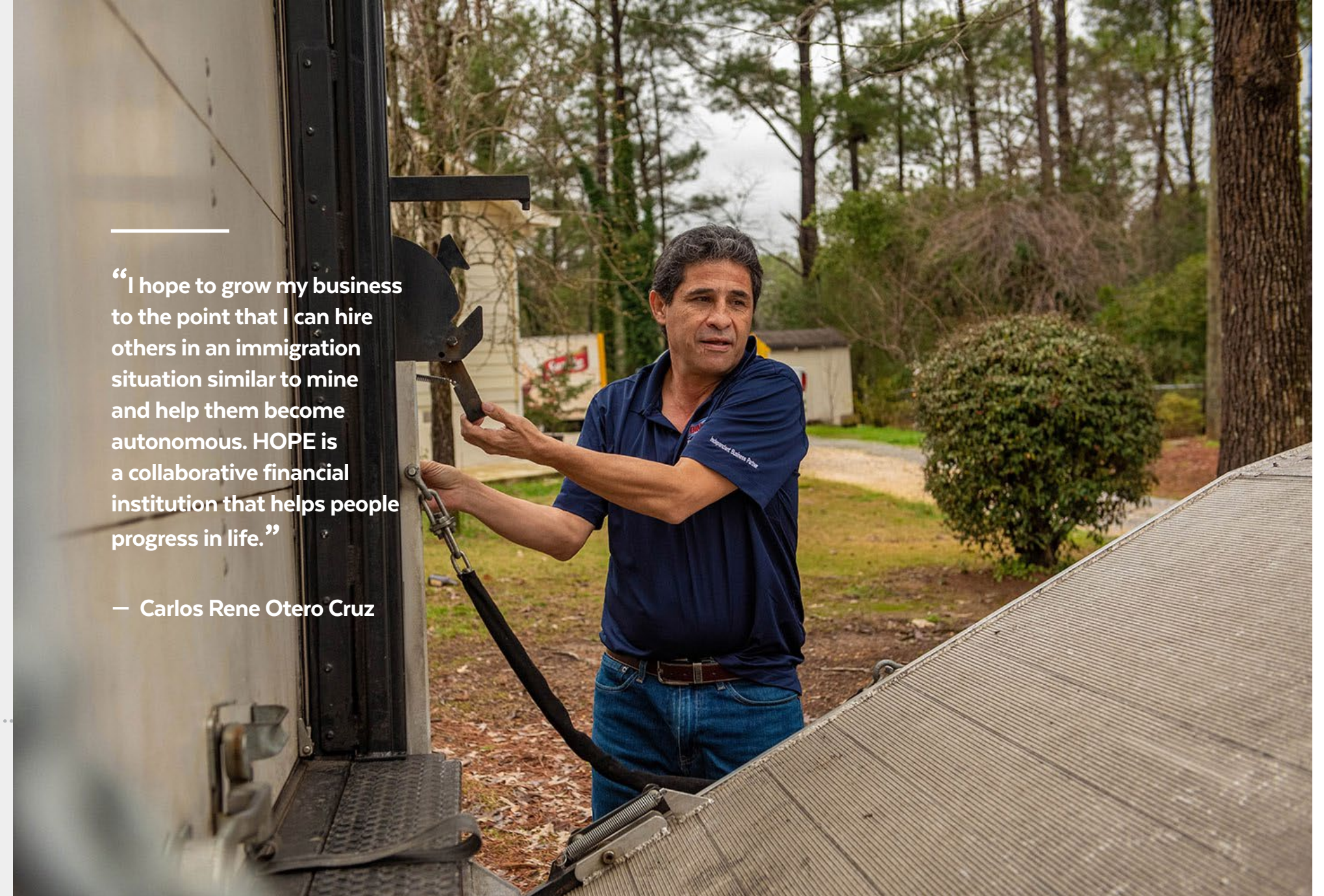
**61%**

of Businesses and Nonprofits  
Financed by HOPE in 2019 were  
Owned or Led by Women and/  
or People of Color

*The Best Thing Since Sliced Bread*

"I hope to grow my business to the point that I can hire others in an immigration situation similar to mine and help them become autonomous. HOPE is a collaborative financial institution that helps people progress in life."

— Carlos Rene Otero Cruz





## Barrier Breaker

MARIA AGUILAR RODRIGUEZ  
LITTLE ROCK, ARKANSAS

It's been 16 years since Maria Aguilar Rodriguez left Mexico for a better life and a career in the United States, but she still remembers the challenges of adjusting to a new country, a new language, and a new culture.

Today, Rodriguez uses her own experiences to help others in her job as a program coordinator with the Mexican Consulate in Little Rock, Arkansas. Rodriguez assists immigrants from Mexico to the United States, matching them with financial, educational, and healthcare services. Between the main office and a "consulate on wheels" program, the Mexican Consulate serves as many as 200 people per day.

Rodriguez works hand-in-hand with Crece con HOPE (Grow with HOPE), a program that provides financial services designed specifically for Spanish-speaking immigrants. Rodriguez can recommend HOPE to her clients with confidence; a loan from HOPE allowed her to launch a small side business selling packaged meals made from her own recipes.

"HOPE is a very important partner for the Consulate," Rodriguez says. "We have the same mission - to make sure people have a good quality of life here. These immigrants are hard workers. We want to see them buy homes, build their credit scores, and start successful businesses in America. By helping immigrants navigate financial matters, HOPE is helping them navigate life in this country."

# 42%

of **HISPANIC HOUSEHOLDS**

**LIVING IN THE SOUTH**

are **UNBANKED** or  
**UNDERBANKED**  
more than twice the rate for  
**White Households**





*On the Merit System*

MEMPHIS MERIT ACADEMY  
MEMPHIS, TENNESSEE

Mornings at Memphis Merit Academy begin with 112 kindergarteners and first graders in crisp maroon uniforms chanting the school mantra:

"Who are we?  
Merit Academy!  
Where are we going?  
To college!"

A charter school opened in 2019, Merit is located in Parkway Village, one of Memphis' most disadvantaged neighborhoods. In this community, 65 percent of children under the age of 5 live in poverty. Liquor stores outnumber grocery stores and the crime rate is among the highest in Memphis.

"We know what we refer to as 'the brutal facts,' but we don't let them get in the way," says Lakeena Booker, Merit's founder and head of school. "Every student deserves a school where the leaders and teachers work daily to close the achievement gap between affluent and non-affluent students. Merit is that school."

Merit's location was chosen with care. In a low-income community, ease of transportation can be a critical factor in whether a child makes it to school regularly or not; it was important that the school be located within the Parkway

Village community. Merit plans to add a grade every year up to grade 8, so it was vital that the space chosen offer room for growth.

HOPE not only provided funding for renovations to the space, but played a critical role in choosing it.

"HOPE was a partner in our two-year planning process," Booker says. "HOPE looked at our vision and at our budget and provided realistic numbers for us to use to determine how much space and what kind of renovations we could afford."

Merit chose a 34,000-square foot space in the heart of Parkway Village. HOPE helped develop a plan to renovate an initial 14,000 square feet, saving upfront renovation costs, but allowing Merit the space it will need to grow. Inside that space, barriers are being broken.

**"Merit isn't just closing the gap. We go beyond the gap. We aren't just giving our students a seat at the table. We are building the table."**

— Alexia Hudson,  
Merit kindergarten  
teacher

**7,403**

Students Educated in  
Schools Financed  
by HOPE

**86%** from Low-Income  
Households

## Consumer Lending Outcomes 2019

### AVERAGE CREDIT SCORE

706 - Individuals Nationwide

626 - HOPE Members

**57%** of Individuals Nationwide  
with Prime Credit

**11%** of HOPE Borrowers  
with Prime Credit

### CHELSEY WALKER NEW ORLEANS, LOUISIANA

Chelsey Walker was just 3 years old when she first proclaimed, "I want to be a doctor."

Now 26 and a student at the Louisiana State University School of Medicine, the soon-to-be "Dr." Chelsey Walker hopes to someday open her own practice treating low-income families in her hometown of New Orleans.

An outstanding student and hard worker who assisted in conducting neuroscientific research at LSU while still in high school and whose work was published in medical journals while she was still a college undergraduate, Walker had never set a goal she couldn't reach – until she tried to get an auto loan.

"I had plenty of long-term student loan debt thanks to medical school, but I had no credit history," Walker says. "I realized what a barrier that was when I wanted to buy a car in my own name and I couldn't get a loan. The people at the dealership didn't even turn on their computers. They simply said, 'no.'"

