SCOTT CREDIT UNION

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

(With Independent Auditor's Report Thereon)

DoerenMayhew
ASSURANCE

SCOTT CREDIT UNION

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DoerenMayhew
ASSURANCE

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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
Scott Credit Union

Opinion

We have audited the financial statements of Scott Credit Union, which comprise the statement of financial condition as of December 31, 2024 and the related statements of income, comprehensive income (loss), members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Scott Credit Union as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Other Matter

The financial statements of Scott Credit Union for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on February 28, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Scott Credit Union's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audits 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 auditor's 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Scott 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 Scott 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Doeren Mayhew Assurance

Miami, Florida
March 18, 2025

SCOTT CREDIT UNION

STATEMENTS OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2024 AND 2023

Assets

	2024	2023
Cash and cash equivalents	$ 357,176,233	$ 174,039,272
Investments: (Note 2)		
Available-for-sale debt securities	122,756,803	147,175,609
Held-to-maturity debt securities	13,599,973	22,406,642
Loans receivable, net of allowance for credit losses of $19,338,233 and $13,812,283 (Note 3)	1,116,837,403	1,252,729,482
Accrued interest receivable	4,306,116	4,500,000
Premises and equipment, net (Note 4)	32,648,191	33,976,585
FHLB Stock	10,756,984	10,276,619
Split dollar life	28,948,399	28,214,521
Credit Union Owned Life Insurance	12,889,205	12,264,290
Goodwill	8,270,843	8,270,843
National Credit Union Share Insurance Fund deposit	15,094,278	14,621,573
Prepaid and other assets	21,720,560	33,108,296
Total Assets	$ 1,745,004,988	$ 1,741,583,732

Liabilities and Members' Equity

	2024	2023
Liabilities:		
Share and savings accounts (Note 5)	$ 1,567,795,914	$ 1,544,494,932
Borrowed funds (Note 6)	-	25,000,000
Accrued expenses and other liabilities	24,707,575	28,411,897
Total liabilities	1,592,503,489	1,597,906,829
Commitments and contingent liabilities (Note 7)		
Members' Equity: (Note 8)		
Undivided earnings	161,915,615	155,172,338
Accumulated other comprehensive loss	(13,417,209)	(15,498,528)
Equity acquired from business combinations	4,003,093	4,003,093
Total members' equity	152,501,499	143,676,903
Total Liabilities and Members' Equity	$ 1,745,004,988	$ 1,741,583,732

See accompanying notes to the financial statements

SCOTT CREDIT UNION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Interest income:		
Interest on loans receivable	$ 70,032,338	$ 67,546,935
Interest on investments	25,463,249	14,971,683
Total interest income	95,495,587	82,518,618
Interest expense:		
Dividends on share and savings accounts	21,894,913	14,843,195
Interest on borrowed funds	9,261,011	7,565,013
Interest expense	31,155,924	22,408,208
Net interest income	64,339,663	60,110,410
Provision for credit losses	19,399,871	14,029,702
Net interest income after provision for credit losses	44,939,792	46,080,708
Non-interest income:		
Interchange income	9,885,674	9,609,712
Fees and charges	7,863,236	7,620,062
Other non-interest income	2,830,225	3,359,621
Gain on sale of VISA stock	1,987,974	-
Loan late fees	1,532,403	1,398,726
Loan servicing income	1,356,276	1,420,652
Total non-interest income	25,455,788	23,408,773
Non-interest expense:		
Compensation and employee benefits	31,851,002	29,688,920
Office operations	14,090,758	13,745,680
Occupancy	4,775,399	4,642,146
Loan servicing expense	4,142,399	4,332,503
Legal and professional expense	3,356,753	2,620,759
Operating expense	2,959,021	2,790,458
Advertising and promotion expense	2,476,971	2,355,880
Total non-interest expenses	63,652,303	60,176,346
Net income	$ 6,743,277	$ 9,313,135

