WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
Wright Patman Congressional Federal Credit Union
Oakton, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Wright Patman Congressional Federal Credit Union, which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of income, comprehensive income (loss), changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wright Patman Congressional Federal Credit Union as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wright Patman Congressional Federal Credit Union and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective January 1, 2023, Wright Patman Congressional Federal Credit Union adopted new accounting guidance for the measurement of credit losses on financial instruments through a cumulative-effect adjustment to undivided earnings. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wright Patman Congressional Federal Credit Union's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wright Patman Congressional Federal Credit Union's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wright Patman Congressional Federal Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises reports from management, nonfinancial information, and financial information, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
April 16, 2024

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 69,392,312	$ 102,747,664
Securities - Available-for-Sale	259,860,966	299,398,395
Securities - Held-to-Maturity	108,221,421	114,300,135
Other Investments	5,347,956	3,975,362
Loans Held-for-Sale	1,115,900	-
Loans, Net	728,207,535	683,736,097
Accrued Interest Receivable	3,236,746	2,634,719
Premises and Equipment, Net	8,840,541	9,196,101
NCUSIF (National Credit Union Share Insurance Fund) Deposit	9,234,400	9,619,269
Other Assets	29,892,373	29,257,393
Total Assets	$1,223,350,150	$1,254,865,135
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	$1,088,073,147	$1,153,580,548
Borrowed Funds	20,000,000	-
Accrued Expenses and Other Liabilities	12,197,528	11,064,169
Total Liabilities	1,120,270,675	1,164,644,717
MEMBERS' EQUITY		
Undivided Earnings	121,314,805	111,836,773
Accumulated Other Comprehensive Loss	(18,235,330)	(21,616,355)
Total Members' Equity	103,079,475	90,220,418
Total Liabilities and Members' Equity	$1,223,350,150	$1,254,865,135

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
INTEREST INCOME		
Loans	$ 32,999,300	$ 26,840,628
Securities, Interest-Bearing Deposits, and Cash Equivalents	15,306,545	8,647,119
Total Interest Income	48,305,845	35,487,747
INTEREST EXPENSE		
Members' Share and Savings Accounts	11,144,551	4,115,938
Borrowed Funds	213,414	-
Total Interest Expense	11,357,965	4,115,938
Net Interest Income	36,947,880	31,371,809
PROVISION FOR CREDIT LOSSES	1,568,236	691,763
Net Interest Income After Provision for Credit Losses	35,379,644	30,680,046
NONINTEREST INCOME		
Service Charges and Fees	3,138,928	3,172,423
Other Noninterest Income	4,824,455	4,983,572
Tenant Income	561,438	490,555
Total Noninterest Income	8,524,821	8,646,550
NONINTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	15,539,210	15,092,831
Occupancy	1,256,849	1,165,380
Operations	8,822,717	7,896,451
Professional and Outside Services	1,858,505	1,496,175
Educational and Promotional	581,514	498,272
Loan Servicing	3,331,050	3,302,891
Other Operating Expenses	859,717	1,413,633
Total Noninterest Expense	32,249,562	30,865,633
NET INCOME	$ 11,654,903	$ 8,460,963

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
NET INCOME	$ 11,654,903	$ 8,460,963
OTHER COMPREHENSIVE INCOME (LOSS):		
Securities - Available-for-Sale		
Unrealized Holding Gain (Loss) Arising During the Period	3,381,025	(23,699,651)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 15,035,928	$ (15,238,688)

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2023 AND 2022

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCES AT DECEMBER 31, 2021	$6,256,136	$ 97,119,674	$ 2,083,296	$105,459,106
Cumulative Effect of Change in Regulation (See Members' Equity in Note 1)	(6,256,136)	6,256,136	-	-
Net Income	-	8,460,963	-	8,460,963
Other Comprehensive Loss	-	-	(23,699,651)	(23,699,651)
BALANCES AT DECEMBER 31, 2022	-	111,836,773	(21,616,355)	90,220,418
Cumulative Effect of Adoption of ASC 326 - Financial Instruments - Credit Losses	-	(2,176,871)	-	(2,176,871)
Net Income	-	11,654,903	-	11,654,903
Other Comprehensive Income	-	-	3,381,025	3,381,025
BALANCES AT DECEMBER 31, 2023	$ -	$121,314,805	$(18,235,330)	$103,079,475

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 11,654,903	$ 8,460,963
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,399,632	1,366,902
Amortization of Securities Premiums/Discounts, Net	355,294	747,403
Provision for Credit Losses	1,568,236	691,763
Amortization of Servicing Rights	278,364	293,506
Capitalization of Servicing Rights	(9,472)	(57,608)
Loss on Equity Securities	-	520,091
Proceeds from Sale of Loans	2,053,450	5,670,000
Loans Originated for Sale	(3,187,509)	(5,769,951)
Loss on Sale of Whole Loans, Net	18,159	99,951
Valuation Allowance of Servicing Rights	(353,343)	-
Changes in:		
Accrued Interest Receivable	(602,027)	(1,055,028)
Other Assets	(550,529)	916,248
Accrued Expenses and Other Liabilities	1,133,359	(426,088)
Net Cash Provided by Operating Activities	13,758,517	11,458,152
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Change in Other Investments	(1,372,594)	(433,803)
Purchase of Securities:		
Available-for-Sale	-	(73,309,998)
Held-to-Maturity	-	(44,657,461)
Proceeds from Maturities and Paydowns of Securities:		
Available-for-Sale	42,626,416	78,196,738
Held-to-Maturity	6,015,458	8,804,049
Proceeds from Sales of Securities - Equity	-	69,395,051
Loan Originations Net of Principal Collected on Loans to Members	(48,216,545)	(54,293,272)
Decrease (Increase) in NCUSIF Deposit	384,869	(200,237)
Expenditures for Premises and Equipment	(1,044,072)	(921,387)
Net Cash Used by Investing Activities	(1,606,468)	(17,420,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Decrease in Members' Share and Savings Accounts	(65,507,401)	(10,800,466)
Advances on Term Borrowings	24,000,100	-
Repayments on Term Borrowings	(4,000,100)	-
Net Cash Used by Financing Activities	(45,507,401)	(10,800,466)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,355,352)	(16,762,634)
Cash and Cash Equivalents - Beginning of Year	102,747,664	119,510,298
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 69,392,312	$ 102,747,664
SUPPLEMENTARY DISCLOSURES OF NONCASH AND CASH FLOW INFORMATION		
Members' Share and Savings Accounts Cash Paid For Interest	$ 11,144,551	$ 4,115,938
Borrowed Funds Interest Paid	$ 213,414	$ -
Cumulative Effect of Adoption of ASC 326 - Credit Losses	$ 2,176,871	$ -

