



Bridging the economic divide

Hope 

Impact Report 2014

Amid the highest concentration of persistent poverty in the country, HOPE is building bridges that help families, businesses and communities prosper.

Dear Friends,

Since we started our work in 1994, HOPE has put more than 650,000 Mid South residents on a path toward a brighter future. That's 90 individuals a day, 365 days a year, for 20 years, in a region that is the epicenter of entrenched poverty in America. We have done this by bringing affordable, responsible financial services to the unbanked and underbanked; by building quality homes, health care facilities and schools that equip people to support their families and be productive; and by partnering with and supporting others who share our commitment to inclusive prosperity – all in communities where most financial institutions fear to tread.

For every neighborhood in which we work, for every business we finance and for every person we assist, our constant mission has been to build their assets, improve their capacity and help them succeed. In 2014, the opportunities for HOPE to further this mission were almost boundless, restricted only by the resources we had in hand. Still, the results have been transformative.

In New Orleans, Louisiana, a HOPE-managed program generated \$13.5 million in financing to combat the country's highest concentration of food deserts. Circle Foods, New Orleans' first black-owned grocery store, which needed financing to rebuild after Hurricane Katrina, was one of the businesses we assisted. After Circle Foods re-opened, HOPE opened a micro branch in the store to provide financial services to its customers, primarily low- and moderate-income residents of New Orleans' Tremé community. This partnership means that area residents now have access to both healthy food and healthy finance.

In West Memphis, Arkansas, a single mother needed a small-dollar loan to change careers and create a better life for her family. With a HOPE loan, she did.

In Terry, Mississippi, when the town's only bank decided to close, local residents, businesses, churches, and even the departing bank worked together to convert the facility into a HOPE branch. Today, almost everyone in town is a member of HOPE.

In Memphis, Tennessee, when no one else would help, HOPE did. A HOPE mortgage made a grandfather a first-time homeowner and enabled him to care for his daughter and grandchildren.

Bank deserts are spreading across the nation with the rampant exodus of banks and the proliferation of high-cost financing in low-income, minority and rural areas. Nowhere is this more debilitating than in our part of the country, where there are more persistently impoverished communities than in any other region, and where financial predators work incessantly to extract hard-earned wealth from our most vulnerable neighbors.

Today, the need for HOPE is greater than ever. But thanks to you, we are not alone in our efforts. And while we still have many miles to go to bridge the economic divide that engulfs our region, working together, we can already see the possibilities on the horizon.

Sincerely,



Bill Bynum
Chief Executive Officer



William A. Percy
Chairman, Hope Enterprise
Corporation



Robert L. Gibbs
Chairman, Hope Credit Union



William J. Bynum
Chief Executive Officer

Bridging the economic divide

4 new branches opened



82,528 patients supported



\$40 million in financing
and \$53 million leveraged



30,898 HOPE members

91% of HOPE mortgage
borrowers were first-time
homeowners



61% of HOPE consumer loan
customers have credit scores below
600, compared to 15% nationwide

828 affordable homes financed



\$216,117 saved by members avoiding high-cost financial services



250+ attendees at the “Tackling Persistent Poverty” conference

4,786 new HOPE members

175 second mortgages provided in partnership with NeighborWorks® America and Wells Fargo



86% of HOPE commercial loans were in high-poverty communities



HOPE for Communities

Lose a bank and gain HOPE Terry, Mississippi

When the last bank branch in Terry, Mississippi closed, Jerry Gould, whose business is selling hauling trailers, lost a critical component of his business success: affordable financing for customers. With no local options other than predatory lenders, he was forced to send his customers to financial institutions outside of Terry. Jerry was thrilled when community efforts to bring a HOPE branch to Terry were successful. The bank donated their old facility, and the new HOPE branch opened in the spring of 2014. Since then, Jerry has been sending his customers to HOPE. In fact, he's been so impressed that he decided to become a HOPE member himself.