When Walker reluctantly asked her father for help, he signed for her car loan, and also offered her some sound advice: turn to Hope Credit Union for help establishing her own credit history.

HOPE helped Walker with a cash-secured loan, which essentially allowed her to build a credit history by borrowing and repaying her own money. Within a year, she had paid the loan back, opened a savings account with HOPE, and secured a credit card in her name. Walker can now focus on her medical studies and her career plans without worrying that a lack of credit will hold her back.

**"It's a relief to know that my credit score isn't getting killed while I'm finishing my medical education and that my lack of credit won't be a barrier to achieving the goals I've set for myself or my plans to give back to my community."**

— Chelsey Walker



“I see a correlation between the Civil Rights Movement and the challenges HOPE addresses today. When we talk about justice and equality, no matter what the goal, economics will be involved. HOPE not only understands that, they are an organization that cares.”

— Farrell Duncombe



## Barrier Breaker

FARRELL DUNCOMBE  
MONTGOMERY, ALABAMA

The Reverend Farrell Duncombe was inspired by one of the greatest of all barrier breakers, Rosa Parks. Ms. Parks was his childhood Sunday school teacher. Duncombe vividly remembers her as the “den mother” who walked him and his friends to church for Junior NAACP meetings.

Years later, a grown-up Duncombe, then principal of Montgomery’s Sidney Lanier High School, asked Ms. Parks to visit the school and address his students. In true barrier breaker fashion, the topic of her speech was refusing to let obstacles keep you down.

“It was like the children had seen Jesus,” Duncombe says. “I had tears in my eyes. It was a high moment in my life.”

Like his role model, Duncombe was never afraid to stand up for equality. He broke his first barrier in 1970, when he was named the first African American band director at newly desegregated Lanier High School. It was a violent, tumultuous time in the Deep South; for his entire first year on the job, Duncombe was accompanied by a bodyguard. He was subjected to everything from name calling to death threats, but nothing could deter Duncombe from his goal, which was not only to lead the band, but also to unify the diverse school community.

“There was a question as to what kind of music this newly integrated band would play. The students were very receptive. None of them quit because of my color – I think they were too curious to see what I would do to leave. Once we began working together and exchanged ideas, we were a very solidified group.”

Duncombe served as Lanier’s band director for 14 years before moving into leadership and administrative positions at other Alabama schools, eventually returning to Lanier as principal.

Today, Duncombe is the pastor of First Congregational Christian Church and the former pastor of St. Paul A.M.E. Church in Montgomery. When his credit union, Tri-Rivers Federal Credit Union, merged with Hope Credit Union in 2017, Duncombe became a HOPE member and eventually joined the Hope Credit Union board of directors. His work with HOPE may not require bodyguards, but Duncombe sees it as a continuation of the barrier breaking of an earlier era.

HOPE Mortgage Lending  
Outcomes 2019

**138**

Mortgage Loans

**91%** First-Time Homebuyers

**87%** People of Color

**52%** Women

JOHNSON FAMILY  
GREENVILLE, MISSISSIPPI

Quintus Johnson and his wife, Cassandra, have built their careers on serving others. Quintus is an officer with the Leland, Mississippi, Police Department and Cassandra is a school teacher. But when the Johnsons were ready to buy a home for themselves and their four little girls, their lack of a substantial down payment made traditional lenders hesitant to serve them.

"Time after time, we were disappointed," Quintus says. "If we could afford it, the neighborhood wasn't right. If the neighborhood was right, we could never get the financing. We had looked for such a long time, my wife had given up hope. We had decided we'd just have to keep renting or settle for something that wasn't what we really wanted."

Then a partnership between HOPE and the Wells Fargo NeighborhoodLIFT program made the Johnsons' dream of homeownership a reality. The program offers down payment grants to first-time homebuyers, and in a show of gratitude for their service, offers even more generous assistance to first responders like Quintus Johnson. Homebuyers agree to stay in the home for five years; the balance to be repaid drops each year and after five years, is forgiven completely.

"The attitude from NeighborhoodLIFT and HOPE was all hands on deck, ready to help us in every way," Quintus says. "And once they were on board, it all fell into place."

In May of 2019, the Johnsons moved into a three-bedroom, two-bath home in a family-friendly neighborhood in Greenville, Mississippi. The house offers wide hallways for their four little girls to run down, a big yard for the family to play in, and the joy that comes from knowing they have finally come home.

"When we saw this house, we knew it was home," Quintus says. "It's an awesome feeling to know that your hard-earned money is going to pay for something that is yours. This house is perfect for us, a blessing. It was a long-awaited journey with some obstacles along the way, but thanks to HOPE and NeighborhoodLIFT, we made it home."

*Giving Families A Lift Home*



**"It's an awesome feeling to know that your hard-earned money is going to pay for something that is yours. This house is perfect for us, a blessing. It was a long-awaited journey with some obstacles along the way, but thanks to HOPE and NeighborhoodLIFT, we made it home."**

**— Quintus Johnson**

## Barrier Breakers

MYRLIE EVERS-WILLIAMS & WILLIAM WINTER  
JACKSON, MISSISSIPPI

HOPE is proud to stand on the shoulders of legendary barrier breakers Civil Rights Activist and Hope Credit Union member-owner Myrlie Evers-Williams, and founding Hope Enterprise Corporation director, former Governor William Winter.

The former chairwoman of the NAACP National Board of Directors, Evers-Williams is credited with spearheading the operations that restored the NAACP to its original status as the premier Civil Rights organization in America. She became the NAACP's first chairperson emeritus in 1998, when she retired to establish the Medgar Evers Institute, now the Medgar & Myrlie Evers Institute.

Evers-Williams has been a force for civil rights since the 1960s. She and her late husband, Medgar, opened and managed the first NAACP Mississippi State Office. Their stand for justice would cost Medgar Evers his life; in 1963, Evers-Williams and the couple's three children saw their husband and father assassinated in the driveway of the Evers' home in Jackson. Evers-Williams and the children later relocated to California, where she continued to be a champion for justice and equality.

In addition to her service work, Evers-Williams enjoyed a successful professional career, holding leadership positions in business and education and earning acclaim as an author and public speaker. Active in politics, Evers-

Williams was the first African American woman to head the Southern California Democratic Women's Division and was convener of the National Women's Political Caucus.

Evers-Williams holds 16 honorary degrees from leading colleges and universities and is a recipient of numerous civil rights, human rights, and community awards. Selected by President Barack Obama, she was the first layperson and first woman to deliver the inaugural invocation at a presidential inauguration.

Evers-Williams shares HOPE's mission of moving people on the fringe of the American economy to the mainstream, and giving everyone an equal chance to prosper.

Throughout his public service and private sector careers, William Winter has been a champion of equal rights.

As the 58th governor of Mississippi (1980-84), Winter championed educational equality; public kindergarten was the cornerstone of his Education Reform Act of 1982.

Winter was one of President Bill Clinton's seven appointees to the President's Advisory Board on Race. His involvement brought the first-ever Deep South dialogue event about racial reconciliation to the University of Mississippi in Oxford. Hailed as the

single most successful event of the entire initiative by President Clinton, the event prompted the University of Mississippi to form the William Winter Institute for Racial Reconciliation. The Institute, now a nonprofit headquartered in Jackson, Mississippi, promotes community building, youth involvement, and policy and civic engagement.

Winter celebrated HOPE's mission in an address to the organization's employees.

"There are certain things that everybody agrees on. Everybody wants their children to get the best education. Everybody wants to have a fair shot at a decent job where they can make a living. Everybody wants to live in a decent house on a safe street. And above all else, everybody wants to be treated with dignity and respect. Those are universal aspirations.

"What all of you [at HOPE] are doing is to create a society where people can see the realization of these basic aspirations and hopes. What HOPE is doing is the most important thing going on in America."



“HOPE provides people with access to self-determination, and economic empowerment, and dignity. That is exactly what Medgar wanted.”

— Myrlie Evers-Williams  
Civil Rights Activist



*The Lunch Break*

**“I’m proud of myself. The Refill staff is proud that I’ve come this far and they let me know every day they’re proud of me. If you put 100 percent into Refill, you get more than 100 percent back.”**

**— Brantley Hughes**

#### REFILL CAFÉ JACKSON, MISSISSIPPI

It’s noon at the Refill Café in West Jackson, and the cheerful eatery is hopping. The bright café hums with lively chatter as workers serve sandwiches and lunch plates to a diverse crowd. For Refill workers like Brantley Hughes, every lunch served is a step toward a new life.