See accompanying notes to the financial statements

SCOTT CREDIT UNION

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Net income	$ 6,743,277	$ 9,313,135
Other comprehensive income (loss)		
Net unrealized holding gains on securities arising during the year	2,081,319	4,409,340
Comprehensive income	$ 8,824,596	$ 13,722,475

See accompanying notes to the financial statements

SCOTT CREDIT UNION

STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023

	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Equity acquired from business combinations	Total
Balance, December 31, 2022	$ 147,792,021	$ (19,907,868)	$ 4,003,093	$ 131,887,246
CECL Cumulative Effect Adjustment	(1,932,818)	-	-	(1,932,818)
Balance, January 1, 2023 as restated	145,859,203	(19,907,868)	4,003,093	129,954,428
Comprehensive Income	9,313,135	4,409,340	-	13,722,475
Balance, December 31, 2023	155,172,338	(15,498,528)	4,003,093	143,676,903
Comprehensive Income	6,743,277	2,081,319	-	8,824,596
Balance, December 31, 2024	$ 161,915,615	$ (13,417,209)	$ 4,003,093	$ 152,501,499

See accompanying notes to the financial statements

SCOTT CREDIT UNION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities:		
Net income	$ 6,743,277	$ 9,313,135
Adjustments to reconcile net income to net cash:		
Provision for credit losses	19,399,871	14,029,702
Depreciation and amortization of premises and equipment	2,760,068	2,825,978
Gain on sale of VISA stock	(1,987,974)	-
Loss (gain) on disposition of premises and equipment, net	21,432	(14,840)
Proceeds from sale of mortgage loans	41,879,700	46,776,300
Amortization of investment premiums/discounts	(25,103)	(145,885)
Change in cash surrender value of life insurance	(624,915)	(597,704)
Interest on split dollar life	(733,878)	(712,043)
Changes in operating assets and liabilities:		
Accrued interest receivable	193,884	(348,876)
Prepaid and other assets	11,387,736	2,649,384
Accrued expenses and other liabilities	(3,704,322)	2,175,453
Net cash provided by operating activities	75,309,776	75,950,604
Cash Flows From Investing Activities:		
Purchases of:		
Premises and equipment	(1,453,106)	(1,837,167)
FHLB Stock	(480,365)	(7,525,419)
Life Insurance	-	(8,660,073)
Proceeds from:		
Maturities, paydowns and sales of available-for-sale debt securities	26,462,597	16,798,889
Maturities and paydowns of held-to-maturity debt securities	8,869,300	3,121,925
Sale of premises and equipment	-	301,308
Sale of VISA stock	1,987,974	-
Net change in:		
Loans receivable, net of charge-offs	74,612,508	31,503,537
NCUSIF deposit	(472,705)	245,299
Net cash provided by investing activities	109,526,203	33,948,299
Cash Flows From Financing Activities:		
Net change in share and savings accounts	23,300,982	(13,118,854)
Proceeds from borrowings	-	25,000,000
Repayments of borrowings	(25,000,000)	(35,000,000)
Net cash used in financing activities	(1,699,018)	(23,118,854)
Net Change in Cash and Cash Equivalents	183,136,961	86,780,049
Cash and Cash Equivalents at Beginning of Year	174,039,272	87,259,223
Cash and Cash Equivalents at End of Year	$ 357,176,233	$ 174,039,272
Supplemental Cash Flow Disclosure:		
Dividends and interest paid	$ 30,891,930	$ 21,422,715

See accompanying notes to the financial statements

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Business
Scott Credit Union (the Credit Union) is a cooperative association organized in accordance with the provisions of the Illinois Credit Union Act for the purposes of promoting thrift among, and creating a source of credit for its members. Participation in the Credit Union is limited to those individuals that qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles in the United States (U.S. GAAP) 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 these estimates. Material estimates that are particularly subject to change in the near term include the determination of the allowance for credit/loan losses (ACL).