HOPE made
1,674 consumer loans
in **2014**

Brighter future for a young family West Memphis, Arkansas

Accepted into the Arkansas Highway Patrol School, Natasha Williams learned that she would need to purchase uniforms and supplies totaling over \$1,000. She had applied to become a State Trooper in order to improve the life of her family. The salary and benefits of a State Trooper were significantly better than the wages Natasha had earned during her years as a cashier. Lacking the funds to purchase the items, she turned to HOPE. A HOPE consumer loan allowed her to complete the program and embark on a new career path. Natasha remains a loyal HOPE member.

A photograph of a family at a playground. A man in a pink polo shirt and dark pants stands on the left, looking down at a young girl in a striped shirt and pink shorts who is sliding down a green slide. A woman in a red shirt and blue jeans stands on the right, holding a baby in a striped shirt and pink pants. The background shows yellow playground equipment and trees.

**6 out of 10
were in high-poverty
communities**

A photograph of a woman and a young girl sitting at a desk, looking at a computer screen. The woman is smiling and pointing at the screen, while the girl, wearing glasses and a pink hoodie, looks on attentively. The background shows a large window with an 'EXIT' sign above it.

HOPE for Better Lives

**36% of members
were unbanked when
they joined HOPE**

Abrir una cuenta bancaria Terry, Mississippi

Maricela didn't believe that she could have a relationship with a financial institution. She had never had a bank account and was afraid of being turned away. But a Spanish-speaking member of the HOPE team insisted that HOPE was different, and eventually Maricela decided to give it a try. She was grateful to be able to speak with someone who could help her understand all the benefits of her new account. Her experience with HOPE has been so good, and her account is now so important to her, that Maricela encourages her friends and family to become members.

Time for what matters most West Memphis, Arkansas

As a working mother in the Arkansas Delta, Renetta Henry didn't have time to go to a branch when she needed to open a checking account. So instead of traveling to HOPE's West Memphis branch, she simply visited HOPE's website and used the online application to join the credit union. These days, Renetta saves time by using HOPE's online services to monitor her account and pay bills. Though when she can, she still visits the branch, occasionally bringing her children in hopes of inspiring them to build their own healthy financial futures.

A photograph of a woman and two children walking outdoors on a paved surface. The woman, in the center, is wearing a white t-shirt, black leggings, and sunglasses on her head. She is holding the hands of a young girl on her left and a young boy on her right. The girl is wearing a white t-shirt and blue overalls. The boy is wearing a grey t-shirt with 'Red Navy' and 'ATHLETIC DIVISION' printed on it, and blue jeans. The background shows a clear blue sky and some parked cars.

**58% of HOPE mobile
users lived in low-income
communities**



HOPE provided
\$19.1 million in financing
to businesses

HOPE for Businesses

Smart financing boosts venture
New Orleans, Louisiana

Kendall Washington knew that the high-interest loan on his truck wasn't the ideal financing for his business, Safe Spot Pest Control, but he didn't seem to have any other option. Then he found out about the Goldman Sachs *10,000 Small Businesses* program. HOPE worked closely with Kendall to understand his business and helped develop his plans. Ultimately, HOPE not only refinanced his truck at a much lower rate, but also provided a loan for additional working capital. Today Safe Spot Pest Control is growing, and Kendall is looking to add another truck. He wants HOPE to finance it.

Engineering business growth Jackson, Mississippi

After working as an engineer for the City of Jackson, Mississippi, for nearly four years, Elmore Moody decided to start his own engineering firm. He had the skills, experience, contacts and drive he needed to compete in the marketplace. He opened CivilTech, Inc., and after only six years, the firm had grown so much that Elmore needed a new location. He sought financing for a new building from several banks before finding HOPE. HOPE financed his building, and his business continues to grow. Elmore says he deeply appreciated how HOPE supported him through every step of the process, and now he recommends HOPE to other entrepreneurs.

A photograph of three men of African descent looking at large architectural blueprints spread out on a wooden table. The man in the center, wearing a pink shirt and a patterned tie, is pointing at a specific area on the plans. The man on the left, in a dark blue polo shirt, is looking down at the plans. The man on the right, in a light blue checkered shirt, is also looking at the plans. The background shows a decorative metal railing and a potted plant.

