2023

ANNUAL REPORT

Members Credit Union

Members Credit Union

Board of Directors

William Tittsworth, Chairman of the Board

Richard Trotter, Vice Chairman of the Board

Karen Keller

Durham White, JR.

Jerry Church

Jack Braswell, JR.

Tommy Rhoney

Jeff Seaford

Cindy Stiff

Bob Donley

Delphine Dennis

Supervisory Committee

Alex Newman, Chair

Mark Brown

Mac McCormack

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Joint Report

Everyone has heard the expression, “The more things change, the more they stay the same.” This statement is often used negatively or said with an eye roll to express frustration with certain situations. As with many things in life, there is a different take on this saying, which is very positive, and I believe it applies to us and our mission at Members Credit Union. Our credit union is constantly changing what we offer, how we offer it, and who is involved in offering what and how we offer it. Change is an absolute constant in our lives, but what also needs to be an absolute constant is “Why” we do what we do and who we are at our core. If we are solidly grounded in who we are and why we do what we do, all the change and noise constantly surrounding us cannot change who we are….and that is so true about our credit union and the members of our credit union employee family who are totally focused on why we do what we do and who we are here to serve.

Speaking of change and noise… The US Economy and National Debt are still being negatively impacted by inflationary actions taken during the Covid-19 pandemic. This rising inflation gave us continued aggressive action by the Federal Reserve… increasing rates by an additional 1.00% during 2023, on top of the 4.50% increase during 2022. The cumulative effect of the Federal Reserve’s actions finally caused inflation to begin slowing in the third and fourth quarters of 2023 and move towards the Federal Reserve’s target of 2.00%. We are not at this 2.00% rate of inflation yet. However, the Federal Reserve has not raised rates since July 2023 and is currently in a pause mode while continuing to navigate our economy toward the desired soft landing.

I am pleased to report that during the second half of 2023, people began returning to the job market, and we ended 2023 with all budgeted staff positions filled. The dedication of our employees has allowed Members Credit Union to continue being one of a small number of credit unions with ALL employees working in our offices. In 2023, the trend of working from home has shifted back towards workers returning to the office for many credit unions. This shift started with requirements to be in the office some number of days per week as they began to understand the total impact of a remote workforce.

Our credit union's "WHY" continues to positively impact our dedication to delivering quality products and services to our membership. Our "WHY" is to be "the caring and trusted financial partner to each member, so our members are able to focus less on finances and more on what really matters in their daily lives." Our employees see first-hand how post-pandemic inflation is in every part of our members' lives, and knowing they and the credit union are helping to make an even more positive difference in the lives of our members during this time has only made our employees work that much harder to live out our "WHY." As an example, during November and December, our lending department processed 4,465 Holiday-Skip-A-Pay requests, providing these members with extra cash of nearly $1.2 million for holiday needs while processing and approving $11.1 million in new loans.

Our total member behavior has returned to normal, and to that end, their spending and usage of funds were greater in 2023 than they were before the pandemic.

Because our membership has increased their spending, we have seen our loan delinquencies and charge-offs increase to normal levels for our membership. Even though they have increased, our delinquencies on December 31 are still in the lowest tier assigned by our regulators, and our charge-offs have returned to the historic normal range for our membership and our loan portfolio mix. In late 2023, we added one additional member to our financial solutions team and plan to add another in early 2024 to help serve the needs of this portion of our membership.

Our financial solutions team continued to work with members who were impacted by rising inflation on a case-by-case basis. We offered payment extensions for some members, allowing them to focus on paying other necessary everyday expenses. We temporarily lowered payments for other members whose situation was less dire.

In 2023, we completed the application process to become a certified Community Development Financial Institution or a CDFI-certified credit union. However, the CDFI Fund paused all application processing, and our application, along with all others submitted in late 2022 and early 2023, is still on hold.

We launched our Learning Pathways training system for all credit union employees. This system allows employees and managers to select training modules to support the needs and requirements of their current position with the credit union. This system also prepares our employees for a career path that interests them as they look toward their future here at Members Credit Union.

During 2023, we purchased a former credit union branch in Morganton to become the new location for our existing Morganton branch. This new location will feature a drive-thru, drive-up ATM, and a night deposit to better serve our membership in the greater Morganton area. We anticipate moving our branch to this new location on Wamsutta Mill Road by mid-February.

As a credit union, we weathered 2023 remarkably well, thanks to the incredible support of our loyal membership. After two years of muted spending and massive federal and state government pandemic assistance deposits, our members returned to spending and investing patterns that surpassed pre-pandemic levels. As a result of this increased spending and investing, we experienced a net deposit decrease of approximately 8.00% in 2023. However, our deposits are still up 32.7% over pre-pandemic levels. In addition, our member's borrowing needs normalized in 2023, and we experienced a 4.80% growth in loans to our members.