Concentrations of Credit Risk
Participation in the Credit Union is limited to those who qualify for membership as defined in the Credit Union's bylaws. A significant amount of the Credit Union's business activity is with members who work or reside in and around the area of Southwestern Illinois and St. Louis County, Missouri. Therefore, the borrowers' ability to repay loans may be affected by the economic climate of the overall geographical region where borrowers reside. However, the loan portfolio is well diversified, and the Credit Union does not have any significant concentration of credit risk, except unsecured loans, which by their nature, increase the risk of loss compared to those loans that are collateralized.

Comprehensive Income/(Loss)
Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) (OCI) relates to the change in the unrealized gain/(loss) on available-for-sale debt securities. When available-for-sale debt securities are sold, the gain or loss realized on the sale is reclassified from accumulated other comprehensive income/(loss) (AOCI) to the gain/loss on sale of investment securities reported in the statements of income.

Accounting Standard Adopted January 1, 2023

Financial Instruments - Credit Losses (CECL)
The adoption of this guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This framework requires that management's estimate reflects credit losses over the instrument's remaining expected life and considers expected future changes in macroeconomic conditions. The adoption of CECL on January 1, 2023, resulted in a $1,932,817 decrease to retained earnings.

Cash and Cash Equivalents
The statements of cash flows classify changes in cash or cash equivalents (short-term, highly liquid investments readily convertible into cash with an original maturity of three months or less) according to operating, investing or financing activities. Financial instruments which potentially subject the Credit Union to concentrations of credit risk consist principally of cash and temporary cash investments. At times, cash balances held at financial institutions were in excess of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insurance limits. The Credit Union places its temporary cash investments with high-credit, quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution.

Continued

Investment Securities

Available-for-Sale Securities
Securities available-for-sale consist of securities not otherwise classified as trading securities or as securities to be held-to-maturity and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income (loss).

The Credit Union evaluates its available-for-sale investment securities portfolio periodically for indicators of impairment. The Credit Union assesses whether an impairment has occurred when the fair value of a debt security is less than the amortized cost at the balance sheet date. Management reviews the amount of unrealized loss, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. For those debt securities that the Credit Union intends to sell or is more likely than not required to sell, before the recovery of their amortized cost basis, the difference between fair value and amortized cost is considered to be impaired and is recognized in provision for credit losses. For those debt securities that the Credit Union does not intend to sell or is not more likely than not required to sell, prior to expected recovery of amortized cost basis, the credit portion of the impairment is recognized through an allowance in provision for credit losses while the noncredit portion is recognized in other comprehensive income. In determining the credit portion, the Credit Union uses a discounted cash flow analysis, which includes evaluating the timing and amount of the expected cash flows. Non-credit-related impairment results from other factors, including increased liquidity spreads and higher interest rates.

Held-to-Maturity Securities
Securities classified as held-to-maturity consists of securities that management has the positive intent and ability to hold-to-maturity and are recorded at amortized cost.

Declines in the fair value of individual held to maturity debt investments below their cost that are deemed to be impaired are allocated to credit losses (which are reflected in earnings as realized losses). In determining whether impairment exists, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) the current liquidity and volatility of the market for each of the individual investment categories, (4) the projected cash flows from the specific investment, (5) the financial guarantee and financial rating of the issuer, and (6) that the Credit Union does not intend to sell these securities, (7) it is likely that the Credit Union will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value which may be the maturity date. The allowance for held-to-maturity debt securities is estimated using a CECL methodology. Any expected credit loss is provided through the allowance for credit loss on HTM securities and is deducted from the amortized cost basis of the security so that the balance sheet reflects the net amount The Credit Union expects to collect. Nearly all of the Credit Union’s HTM debt securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, there is a zero credit loss expectation on these securities.

Gains and losses on sales of securities available-for-sale are determined using the specific-identification method. Purchase premiums are amortized and discounts are accreted using the interest method of accounting.

Continued

Loans Held for Investment

Loans, net, are carried at unpaid principal balances, including purchase accounting (i.e., acquisition-date fair value) adjustments, net deferred loan origination costs or fees, and the allowance for credit losses on loans. The Credit Union recognizes interest income on loans using the interest method over the life of the loan. Accordingly, the Credit Union defers certain loan origination and commitment fees, and certain loan origination costs, and amortizes the net fee or cost as an adjustment to the loan yield over the term of the related loan. When a loan is sold or repaid, the remaining net unamortized fee or cost is recognized in interest income.