“Four months ago, I could not have imagined being in this spot,” 20-year-old Hughes says. “I’d tell anyone struggling, come to Refill and get into this program.”

Refill Café is a project of the Refill Jackson Initiative, a life skills and workforce training program for young adults struggling to break the barriers of addiction, poverty, crime, and challenging socioeconomic backgrounds.

“Most of our program members have had little or no positive influences in their lives,” says Emily Stanfield, president and CEO of the Refill Jackson Initiative. “As a result, they have a bad picture of themselves.”

Refill changes that picture. The 10-week program is a combination of classroom training, life skills coaching, and hands-on work in the Refill Café. Members learn job skills and also develop important soft skills like teamwork, accountability, anger management, and problem solving.

HOPE provided financing for the freestanding building that houses the Refill Café and classrooms. For program members like Hughes, the bright yellow building embodies the chance to rebuild their lives.

Hughes’s drug addiction had cost him his job, his home, and his relationships. He reached a turning point when he witnessed another homeless addict shot over a shoe.

“It wasn’t even a pair of shoes,” Hughes says, his voice shaking. “It was a shoe. By that point, I was a typical crackhead. I weighed less than 100 pounds. I was homeless, I was dirty, I was constantly scared, and I was staying strung out and awake for days at a time. I knew I had to get help or I’d be dead.”

A rehab program helped Hughes get clean, but he needed a new direction that would keep him on the right path. He found that direction within the walls of Refill. Since completing the program in 2019, Hughes has repaired his broken relationships with his family and is on track to re-enter the workforce.



HOPE Commercial Lending  
Outcomes 2019

50 Commercial Loans

Totalling **\$59.9 million**

3,059 Jobs Supported

# Barrier Breakers

DEANDRE AND VINESSA BROWN  
MEMPHIS, TENNESSEE

At the time of his arrest, DeAndre Brown was wanted by the city of Memphis, Shelby County, and the State of Tennessee.

Today, DeAndre has business contracts with the city of Memphis, Shelby County, and the State of Tennessee.

DeAndre and his wife, Vinessa, are the founders of Lifeline to Success, an organization that helps men and women rejoin community life after incarceration. It's a challenge DeAndre knows first-hand. He was a promising pre-med student at Rhodes College when a desire for easy money lured him into a life of crime that eventually led to a decade spent in and out of prison. Upon his release, DeAndre and Vinessa decided to make ministering to other returning citizens their life's work.

Lifeline to Success's clients attend work and life skills classes every morning. Afternoons are spent working in low-income areas of Memphis, performing landscaping and janitorial services as members of paid work crews or as volunteers.

In addition to transforming themselves, Lifeline clients are fighting blight, violence, unemployment, and other aspects of what DeAndre refers to as the "criminal culture." More than 1,000 clients with felony records have joined the program over the past eight years; fewer than five have gone on to commit another felony.

An important part of that transformative process is learning to manage finances. The Browns, their organization, and their clients all have accounts with HOPE.

"Many of our clients have never earned a paycheck or had a bank account, and the process of establishing one can be intimidating. They've served time in prison, but the thought of going into the bank scares them," DeAndre says. "Writing a check, applying for a loan, even something as simple as showing off an ATM card gives them a sense of pride.

"I thank God for HOPE. They're doing more than opening accounts and issuing ATM cards. They're helping these men and women take a step forward in life."

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**"HOPE's commitment to serving returning citizens when so many institutions aren't interested is a ray of hope that allows me to believe change in the way returning citizens are viewed and treated is possible."**

— DeAndre Brown





HOPE CEO Bill Bynum briefs the U.S. Treasury Department's Community Development Advisory Board during an event commemorating the 25th anniversary of the Community Development Financial Institutions (CDFI) Fund.

## Policy that breaks barriers

HOPE draws on 25 years of community development expertise and the unique experiences of its members to shape public policy and the practices of private institutions. In collaboration with organizations from across the country, HOPE advocates for changes in the unjust systems that make HOPE's work so necessary.

## PARTNERS FOR RURAL TRANSFORMATION

Formed in 2014, the Partners for Rural Transformation (the Partners) envisions a country where persistent poverty no longer exists. Led by a steering committee comprised of HOPE and five other CDFIs, the Partners work collaboratively across geography and culture to collectively influence policy and advocate for solutions to poverty in the most economically distressed regions of the country.

In 2019, the group released its seminal work, a white paper titled "Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity." The paper presents a vision in which persistent poverty no longer exists and outlines several policy recommendations to bring the vision to fruition.



Cover shot for "Transforming Persistent Poverty in America: How Community Development Financial Institutions Drive Economic Opportunity" released in 2019.

**Collectively, the Partners have over 200 years of experience serving the Mississippi Delta, Appalachia, Native American communities, and communities along the United States/Mexico border. In the last 10 years alone, the Partners have deployed over \$2 billion reaching millions of people who reside in persistent poverty communities.**



## THE HBCU-CDFI ECONOMIC MOBILITY STRATEGY GUIDE

Historically Black Colleges and Universities (HBCUs) play a critical role in increasing economic mobility, particularly among people of color. CDFIs invest in people and places that have been underserved.

In a first-of-its-kind collaboration, HOPE joined forces with two Mississippi universities to study how HBCUs and CDFIs could work together to improve economic conditions in low-income communities. HOPE partnered with Jackson State University, a college in an urban area poised for renewal, and Mississippi Valley State University, an institution located in the heart of the Mississippi Delta.

The result is the HBCU-CDFI Economic Mobility Strategy Guide, a blueprint for identifying critical needs and opportunities in HBCU communities and developing plans and projects to address them. The guide includes project plans related to business development, affordable housing, fresh food access, and community infrastructure.

The project goal was not only to outline roles for Jackson State and Mississippi Valley State, but to inspire and inform future HBCU-CDFI partnerships nationwide. Released in November 2019, the guide has been distributed to CDFIs, HBCUs, United Negro College Fund, NeighborWorks America, and other organizations interested in learning from and building on HOPE's work.



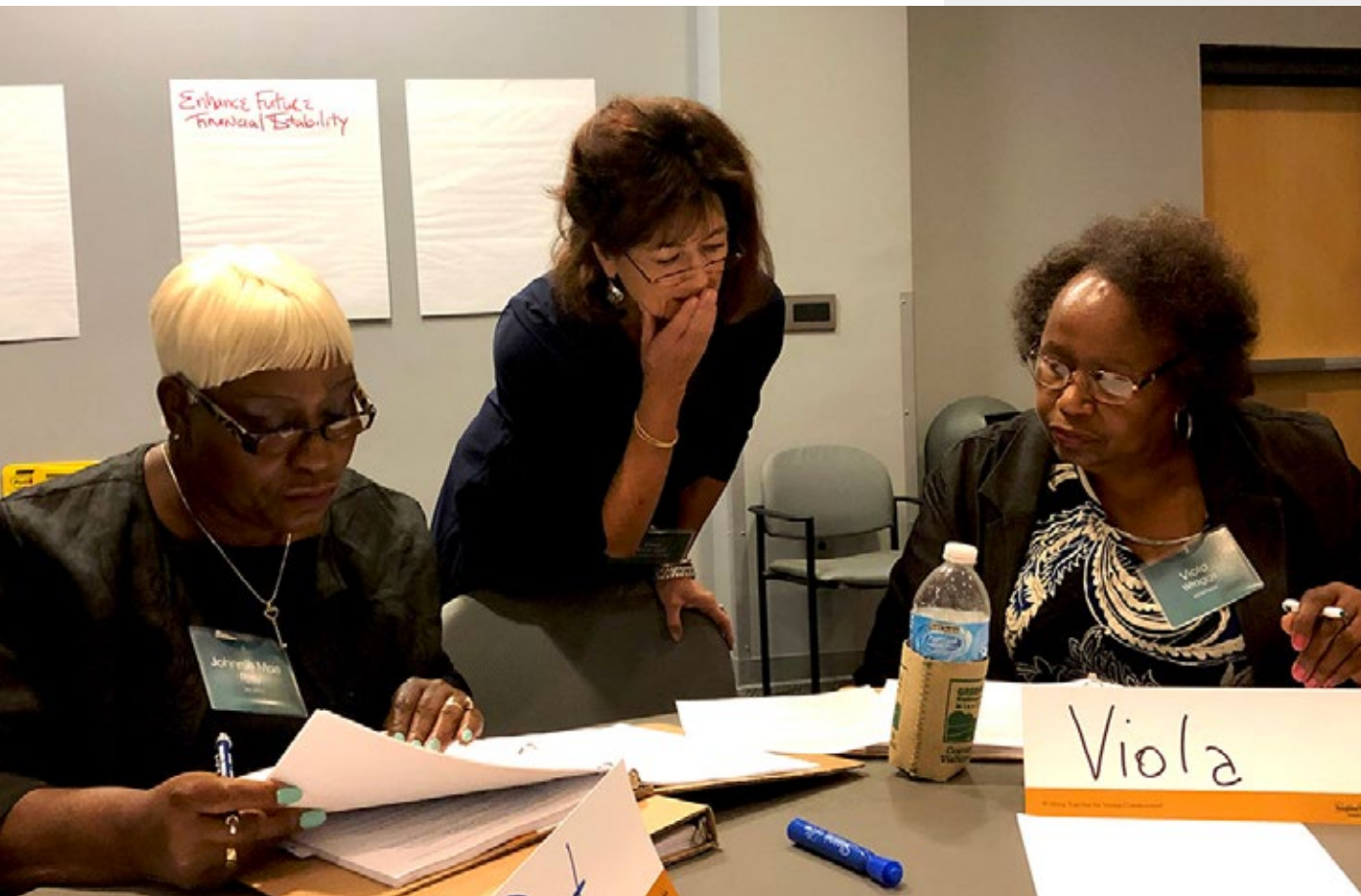
**The poverty rate in communities surrounding HBCUs is 31 percent, in contrast to a rate of 18% in areas surrounding predominantly white colleges and universities. The HBCU-CDFI Economic Mobility Strategy Guide is a blueprint for improving that statistic.**