Our 2023 net income was $6.82 million, which is a Return on Assets of 1.52%. This net income helped to increase our Capital/Asset ratio by December 31, 2023, to 13.93%, up from a pandemic low of 10.08% and now exceeding pre-pandemic ratios from 2019. This Capital position has us well positioned and prepared for growth, unplanned opportunity, and rising delinquencies in our membership.

We are proud of what we accomplished in 2023:

1) Meeting our member's loan and spending needs
2) Helping our members who experienced distress due to the impacts of record-setting inflation manage their financial affairs

3) With the help of our members who purchased our 70th-anniversary t-shirts and tumblers, we donated $36,125 to Children's Cancer Partners of the Carolinas during a summer promotion. Our members and employees participated in our annual Holiday Hero campaign and raised an additional $12,500, which was given to organizations located in our branch footprint that help families in need during Christmas.
4) Maintaining a sense of normalcy for both members and employees alike by continuing to operate at a very high impact rate throughout the year.

As we look forward to a successful year in 2024, we have new developments and projects on the horizon.

At our Board Planning Session this past October, the Board approved the recommendation to begin the process of partnering with Trust & Will Company to offer affordable and much-needed end-of-life planning services for our members. These services include wills, trusts, estate planning, and needed power of attorney forms for both financial and health purposes.

The Board also approved adding Digital Card Issuance to our debit card program. This will allow us to deliver both new and replacement cards to our members digitally so they can use them in their electronic wallets until the actual plastic card is delivered. This service will enable us to instantly deliver a usable, digital form of our debit card to our member, allowing for virtually uninterrupted spending and usage of their debit card.

To help with the fight against fraud and elder abuse, we are attacking this on two fronts. First, we will have our frontline employees certified in the BankSafe training program to become AARP-certified in detecting and preventing financial exploitation. Additionally, we have initiated "Member Fraud Awareness" days in our branches to equip our members with information to help them avoid falling victim to the ever-growing realm of fraud, scams, and schemes in today's world, which seek to prey on our unsuspecting and trusting members.

In closing, I want to thank our membership, our employees and the credit union's Board of Directors for their unwavering support and loyalty throughout a very challenging, successful, and rewarding 2023.

As we continue working together to serve and care for our members and each other, I know we can continue to make great things happen in 2024.

Bob Donley

Bob Donley

Bob Donley
President/CEO

William A. Tittsworth

W. A. Tittsworth

William A. Tittsworth
Chairman of the Board

BUTLER BURKE LLP

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Members Credit Union
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of Members Credit Union, which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of income, comprehensive income, 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 presented fairly, in all material respects, the financial position of Members 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. 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 Members 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.

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 Members Credit Union's ability to continue as a going concern within one year after the date that 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Members 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 Members 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.

Butler & Burke, LLP

Winston-Salem, North Carolina
March 20, 2024

MEMBERS CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 9,445,038	$ 9,151,847
Investment securities, available-for-sale	68,185,471	98,993,967
Investment securities, held-to-maturity	146,434,727	146,878,672
Loans receivable, net of allowance for credit losses	187,995,204	185,729,909
Assets held for sale	131,975	73,500
Accrued interest receivable	1,436,029	1,218,405
Property and equipment, net	9,650,599	9,112,269
NCUSIF deposit	3,885,215	4,002,654
Other assets	8,151,117	7,855,516
TOTAL ASSETS	$ 435,315,375	$ 463,016,739
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts	$ 374,625,133	$ 407,889,602
Accrued expenses and other liabilities	3,404,504	3,990,505
Total Liabilities	378,029,637	411,880,107
Members' Equity		
Undivided earnings	58,685,466	53,007,426
Accumulated other comprehensive income (loss)	(1,399,728)	(1,870,794)
Total Members' Equity	57,285,738	51,136,632
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 435,315,375	$ 463,016,739

MEMBERS CREDIT UNION
STATEMENTS OF INCOME
For the Years Ended December 31, 2023 and 2022

	2023	2022
Interest Income		
Outstanding loans	$ 14,863,793	$ 11,867,676
Investment securities	5,985,655	3,709,326
Total Interest Income	20,849,448	15,577,002
Interest Expense		
Members' share and savings accounts	2,608,370	1,087,571
Total Interest Expense	2,608,370	1,087,571
NET INTEREST INCOME	18,241,078	14,489,431
Provision for Credit Losses	2,949,134	1,429,558
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	15,291,944	13,059,873
Non-Interest Income		
Fees and other income, net	4,107,582	4,553,973
Rental income	47,850	43,882
Gain on U.S. Central estate settlement	-	523,842
Total Non-Interest Income	4,155,432	5,121,697
Non-Interest Expense		
Compensation and benefits	7,711,004	7,276,335
Occupancy	1,169,763	1,075,463
Office operations	2,945,976	2,871,293
Other	797,911	767,762
Total Non-Interest Expense	12,624,654	11,990,853
NET INCOME	$ 6,822,722	$ 6,190,717