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date. A loan generally is classified as a "non-accrual" loan when it is 90 days or more past due or when it is deemed to be impaired because the Credit Union no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is current and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash.

Certain loans for which repayment is expected to be provided substantially through the operation or sale of the loan collateral are considered to be collateral-dependent. Consumer collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

Any loan in any portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment.

As part of the ongoing monitoring of the credit quality of the Credit Union's loan portfolio, management tracks certain credit quality indicators. The Credit Union utilizes a risk grading of pass, watch, special mention, substandard, doubtful and loss to assess the overall credit quality of large commercial loans. All large commercial credit grades are reviewed at a minimum of once a year for pass grade loans. Loans with grades below pass are reviewed more frequently depending on the grade. A description of the general characteristics of these grades is as follows:

Pass – Loans that are considered to be of acceptable credit quality.

Watch – Loans within this risk category demonstrate an acceptable level of risk, albeit with inadequate ability to sustain major setbacks. They are characterized by declining trends, strained cash flow, and increasing leverage. These members generally have limited additional debt capacity. Management weakness may exist. These members should be able to obtain similar financing with comparable terms, although that ability may diminish in difficult economic times. Extension of additional credit should be done with caution and prudence as continued deterioration in the member's financial position may put repayment at risk.

Special Mention – Loans which possess some credit deficiency or potential weakness, which deserves close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Credit Union's credit position at some future date. Special mention assets are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged. Assets so classified have a well-defined weakness that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Continued

Doubtful – Loans that have all of the weaknesses of those classified as Substandard. However, based on currently existing facts, conditions and values, these weaknesses make full collection of principal highly questionable and improbable.

Loss – Loans that are considered uncollectible and of such little value that continuing to carry them as an asset is not warranted.

Automobile and other consumer loans are generally charged-off no later than 180-days past due. Residential mortgages and home equity loans are charged-off to the estimated fair value of the collateral at 180-days past due. Commercial loans are generally either charged-off or written down to net realizable value at 180-days past due.

Consumer and residential real estate loans are not risk graded. Rather, consumer and residential real estate loans in non-accrual are deemed non-performing.

Borrowers that are experiencing financial difficulty and receive a modification in the form of principal forgiveness, interest rate reduction, an other-than-insignificant payment delay or a term extension in the current period needs to be disclosed. The Credit Union may modify loans to borrowers experiencing financial difficulty as a way of managing risk and mitigating credit loss from the borrower. The Credit Union may make various types of modifications and may in certain circumstances use a combination of modification types to mitigate future loss. As of and for the years ended December 31, 2024 and 2023, modifications were deemed insignificant and intentionally omitted for disclosure purposes.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is deducted from the amortized cost basis of a group of financial assets so that the balance sheet reflects the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net earnings as a credit loss expense or a reversal of credit loss expense. Management estimates the allowance by utilizing models dependent upon loan risk characteristics and economic parameters. Consumer loan risk characteristics include but are not limited to FICO scores, LTV, and delinquency status. The economic parameters are developed using available information relating to past events, current conditions, and reasonable and supportable forecasts. The Credit Union's reasonable and supportable forecast period reverts to a historical norm based on inputs within approximately two years. Historical credit experience provides the basis for the estimation of expected credit losses, with adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in the micro- and macroeconomic environments. The contractual terms of financial assets are adjusted for expected prepayments.

Loans that do not share risk characteristics are evaluated on an individual basis. These include loans that are in non-accrual status with balances above management determined materiality thresholds depending on loan class. If a loan is determined to be collateral-dependent or meets the criteria to apply the collateral-dependent practical expedient, expected credit losses are determined based on the fair value of the collateral at the reporting date, less costs to sell as appropriate. As noted above, consumer collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

Continued

The Credit Union maintains an allowance for credit losses on off-balance sheet credit exposures. The Credit Union estimates expected credit losses over the contractual period in 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. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life. The allowance for credit losses on off-balance sheet credit exposures was deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union has elected to exclude accrued interest receivable from the measurement of its allowance for credit loss given the well-defined non-accrual policies in place for all loan portfolios which results in timely reversal of outstanding interest through interest income.