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Wright Patman Congressional Federal Credit Union (the Credit Union) is a federally chartered cooperative association headquartered in Oakton, Virginia, organized in accordance with the provisions of the Federal Credit Union Act of 1934 for the purpose of promoting thrift among and creating a source of credit for its members.

Membership

Participation in this Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws. This generally consists of employees, or former employees of the House of Representatives (Congress) and other select employee groups who have petitioned for membership. In addition to a regularly qualified member, the spouse of a member, the blood or adoptive relatives of either of them and their spouses may be members.

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include the valuation of securities and the determination of the allowance for credit losses.

Financial Instruments with Concentrations of Risk

The Credit Union is exposed to credit risk from a regional economic standpoint because significant concentrations of its borrowers work or reside within a geographical field of membership.

However, the loan portfolio is well diversified and the Credit Union does not have any significant concentrations of credit risk.

Cash and Cash Equivalents

For purposes of the statements of financial condition and statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from financial institutions and highly liquid debt instruments classified as cash which were purchased with original maturities of three months or less.

The Credit Union maintains cash in deposit accounts at financial institutions approved by the board of directors. Accumulated deposits at these institutions, at times, may exceed federally insured limits.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Securities

Equity securities with readily determinable fair values are reported at fair value with changes in fair value included in noninterest income.

Debt Securities

Debt securities are classified as held-to-maturity when the Credit Union has the positive intent and ability to hold the securities to maturity and are carried at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive (loss) income. Realized gains and losses on securities available-for-sale are included in other noninterest income and, when applicable, are reported as a reclassification adjustment in other comprehensive (loss) income. Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

Effective January 1, 2023, with the adoption of ASC 326, for available-for-sale debt securities in an unrealized loss position, the Credit Union first assesses whether it intends to sell, or is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of these criteria are met, the security's amortized costs basis is written down to fair value through income. If these criteria are not met, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized costs, any changes in the underlying credit rating of the security, and adverse conditions specifically related to the security, among other factors. If it is determined that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, which is limited by the amount that the fair value is less than the amortized costs basis. Any impairment that has not been recorded through an allowance for credit losses is recognized as a component of other comprehensive income (loss). Changes in the allowance for credit losses are recorded as a provision for credit loss. Prior to the adoption of ASC 326, the Credit Union used an other than temporary impairment model.

Effective January 1, 2023, with the adoption of ASC 326, for held to maturity debt securities, management measures expected credit losses on a collective basis by major security type. Prior to the adoption of ASC 326, the Credit Union used an other than temporary impairment model.

Other Investments

Other investments are recorded at cost and evaluated for credit events resulting in impairment.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made without recourse.

Loans, Net

The Credit Union grants consumer and mortgage loans to members and purchases loan participations from other financial institutions. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Union's field of membership.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, adjusted for an allowance for credit losses, net deferred loan origination fees and costs, and premiums and discounts on purchased loans. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Past due status is based on contractual terms of the loan.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan origination fees and costs are deferred and amortized using the interest method or over the estimated life of the related loans. Deferred fees and costs are recognized as an adjustment to interest income on loans in the statements of income.

The Credit Union maintains multiple loan portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than commercial real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Allowance for Credit Losses on Loans

Effective, January 1, 2023, the allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loan losses are charged off against the allowance for credit losses on loans when the Credit Union determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on loans.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, or delinquencies, as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include product or collateral type and origination type (direct, indirect or purchased). For loans that do not share similar risk characteristics with other loans such as collateral dependent loans, expected credit losses are estimated on an individual basis.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Credit Union.

Loans are charged off against the allowance for credit losses on loans in the period in which they are deemed uncollectible and recoveries are credited to the allowance for credit losses on loans when received. Expected recoveries on loans previously charged off and expected to be charged-off are included in the allowance for credit losses on loans estimate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Loans (Continued)

The Credit Union utilized the Probability of Default (PD) method in determining expected future credit losses for each of the loan categories except for the Recreational Vehicle category. The PD method leverages loan quality and macroeconomic factors to produce monthly projects of credit loss. The PD method is a loan-level method and turns economic characteristics into monthly probabilities of default. This method incorporates loss likelihood (PD) and loss severity (loss-given-default LGD), as the two factors are multiplied to arrive at expected loss.

Additionally, the weighted average remaining maturity ("WARM") method is used for the Recreational Vehicle loan pool. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

The Credit Union's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Credit Union's historical look–back period includes January 2012 through the current period, on an annual basis. When historical credit loss experience is not sufficient for a specific portfolio, the Credit Union may supplement its own portfolio data with external models or data.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the organization, such as enterprise and concentration management, along with other credit–related analytics as deemed appropriate. Management attempts to quantify qualitative reserves whenever possible. The CECL methodology applied focuses on evaluation of qualitative and environmental factors, including but not limited to: (i) evaluation of facts and issues related to specific loans; (ii) management's ongoing review and grading of the loan portfolio; (iii) consideration of historical loan loss and delinquency experience on each portfolio segment; (iv) trends in past due and nonperforming loans; (v) the risk characteristics of the various loan segments; (vi) changes in the size and character of the loan portfolio; (vii) concentrations of loans to specific borrowers or industries; (viii) existing economic conditions; (ix) the fair value of underlying collateral; and (x) other qualitative and quantitative factors which could affect expected credit losses.