MEMBERS CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022

	2023	2022
Net Income	$ 6,822,722	$ 6,190,717
Other Comprehensive Income (Loss)		
Unrealized holding gains (losses) arising during the period on securities available-for-sale	471,066	(1,675,134)
TOTAL COMPREHENSIVE INCOME	$ 7,293,788	$ 4,515,583

MEMBERS CREDIT UNION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the Years Ended December 31, 2023 and 2022

	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2022	$ 46,816,709	$ (195,660)	$ 46,621,049
Comprehensive Income	6,190,717	(1,675,134)	4,515,583
Balance, December 31, 2022	53,007,426	(1,870,794)	51,136,632
Cumulative Effect of Change in Accounting Principle - ASU 2016-13	(1,144,682)	-	(1,144,682)
Comprehensive Income	6,822,722	471,066	7,293,788
Balance, December 31, 2023	$ 58,685,466	$ (1,399,728)	$ 57,285,738

MEMBERS CREDIT UNION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Net income	$ 6,822,722	$ 6,190,717
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	349,422	378,384
Amortization of investment premium (discounts), net	(302,896)	(216,558)
Provision for credit losses	2,949,134	1,429,558
Net changes in operating assets and liabilities:		
(Increase) decrease in interest receivable	(217,624)	(363,899)
(Increase) decrease in other assets	(295,601)	(140,446)
Increase (decrease) in accrued expenses and other liabilities	(586,001)	1,174,253
Net Cash Provided by Operating Activities	8,719,156	8,452,009
INVESTING ACTIVITIES		
Proceeds from maturities of investment securities, held-to-maturity	40,998,108	96,610,545
Purchases of investment securities, held-to-maturity	(347,386)	(118,392,445)
Proceeds from maturities of investment securities, available-for-sale	53,294,794	47,548,953
Purchases of investment securities, available-for-sale	(61,919,113)	(34,456,595)
Net increase in loans receivable	(6,359,111)	(18,829,263)
Purchases of property and equipment	(887,752)	(245,886)
Change in NCUSIF deposit	117,439	(246,401)
Change in assets held for sale	(58,475)	(3,878)
Net Cash Provided by (Used in) Investing Activities	24,838,504	(28,014,970)
FINANCING ACTIVITIES		
Net increase in members' share and savings accounts	(33,264,469)	2,437,397
Net Cash Provided by (Used in) Financing Activities	(33,264,469)	2,437,397
CHANGE IN CASH AND CASH EQUIVALENTS	293,191	(17,125,564)
Cash and Cash Equivalents, Beginning	9,151,847	26,277,411
Cash and Cash Equivalents, Ending	$ 9,445,038	$ 9,151,847
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	$ 2,608,370	$ 1,087,571
Unrealized gains (losses) arising during the year on investment securities, available-for-sale	$ 471,066	$ (1,675,134)

NOTE A: ORGANIZATION

Members Credit Union is a member-owned, not-for-profit cooperative organized under the laws of the State of North Carolina. Its members are principally employees of sponsor companies affiliated with the Credit Union.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Credit Union conform to accounting principles generally accepted in the United States of America (GAAP). A brief description of significant policies is presented below.

Cash and Cash Equivalents

Cash and cash equivalents include cash and amounts on deposit with commercial banks with an original maturity of three months or less. These accounts at times may exceed federally insured limits. The Credit Union has not experienced any losses in these accounts and management does not believe it is exposed to any significant credit risk.

Investment Securities

The Credit Union's investment securities are classified and accounted for as follows:

> *Held-to-Maturity* (HTM) - Investment securities which the Credit Union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method.
>
> *Available-for-Sale* (AFS) - Investment securities are classified as available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments, and other market and economic factors. These securities are reported at fair value with unrealized gains and losses recorded through comprehensive income.

Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in an allowance for credit losses.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities (Continued)

Expected credit losses on HTM securities are measured on a collective basis by major security type, when similar risk characteristics exist. Risk characteristics for segmenting HTM debt securities include issuer, maturity, coupon rate, yield, payment frequency, source of repayment, bond payment structure, and embedded options. Upon assignment of the risk characteristics to the major security types, management may further evaluate the qualitative factors associated with these securities to determine the expectation of credit losses, if any. Impairments below cost in the estimated fair value of individual HTM debt securities that are attributable to credit losses are recorded through an allowance for HTM credit losses. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Impairments below cost attributable to other factors are realized in noninterest income in the statements of income. There is no allowance required for credit losses on HTM securities where risk of non-repayment is zero such as government backed securities. The Credit Union only holds HTM debt securities with non-repayment risk of zero, therefore, no allowance for credit losses is considered necessary.

AFS debt securities must be elevated individually for impairment with an allowance for credit losses recorded through net income if the fair value is less than amortized cost, and the Credit Union intends to sell the security, or it is more likely than not that the Credit Union will be required to sell the security, or the Credit Union does not expect to recover the amortized cost basis. None of those criteria exist for the Credit Union's AFS debt securities and therefore no allowance for credit losses is considered necessary.