**7 out of 10 HOPE
commercial loans were
made to minority- or
women-owned businesses**



HOPE for Homeowners

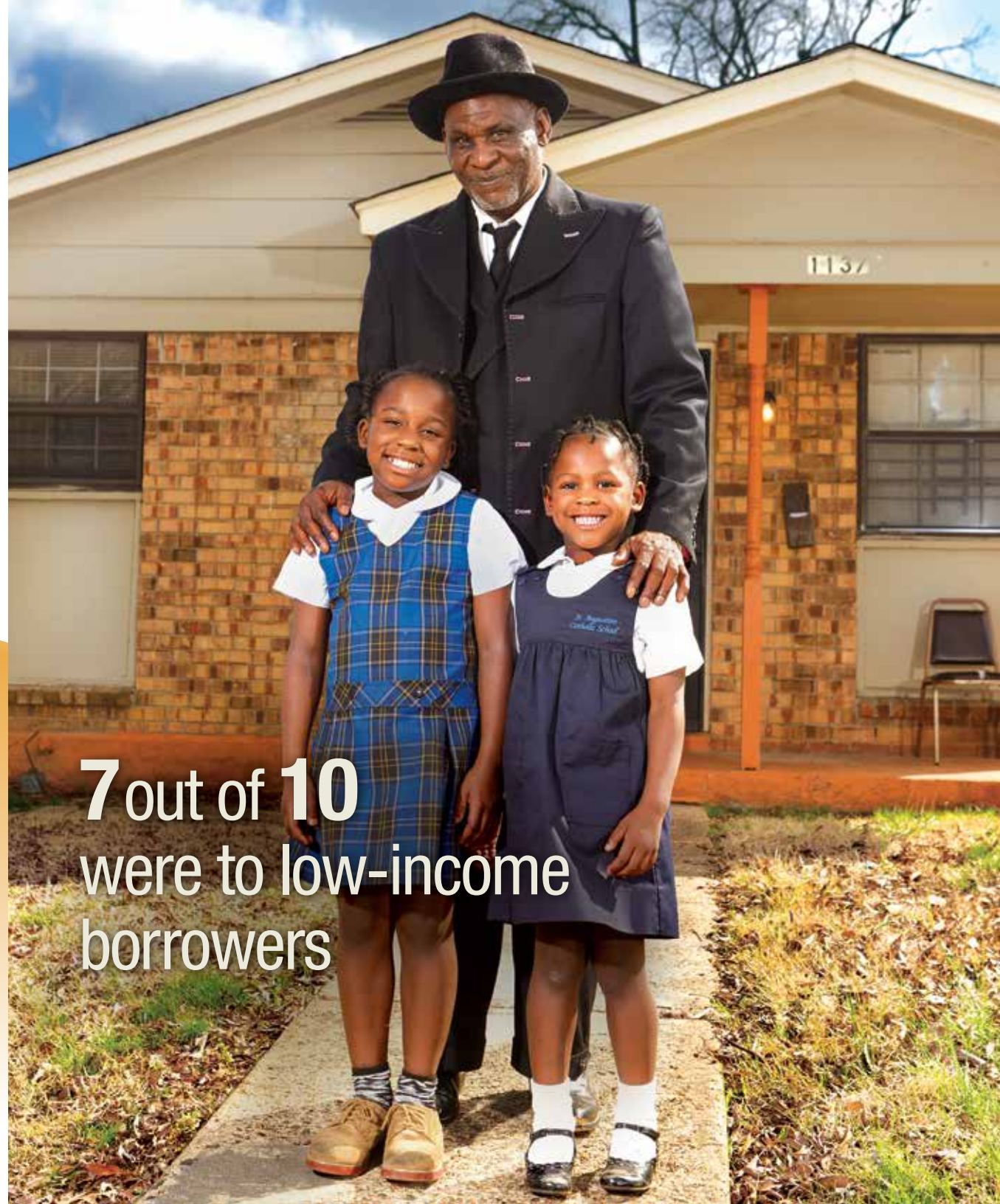
A backyard for Brianna Biloxi, Mississippi

From the moment Brianna was born, all Khadiya Smith wanted was to keep her daughter safe. She dreamed of a home of their own, with a backyard where Brianna could play. Until last year, that seemed out of reach. Khadiya, blind, began pursuing training in technology so that she could find a good job to support her family and buy a home. Until then, most lenders wouldn't give her a second look. But HOPE connected Khadiya with down payment assistance and used her housing voucher to cover the mortgage payment. Thanks to a HOPE mortgage, today Khadiya is a proud homeowner, and Brianna is playing in that backyard.