## HOPE COMMUNITY PARTNERSHIP

Small, rural towns often lack community and economic development staff, leaving them at a disadvantage when competing for resources. The HOPE Community Partnership program (formerly known as the Small Towns Partnership program) has responded to that need in seven Mississippi communities, working hand-in-hand with local governments, community stakeholders, and residents to help these communities thrive.

**Since the Hope Community Partnership was launched in 2016, 30 resident-driven projects have been funded totaling \$250,730.**





NeighborWorks instructor Peg Barringer drew the connection between community development and economic development - how investment in communities attracts industry.

## COMMUNITY LEADERSHIP INSTITUTE

HOPE and NeighborWorks America co-hosted a Community Leadership Institute that brought 60 leaders from around Mississippi together in Greenville for training on how to improve their communities. Representatives also shared ideas for addressing similar concerns across different communities.

"The diversity of attendees and the community leaders' enthusiasm and passion were remarkable," says Donald R. Phoenix, regional vice president, southern region, NeighborWorks America. "Now, they are armed with some best practice tools and have connected with one another to address challenges within their own communities. I call that a huge success."

**"HOPE knows what's happening in these communities. They don't sit back and wait for us to come to them. They volunteer information and resources and contact us about grant opportunities they know will benefit us. HOPE is proactive."**

— **Mayor George Holland Moorhead, Mississippi**



A renovated recreational space in Louisville was a project funded by the Hope Community Partnership.

## CATALYST PROJECTS

HOPE assists community partners in launching catalyst projects, smaller projects that can be completed relatively quickly and build enthusiasm and momentum for larger, long-term projects. Grants awarded in 2018 helped fund several Mississippi projects that were completed in 2019, including a neighborhood walking trail in Louisville and the renovation of the Brazil community center in Itta Bena.

**"In the past, other organizations had come into these communities, made plans and promises, and then disappeared. HOPE is different. We go in with the attitude that we aren't experts here to dictate what to do, we are partners who are here to listen and work together, and will be there for the long term. The level of engagement in the Community Partnership program continues to grow as the relationship and trust between HOPE and the communities grows."**

— **Dee Jones, HOPE Vice President, Community and Economic Development**

## HOPE DURING THE PANDEMIC

In the spring of 2020, people nationwide were facing an uncertain future due to the spread of the coronavirus. As a result of shelter-in-place orders, the American economy ground to a halt and unemployment reached record highs.

But the darkest times are when HOPE shines brightest.

At the time of this writing, HOPE was rising to meet the challenges brought by the pandemic, providing immediate help for the communities and people hit hardest and working on products and policies to assist in the long-term economic recovery.

## TRANSFORMATIONAL DEPOSITS

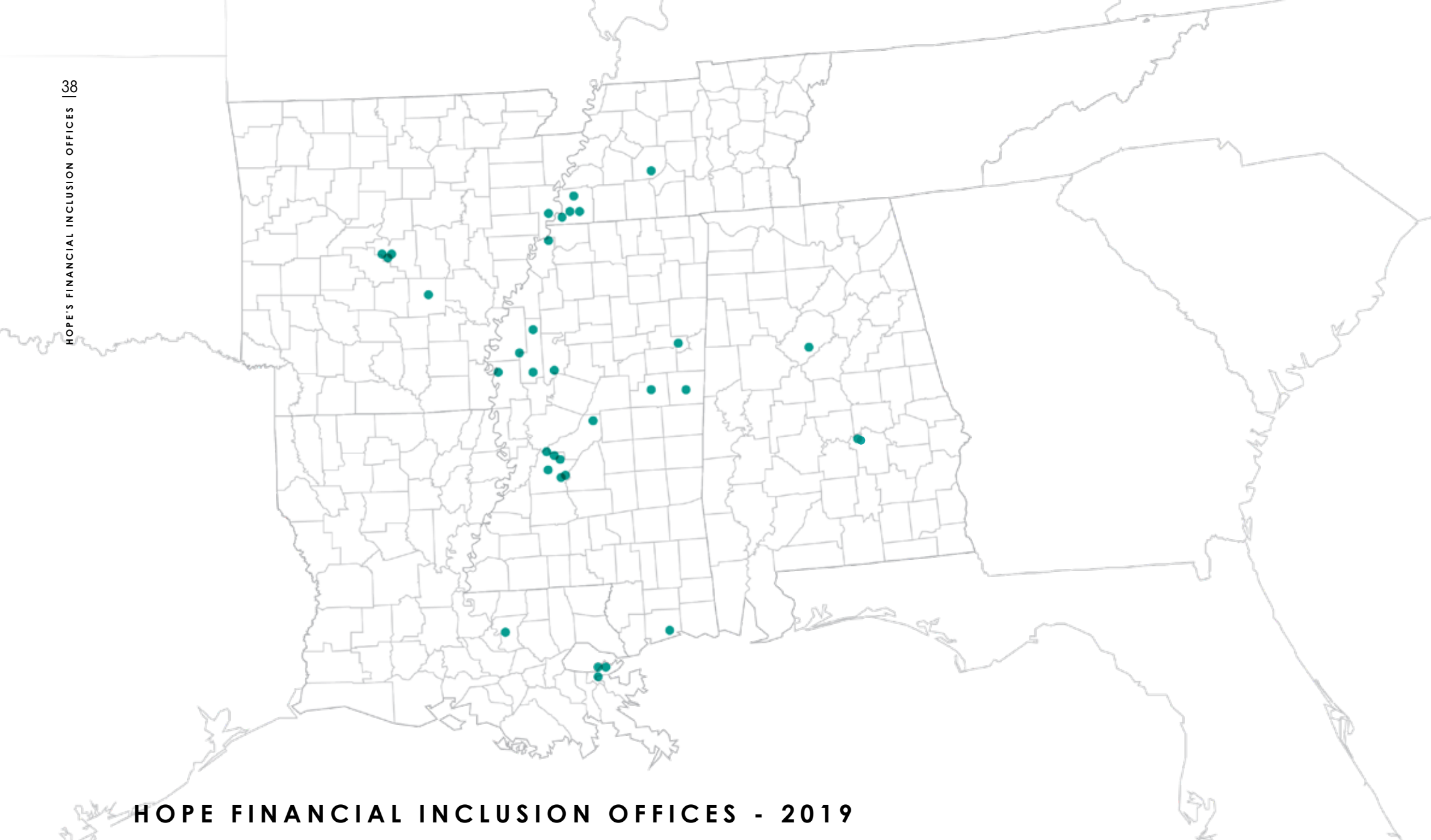
An important way that HOPE funds response efforts is through transformational deposits. These low-interest, federally-insured deposits enable socially-responsible investors to import capital into wealth-starved communities.