The Credit Union does not maintain a trading portfolio.

Loans Receivable and Allowance for Credit Losses

Loans receivable are stated at unpaid principal balances, less an allowance for credit losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loan fees and certain direct loan origination costs are not deferred, since the effect of deferral and amortization as an adjustment of loan yield is not material to the financial statements of the Credit Union.

The Credit Union also purchases participation loans originated by various other credit unions. The originating institution performs all servicing functions on these loans. The Credit Union will purchase only the following participation loans: automobile loans, unsecured closed-end loans, and unsecured insured home improvement loans. Participation loans are included with loans receivable in their respective loan class and stated at unpaid principal balance, less an allowance for credit losses, and net of any purchased premiums or discounts. Interest on participation loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable and Allowance for Credit Losses (Continued)

With the adoption of ASU 2016-13 on January 1, 2023, an allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to earnings. ASU 2016-13 established an expected credit loss model that replaced the previous probable incurred loss model, which incorporated only known information as of the balance sheet date. The expected credit loss model is based on management's best estimate of lifetime expected credit losses inherent in the Credit Union's relevant financial assets. The Credit Union has elected to use the Weighted Average Remaining Maturity (WARM) methodology to calculate its allowance for credit losses. This method estimates expected credit losses over the remaining life of the financial assets and uses a weighted average of the assets' contractual terms to estimate the pool's remaining contractual term. The WARM method uses average annual net charge-off rates and the amortization adjusted remaining life, plus Qualitative Factor (Q factor) adjustments, to estimate the allowance for credit losses. Historical loss information is used to determine historical loss rates and expected future loss rates, by loan segment. Management considers the need to qualitatively adjust expected credit loss estimates for information that has not already been captured in the loss estimation process. These Q factor adjustments may increase or decrease management's estimate of expected credit losses. Potential Q factors may include external and environmental factors, such as comparable peer experience, observed and expected national, regional, and local economic trends that affect the value and collectability of financial assets. Internal factors specific to the Credit Union, such as lending policies, nature and growth of loan portfolio and other various factors will be used as well. When management determines that foreclosure is probable, expected credit losses are accrued based on the differences between the loan balance and 1) the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, 2) the present value of future cash flows, or 3) the loan's value as observable in the secondary market. Adjustments are made for selling costs, as appropriate. When management believes the loan is not collectible, the loan is charged off against the allowance. Subsequent recoveries, if any, are credited to the allowance.

Accrual of interest on loans is discontinued when management believes, after considering economics, business conditions, and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. All loans continue to accrue interest until they are 90 days past due.

Loan modifications occur in situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession for other than an insignificant period of time to the member that the Credit Union would not otherwise consider. The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms include payment relief in the terms of an extension of the original maturity date and short-term payment reductions. The Credit Union does not provide its members rate reductions, principal forgiveness, or reductions of accrued interest. In cases where management has modified a loan, an analysis is performed to determine whether the loan is impaired.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held for Sale

Assets held for sale is comprised of automobiles repossessed by the Credit Union due to non-payment on loans. When repossessed, the carrying value of the automobiles are adjusted to the lower of the loan balance outstanding or fair market value based on published prices from a national automobile dealership association, with losses initially recorded in the provision for credit losses. Any subsequent expenses that do not significantly increase the vehicles value and actual losses on sale are recorded as repossession expenses and losses in the accompanying statements of income.

Property and Equipment

Land is carried at cost. Office buildings, furniture, fixtures, equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Buildings, furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and 3 to 20 years for equipment and furniture. The cost of leasehold improvements is amortized using the straight-line method over terms ranging from 3 to 10 years.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is maintained in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent 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.

NCUSIF Insurance Premiums

Credit unions are required to pay an annual insurance premium equal to one-twelfth of one percent of total insured shares, unless the payment is waived or reduced by the NCUA Board. The NCUA Board waived the premium in 2023 and 2022.

Members' Share and Savings Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' share and savings accounts are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data. See Note L for assets of the Credit Union measured at fair value on a recurring basis.

Income Taxes

The Credit Union is exempt by statute, from federal and state income taxes. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

The Credit Union's primary tax positions relate to its status as an entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Credit Union has no uncertain tax positions that would be subject to change upon examination.

The Credit Union is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Credit Union is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds $1,000. The Credit Union's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Credit Union has evaluated its subsequent events (events occurring after December 31, 2023) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements Adopted in the Current Year

On January 1, 2023, the Credit Union adopted FASB ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments held by the Credit Union that are measured at amortized cost, such as loan receivables and held-to-maturity debt securities. Prior to January 1, 2023, the allowance for losses on such assets was determined based on management's estimate of probable incurred losses. ASU 2016-13 also modified the impairment model on available-for-sale securities whereby credit losses are recognized as an allowance, rather than as a direct write-down. The Credit Union adopted this new guidance effective January 1, 2023, utilizing the modified retrospective transition method. The adoption of this Standard had the effect of increasing the allowance for credit losses for loans by $1,144,682 as of January 1, 2023. There was no impact on the Credit Union’s debt security portfolio.