Transfers of Financial Assets

The Credit Union accounts for transfers and servicing of financial assets in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 860, Transfers and Servicing. 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 obtains 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.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participation 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 assets, (2) from the date of transfer, all cash flows received, except any cash flows allocated as compensation or 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.

Premises and Equipment

Land is carried at cost. Buildings, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and leasehold amortization. Buildings, furniture, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the term of the respective leases. Maintenance and repairs are expensed, and major improvements and renovations are capitalized. Management reviews premises and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Gains and losses on disposals are included in current operations.

Federal Home Loan Bank Participation Stock

The Credit Union is a member in the Federal Home Loan Bank (FHLB) of Chicago. The Credit Union owned 107,570 and 102,766 shares worth $10,756,984 and $10,276,619 at December 31, 2024 and 2023, respectively, with quarterly stock and/or cash dividends. No ready market exists for the FHLB stock, and it has no quoted market value.

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Visa Inc. Stock

The Credit Union received notice of the restructuring of Visa Inc. As part of the restructuring, the Credit Union was issued shares of Class B Common Stock in Visa Inc. The shares represented by this issuance are fully paid and non-assessable. The Credit Union has a balance of zero shares as of December 31, 2024. The Credit Union sold 5,339 shares during the audit period and a gain was recorded in the accounting records for the year ended December 31, 2024.

Credit Union Owned Life Insurance (COLI)

The Credit Union holds life insurance policies for key members of management. In the event of death of the individuals, the Credit Union, as beneficiary of the policies, would receive a specified cash payment equal to the death benefit of the policies. The policies are recorded at cash surrender value, or the amount that can be currently realized as of the balance sheet date. The change in cash surrender value is an adjustment of premiums paid in determining the net expense or income recognized under the contract for the year and is included in non-interest income in the statements of income. The earnings from the policies are used to indirectly fund employee benefit obligations. The balance of the COLI was approximately $12,889,000 and $12,264,000 as of December 31, 2024 and 2023, respectively.

Split-Dollar Life Insurance

The Credit Union has entered into split dollar insurance agreements which is a collateral assignment arrangement between the Credit Union and key employees. The agreement involves a method of paying for insurance coverage for the executives by splitting the elements of a life insurance policy. Under the agreement, the executives are the owner of the policies and make a collateral assignment to the Credit Union in return for a loan equal to the amount of premiums to be paid on behalf of the executives plus accrued interest at a specific rate. At the time of death, the Credit Union will be paid the loan amount plus accrued interest and the balance of the insurance benefits will be paid to the executives' designated beneficiaries. The loan notes under these agreements approximated $28,948,000 and $28,215,000 as of December 31, 2024 and 2023, respectively.

Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations. ASC 350-20, Intangibles—Goodwill and Other, provides that intangible assets with finite useful lives be amortized and that goodwill and intangible assets with indefinite lives not be amortized, but rather be evaluated at least annually for impairment. The Credit Union evaluates goodwill for impairment at the entity level on an annual basis, or more frequently should events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. See Note 11 for details.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is 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. The NCUSIF deposit is required to be reviewed for impairment, including consideration of the refundability of the deposit.

Continued

Share and Savings Accounts

Shares include savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. As a natural person credit union, deposits that exceed the $250,000 NCUA insurance limit (uninsured shares) are subordinated to all other liabilities of the Credit Union upon liquidation except subordinated debt. Dividends on share and savings accounts, except for interest on certificates of deposit which is set in advance, is based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates on share and savings accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Equity Acquired From Business Combinations

Equity acquired from business combinations represents equity accounted for in accordance with the acquisition method of accounting. Under this accounting method undivided earnings of the acquiree are combined on the acquirer's statement of financial condition as a component of equity called equity acquired from business combinations. This component of equity is considered part of net worth as defined by regulations established by the National Credit Union Administration.