The Credit Union's CECL estimate applies a forecast that incorporates macroeconomic trends and other environmental factors. Management utilized national, regional and local leading economic indexes, as well as management judgment, as the basis for the forecast period. The historical loss rate was utilized as the base rate, and qualitative adjustments were utilized to reflect the forecast and other relevant factors.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Loans (Continued)

The Credit Union establishes a specific reserve based on collateral values for individually evaluated loans which do not share similar risk characteristics with the loans evaluated using a collective or pooled basis. These individually evaluated loans are removed from the pooling approach discussed above for the quantitative baseline.

Although management believes the allowance for credit losses on loans to be adequate, ultimate losses may vary from its estimates. At least quarterly, the board of directors reviews the adequacy of the allowance for credit losses on loans, including consideration of the relevant risks in the portfolio, current economic conditions, and other factors.

Prior to the adoption of ASC 326, the Credit Union used an incurred loss model to measure an allowance for loan losses.

Off-Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit under credit arrangements. Such financial instruments are recorded when they are funded.

Expected credit losses related to off-balance sheet credit exposures are estimated over the contractual period for which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. Expected credit losses are estimated using similar methodologies employed to estimate expected credit losses on loans, taking into consideration the likelihood and extent of additional amounts expected to be funded over the terms of the commitments. The liability for credit losses on off-balance sheet credit exposures is presented within other liabilities on the balance sheets. Adjustments to the liability are included in the provision for credit losses.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) assets have been isolated from the Credit Union, (2) the transferee obtained the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets (Continued)

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Servicing Rights

Servicing assets are recognized separately when servicing rights are acquired through purchase or through sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method. Under the amortization method, mortgage servicing rights are amortized into noninterest income in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based upon the fair value at June 30 and December 31 each year.

Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as the market conditions and projected interest rates change, and may have an adverse impact on the value of the servicing right and may result in reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method is evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with noninterest income on the statements of income.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of repossession or foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in noninterest expense.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment, Net

Land is carried at cost. Buildings, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or estimated useful life, whichever is shorter.

Impairment of Long-Lived Assets

The Credit Union tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

NCUSIF Deposit and NCUSIF and CCUSF Premium Assessments

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Members’ Share and Savings Accounts

Members’ share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members’ share and savings accounts, except for interest on certificates of deposit which are set in advance, are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members’ share and savings accounts are set by the board of directors, based on an evaluation of current and future market conditions.

Members’ Equity

Prior to January 1, 2022, the Credit Union was required by regulation to maintain a statutory reserve (Regular Reserve). This Regular Reserve, which represented a regulatory restriction on members’ equity, was established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earning. The Regular Reserve was not available for the payment of interest. Effective January 1, 2022, the Regular Reserve is no longer required by regulation. All Regular Reserve amounts were transferred to Undivided Earnings effective January 1, 2022.

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive (loss) income. Accumulated other comprehensive income (loss), also recognized as a separate component of members' equity, includes valuation adjustments for available-for-sale securities. Reclassifications from accumulated other comprehensive income (loss) for securities – available-for-sale are recorded through net gain on sale of assets on the statements of income.

Revenue from Contracts with Members

The Credit Union recognizes revenue in accordance with *Revenue from Contracts with Customers (Topic 606).* The Credit Union has elected to use the following optional exemptions that are permitted under Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Credit Union recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Credit Union would have recognized is one year or less.

- For performance obligations satisfied over time, if the Credit Union has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Credit Union's performance completed to date, the Credit Union will generally recognize revenue in the amount to which the Credit Union has a right to invoice.

- The Credit Union does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Credit Union recognizes revenue in the amount to which the Credit Union has a right to invoice.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to Noninterest Income such as deposit related fees and interchange fees. Significant components of Noninterest Income considered to be within the scope of Topic 606 are discussed below.

Service Charges on Deposits

The Credit Union earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member's request. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the member's account balance.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Members (Continued)

Interchange and Bankcard Fees

When members use their debit and credit cards to pay merchants for goods or services, the Credit Union retains a fee from the funds collected from the related deposit account and transfers the remaining funds to the payment network for remittance to the merchant. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network.

Other

Other revenues subject to ASC 606 include miscellaneous transaction-based fees where satisfaction of performance obligation and collection of the related fees generally coincide. These include insurance commissions, loss on sale of other foreclosed and repossessed assets and check printing.

Income Taxes

As a federal instrumentality, the Credit Union is exempt from federal and state income taxes.

Retirement Plans

401(k) plan – The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable Internal Revenue Service limitations of the participant's annual compensation. The Credit Union makes safe harbor qualified matching contributions to the plan. The Credit Union's contributions to the plan approximated $596,000 and $558,000 for the years ended December 31, 2023 and 2022, respectively.

Deferred Compensation Plan [Section 457(b)] – The Credit Union has a nonqualified deferred compensation plan for members of management. The Credit Union makes discretionary contributions to the plan and employees are allowed to contribute to the plan. The deferred compensation accounts are shown as both assets and liabilities on the Credit Union's financial statements and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation arrangement was $1,816,788 and $1,568,455 as of December 31, 2023 and 2022, respectively. Deferred compensation expense was $89,475 and $77,854 for the years ended December 31, 2023 and 2022, respectively.