In times like the COVID-19 crisis, these deposits truly live up to their name, fueling development projects and financial services that transform uncertainty into opportunity.

Whether it's the daily struggle to make ends meet, or an unforeseen catastrophe, the journey to a brighter future begins with HOPE.

*HOPE's Transformational Deposits create opportunities in underserved communities for people like the Cavazos family.*





**HOPE FINANCIAL INCLUSION OFFICES - 2019**

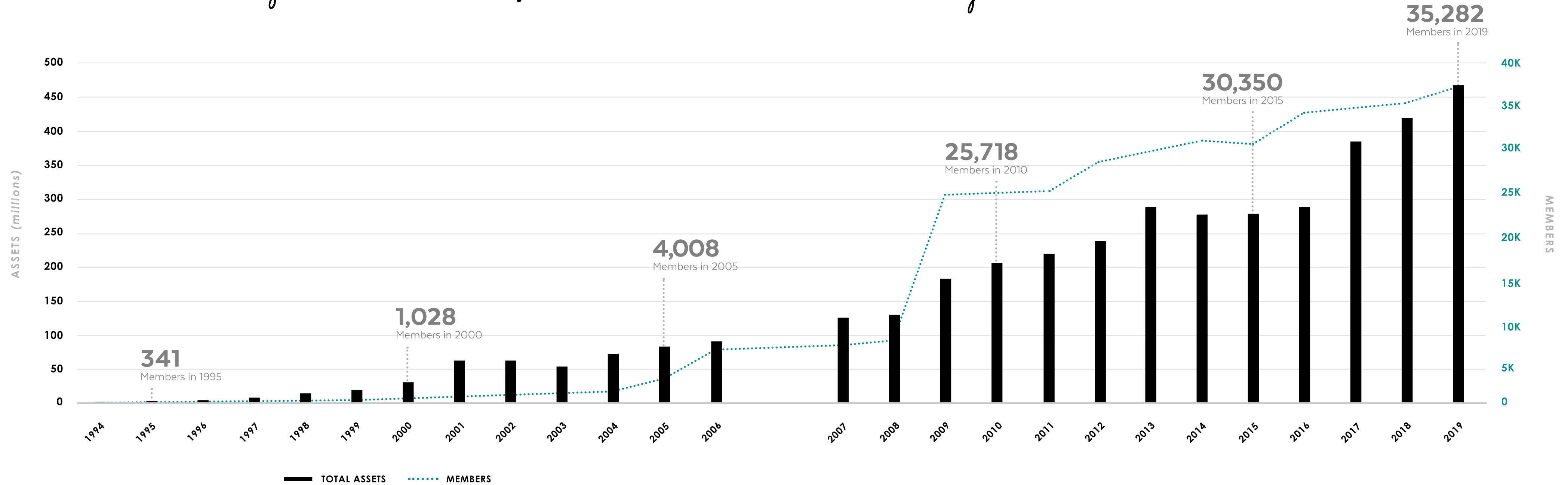
|                     |                      |                       |                       |                         |                             |               |
|---------------------|----------------------|-----------------------|-----------------------|-------------------------|-----------------------------|---------------|
| <b>ALABAMA</b>      | <b>ARKANSAS</b>      | <b>LOUISIANA</b>      | <b>TENNESSEE</b>      | <b>MISSISSIPPI</b>      |                             |               |
| BIRMINGHAM          | COLLEGE STATION      | BATON ROUGE           | JACKSON               | BILOXI                  | <i>Medical Mall</i>         | MOORHEAD      |
| MONTGOMERY          | LITTLE ROCK          | NEW ORLEANS           | MEMPHIS               | DREW                    | <i>Old River Place</i>      | ROBINSONVILLE |
| <i>Arba Street</i>  | <i>I-30 SW</i>       | <i>Central City</i>   | <i>Crosstown</i>      | GREENVILLE              | <i>Provine High School</i>  | SHAW          |
| <i>McGehee Road</i> | <i>Geyer Springs</i> | <i>Elysian Fields</i> | <i>Harvester Lane</i> | ITTA BENA               | <i>University Boulevard</i> | TERRY         |
|                     | PINE BLUFF           | <i>Michoud</i>        | <i>Madison Avenue</i> | JACKSON                 | LOUISVILLE                  | UTICA         |
|                     | WEST MEMPHIS         |                       | <i>Ridgeway</i>       | <i>East River Place</i> | MACON                       | WEST POINT    |

*Barriers Broken*  
HOPE'S IMPACT IN 2019

|   |   |  |   |
|---|---|--|---|
| <p><b>105,846</b><br/>People Served<br/>in HOPE Member<br/>Households</p> | <p><b>3,340</b><br/>Consumer Loans<br/><b>77%</b> in Distressed<br/>Communities</p>   | <p><b>138</b><br/>Mortgage Loans<br/><b>91%</b> First-Time Homebuyers<br/><b>87%</b> Homebuyers of Color<br/><b>52%</b> Homebuyers who are Women</p> | <p><b>50</b><br/>Commercial Loans<br/><b>61%</b> Businesses and Nonprofits<br/>Owned or Led by Women and<br/>or People of Color</p> |
| <p><b>3,059</b><br/>Jobs<br/>Supported</p>                                | <p><b>7,403</b><br/>Students Educated<br/>in Schools Financed<br/>by HOPE<br/><b>86%</b> from Low-Income<br/>Households</p> | <p><b>298,450</b><br/>Patients Served<br/>in Healthcare<br/>Facilities Financed<br/>by HOPE</p>  | <p><b>594</b><br/>People Living in<br/>Affordable Housing<br/>Units Financed<br/>by HOPE</p>  |