HOPE made
312 mortgage loans
in **2014**

Angel and Nicole's own bedroom
Memphis, Tennessee

Suddenly in need of a larger home when his daughter and granddaughters moved in, Bobby Monger turned to HOPE. His daughter had become ill and needed Mr. Monger's help to care for her girls. Despite years of timely rent payments for his single-bedroom apartment, Mr. Monger had no formal credit history. That didn't deter HOPE, which used nontraditional credit sources to qualify him for a home loan. Armed with a HOPE mortgage, Mr. Monger found the home he needed for his unexpectedly expanded household. Today, Mr. Monger and his family live in a home that fits their needs. His granddaughters even have their own bedroom.



7 out of 10
were to low-income
borrowers

A group of five men are standing in a construction site, likely a large indoor arena or stadium under development. They are all wearing hard hats. Three of the men are wearing white hard hats and suits, while one is wearing a red hard hat and a light-colored button-down shirt. They appear to be in a conversation. The background shows the wooden framework of the building's interior, with various beams and supports visible. The lighting is warm and focused on the group.

HOPE for Policy Change

Creating healthy communities
New Orleans, Louisiana

1/4 of U.S. counties with
poverty rates over **20%**
for the last **30** years
are in the Mid South

In 2011, the City of New Orleans selected HOPE to manage the Fresh Food Retailer Initiative, which provides grant and loan funding to fresh food retailers located in food deserts. Since that time, HOPE has assisted 61 projects; provided financing to several retailers, including Jack and Jake's (pictured left); and leveraged \$38 million in non-city funds. HOPE is now working with lawmakers and advocates in Mississippi, Louisiana and Memphis to design similar programs. At the national level, HOPE is partnering with The Food Trust, The Reinvestment Fund and PolicyLink to expand access to healthy food outlets in low-income communities across the country.

Improving lives nationwide Washington, D.C.

HOPE's policy and program capacity combined to pave the way for tripling the number of long-term stable housing units for low-income families supported each year through the Rental Assistance Demonstration (RAD) program. Despite very high demand, RAD had been capped at 60,000 units. National housing advocates engaged HOPE's team to quantify the impact of an expansion to the cap. Using data collected from its own work, HOPE projected the economic impact of raising the nationwide cap to 185,000 units. HOPE's compelling analysis was used to successfully make the case for Congress to increase RAD funding.

A young boy with short dark hair, wearing a blue and white striped polo shirt and khaki pants, is climbing a chain ladder on a playground structure. He is looking up with a focused expression. The playground has blue and red metal frames and yellow plastic components. The background shows a clear blue sky and some trees.

HOPE helped increase
federal funding for an
additional **125,000** affordable
housing units annually

Governance

Hope Enterprise Corporation Board of Directors

Dr. Ivey Allen

Foundation for the Mid South

Claiborne Barksdale

Barksdale Reading Institute

Kim Boyle

Phelps Dunbar LLP

Bill Bynum

HOPE

Hodding Carter

University of North Carolina
at Chapel Hill (Retired)

Bishop Ronnie Crudup

New Horizon Church International

Hon. Mike Espy

Former U.S. Secretary of
Agriculture

Robert Gibbs

Gibbs Whitwell & Travis PLLC

Maurice Jones

Former HUD Deputy Secretary

Ed Lupberger

Nesher Investments

Fred Miller

Bank of Anguilla

Martha Murphy

Murphy Offices

Jeffrey Nolan

Loutre Land and Timber

Griffin Norquist

Bank of Yazoo

William A. Percy

Retired Businessman

William F. Winter (Emeritus)