Advertising Costs

Advertising and promotion costs which totaled approximately $582,000 and $498,000 for the years ended December 31, 2023 and 2022, respectively, are expensed as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Union adopted the policy to value certain financial instruments at fair value. The Credit Union has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

New Accounting Pronouncements

On January 1, 2023, the Credit Union adopted ASU 2016-03, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended (ASC 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss methodology (CECL). The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity securities. It also applies to off-balance sheet credit exposures such as loan commitments and standby letters of credit. In addition, changes were made to the accounting for available for sale securities, which requires credit losses to be presented as an allowance rather than as a direct write-down of the available for sale securities when management does not intend to sell or believes that it is more likely than not that they will be required to sell.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

The Credit Union adopted the standard using the modified retrospective method for all financial assets measured at amortized cost and for off-statement of financial condition credit exposures. Results for annual periods beginning after January 1, 2023 are presented under the new CECL model while prior reporting periods continue to be reported in accordance with previously applicable GAAP. The Credit Union recorded a net decrease to undivided earnings in the amount of $2,176,871 as of January 1, 2023 representing the cumulative effect of adopting this standard.

On March 31, 2022, FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326) Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the troubled debt restructuring ("TDR"), accounting model for creditors that have adopted Topic 326, *Financial Instruments – Credit Losses*. In addition, on a prospective basis, entities will be subject to new disclosure requirements covering modifications of receivables to borrowers experiencing financial difficulty. Upon adoption of this guidance, the Credit Union no longer establishes a specific reserve for modifications made on or after January 1, 2023 to borrowers experiencing financial difficulty. Instead, these modifications are included in their respective loan segment in the allowance for credit losses on loans. The Credit Union has adopted ASU 2022-02 effective on January 1, 2023. The adoption of this standard did not have a material effect on the Credit Union's operating results or financial condition.

Subsequent Events

In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through April 16, 2024, the date the financial statements were available to be issued.

Reclassification of 2022 Data

Data in the 2022 financial statements has been reclassified to conform with the presentation of the 2023 financial statements. This reclassification did not result in any change to net income or members' equity.

NOTE 2 SECURITIES AND OTHER INVESTMENTS

EQUITY SECURITY:

There were no equity securities held for the year ending December 31, 2023. Losses on sales of equity securities are included in noninterest income on the statements of income and are accounted for as follows for the year ended December 31, 2022:

Net Loss Recognized During the Year on Equity	$ (520,091)
Less: Net Losses Recognized During the Year on Equity Securities Sold During the Year	520,091
Unrealized Losses Recognized During the Year on Equity Securities Still Held at December 31	$ -

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE:

The amortized cost and estimated fair value of securities available-for-sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
December 31, 2023				
Federal Agency Mortgage-Backed Securities	$ 132,393,693	$ 475,831	$ (11,960,841)	$ 120,908,683
Collateralized Mortgage Obligation Securities	145,702,603	55,633	(6,805,953)	138,952,283
Total	$ 278,096,296	$ 531,464	$ (18,766,794)	$ 259,860,966
December 31, 2022				
Federal Agency Mortgage-Backed Securities	$ 152,206,087	$ 248,351	$ (13,366,609)	$ 139,087,829
Collateralized Mortgage Obligation Securities	168,808,663	34,865	(8,532,962)	160,310,566
Total	$ 321,014,750	$ 283,216	$ (21,899,571)	$ 299,398,395

There were no sales of securities available-for-sale during the years ended December 31, 2023 and 2022.

HELD-TO-MATURITY:

The amortized cost and estimated fair value of securities held-to-maturity are as follows:

	Amortized Cost (Carrying Value)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023				
U.S. Government Obligations and Federal Agencies Securities	$ 39,000,000	$ -	$ (1,233,210)	$ 37,766,790
Federal Agency Mortgage-Backed Securities	14,710,533	5,016	(1,861,599)	12,853,950
Collateralized Mortgage Obligation Securities	44,531,842	-	(7,412,777)	37,119,065
U.S. Treasury Bonds	9,979,046	-	(98,846)	9,880,200
Total	$ 108,221,421	$ 5,016	$ (10,606,432)	$ 97,620,005
December 31, 2022				
U.S. Government Obligations and Federal Agencies Securities	$ 48,951,561	$ -	$ (2,545,037)	$ 46,406,524
Federal Agency Mortgage-Backed Securities	16,456,127	2,271	(2,117,792)	14,340,606
Collateralized Mortgage Obligation Securities	48,892,447	18,871	(7,371,435)	41,539,883
Total	$ 114,300,135	$ 21,142	$ (12,034,264)	$ 102,287,013

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

At December 31, 2023 and 2022, securities carried at approximately $336,687,000 and $5,290,000, respectively, were pledged as collateral to secure borrowed funds.

The amortized cost and estimated fair value of securities, at December 31, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value (Carrying Value)	Amortized Cost (Carrying Value)	Fair Value
U.S. Government Obligations and Federal Agencies Securities, and U.S. Treasury Bonds				
Less than One Year	$ -	$ -	$ 9,979,046	$ 9,880,200
One to Five Years	-	-	39,000,000	37,766,790
Federal Agency Mortgage-Backed Securities	132,393,693	120,908,683	14,710,533	12,853,950
Collateralized Mortgage Obligation Securities	145,702,603	138,952,283	44,531,842	37,119,065
Total	$ 278,096,296	$ 259,860,966	$ 108,221,421	$ 97,620,005

Gross unrealized losses on securities available-for-sale and held-to-maturity and the fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, were as follows:

	Less Than Twelve Months		Greater Than Twelve Months	
December 31, 2023	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for -Sale				
Federal Agency Mortgage-Backed Securities	$ (820)	$ 249,367	$ (11,960,021)	$ 96,795,770
Collateralized Mortgage Obligation Securities	(31,190)	1,432,262	(6,774,763)	132,683,993
Total Available-for-Sale	$ (32,010)	$ 1,681,629	$ (18,734,784)	$ 229,479,763
Held-to-Maturity				
U.S. Government Obligations and Federal Agencies Securities	$ -	$ -	$ (1,233,210)	$ 37,766,790
Federal Agency Mortgage-Backed Securities	-	-	(1,861,599)	12,671,192
Collateralized Mortgage Obligation Securities	(476,315)	3,030,180	(6,936,462)	34,088,885
U.S. Treasury Bonds	(98,846)	9,880,200	-	-
Total Held-to-Maturity	$ (575,161)	$ 12,910,380	$ (10,031,271)	$ 84,526,867

