



2021 ANNUAL REPORT

BOARD CHAIRMAN + PRESIDENT'S REPORT



Gordon K.F. Sam
Chairman



Daniel Terada
President/CEO

As we transition to some level of normalcy, I hope this message finds you in good health and spirits. The year 2021 continued to be a difficult year for many with ongoing mandates and economic challenges. With the return of many industries, including restaurants and travel, there appeared to be some optimism for the future.

Throughout 2021, Pearl Hawaii Federal Credit Union continued to work toward our vision of building trust, nurturing dreams, and inspiring hope. Also in 2021, Pearl Hawaii saw significant growth. Your trust in us allowed our Credit Union to grow shares by 10% to \$420 million and loans by 30% to \$235 million. We also continued to see an increase in membership. Through these uncertain times, your Credit Union was able to remain profitable and achieved a net income of over \$2 million.

With your support and patience, the Credit Union was able to upgrade or add new services and products. We transitioned our Debit Card and Credit Card programs, which now offers greater value, support, and utilization options to, you, our members. Additionally, we improved our card app to a full-service product called Pearl Wallet. Pearl Hawaii continued to offer old favorites such as Apple Pay and Google Wallet while adding new features such as Tap and Pay and enhanced fraud monitoring.

In 2022, we will increase our support services through our online and mobile channels, launch a Cash Back Credit Card, introduce improvements in our online applications, and offer new lending promotions. Furthermore, Pearl Hawaii will be taking steps to open new locations and offer innovative services to enrich and simplify your experience.

Mahalo for being a part of Pearl Hawaii Federal Credit Union's *Ohana*. Be safe and stay well.

A handwritten signature in black ink, appearing to read "Gordon K.F. Sam".

Gordon K.F. Sam
Chairman of the Board

A handwritten signature in black ink, appearing to read "Daniel Terada".

Daniel Terada
President/CEO



2021 SUPERVISORY COMMITTEE REPORT

Aaron Lee
Chairman of the
Supervisory Committee

The Supervisory Committee is appointed by the Board of Directors of the Pearl Hawaii Federal Credit Union's membership to independently evaluate the safety and soundness of its financial operations and activities. The Committee ensures that management implements sound internal controls and maintains policies, procedures, processes and practices that adhere to the laws and regulations that govern credit unions.

A main responsibility of the Committee is to ensure that the Credit Union's financial records and reports are accurate. To fulfill this requirement, the Committee conducted and reviewed various audits in 2021. In addition, the Committee engaged the firm of Kwock and Company, CPA's, to perform the annual audit on the Credit Union as of December 31, 2021. Their report verifies the accuracy of the Credit Union's financial statements and concludes that the Credit Union's policies and internal controls are sound. Finally, the Supervisory Committee conducted interviews and recommended the hiring of an Internal Auditor. As a result, the Credit Union hired Brian Hirano as the Credit Union's Internal Auditor effective December 1, 2021.

In the opinion of the Committee, the Credit Union has operated in a fiscally sound and responsible manner in accordance with applicable federal and state regulations in all material respects. Of note, the Credit Union has taken the initiative to grow in its electronic, mobile and online services and has displayed utmost sensitivity toward the protection and safeguard of data and information.

On behalf of the Supervisory Committee, we would like to thank the Board of Directors, management and staff for helping to ensure that membership assets are protected and that the Credit Union continues to be a premier Hawaii financial institution.

A handwritten signature in black ink that reads "Aaron Lee". The signature is written in a cursive, flowing style.

Aaron Lee
Chairman of the Supervisory Committee

2021 STATEMENT OF FINANCIAL CONDITION

ASSETS

| | | |
|--|----|--------------------|
| Loans to Members, Less Allowance for Loan Losses | \$ | 234,294,385 |
| Cash & Cash Equivalents | | 8,616,465 |
| Investments | | 199,929,520 |
| Prepaid & Deferred Expenses | | 480,161 |
| Property & Equipment, Net | | 8,612,897 |
| Accrued Interest on Loans | | 499,005 |
| Accrued Interest on Investments | | 312,259 |
| NCUA Insurance Fund | | 3,959,339 |
| Other Assets | | <u>8,757,296</u> |
| Total Assets | \$ | <u>465,461,327</u> |