Former Mississippi Governor

Hope Credit Union Board of Directors

Dr. Ivey Allen

Foundation for the Mid South

James Brooks

Mississippi Department
of Education (Retired)

Carol Burnett

Mississippi Low-Income Child
Care Initiative

Bill Bynum

HOPE

Richard Campbell

HOPE

Robert L. Gibbs

Gibbs Whitwell & Travis PLLC

Dr. George Penick

St. Andrew's Episcopal School

Maura Phillips

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)

Dr. Herman Taylor

Morehouse School of Medicine

Emily Trenholm

Community Development
Council of Greater Memphis

Carmen Walker

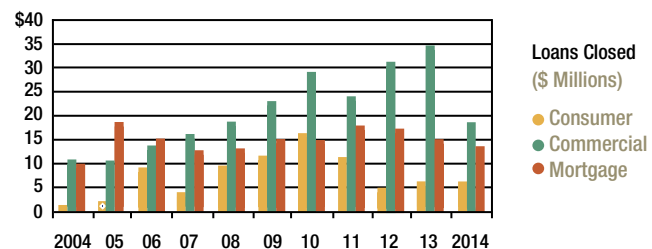
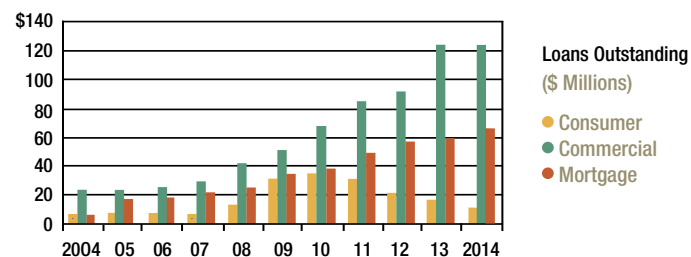
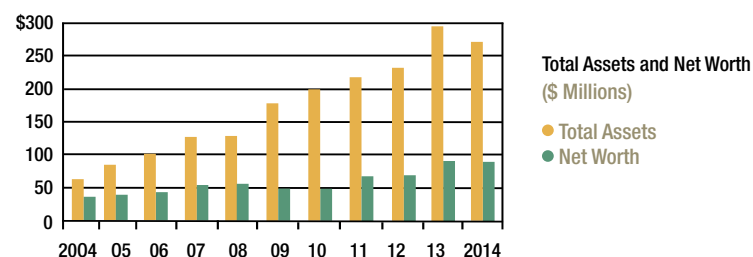
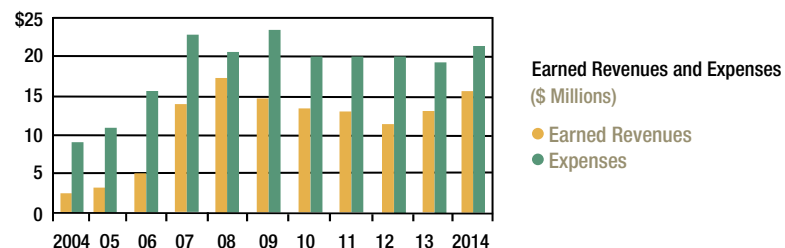
Noxubee County
Mississippi Schools (Retired)

Rev. Neddie Winters

Mission Mississippi

Consolidated and Combined Financial Highlights

Hope Enterprise Corporation/Hope Credit Union



Year Ended December 31

	2014	2013
Results of Operations		
Earned Revenues	\$16,621,664	\$13,394,427
Operating Expenses	21,285,397	19,255,614
Loan Loss Reserve Expense	1,172,665	2,438,838
Change in Net Assets (Net Income/(Loss))	9,408,103	(3,061,720)
Financial Position		
Total Assets	\$270,856,986	\$288,223,677
Total Net Assets (Net Worth)	91,068,163	89,916,696
Loans	203,213,658	202,007,431
Total Debt	56,201,847	62,822,585
Total Deposits	123,586,976	135,484,396
Results of Activities		
Total Loans Closed	38,249,641	58,142,646