# HOPE growth since inception

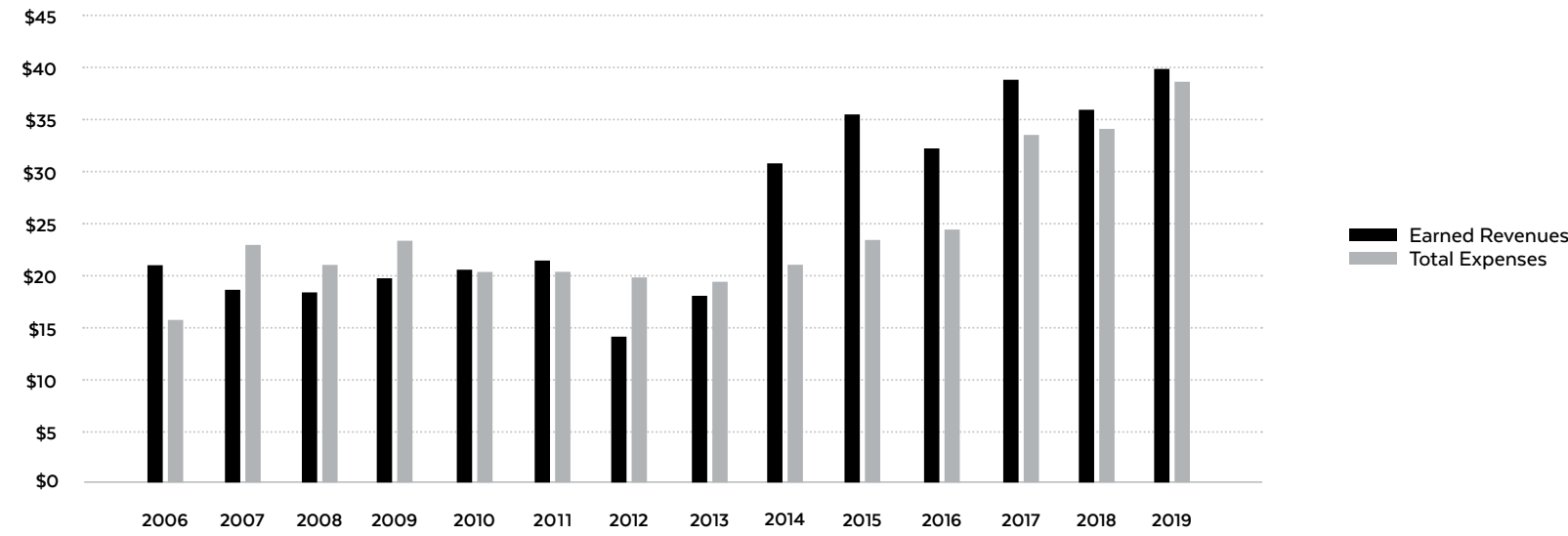
# Growth that breaks barriers



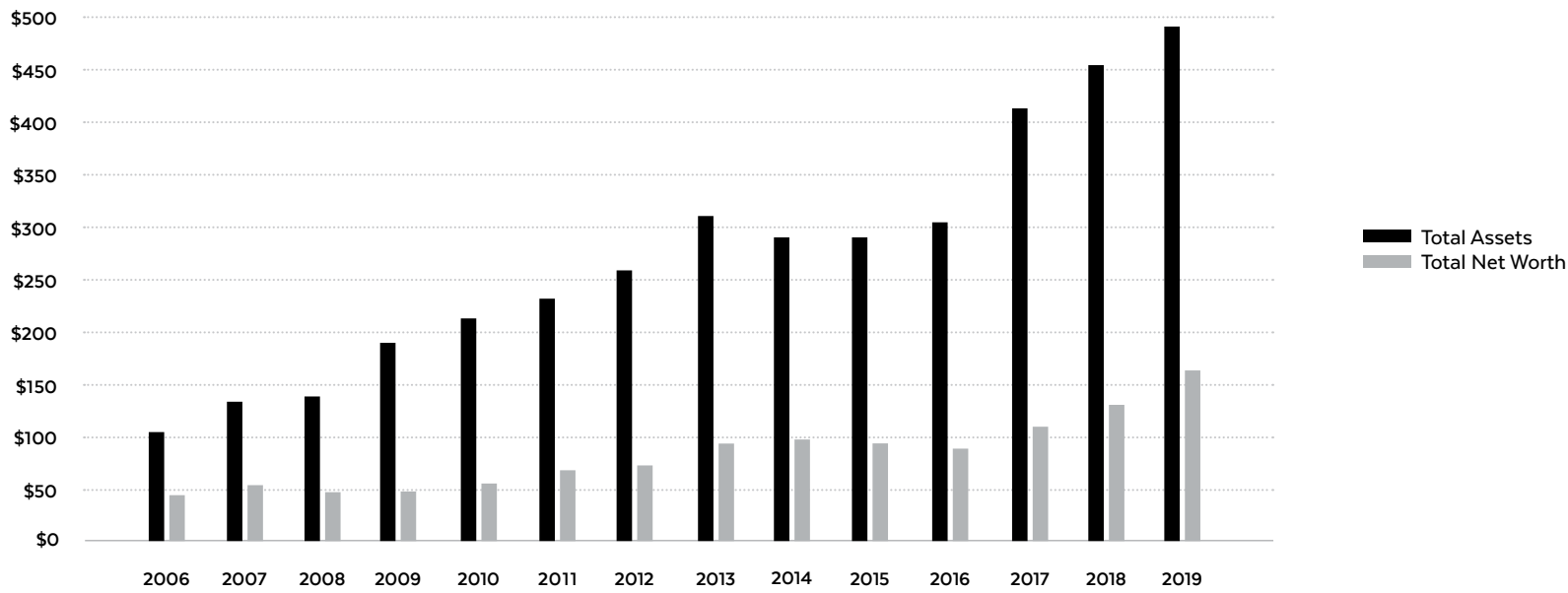
## CONSOLIDATED AND COMBINED FINANCIAL HIGHLIGHTS

HOPE ENTERPRISE CORPORATION/HOPE FEDERAL CREDIT UNION  
(in Millions)

EARNED REVENUES AND EXPENSES



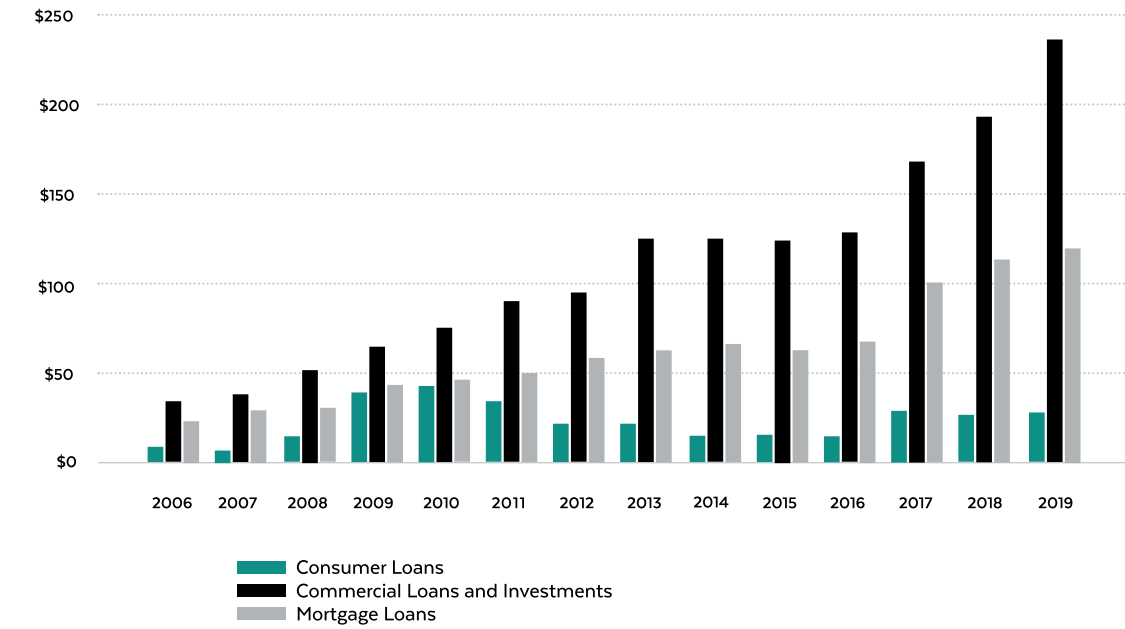
TOTAL ASSETS AND NET WORTH



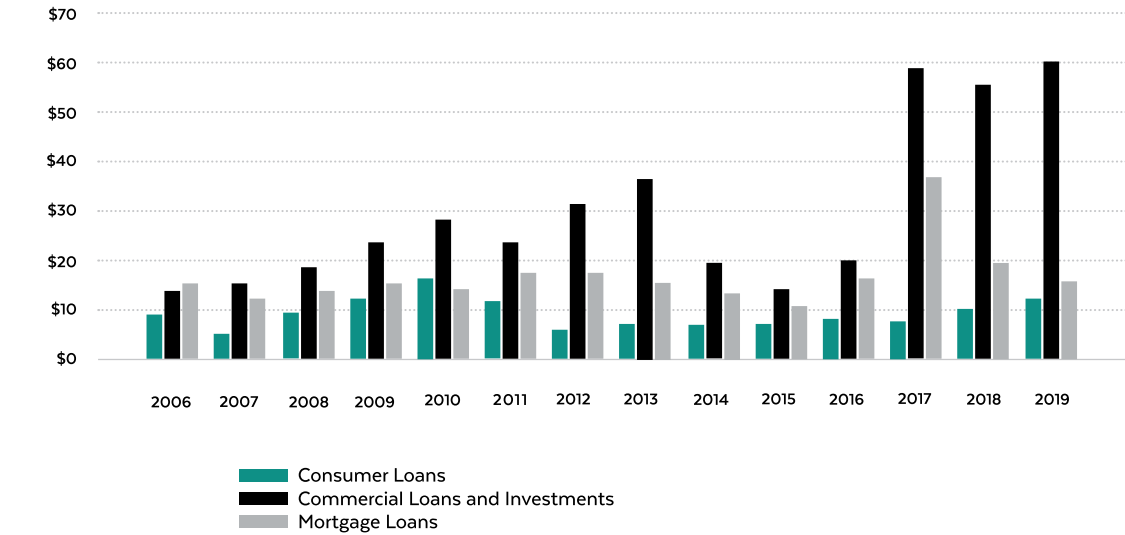
## CONSOLIDATED AND COMBINED FINANCIAL HIGHLIGHTS

HOPE ENTERPRISE CORPORATION/HOPE FEDERAL CREDIT UNION  
(in Millions)