LIABILITIES, SHARES, AND EQUITY

Liabilities:

| | | |
|------------------------|----|------------------|
| Accounts Payable | \$ | 510,213 |
| Other Accrued Expenses | | 1,258,615 |
| Accrued Dividends Pay | | 52,720 |
| Unprocessed Items | | (4,053) |
| Deferred Income | | <u>1,024,789</u> |
| Total Liabilities | \$ | <u>2,842,284</u> |

Shares:

| | | |
|-----------------|----|--------------------|
| Savings | \$ | 203,546,141 |
| Jumbo Savings | | 85,309,352 |
| Certificates | | 62,352,514 |
| IRA | | 21,581,609 |
| Checking | | 39,428,127 |
| Kasasa Checking | | 4,419,276 |
| Kasasa Saver | | 3,331,239 |
| Holiday Savings | | <u>20,439</u> |
| Total Shares | \$ | <u>419,988,697</u> |

Equity:

| | | |
|---------------------------------|----|-------------------|
| Regular Reserves | \$ | 3,147,179 |
| Undivided Earnings | | 33,430,264 |
| Appropriated Undivided Earnings | | 5,389,330 |
| Unrealized Loss on Investments | | (330,175) |
| Net Income | | <u>993,748</u> |
| Total Equity | | <u>42,630,346</u> |

| | | |
|---------------------------------------|----|--------------------|
| Total Liabilities, Shares, and Equity | \$ | <u>465,461,327</u> |
|---------------------------------------|----|--------------------|

2021 INCOME STATEMENT

INCOME

Interest Income:

| | | |
|--------------------------|----|-----------|
| Interest on Loans | \$ | 8,163,868 |
| Income from Investments | | 2,822,627 |
| Fees & Charges | | 1,316,241 |
| Misc. Operational Income | | 1,435,286 |

| | | |
|-----------------------|----|------------|
| Total Interest Income | \$ | 13,738,022 |
|-----------------------|----|------------|

Less:

| | | |
|---------------------------|----|---------|
| Dividend Expense | \$ | 916,466 |
| Provision for Loan Losses | | 498,211 |

| | | |
|--------------|----|------------|
| Gross Margin | \$ | 12,323,345 |
|--------------|----|------------|

Less:

Operating Expenses:

| | | |
|---------------------------------|----|-----------|
| Compensation | \$ | 4,221,382 |
| Employee Benefits | | 1,554,802 |
| Travel & Conference | | 1,943 |
| Business Training | | 10,098 |
| Association Fees | | 66,247 |
| Office Occupancy | | 869,316 |
| Office Operations | | 2,444,511 |
| Education & Promotion | | 412,431 |
| Loan Servicing | | 306,273 |
| Professional & Outside Services | | 378,217 |
| NCUA Operating fees | | 86,469 |
| Cash Short/Over | | (233) |
| Misc. Operating Expense | | 310,090 |

| | | |
|--------------------------|----|------------|
| Total Operating Expenses | \$ | 10,661,546 |
|--------------------------|----|------------|

| | | |
|----------------------|----|-----------|
| Net Operating Income | \$ | 1,661,799 |
|----------------------|----|-----------|

Non Operating Income (Loss)

| | | |
|--------------------------------|----|---------|
| Gain (Loss) on Investments | \$ | 416,407 |
| Gain (Loss) of Disp. of Assets | | (1) |

| | | |
|---------------------------------|----|---------|
| Total Non-Operating Gain (Loss) | \$ | 416,406 |
|---------------------------------|----|---------|

| | | |
|-------------------|----|-----------|
| Net Income | \$ | 2,078,205 |
|-------------------|----|-----------|

BOARD OF DIRECTORS



Gordon K.F. Sam
Chairman



Jonathan Lee
Director



Arnold Wong
Treasurer



Ryan Tsuji
Secretary



Clifford Chang
Director



Glenn Dang
Director



Gary Mock
Director

EXECUTIVE STAFF



Daniel Terada
President /CEO



John Furtado
Senior
Vice President



Tony Mau
Vice President
Loans



Licie Uchino
Vice President of
Operations



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