Revenue from Contracts with Customers

A description of the Credit Union's revenue streams accounted for under ASC 606 are as follows.

Fees and Charges

The Credit Union earns fees from its deposits for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, and statement rendering, are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Credit Union satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. These charges on deposits are withdrawn from the member's account balance.

Interchange Income

The Credit Union earns interchange fees from debit/credit cardholder transactions conducted through the payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Income Taxes

The Credit Union is exempt from most Federal, state and local income taxes under the provisions of the Internal Revenue Code (IRC) and state tax laws. However, IRC Section 511 imposes a tax on the unrelated business income derived by state-chartered credit unions. Generally, these taxes are insignificant to the Credit Union.

Reclassification and Presentation

Certain balances in the 2023 presentation have been reclassified to conform to the 2024 presentation. There were no changes to total equity or net earnings as a result of the aforementioned.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 18, 2025, which is the date the financial statements were available to be issued.

Continued

Note 2 - Investment Securities

Available-for-Sale Debt Securities

The following tables present the amortized cost and estimated fair value of investments:

	As of December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	$ 55,750,687	$ -	$ (3,282,617)	$ 52,468,070
Mortgage-backed securities	46,547,340	-	(6,694,223)	39,853,117
Federal agency securities	18,899,645	-	(1,076,190)	17,823,455
Collateralized mortgage obligations	11,797,172	-	(2,210,643)	9,586,529
Fixed income bonds	3,179,168	3,251	(156,787)	3,025,632
Total	$ 136,174,012	$ 3,251	$ (13,420,460)	$ 122,756,803

	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	$ 75,714,306	$ -	$ (5,033,381)	$ 70,680,925
Mortgage-backed securities	52,045,810	-	(6,328,777)	45,717,033
Federal agency securities	18,915,357	-	(1,611,741)	17,303,616
Collateralized mortgage obligations	12,910,357	-	(2,315,080)	10,595,277
Fixed income bonds	3,088,306	2,979	(212,527)	2,878,758
Total	$ 162,674,136	$ 2,979	$ (15,501,506)	$ 147,175,609

The amortized cost and estimated market value of debt securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities on mortgage-backed securities, collateralized mortgage obligations and small business administration securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	$ 19,365,805	$ 18,978,017
Due in one year to less than five years	57,692,450	53,612,910
Due in five years to less than ten years	700,054	657,244
Due in more than ten years	71,191	68,986
Collateralized mortgage obligations	11,797,172	9,586,529
Mortgage-backed securities	46,547,340	39,853,117
Total	$ 136,174,012	$ 122,756,803

Continued

Information pertaining to securities with gross unrealized losses at December 31, 2024 aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

	As of December 31, 2024					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	$ -	$ -	$ 52,468,070	$ (3,282,617)	$ 52,468,070	$ (3,282,617)
Mortgage-backed securities	-	-	39,853,117	(6,694,223)	39,853,117	(6,694,223)
Federal agency securities	-	-	17,823,455	(1,076,190)	17,823,455	(1,076,190)
Collateralized mortgage obligations	-	-	9,586,529	(2,210,643)	9,586,529	(2,210,643)
Fixed income bonds	-	-	2,747,083	(156,787)	2,747,083	(156,787)
Total	$ -	$ -	$ 122,478,254	$ (13,420,460)	$ 122,478,254	$ (13,420,460)

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:

	As of December 31, 2023					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	$ -	$ -	$ 70,680,925	$ (5,033,381)	$ 70,680,925	$ (5,033,381)
Mortgage-backed securities			45,717,033	(6,328,777)	45,717,033	(6,328,777)
Federal agency securities	-	-	17,303,616	(1,611,741)	17,303,616	(1,611,741)
Collateralized mortgage obligations	-	-	10,595,277	(2,315,080)	10,595,277	(2,315,080)
Fixed income bonds	-	-	2,744,179	(212,527)	2,744,179	(212,527)
Total	$ -	$ -	$ 147,041,030	$ (15,501,506)	$ 147,041,030	$ (15,501,506)

Continued

As of December 31, 2024 and 2023, the Credit Union's security portfolio consisted of 187 and 192 securities, 172 and 184 of which were in an unrealized loss position, respectively.