LOANS OUTSTANDING



LOANS CLOSED



YEAR ENDED DECEMBER 31

|                                   | 2019         | 2018         |
|-----------------------------------|--------------|--------------|
| <b>RESULTS OF OPERATIONS</b>      |              |              |
| Total Revenues                    | \$40,145,641 | \$36,151,846 |
| Operating Expenses                | 38,520,649   | 34,177,247   |
| Loan Loss Reserve Expense         | 1,200,953    | 4,266,629    |
| Change in Net Assets (Net Income) | 424,039      | (2,292,029)  |

| <b>FINANCIAL POSITION</b>    |               |               |
|------------------------------|---------------|---------------|
| Total Assets                 | \$465,917,227 | \$422,272,690 |
| Total Net Assets (Net Worth) | 153,296,754   | 120,817,533   |
| Loans                        | 376,788,352   | 328,167,363   |
| Total Debt                   | 77,948,603    | 61,003,071    |
| Total Deposits               | 232,546,304   | 236,081,726   |

| <b>RESULTS OF ACTIVITIES</b> |            |            |
|------------------------------|------------|------------|
| Total Loans Closed           | 89,010,222 | 84,930,136 |

## COMBINED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2019

|   | HEC Consolidated      | Hope Credit Union     | Eliminations           | Combined 2019         | Combined 2018         |
|---|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                       |                       |                       |                        |                       |                       |
| Cash and cash equivalents                           | \$ 1,830,170          | \$ 27,912,759         | \$(3,662,356)          | \$ 26,080,573         | \$ 38,743,255         |
| Restricted cash                                     | 4,792,707             | -                     | -                      | 4,792,707             | 5,124,098             |
| Debt and other securities                           | 28,290,535            | 21,800,006            | (12,475,000)           | 37,615,541            | 24,737,453            |
| Cash restricted for collateral on subsidiary's note | -                     | -                     | -                      | -                     | -                     |
| Investment in non-consolidated partnerships         | 1,036,558             | -                     | -                      | 1,036,558             | 1,036,558             |
| Grants and other receivables                        | 3,175,499             | 2,627,116             | (2,317,019)            | 3,485,596             | 12,740,814            |
| Prepaid expenses                                    | 299,385               | 465,545               | -                      | 764,930               | 694,372               |
| Other assets  | 42,640                | 3,437,511             | -                      | 3,480,151             | 2,440,686             |
| Interest receivable                                 | 175,427               | 951,155               | -                      | 1,126,582             | 1,088,793             |
| Consumer loans                                      | -                     | 23,225,939            | -                      | 23,225,939            | 22,717,559            |
| Commercial loans                                    | 132,933,854           | 100,863,402           | (816,740)              | 232,980,516           | 191,714,332           |
| Residential mortgage loans                          | 4,793,357             | 115,788,540           | -                      | 120,581,897           | 113,735,472           |
| Allowance for loan losses                           | (2,149,310)           | (4,291,081)           | -                      | (6,440,391)           | (7,528,789)           |
| <b>Loans, net</b>                                   | <b>135,577,901</b>    | <b>235,586,800</b>    | <b>(816,740)</b>       | <b>370,347,961</b>    | <b>320,638,574</b>    |
| Foreclosed property                                 | -                     | 1,607,205             | -                      | 1,607,205             | 696,823               |
| Goodwill  | -                     | 146,683               | -                      | 146,683               | 171,131               |
| Property and equipment, net                         | 2,309,325             | 13,123,415            | -                      | 15,432,740            | 14,160,133            |
| <b>Total assets</b>                                 | <b>\$ 177,530,147</b> | <b>\$ 307,658,195</b> | <b>\$ (19,271,115)</b> | <b>\$ 465,917,227</b> | <b>\$ 422,272,690</b> |
| <b>LIABILITIES</b>                                  |                       |                       |                        |                       |                       |
| Accounts payable                                    | \$ 3,789,603          | \$ 3,608,639          | \$(2,317,019)          | \$ 5,081,223          | \$ 5,767,689          |
| Dividends payable                                   | -                     | 548,572               | -                      | 548,572               | 553,904               |
| Member deposits                                     | -                     | 236,208,660           | (3,662,356)            | 232,546,304           | 236,081,726           |
| Other liabilities                                   | 23,097                | -                     | -                      | 23,097                | 21,522                |
| Deferred Revenue                                    | 2,125,566             | -                     | -                      | 2,125,566             | 4,370,360             |
| Notes payable and long-term loans                   | 23,931,483            | 61,655,968            | (13,291,740)           | 72,295,711            | 54,659,956            |
| <b>Total Liabilities</b>                            | <b>\$ 29,869,749</b>  | <b>\$ 302,021,839</b> | <b>(19,271,115)</b>    | <b>\$ 312,620,473</b> | <b>\$ 301,455,157</b> |
| <b>NET ASSETS AND EQUITY</b>                        |                       |                       |                        |                       |                       |
| Uninsured capital and reserves                      | -                     | 5,636,356             | -                      | 5,636,356             | 5,135,292             |
| Unrestricted net assets                             | 8,591,433             | -                     | -                      | 8,591,433             | 6,133,130             |
| Non-controlling interests                           | 119,554,915           | -                     | -                      | 119,554,915           | 88,252,979            |
| <b>Total unrestricted</b>                           | <b>128,146,348</b>    | <b>5,636,356</b>      | <b>-</b>               | <b>133,782,704</b>    | <b>99,521,401</b>     |
| With Donor Restrictions                             | 19,514,050            | -                     | -                      | 19,514,050            | 21,296,132            |
| <b>Total net assets</b>                             | <b>147,660,398</b>    | <b>5,636,356</b>      | <b>-</b>               | <b>153,296,754</b>    | <b>120,817,533</b>    |
| <b>Total liabilities and net assets</b>             | <b>\$ 177,530,147</b> | <b>\$ 307,658,195</b> | <b>\$ (19,271,115)</b> | <b>\$ 465,917,227</b> | <b>\$ 422,272,690</b> |

See accompanying notes.

## COMBINED STATEMENT OF ACTIVITY

FOR THE YEAR ENDED DECEMBER 31, 2019

|  | Unrestricted          | With Donor Restrictions | 2019 Total            | 2018 Total            |
|--|-----------------------|-------------------------|-----------------------|-----------------------|
| <b>REVENUES AND GAINS</b>  |                       |                         |                       |                       |
| Grants and contributions   | \$ 17,084,052         | \$ 3,910,788            | \$ 20,994,840         | \$ 19,396,756         |
| Program income   | 17,526,685            | -                       | 17,526,685            | 15,580,265            |
| Investment income  | 1,624,116             | -                       | 1,624,116             | 1,174,825             |
|  | 36,234,853            | 3,910,788               | 40,145,641            | 36,151,846            |
| <b>Net assets released from restrictions</b>                     |                       |                         |                       |                       |
| Satisfaction of program restrictions                             | 5,692,870             | (5,692,870)             | -                     | -                     |
| Expiration of time restrictions                                  | -                     | -                       | -                     | -                     |
| Transfers from changes in program restrictions                   | -                     | -                       | -                     | -                     |
| <b>Total Revenues and Gains</b>                                  | <b>41,927,723</b>     | <b>(1,782,082)</b>      | <b>40,145,641</b>     | <b>36,151,846</b>     |
| <b>EXPENSES</b>  |                       |                         |                       |                       |
| Program expenses   |                       |                         |                       |                       |
| Commercial lending and assistance                                | 10,389,483            | -                       | 10,389,483            | 9,520,650             |
| Mortgage lending and housing                                     | 3,207,331             | -                       | 3,207,331             | 3,347,899             |
| HOPE and consumer lending  | 12,397,461            | -                       | 12,397,461            | 11,093,423            |
| Other programs   | 1,734,522             | -                       | 1,734,522             | 1,390,621             |
|  | 27,728,797            | -                       | 27,728,797            | 25,352,593            |
| Development and communications                                   | 609,612               | -                       | 609,612               | 1,459,574             |
| General Administration   | 11,383,193            | -                       | 11,383,193            | 11,631,708            |
| <b>Total Expenses</b>  | <b>39,721,602</b>     | <b>-</b>                | <b>39,721,602</b>     | <b>38,443,876</b>     |
| <b>EQUITY IN EARNINGS OF AFFILIATED COMPANY</b>                  |                       |                         |                       |                       |
| Change in net assets before minority interests                   | 2,206,121             | (1,782,082)             | 424,039               | (2,292,029)           |
| Change in other comprehensive gains/losses                       | 260,700               | -                       | 260,700               | (113,943)             |
| Minority interests in subsidiaries losses                        | 492,546               | -                       | 492,546               | 353,937               |
| <b>Change in net assets attributable to controlling interest</b> | <b>2,959,367</b>      | <b>(1,782,082)</b>      | <b>1,177,285</b>      | <b>(2,052,035)</b>    |
| Acquisition of non-controlling interest                          | -                     | -                       | -                     | -                     |
| <b>Net assets attributable to controlling interest</b>           |                       |                         |                       |                       |
| At beginning of year   | 11,268,422            | 21,296,132              | 32,564,554            | 34,616,589            |
| <b>Dividends paid to controlling interests</b>                   | <b>-</b>              | <b>-</b>                | <b>-</b>              | <b>-</b>              |
| At end of year   | 14,227,789            | 19,514,050              | 33,741,839            | 32,564,554            |
| <b>Net assets of minority interests</b>                          | <b>119,554,915</b>    | <b>-</b>                | <b>119,554,915</b>    | <b>88,252,979</b>     |
| <b>Net assets and equity at the End of Year</b>                  | <b>\$ 133,782,704</b> | <b>\$ 19,514,050</b>    | <b>\$ 153,296,754</b> | <b>\$ 120,817,533</b> |

See accompanying notes.