Combining Statement of Financial Position

Hope Enterprise Corporation/Hope Credit Union

As of December 31, 2014 and 2013

	HEC Consolidated	HCU	Eliminations	Combined 2014	Combined 2013
Assets					
Cash and cash equivalents	\$ 9,828,090	\$ 20,914,277	\$ (5,247,765)	\$ 25,494,602	\$ 43,773,602
Debt and other securities	12,827,500	17,689,003	(12,827,500)	17,689,003	16,402,760
Cash restricted for collateral on subsidiary's note	-	-	-	-	2,744,452
Investment in non-consolidated partnership	10,566,949	-	-	10,566,949	10,612,388
Grants and other receivables	573,102	1,545,506	(42,187)	2,076,421	3,401,043
Prepaid expenses	191,617	799,897	-	991,514	713,012
Other assets	1,377,812	2,258,154	-	3,635,966	3,405,958
Interest receivable	-	547,213	-	547,213	648,623
Consumer loans	-	13,450,283	-	13,450,283	16,923,632
Commercial loans	71,244,693	53,052,363	(1,132,899)	123,164,157	122,015,763
Residential mortgage loans	4,119,048	62,480,170	-	66,599,218	59,602,026
Allowance for loan losses	(2,170,702)	(1,961,857)	-	(4,132,559)	(3,648,697)
Loans, net	73,193,039	127,020,959	(1,132,899)	199,081,099	194,892,724
Foreclosed property	1,402,150	1,164,895	-	2,567,045	3,466,010
Goodwill	-	244,472	-	244,472	244,472
Property and equipment, net	1,670,832	6,291,870	-	7,962,702	7,918,633
Total Assets	\$ 111,631,091	\$ 178,476,246	\$ (19,250,351)	\$ 270,856,986	\$ 288,223,677
Liabilities					
Accounts payable	\$ 580,876	\$ 250,079	\$ (42,187)	\$ 788,768	\$ 800,320
Dividends payable	-	158,376	-	158,376	184,401
Member deposits	-	128,834,741	(5,247,765)	123,586,976	135,484,396
Other liabilities	23,097	1,020,541	-	1,043,638	4,722,865
Notes payable and long-term loans	24,542,608	43,628,856	(13,960,399)	54,211,065	57,114,999
Total Liabilities	25,146,581	173,892,593	(19,250,351)	179,788,823	198,306,981
Net Assets and Equity					
Uninsured capital and reserves	-	4,583,653	-	4,583,653	2,589,877
Unrestricted net assets	13,502,753	-	-	13,502,753	8,256,736
Non-controlling interests	68,969,205	-	-	68,969,205	75,567,760
Total unrestricted	82,471,958	4,583,653	-	87,055,611	86,414,373
Temporarily restricted	2,235,040	-	-	2,235,040	2,084,811
Permanently restricted	1,777,512	-	-	1,777,512	1,417,512
Total Net Assets	86,484,510	4,583,653	-	91,068,163	89,916,696
Total Liabilities and Net Assets	\$ 111,631,091	\$ 178,476,246	\$ (19,250,351)	\$ 270,856,986	\$ 288,223,677

See accompanying notes.