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

	Less Than Twelve Months		Greater Than Twelve Months	
December 31, 2022	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Available-for -Sale				
Federal Agency Mortgage-Backed Securities	$ (2,269,764)	$ 41,156,932	$ (11,096,845)	$ 75,395,024
Collateralized Mortgage Obligation Securities	(6,606,179)	123,351,908	(1,926,783)	30,793,258
Total Available-for-Sale	$ (8,875,943)	$ 164,508,840	$ (13,023,628)	$ 106,188,282
Held-to-Maturity				
U.S. Government Obligations and Federal Agencies Securities	$ (1,026,857)	$ 33,924,700	$ (1,518,180)	$ 12,481,820
Federal Agency Mortgage-Backed Securities	(241,767)	4,598,724	(1,876,025)	9,530,102
Collateralized Mortgage Obligation Securities	(314,050)	5,580,077	(7,057,385)	32,058,658
Total Held-to-Maturity	$ (1,582,674)	$ 44,103,501	$ (10,451,590)	$ 54,070,580

The Credit Union does not believe that the available for sale securities that were in an unrealized loss position as of December 31, 2023, which were comprised of 142 individual securities, represent a credit loss impairment. The gross unrealized loss positions were primarily related to mortgage-backed securities issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. For private label collateralized mortgage obligations, the Credit Union monitors the credit ratings monthly and determines if any significant changes that resulted in credit downgrades would require an allowance for credit losses to be recorded. Total gross unrealized losses were primarily attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities. The Credit Union does not intend to sell the investment securities that were in an unrealized loss position, and it is not more likely than not that the Credit Union will be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity.

Substantially all of the Credit Union’s held-to-maturity securities are issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Therefore, the Credit Union did not record an allowance for credit losses for these securities as of December 31, 2023.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

OTHER INVESTMENTS:

Other investments are summarized as follows:

	December 31,	
	2023	2022
FHLB Stock and Investment Accounts	$ 1,828,500	$ 640,900
Central Liquidity Facility Stock	3,277,144	3,091,183
Investments in CUSOs	242,312	243,279
Total	$ 5,347,956	$ 3,975,362

FHLB Stock

The Credit Union has an investment in Federal Home Loan Bank of Atlanta (FHLB) stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and as such is not subject to investment security accounting treatment and is, therefore, reported at cost, subject to impairment.

Central Liquidity Facility Stock

The Credit Union is a member of the NCUA Central Liquidity Facility (Facility), which was formed to assist member credit unions in meeting their short-term liquidity needs. Membership is obtained through investment in shares of the Facility as determined by a statutory formula. As of December 31, 2023 and 2022, the Credit Union had not borrowed from the Facility.

Investments in CUSOs

The Credit Union also has minor ownership interests in other CUSOs providing services to the credit union market. Such investments, as a practical expedient, are carried at cost, less impairment, plus or minus any price changes form observable market transactions.

NOTE 3 LOANS, NET

The composition of loans is as follows:

	December 31, 2023	December 31, 2022
Consumer:		
Automobile	$ 65,164,503	$ 59,450,445
Credit Cards	53,936,940	53,221,685
Unsecured	32,396,896	27,937,954
Other Secured	1,651,525	1,068,462
Student	3,349,985	2,098,109
Subtotal	156,499,849	143,776,655
Residential Real Estate:		
First Mortgage	467,728,024	456,075,689
Home Equity	111,525,712	88,475,135
Subtotal	579,253,736	544,550,824
Total Loans	735,753,585	688,327,479
Net Deferred Loan Origination Costs (Fees)	(120,332)	(32,811)
Allowance for Credit Losses	(7,425,718)	(4,558,571)
Loans, Net	$ 728,207,535	$ 683,736,097

The Credit Union elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2023, and 2022, accrued interest receivable for loans totaled $2,330,384 and $1,823,439, respectively, and is included in accrued interest receivable on the statements of financial condition.

The Credit Union has purchased student and residential real estate loan participations originated by other financial institutions. These loan participations were purchased without recourse and the originating financial institution performs all loan servicing functions on these loans. The loan participations have been included above in the Student and First Mortgage segments and totaled $6,084,734 and $3,598,257 at December 31, 2023 and 2022, respectively.

NOTE 3 LOANS, NET (CONTINUED)

A summary of the activity in the allowance for credit losses on loans for the years ended December 31, 2023 and 2022, respectively, are as follows. The Credit Union adopted CECL as of January 1, 2023. The prior year amounts presented are calculated under the prior accounting standard.

December 31, 2023	Consumer	Residential Real Estate	Total
Allowance for Credit Losses:			
Balance at Beginning of Year	$ 1,087,874	$ 3,470,697	$ 4,558,571
Adoption of CECL	2,909,932	(733,061)	2,176,871
Provision for Credit Losses on Loans	1,323,761	244,475	1,568,236
Loans Charged Off	(1,379,693)	-	(1,379,693)
Recoveries of Loans Previously Charged Off	501,733	-	501,733
Balance at End of Year	$ 4,443,607	$ 2,982,111	$ 7,425,718

December 31, 2022	Consumer	Residential Real Estate	Total
Allowance for Loan Losses:			
Balance at Beginning of Year	$ 1,017,810	$ 3,200,985	$ 4,218,795
Provision for Loan Losses	422,051	269,712	691,763
Loans Charged Off	(907,243)	-	(907,243)
Recoveries of Loans Previously Charged Off	555,256	-	555,256
Balance at End of Year	$ 1,087,874	$ 3,470,697	$ 4,558,571

The Credit Union has determined that an allowance for credit losses on unfunded commitments is immaterial to the financial statements.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the statement of financial condition date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The following tables present collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation.