On January 1, 2023, the Credit Union adopted FASB ASU 2022-2, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, on a prospective basis. ASU 2022-2 eliminates the troubled debt restructuring recognition and measurement accounting guidance and instead requires entities to apply the loan refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan. Expected credit losses are recorded in the allowance for credit losses. The adoption of this Standard did not have a material impact on the Credit Union's financial statements.

NOTE C: INVESTMENT SECURITIES

Investment securities have been classified in the statements of financial condition according to management's intent. The carrying amount of securities and their approximate fair values at December 31, 2023 and 2022, are as follows:

Securities available-for-sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023:				
U.S. government and federal agency securities	$ 14,857,498	$ 1,185	$ (1,397,003)	$ 13,461,680
Deposits in other financial institutions	54,229,037	-	-	54,229,037
Mortgage-backed securities	498,664	2	(3,912)	494,754
	$ 69,585,199	$ 1,187	$ (1,400,915)	$ 68,185,471
December 31, 2022:				
U.S. government and federal agency securities	$ 15,533,947	$ 1,934	$ (1,865,780)	$ 13,670,101
Deposits in other financial institutions	84,733,197	-	-	84,733,197
Mortgage-backed securities	597,617	-	(6,948)	590,669
	$ 100,864,761	$ 1,934	$ (1,872,728)	$ 98,993,967

Securities held-to-maturity	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2023:				
U.S. government and federal agency securities	$ 143,853,005	$ -	$ (10,631,239)	$ 133,221,766
Deposits in other financial institutions	2,517,318	-	-	2,517,318
Mortgage-backed securities	64,404	335	(709)	64,030
	$ 146,434,727	$ 335	$ (10,631,948)	$ 135,803,114
December 31, 2022:				
U.S. government and federal agency securities	$ 144,263,103	$ -	$ (15,157,926)	$ 129,105,177
Deposits in other financial institutions	2,516,632	-	-	2,516,632
Mortgage-backed securities	98,937	439	(1,511)	97,865
	$ 146,878,672	$ 439	$ (15,159,437)	$ 131,719,674

NOTE C: INVESTMENT SECURITIES (CONTINUED)

The scheduled maturities of held-to-maturity and available-for-sale securities at December 31, 2023, are as follows:

	Securities held-to-maturity		Securities available-for-sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 13,130,665	$ 12,797,579	$ 54,229,037	$ 54,229,037
Due from one to five years	131,187,396	120,981,507	12,761,548	11,440,806
Due from five to ten years	2,052,262	1,959,998	2,095,949	2,020,874
	146,370,323	135,739,084	69,086,534	67,690,717
Mortgage-backed securities	64,404	64,030	498,664	494,754
	$ 146,434,727	$ 135,803,114	$ 69,585,198	$ 68,185,471

Included in the above mortgage-backed securities, the Credit Union has mortgage-related derivatives in the form of collateralized mortgage obligations. At December 31, 2023, the amortized cost of those collateralized mortgage obligations was $510,028 and the estimated market value was $505,655.

Information pertaining to securities with gross unrealized losses at December 31, 2023, aggregated by investment category and length of time that individual securities have been in a continuous loss position are as follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
U.S. government and federal agency securities	$ -	$ -	$ 1,397,003	$ 13,174,177
Mortgage-backed securities	-	-	3,912	460,242
	$ -	$ -	$ 1,400,915	$ 13,634,419
Securities held-to-maturity				
U.S. government and federal agency securities	$ -	$ -	$ 10,631,239	$ 133,221,766
Mortgage-backed securities	-	-	709	26,358
	$ -	$ -	$ 10,631,948	$ 133,248,124

NOTE C: INVESTMENT SECURITIES (CONTINUED)

The Credit Union had seventy-seven debt securities with unrealized losses at December 31, 2023. All of these securities were either guaranteed by the U.S. Government or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. The Credit Union does not intend to sell these securities and it is more likely than not that the Credit Union will not be required to sell before a period of time sufficient to allow for any anticipated recovery of fair value.