Combined Statement of Activity

Hope Enterprise Corporation/Hope Credit Union

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
Revenues and Gains:					
Grants and contributions	\$ 8,178,846	\$ 5,944,530	\$ 360,000	\$ 14,483,376	\$ 4,849,917
Program income	16,703,389			16,703,389	13,519,342
Investment income	(81,725)			(81,725)	(124,915)
	24,800,510	5,944,530	360,000	31,105,040	18,244,344
Net Assets Released from Restrictions:					
Satisfaction of program restrictions	5,594,301	(5,594,301)		-	-
Expiration of time restrictions	200,000	(200,000)		-	-
Total Revenues and Gains	30,594,811	150,229	360,000	31,105,040	18,244,344
Expenses:					
Program expenses:					
Commercial lending and assistance	7,003,528			7,003,528	6,035,508
Mortgage lending and housing	2,380,263			2,380,263	1,572,582
HCU and consumer lending	7,102,969			7,102,969	5,851,623
Other programs	607,152			607,152	2,317,276
	17,093,912	-	-	17,093,912	15,776,989
Development and communications	253,631			253,631	183,213
General administration	5,110,519			5,110,519	5,734,250
Total Expenses	22,458,062	-	-	22,458,062	21,694,452
Equity in Earnings of Affiliated Company	380,561			380,561	388,388
Change in net assets before minority interests	8,517,313	150,229	360,000	9,027,542	(3,450,108)
Change in other comprehensive gains/losses	208,804			208,804	(421,526)
Minority interests in subsidiaries' losses	(1,485,893)			(1,485,893)	(310,400)
Change in Net Assets Attributable to Non-Controlling Interest	7,240,224	150,229	360,000	7,750,453	(3,793,646)
Acquisition of non-controlling interest				-	-
Net Assets Attributable to Controlling Interest:					
At beginning of year	10,846,613	2,084,811	1,417,512	14,348,936	18,142,582
Dividends Paid to Controlling Interests:	(431)			(431)	
At end of year	18,086,406	2,235,040	1,777,512	22,098,958	14,348,936
Net Assets of Minority Interests	68,969,205			68,969,205	75,567,760
Net Assets and Equity at End of Year	\$ 87,055,611	\$ 2,235,040	\$ 1,777,512	\$ 91,068,163	\$ 89,916,696

Notes to Combined and Consolidated Financial Statements

Hope Enterprise Corporation/Hope Credit Union (Unaudited) for the years ending December 31, 2014 and 2013

1. Basis of Presentation

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

Subsidiaries of HEC include ECD Investments, LLC (ECDI); ECD Investments BIDCO Corporation (BIDCO); ECD Associates, LLC (ECDA); ECD New Markets, LLC (ECDNM); Home Again, Inc. (Home Again); Mid-Delta Community and Individual Investment Corporation (MDCIIC); ECD First Commercial, LLC (ECD First); ECD Plus, LLC (ECD Plus); 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. 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 operations 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 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 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.

On January 1, 2009, HCU acquired all the assets and liabilities of American Savings Credit Union in a 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 a 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 2013 combined financial statements to conform to the presentation in 2014.

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:

	2014	2013
Cash and cash equivalents	\$25,494,602	\$43,773,602
Debt and other securities	17,689,003	16,402,760
	\$43,183,605	\$60,176,362

Notes to Combined and Consolidated Financial Statements - Continued

Hope Enterprise Corporation/Hope Credit Union (Unaudited) for the years ending December 31, 2014 and 2013

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, 2014, will be received and available for support of HEC/HCU's programs as follows:

Grants due in less than one year	\$1,820,506
Grants due in one to five years	\$100,000
Contracts and other receivables	\$164,035
Total grants and other receivables	\$2,084,541
Less adjustment to reflect grants receivable at fair value at the date of grant, based on 1.2% discount rate	(\$8,120)
Net grants and other receivables	\$2,076,421

4. Loans

The composition of the loan portfolios are as follows:

	2014	2013
Consumer loans outstanding	\$13,450,283	\$16,923,632
Commercial loans outstanding	\$123,164,157	\$122,015,763
Residential mortgage loans outstanding	\$66,599,218	\$59,602,026
	\$203,213,658	\$198,541,421

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. 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 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:

	2014	2013
Balance at beginning of year	\$3,648,697	\$3,331,767
Provision charged to operating expenses	\$1,172,665	\$2,438,838
Loans and investments charged off and foreclosed-net	(\$ 688,803)	(\$2,121,908)
Balance at end of year	\$4,132,559	\$3,648,697

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 on 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, 2014, are as follows:

2015	\$8,717,192
2016	\$4,741,128
2017	\$5,153,100
2018	\$3,332,868
2019	\$299,997
Thereafter	\$29,966,780
	\$52,211,065

9. Uninsured Capital and Reserves

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

Since the 2008 financial crisis, HOPE has expanded from 7 to 23 locations in underserved communities.