## NOTES TO COMBINED & CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED) FOR THE YEARS ENDING DECEMBER 31, 2019 AND 2018

### 1. BASIS OF PRESENTATION

The accompanying combined and consolidated financial statements include the consolidated financial statements of the Hope Enterprise Corporation (HEC) (formerly Enterprise Corporation of the Delta (ECD)) and the financial statements of Hope Federal Credit Union (formerly Hope Community Credit Union (HCU)). HEC has received a ruling from the Internal Revenue Service for exemption from income taxes as a public charity under Internal Revenue Code Sections 501(c)(3) and 509(a)(2). HCU is a chartered cooperative association located in Jackson, Mississippi. During 2011, HCU converted from a state charter to a federal charter organization under the provisions of the Federal Credit Union Act and is organized for the purpose of promoting thrift among and creating a source of credit for its members as defined in its charter and bylaws. All significant intercompany accounts and transactions have been eliminated in the combination and consolidation. The purpose of this presentation is to report HEC and HCU as operating together to fulfill their joint mission. HEC is the primary sponsor of HCU and encompasses the field of membership of HCU. HEC and HCU share staff and resources in operating terms. Separate audited financial statements of HEC and HCU are available at [www.hope-ec.org](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), Hope New Markets 1, LLC, Hope New Markets 2, LLC, Hope New Markets 3, LLC, Hope New Markets 4, LLC, Hope New Markets 5, LLC, Hope New Markets 6, LLC, Hope New Markets 7, LLC, Hope New Markets 8, LLC, Hope New Markets 9, LLC, Hope New Markets 10, LLC, Hope New Markets LLC, 11 and Hope New Markets 12, LLC. ECDI, a Mississippi Limited Liability Company, was formed in 1997 as a for-profit subsidiary of HEC. HEC holds the controlling interest in ECDI through its ownership of all of ECDI's outstanding Class B units. Class A and C units of ECDI were sold for investment to qualified institutional and individual investors. Investments made by qualified institutional and individual investors less accumulated losses are shown as minority interest in subsidiary. BIDCO is a wholly-owned subsidiary of ECDI. ECDI and BIDCO were created to extend HEC's commercial lending activities. ECDA, a Mississippi Limited Liability Company was formed in 2004 to raise capital to invest in ECDNM, a Mississippi Limited Liability Company formed in 2003. HEC is the managing member of ECDA and ECDNM. Units of ECDA were sold for investment to qualified institutional

and individual investors. Capital invested by ECDA in ECDNM was used to invest in HCU. In return, ECDA received New Markets Tax Credits and cash over the investment periods which are distributed to investors in ECDA. Home Again, Inc. (Home Again) began operation in 2006 with the HEC as primary sponsor. Home Again provided mortgage financing and recovery consultation services to eligible persons in the coastal region of Mississippi in the aftermath of Hurricane Katrina. It has continued to provide affordable housing solutions in the region covered by HEC. ECD New Markets 3, LLC began operations in 2010 and is a commercial loan fund in partnership with a local bank. ECD New Markets 4, LLC began operations in 2011 and is a commercial loan fund in partnership with a local bank. ECD New Markets 5, LLC was formed in late 2012 and began operations in 2013. Hope New Markets 1, LLC began operations in 2013 and is a commercial loan fund in partnership with a bank. Hope New Markets 2, LLC began operations in 2013 and is a commercial loan fund in partnership with a bank. Hope New Markets 3, LLC began operations in 2013 and is a commercial loan fund in partnership with a bank. Hope New Markets 4, LLC began operations in 2013 and is a commercial loan fund with a bank. Hope New Markets 5, LLC began operations in 2017 and is a commercial loan fund in partnership with a bank. Hope New Markets 6, LLC began operations in 2018 and is a commercial loan fund in partnership with a bank. Hope New Markets 7, LLC began operations in 2017 and is a commercial loan fund in partnership with a bank. Hope New Markets 8, LLC began operations in 2017 and is a commercial loan fund in partnership with a bank. Hope New Markets 9, LLC began operations in 2017 and is a commercial loan fund in partnership with a bank. Hope New Markets 11, LLC began operations in 2018 and is a commercial loan fund in partnership with a bank. Hope New Markets 12, LLC began operations in 2018 and is a commercial loan fund in partnership with a bank. ECD New Markets 3 was liquidated in 2018. ECD New Markets 4 and ECD New Markets 5 were liquidated in 2019.

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 2018 combined financial statements to conform to the presentation in 2019.

### 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:

|   | 2019         | 2018         |
|---|--------------|--------------|
| Cash and cash equivalents (including restricted cash) | \$30,873,280 | \$43,867,353 |
| Debt and other securities                             | 37,615,541   | 21,341,497   |
|   | \$68,488,821 | \$65,208,850 |

### 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, 2019 will be received and available for support of HEC/HCU's programs as follows:

|  |                     |
|--|---------------------|
| Grants due in less than one year   | \$ 2,095,365        |
| Grants due in one to five years  | 1,492,390           |
| <b>Total grants and other receivables</b>  | <b>3,587,755</b>    |
| Less adjustment to reflect grants receivable at fair value at the date of grant, based on 2.5% discount rate | (110,810)           |
| <b>Net grants and other receivables</b>  | <b>\$ 3,476,945</b> |

### 4. LOANS

The composition of the loan portfolios are as follows:

|   | 2019          | 2018          |
|---|---------------|---------------|
| Consumer loans outstanding              | \$ 23,225,940 | \$ 22,717,559 |
| Commercial loans outstanding            | 232,970,516   | 184,072,067   |
| Residential mortgages loans outstanding | 120,581,896   | 113,222,038   |
|   | \$376,778,352 | \$320,011,664 |

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

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

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

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

### 5. ALLOWANCE FOR LOAN LOSSES

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

|  | 2019         | 2018          |
|--|--------------|---------------|
| Balance at beginning of year                         | \$ 7,528,789 | \$ 15,897,453 |
| Provision charged to operating expenses              | 1,200,953    | 4,266,629     |
| Loans and investments charged-off and foreclosed-net | (2,289,351)  | (12,635,293)  |
| Balance at end of period                             | \$6,440,391  | \$7,528,789   |

### 6. FORECLOSED PROPERTY

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

### 7. DIVIDENDS PAYABLE AND SHARES AND SHARE CERTIFICATES

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

### 8. NOTES PAYABLE AND LONG-TERM DEBT

The maturities of long-term debt at December 31, 2019 are as follows:

|            |                      |
|------------|----------------------|
| 2020       | \$ 21,129,431        |
| 2021       | 4,716,707            |
| 2022       | 9,596,693            |
| 2023       | 5,498,042            |
| 2024       | 5,117,712            |
| Thereafter | 26,237,126           |
|            | <b>\$ 72,295,711</b> |

### 9. UNINSURED CAPITAL AND RESERVES

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



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## Become a Barrier Breaker

Anyone can become a barrier breaker. All it takes is the determination to change the status quo, the creativity to explore new solutions, and the optimism that obstacles can be overcome.

To find out how you or your organization can become one of HOPE's barrier breaking partners, visit [www.hopecu.org](http://www.hopecu.org).

*“HOPE recognizes that we are all bound to each other, that we are part of a common humanity.”*

— William Winter  
Former Mississippi Governor

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