NOTE D: LOANS RECEIVABLE

The composition of loans receivable at December 31 is as follows:

	2023	2022
Automobile	$ 128,006,270	$ 124,106,329
Mortgage	8,118,382	7,601,754
Unsecured	53,618,996	53,800,384
Share secured	1,597,653	1,694,979
	191,341,301	187,203,446
Less allowance for credit losses	(3,346,097)	(1,473,537)
	$ 187,995,204	$ 185,729,909

Allowance for Credit Losses

The allowance for credit losses on loans represents the expected credit losses in the loan portfolio based on historical loss rates as well as qualitative factors the Credit Union anticipates in the future. For purposes of determining the allowance for credit losses, the Credit Union segments certain loans in its portfolio by product type. The Credit Union's loans are segmented into the following pools: automobiles, mortgages, unsecured, and share secured. The Credit Union also sub-segments one of these segments into classes based on credit risk. Mortgages are divided into the following classes: (a) first mortgages, and (b) home equity loans. Each class of loan requires significant judgment to determine the estimation method that fits the credit risk characteristic of its portfolio segment. See Note B for a description of the Credit Union's policy to calculate the allowance for credit losses.

NOTE D: LOANS RECEIVABLE (CONTINUED)

The following table presents by portfolio segment, the changes in the allowance for credit losses for the years ended December 31, 2023 and 2022 and the recorded investment in loans for the year ended December 31, 2022.

	2023				
	Automobile	Mortgage	Unsecured	Share Secured	Total
Allowance for Credit Losses:					
Beginning Balance Prior to Adoption of ASU 2016-13	$ 603,110	$ -	$ 870,427	$ -	$ 1,473,537
Impact of Adopting ASU 2016-13	399,192	-	703,736	41,754	1,144,682
Charge-Offs	(855,876)	-	(1,724,904)	-	(2,580,780)
Recoveries	133,377	-	226,147	-	359,524
Provision	965,263	-	2,006,748	(22,877)	2,949,134
Ending Balance	$ 1,245,066	$ -	$ 2,082,154	$ 18,877	$ 3,346,097

	2022				
	Automobile	Mortgage	Unsecured	Share Secured	Total
Allowance for Credit Losses:					
Beginning Balance	$ 430,800	$ 9,004	$ 638,486	$ -	$ 1,078,290
Charge-Offs	(378,396)	-	(904,770)	-	(1,283,166)
Recoveries	51,830	-	197,025	-	248,855
Provision	498,876	(9,004)	939,686	-	1,429,558
Ending Balance	$ 603,110	$ -	$ 870,427	$ -	$ 1,473,537
Ending Balance: collectively evaluated for impairment	$ 603,110	$ -	$ 870,427	$ -	$ 1,473,537
Financing Receivables:					
Ending Balance	$ 124,106,329	$ 7,601,754	$ 53,800,384	$ 1,694,979	$ 187,203,446
Ending Balance: collectively evaluated for impairment	$ 124,106,329	$ 7,601,754	$ 53,800,384	$ 1,694,979	$ 187,203,446

NOTE D: LOANS RECEIVABLE (CONTINUED)

Credit Quality Information

The Credit Union's internal risk ratings based on Beacon scores are as follows:

- 740 and above – Members may pose little to no additional risk.
- 680 to 739 – Members may pose nominal risk of loss.
- 620 to 679 – Members may show average risk.
- 560 to 619 – Members may show above average risk.
- 559 and below – Members may show high risk.

The following table represents credit exposures by creditworthiness category as of December 31, 2023 and 2022. The use of creditworthiness categories to grade loans permits management's use of migration analysis to estimate a portion of the credit risk. The Credit Union's internal creditworthiness grading system is based on experiences with similarly graded loans. Loans that trend upward toward higher levels generally have a lower risk factor associated; whereas, loans that migrate toward lower ratings generally will result in a higher risk factor being applied to those loan balances.

	2023					
	740 and Above	680 to 739	620 to 679	560 to 619	559 and Below	Total
Automobile	$ 29,566,934	$ 33,204,497	$ 44,267,374	$ 18,651,520	$ 2,315,945	$ 128,006,270
Mortgage						
First Mortgage	675,690	1,333,756	477,830	-	-	2,487,276
Home Equity	1,529,738	3,019,578	1,081,790	-	-	5,631,106
Unsecured	7,227,587	13,744,806	22,931,688	8,788,593	926,322	53,618,996
Share Secured	657,912	331,230	375,131	124,819	108,561	1,597,653
Total	$ 39,657,861	$ 51,633,867	$ 69,133,813	$ 27,564,932	$ 3,350,828	$ 191,341,301

	2022					
	740 and Above	680 to 739	620 to 679	560 to 619	559 and Below	Total
Automobile	$ 24,567,969	$ 31,058,339	$ 44,508,648	$ 21,399,385	$ 2,571,988	$ 124,106,329
Mortgage						
First Mortgage	766,028	1,229,830	673,591	1,794	26,983	2,698,226
Home Equity	1,392,115	2,234,989	1,224,128	3,260	49,036	4,903,528
Unsecured	7,561,567	13,215,235	22,419,555	9,408,953	1,195,074	53,800,384
Share Secured	786,447	242,252	336,047	168,445	161,788	1,694,979
Total	$ 35,074,126	$ 47,980,645	$ 69,161,969	$ 30,981,837	$ 4,004,869	$ 187,203,446

NOTE D: LOANS RECEIVABLE (CONTINUED)

Age Analysis of Past Due Financing Receivables

Following is a table which includes an aging analysis of the recorded investment of past due financing receivables as of December 31, 2023 and 2022.