The allowance for credit losses for loans considered to be collateral dependent as of December 31, 2023 is as follows:

December 31, 2023	Consumer	Residential Real Estate	Total
Allowance for Credit Losses:			
Ending Balance: Collateral Dependent	$ 163	$ 156,172	$ 156,335
Loans:			
Ending Balance: Collateral Dependent	$ 3,363	$ 635,492	$ 638,855

NOTE 3 LOANS, NET (CONTINUED)

Collateral dependent consumer loans are mainly comprised of vehicle loans. The collateral value is based on estimated fair value reduced for selling costs. Collateral dependent residential real estate loans are comprised of first or second mortgage loans. The collateral value is based on the estimated fair value of the property reduced for estimated sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value.

The allowance for loan losses for loans evaluated individually and collectively for impairment by collateral class as of the year ended December 31, 2022 is as follows:

December 31, 2022	Consumer	Residential Real Estate	Total
Allowance for Loan Losses:			
Ending Balance: Individually Evaluated for Impairment	$ 2,452	$ 150,834	$ 153,286
Ending Balance: Collectively Evaluated for Impairment	1,085,422	3,319,863	4,405,285
Total Allowance for Loan Losses	$ 1,087,874	$ 3,470,697	$ 4,558,571
Loans:			
Ending Balance: Individually Evaluated for Impairment	$ 209,615	$ 3,389,993	$ 3,599,608
Ending Balance: Collectively Evaluated for Impairment	143,567,040	541,160,831	684,727,871
Total Loans	$143,776,655	$544,550,824	$688,327,479

NOTE 3 LOANS, NET (CONTINUED)

The following tables show the classes within the homogeneous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

	Payment Activity		
	Performing	Nonperforming	Total
December 31, 2023			
Consumer:			
Automobile	$ 64,893,753	$ 270,750	$ 65,164,503
Credit Cards	53,695,729	241,211	53,936,940
Unsecured	31,992,194	404,702	32,396,896
Other Secured	1,651,525	-	1,651,525
Student	3,349,985	-	3,349,985
Residential Real Estate:			
First Mortgage	464,734,152	2,993,872	467,728,024
Home Equity	110,122,386	1,403,326	111,525,712
Total	$ 730,439,724	$ 5,313,861	$ 735,753,585

	Payment Activity		
	Performing	Nonperforming	Total
December 31, 2022			
Consumer:			
Automobile	$ 59,332,803	$ 117,642	$ 59,450,445
Credit Cards	53,010,123	211,562	53,221,685
Unsecured	27,659,598	278,356	27,937,954
Other Secured	1,068,462	-	1,068,462
Student	2,098,109	-	2,098,109
Residential Real Estate:			
First Mortgage	454,391,900	1,683,789	456,075,689
Home Equity	88,397,485	77,650	88,475,135
Total	$ 685,958,480	$ 2,368,999	$ 688,327,479

NOTE 3 LOANS, NET (CONTINUED)

The following table presents information related to impaired loans for the year ended December 31, 2022:

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With No Related Allowance:				
Automobile	$ 9,439	$ 9,439	$ -	$ 4,720
Unsecured	166,722	166,722	-	83,361
First Mortgage	2,667,852	2,667,852	-	2,754,951
Home Equity	89,275	89,275	-	92,795
Subtotal	$ 2,933,288	$ 2,933,288	$ -	$ 2,935,827
With An Allowance Recorded:				
Automobile	$ -	$ -	$ -	$ 15,217
Credit Card	28,294	28,294	2,131	40,546
Unsecured	5,160	5,160	321	157,873
First Mortgage	368,168	368,168	25,626	702,430
Home Equity	264,698	264,698	125,208	308,051
Subtotal	$ 666,320	$ 666,320	$ 153,286	$ 1,224,117
Total Impaired Loans:				
Consumer	$ 209,615	$ 209,615	$ 2,452	$ 301,717
Residential Real Estate	$ 3,389,993	$ 3,389,993	$ 150,834	$ 3,858,227

The recorded investment in impaired loans approximate the amount reported as unpaid impaired loan balances as of December 31, 2022.

Interest collected on impaired loans for the years ended December 31, 2022 was not significant as interest is not accrued on nonaccrual loans or other loans past-due 90 days or more.

The following tables show an aging analysis of the loan portfolio by time past due:

December 31, 2023	Accruing Interest			
	Current	30-89 Days Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
Automobile	$ 63,273,121	$ 1,620,632	$ 270,750	$ 65,164,503
Credit Cards	52,989,015	706,714	241,211	53,936,940
Unsecured	30,783,976	1,208,218	404,702	32,396,896
Other Secured	1,651,525	-	-	1,651,525
Student	3,329,870	20,115	-	3,349,985
First Mortgage	460,251,455	4,482,697	2,993,872	467,728,024
Home Equity	108,196,591	1,925,795	1,403,326	111,525,712
Total	$ 720,475,553	$ 9,964,171	$ 5,313,861	$ 735,753,585

NOTE 3 LOANS, NET (CONTINUED)

December 31, 2022	Accruing Interest			
	Current	30-89 Days Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
Automobile	$ 57,988,724	$ 1,344,079	$ 117,642	$ 59,450,445
Credit Cards	52,417,618	592,505	211,562	53,221,685
Unsecured	26,870,308	789,290	278,356	27,937,954
Other Secured	1,068,462	-	-	1,068,462
Student	2,098,109	-	-	2,098,109
First Mortgage	451,038,100	3,353,800	1,683,789	456,075,689
Home Equity	86,802,274	1,595,211	77,650	88,475,135
Total	$ 678,283,595	$ 7,674,885	$ 2,368,999	$ 688,327,479

Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2023 and 2022.

The amortized costs basis for loans on nonaccrual status for which there is no related allowance for credit losses was insignificant to the financial statement disclosures for the years ended December 31, 2023 and 2022.