	2023					
	0 – 2 Months Past Due	2 – 3 Months Past Due	Greater Than 3 Months Past Due	Current	Total Financing Receivable	Greater Than 3 Months Past Due and Accruing
Automobile	$ 1,018,856	$ 788,665	$ 199,188	$ 125,999,561	$ 128,006,270	$ -
Mortgage						
First Mortgage	121,044	-	-	2,366,232	2,487,276	-
Home Equity	44,927	-	46,519	5,539,660	5,631,106	-
					-	-
Unsecured	652,126	744,306	593,817	51,628,747	53,618,996	-
Share Secured	-	-	267	1,597,386	1,597,653	-
Total	$ 1,836,953	$ 1,532,971	$ 839,791	$ 187,131,586	$ 191,341,301	$ -

	2022					
	0 – 2 Months Past Due	2 – 3 Months Past Due	Greater Than 3 Months Past Due	Current	Total Financing Receivable	Greater Than 3 Months Past Due and Accruing
Automobile	$ 767,741	$ 524,697	$ 114,017	$ 122,699,874	$ 124,106,329	$ -
Mortgage						
First Mortgage	67,078	56,938	-	2,574,211	2,698,227	-
Home Equity	10,349	46,519	98,879	4,747,780	4,903,527	-
Unsecured	678,129	576,737	272,956	52,272,562	53,800,384	-
Share Secured	-	-	78	1,694,901	1,694,979	-
Total	$ 1,523,297	$ 1,204,891	$ 485,930	$ 183,989,328	$ 187,203,446	$ -

NOTE D: LOANS RECEIVABLE (CONTINUED)

Nonaccrual Loans

Accrual of interest on loans is discontinued when management believes, after considering economics, business conditions, and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. When automobiles are repossessed due to non-payment then accrual of interest is discontinued. All loans continue to accrue interest until they are 90 days past due. A period of 90 more days may pass before they are written off. Following is a table which includes nonaccrual loans by class as of December 31, 2023 and 2022.

	2023	2022
Automobiles	$ 199,188	$ 114,017
Home equity	46,519	98,879
Unsecured	593,817	272,956
Share secured	267	78
	$ 839,791	$ 485,930

Loans to directors and officers of the Credit Union totaled $277,444 and $266,548 at December 31, 2023 and 2022, respectively.

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment at December 31 is summarized as follows:

	2023	2022
Land	$ 4,068,219	$ 3,968,219
Buildings	7,821,616	7,273,735
Furniture and office equipment	1,189,387	1,607,901
Computer equipment	2,953,124	2,713,774
Leasehold improvements	296,686	333,016
	16,329,032	15,896,645
Less accumulated depreciation	(6,678,433)	(6,784,376)
	$ 9,650,599	$ 9,112,269

Depreciation expense totaled $349,422 and $378,384 in 2023 and 2022, respectively.

NOTE F: LINE OF CREDIT

The Credit Union has available $142,630,813 in multiple lines of credit with various financial institutions, collateralized by certain assets of the Credit Union. There were no outstanding balances at December 31, 2023 or 2022.

NOTE G: MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts at December 31 are summarized as follows:

	2023	2022
Checking	$ 89,989,621	$ 91,776,433
Money market	23,411,631	26,842,760
Super 60	58,785,155	74,845,410
Share savings	152,198,974	163,582,090
IRA shares	19,783,785	20,078,755
	344,169,166	377,125,448
Share and IRA certificates	30,455,967	30,764,154
	$ 374,625,133	$ 407,889,602

At December 31, 2023 and 2022, the aggregate amount of members' share and savings accounts over $250,000 was $5,995,032 and $15,520,551, respectively.

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

2024	$ 20,108,714
2025	4,638,977
2026	3,199,062
2027	794,482
2028	1,714,732
	$ 30,455,967

Interest expense on members' share and savings accounts for the years ended December 31, 2023 and 2022 is summarized as follows:

	2023	2022
Checking	$ 8,527	$ 8,780
Money market	251,654	83,042
Super 60	731,455	324,805
Share savings	939,405	345,692
Share certificates and IRAs	677,329	325,252
	$ 2,608,370	$ 1,087,571

NOTE H: RETIREMENT PLAN

The Credit Union sponsors a 401(k) retirement plan. Employees with more than 90 days of service who work more than 1,000 hours annually and have attained the age of 21 are eligible to participate. The Credit Union will contribute a dollar for dollar match up to 4% of regular pay. Additionally, the Credit Union contributes 2.5% of regular pay, regardless of participation by the employee. Retirement plan expense totaled $301,188 and $277,890 in 2023 and 2022, respectively.

NOTE I: COMMITMENTS AND CONTINGENT LIABILITIES

The principal commitments of the Credit Union are as follows:

Lease Commitments

At December 31, 2023, the Credit Union was obligated under noncancelable operating leases at eight branch locations. Net rent expense under operating leases, included in occupancy expenses, was $141,813 and $165,684 in 2023 and 2022, respectively.

The required minimum rental payments under the terms of the leases at December 31, 2023, are as follows:

2024	**$ 104,898**
2025	**77,376**
2026	**32,703**
	$ 214,977

Loan Commitments

At December 31, 2023, the Credit Union had outstanding commitments to members for variable rate unused lines of credit that are not reflected in the accompanying financial statements as follows:

Total approved lines of credit	**$ 76,151,408**
Amounts borrowed	**(42,167,093)**
Unused lines of credit	**$ 33,984,315**

Financial Instruments With Off-Balance Sheet Risk

The Credit Union does not write options, offer standby letters of credit and financial guarantees, write interest rate caps or floors, or secure interest rate swaps or forward or futures contracts. Consequently, the Credit Union does not have exposure to credit loss in the event of non-performance by another party to such financial instruments.

NOTE J: CAPITAL REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the NCUA, as well as similar state requirements. 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-balance sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the credit union to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. Credit unions with total assets greater than $500 million are considered complex and required to calculate their risk-based net worth requirement (RBNWR) unless opting into the complex credit union leverage ratio (CCULR) framework. A complex credit union is considered undercapitalized if its net worth ratio does not exceed its RBNWR ratio. A complex credit union that maintains a minimum net worth ratio of 9% and meets other qualifying criteria is eligible to opt into the CCULR. A qualifying complex credit union that opts into the CCULR and maintains the minimum net worth ratio is considered well capitalized. The Credit Union was not considered complex as of December 31, 2023 since total assets did not exceed $500 million. The Credit Union meets all capital adequacy requirements as of December 31, 2023 and 2022.

As of December 31, 2023, the most recent call reporting period, NCUA categorized the Credit Union 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 7.0% of assets and, if complex, meet any applicable RBNWR or opt into the CCULR framework. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual capital amounts and ratios at December 31, 2023 and 2022 are as follows:

	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provisions		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
Net Worth	**$ 58,685,466**	**13.48%**	**$ 26,118,923**	**6.0%**	**$ 30,472,076**	**7.0%**
December 31, 2022						
Net Worth	**$ 53,007,426**	**11.45%**	**$ 27,781,004**	**6.0%**	**$ 32,411,172**	**7.0%**

In performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

NOTE K: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Credit Union's financial instruments, including cash, available-for-sale investment securities, accrued interest, loans receivable, and members' share and savings accounts approximate the carrying amounts reflected in the accompanying financial statements. At December 31, 2023, the carrying value of held-to-maturity investment securities exceeded the fair value by $10,631,613. At December 31, 2022, the carrying value of held-to-maturity investment securities exceeded the fair value by $15,158,998.

NOTE L: FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Credit Union has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Credit Union uses fair value accounting to report available-for-sale investment securities. These securities are valued based on quoted market prices, when available, or on market prices provided by recognized broker dealers.

The fair value methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Credit Union believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE L: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Credit Union's assets measured at fair value on a recurring basis as of December 31, 2023 and 2022, respectively:

	Level 1	Level 2	Level 3	Total
2023				
Securities available-for-sale				
U.S. government and federal agency securities	$ -	$ 13,461,680	$ -	$ 13,461,680
Mortgage-backed securities	-	494,754	-	494,754
Deposits in other financial institutions	54,229,037	-	-	54,229,037
Total assets at fair value	$ 54,229,037	$ 13,956,434	$ -	$ 68,185,471
2022				
Securities available-for-sale				
U.S. government and federal agency securities	$ -	$ 13,670,101	$ -	$ 13,670,101
Mortgage-backed securities	-	590,669	-	590,669
Deposits in other financial institutions	84,733,197	-	-	84,733,197
Total assets at fair value	$ 84,733,197	$ 14,260,770	$ -	$ 98,993,967

NOTE M: US CENTRAL ESTATE SETTLEMENT

The Credit Union held Member Capital Shares with US Central via Vizo Financial Corporate Credit Union (Vizo) and fully wrote off the amounts in 2009 after US Central was conserved because of the financial crisis in 2009. In March 2021, the NCUA announced that based on the audited 2020 financials of the National Credit Union Share Insurance Fund (NCUSIF), the US Central estate had sufficient cash to provision for all future guaranty obligations and made distributions to capital holders in April and August 2021. In its September 2021 board meeting, the Vizo Financial board approved a payout from these distributions to reimburse member credit unions 63% of the corporate capital losses they incurred during the financial crisis, with the remaining 37% to be reimbursed in 2022. As a result of this reimbursement, the Credit Union realized a gain on the US Central estate settlement of $523,842 for the year ended December 31, 2022.