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Modifications during the year ended December 31, 2023, were insignificant to the financial statement disclosures.

The Credit Union has concluded that TDRs granted during the year ended December 31, 2022, were insignificant for the financial statement disclosures.

NOTE 4 LOAN SERVICING

Loans serviced for others are not included in the accompanying statements of financial condition. The unpaid principal balances of mortgage loans serviced for others were approximately $174,874,000 and $184,968,000 at December 31, 2023 and 2022, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately $1,020,000 and $1,013,000 at December 31, 2023 and 2022, respectively.

NOTE 4 LOANS SERVICING (CONTINUED)

The following summarizes the activity pertaining to mortgage servicing rights and the related valuation allowance:

	Years Ended December 31:	
	2023	2022
Servicing Rights:		
Balance at Beginning of Year	$ 1,564,088	$ 1,799,986
Servicing Rights Capitalized	9,472	57,608
Servicing Rights Amortized	(278,364)	(293,506)
Balance at End of Year	$ 1,295,196	$ 1,564,088
Valuation Allowances:		
Balance at Beginning of Year	$ 353,343	$ 353,343
Reductions	(353,343)	-
Balance at End of Year	$ -	$ 353,343

The balance of capitalized servicing rights, net of valuation allowances, is included in other assets and totaled $1,295,196 and $1,210,745 at December 31, 2023 and 2022, respectively. The fair values of these rights were $2,044,201 and $2,130,279 at December 31, 2023 and 2022, respectively. The fair value of servicing rights was determined using discount rates of 10% as of December 31, 2023 and 2022, and prepayment speeds ranging from 6.51% to 14.51% as of December 31, 2023 and from 7.08% to 19.20% as of December 31, 2022.

NOTE 5 PREMISES AND EQUIPMENT, NET

The Credit Union's premises and equipment is summarized as follows:

	December 31,	
	2023	2022
Land	$ 1,433,000	$ 1,433,000
Buildings and Improvements	14,166,358	13,994,044
Furniture and Equipment	15,569,356	14,697,601
Leasehold Improvements	882,386	882,386
Total	32,051,100	31,007,031
Less: Accumulated Depreciation and Amortization	(23,210,559)	(21,810,930)
Total	$ 8,840,541	$ 9,196,101

NOTE 5 PREMISES AND EQUIPMENT, NET (CONTINUED)

Lessor Agreements

The Credit Union leases certain office facilities to various tenants under noncancelable operating leases expiring in various years. Rental income, included in other noninterest income, was approximately $561,000 and $491,000 for the years ended December 31, 2023 and 2022, respectively. Future minimum lease payments receivable under these leases are as follows:

Year Ending December 31,	Amount
2024	$ 689,373
2025	659,262
2026	488,093
2027	413,926
2028	425,729
Thereafter	1,739,774
Total	$ 4,416,157

Donated Space

The Credit Union has branch offices located in several buildings owned by the federal government, the Credit Union's primary sponsor. The Credit Union uses the space for these branches free of any rent or charge for utilities.

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

	December 31,	
	2023	2022
Share Drafts	$ 320,933,640	$ 344,428,787
Shares	237,800,947	270,056,033
Money Market	320,626,976	398,773,989
IRA Deposits	9,499,258	12,069,313
Share and IRA Certificates	199,212,326	128,252,426
Total	$ 1,088,073,147	$ 1,153,580,548

The aggregate amounts of certificates of deposit in denominations of $250,000 or more was approximately $49,621,000 and $28,434,000 at December 31, 2023 and 2022, respectively.

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS (CONTINUED)

As of December 31, 2023, scheduled maturities of share and IRA certificates are as follows:

Year Ending December 31,	Amount
2024	$ 136,368,157
2025	27,925,676
2026	10,695,148
2027	15,072,665
2028	9,150,680
Thereafter	-
Total	$ 199,212,326

Member accounts are insured to $250,000 by the NCUSIF. The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. government.

NOTE 7 BORROWED FUNDS

The Credit Union has entered into an Advances, Pledge, and Security Agreement with the FHLB whereby specific mortgage loans of the Credit Unions with advance equivalents of approximately $276,706,000 and $328,356,000 at December 31, 2023 and 2022, respectively, were pledged to the FHLB as collateral in the event the Credit Union requests any advances on the line. As of December 31, 2023, the Credit Union has advanced $20,000,000 under the terms of this agreement. The borrowings carry an interest rate of 5.57% and are scheduled to mature on March 20, 2024. There were no balances outstanding on this line at December 31, 2022.

The Credit Union has a line of credit with the Federal Reserve Bank of Richmond's Discount Window. As of December 31, 2023 and 2022, the Credit Union has pledged select federal agency securities with book values of approximately $336,687,000 and $5,290,000, respectively. There were no balances outstanding on this line at December 31, 2023 and 2022.

NOTE 8 REGULATORY NET WORTH REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-statement of financial condition items as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and net worth classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

NOTE 8 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation).

Effective in 2022, the NCUA adopted the risk-based capital calculation which applies only to federally insured, natural person credit unions with quarter-end total assets exceeding $500 million who do not qualify for, or opt into, the complex credit union leverage ratio (CCULR) framework described in §702.104(d).

As of December 31, 2023, the most recent call reporting period, the NCUA categorized the Credit Union initially as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized,” the Credit Union must maintain a minimum net worth ratio of 7% of assets. In addition, the credit union, if complex, must maintain a minimum risk-based capital ratio of 10% or greater. There are no conditions or events since that notification that management believes have changed the institution’s category.

The Credit Union’s actual capital amounts and ratios are also presented in the table following.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
Net Worth	$ 122,766,052	10.04%	$ 73,401,009	6.00%	$ 85,634,511	7.00%
Risk-Based Capital Ratio	$ 119,506,121	19.08%	$ 50,107,727	8.00%	$ 62,634,659	10.00%
December 31, 2022						
Net Worth	$ 111,836,773	8.91%	$ 75,291,908	6.00%	$ 87,840,559	7.00%
Risk-Based Capital Ratio	$ 106,776,076	18.19%	$ 46,949,600	8.00%	$ 58,687,000	10.00%

Because the net worth and risk-based capital ratios exceed the well capitalized thresholds, the Credit Union retains its original category.

The Credit Union adopted ASC 326 during the year ended December 31, 2023, and applied the regulatory CECL transition provisions (12 CFR Part 702.703). This provision requires a three-year phase in to regulatory net worth associated with the “day-one adjustment” required upon adoption of ASC 326. As of December 31, 2023, $1,451,247 was added to the Credit Union’s members’ equity to determine the regulatory net worth ratio.

NOTE 9 RELATED PARTY TRANSACTIONS

Included in Loans, Net at December 31, 2023 and 2022, are loans to the Credit Union's board of directors, committee members, and senior executive staff of approximately $5,132,000 and $3,614,000, respectively. The aggregate principal advances and principal repayments are not significant.

Deposits from the Credit Union's board of directors, committee members, and senior executive staff held by the Credit Union at December 31, 2023 and 2022 are approximately $1,831,000 and $2,291,000, respectively.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

Off-Statement of Financial Condition Activities

The Credit Union is party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit, which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the financial statements.

The Credit Union's exposure to credit loss is represented by the contractual amount of these commitments. The Credit Union follows the same credit policies in making commitments as it does for those loans recorded in the financial statements.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained to secure borrowing on the lines of credit is based on management's credit evaluation of the member. Collateral held varies but may include consumer assets, residential real estate, and member share balances.

Unfunded commitments under revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized, usually do not contain a specified maturity date, and ultimately may not be drawn upon to the total extent to which the Credit Union is committed.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Off-Statement of Financial Condition Activities (Continued)

Unfunded loan commitments at December 31 are summarized as follows:

	December 31, 2023	December 31, 2022
Commitments to Grant Collateralized Loans		
First Mortgages	$ 60,438,818	$ 62,538,158
Unfunded Unsecured Commitments Under		
Lines of Credit	22,365,591	21,638,971
Other Unfunded Commitments	-	25,000
Credit Card Commitments	246,474,262	236,158,920
Total	$ 329,278,671	$ 320,361,049

Legal Contingencies

The Credit Union is a party to various collection related legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the financial condition of the Credit Union.

NOTE 11 FAIR VALUE

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the balances of the assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Assets:				
Available-for-Sale Securities:				
Federal Agency Mortgage-Backed Securities	$ -	$ 120,908,683	$ -	$ 120,908,683
Collateralized Mortgage Obligation Securities	-	138,952,283	-	138,952,283
457(b) Non-Qualified Plan Assets	1,816,788	-	-	1,816,788
Total	$ 1,816,788	$ 259,860,966	$ -	$ 261,677,754

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Assets:				
Available-for-Sale Securities:				
Federal Agency Mortgage-Backed Securities	$ -	$ 139,087,829	$ -	$ 139,087,829
Collateralized Mortgage Obligation Securities	-	160,310,566	-	160,310,566
457(b) Non-Qualified Plan Assets	1,568,455	-	-	1,568,455
Total	$ 1,568,455	$ 299,398,395	$ -	$ 300,966,850

NOTE 11 FAIR VALUE (CONTINUED)

Recurring Basis (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

When available, the Credit Union uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3.

Deferred Compensation

The 457(b) nonqualified plan assets are invested in various equity mutual funds. These are classified as Level 1 of the fair value hierarchy. Mutual funds are valued using the net asset value which is calculated daily.

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as there is evidence of impairment or a change in the amount of previously recognized impairment.

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended December 31, 2023 and 2022 consisted of the following:

	Level 1	Level 2	Level 3	Impairment Losses
December 31, 2023				
Collateral Dependent Loans	$ -	$ -	$ 482,520	$ 156,335

	Level 1	Level 2	Level 3	Impairment Losses
December 31, 2022				
Impaired Loans	$ -	$ -	$ 482,032	$ 150,834
Servicing Rights	-	-	1,210,745	353,343

NOTE 11 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Credit Union has utilized Level 3 inputs to determine fair value:

	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
December 31, 2023				
Collateral Dependent Loans	$ 482,520	Evaluation of Collateral	Estimation of Value	Not Meaningful

	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
December 31, 2022				
Impaired Loans	$ 482,032	Evaluation of Collateral	Estimation of Value	Not Meaningful
Servicing Rights	$ 1,210,745	Discounted cash flow method	Prepayment speeds	7.08% - 19.20%

Collateral Dependent Loans

Collateral dependent loans were individually evaluated under CECL for the year ended December 31, 2023. Collateral dependent consumer loans are mainly comprised of vehicle loans. The collateral value is based on estimated fair value reduced for selling costs. Collateral dependent residential real estate loans are comprised of first or second mortgage loans. The collateral value is based on the estimated fair value of the property reduced for estimated sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value.

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria. Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged off.

NOTE 11 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

Servicing Rights

Each class of separately recognized servicing assets subsequently measured using the amortization method is evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with noninterest income on the statements of income.

NOTE 12 REVENUE FROM CONTRACTS WITH MEMBERS

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31:

	2023	2022
In Scope of ASC 606		
Services Charges on Deposits	$ 1,314,157	$ 1,557,439
Interchange and Bankcard Fees	4,824,455	4,983,572
Other	690,105	416,108
Noninterest Income in Scope of ASC 606	6,828,717	6,957,119
Noninterest Income not within the Scope of ASC 606 (a)	1,696,104	1,689,431
Total Noninterest Income	$ 8,524,821	$ 8,646,550

(a) This revenue is not within the scope of ASC 606, and includes fees related to loan servicing fees, credit card fees, certain service charges on deposits and various other transactions.