The Credit Union’s mortgage-backed securities, collateralized mortgage obligations and federal agency securities are issued by the U.S Government and its Agencies. Therefore, unrealized losses on these securities, if any, have not been recognized income because of the implicit guarantee of the principal balances of these securities by the U.S Government and its Agencies. The decline is fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the intent to hold these securities through to recovery of fair value, which may be maturity, therefore; the Credit Union did not record expected credit loss.

Unrealized losses on corporate bonds have not been recognized into income because the issuer(s) bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bond(s) approach maturity, therefore; the Credit Union did not record expected credit loss.

Held-to-Maturity Debt Securities

	As of December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	$ 12,409,899	$ -	$ (244,237)	$ 12,165,662
Certificates of deposit	995,000	-	-	995,000
Mortgage-backed securities	195,074	-	(5,275)	189,799
Total	$ 13,599,973	$ -	$ (249,512)	$ 13,350,461

	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. treasury securities	$ 18,112,109	$ -	$ (670,442)	$ 17,441,667
Certificates of deposit	3,992,000	-	-	3,992,000
Mortgage-backed securities	302,533	-	(12,860)	289,673
Total	$ 22,406,642	$ -	$ (683,302)	$ 21,723,340

The amortized cost and estimated market value of debt securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities on mortgage-backed securities, collateralized mortgage obligations and small business administration securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	$ 9,930,827	$ 9,807,137
Due in one year to less than five years	3,225,072	3,104,525
Due in five years to less than ten years	249,000	249,000
Mortgage-backed securities	195,074	189,799
Total	$ 13,599,973	$ 13,350,461

Continued

Information pertaining to securities with gross unrealized losses at December 31, 2024 aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

	As of December 31, 2024					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	$ -	$ -	$ 12,165,662	$ (244,237)	$ 12,165,662	$ (244,237)
Mortgage-backed securities	-	-	189,799	(5,275)	189,799	(5,275)
Total	$ -	$ -	$ 12,355,461	$ (249,512)	$ 12,355,461	$ (249,512)

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:

	As of December 31, 2023					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	$ -	$ -	$ 17,441,667	$ (670,442)	$ 17,441,667	$ (670,442)
Mortgage-backed securities	-	-	289,673	(12,860)	289,673	(12,860)
Total	$ -	$ -	$ 17,731,340	$ (683,302)	$ 17,731,340	$ (683,302)

As of December 31, 2024 and 2023, the Credit Union's security portfolio consisted of 25 and 33 securities, all of which were in an unrealized loss position, respectively.

The Credit Union’s mortgage-backed securities and federal agency securities are issued by the U.S Government and its Agencies. Therefore, unrealized losses on these securities, if any, have not been recognized income because of the implicit guarantee of the principal balances of these securities by the U.S Government and its Agencies. The decline is fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the intent to hold these securities through to recovery of fair value, which may be maturity, therefore; the Credit Union did not record expected credit loss.

Continued

Note 3 - Loans to Members

The composition of loans to members are as follows:

	December 31, 2024	December 31, 2023
Real Estate:		
First Liens	$ 383,428,827	$ 340,111,339
Second Liens	65,072,330	60,399,812
	448,501,157	400,511,151
Consumer:		
New vehicle	143,196,445	170,479,148
Used vehicle	399,766,188	525,678,534
Credit cards	41,475,141	45,076,877
Unsecured	11,352,755	11,729,007
Other secured	72,519,528	91,426,461
	668,310,057	844,390,027
Commercial:		
Real Estate	13,931,700	14,625,000
Other	640,558	1,653,469
SBA guaranteed	4,792,164	5,362,118
	19,364,422	21,640,587
	1,136,175,636	1,266,541,765
Less: Allowance for credit losses	(19,338,233)	(13,812,283)
Loans to members, net	$ 1,116,837,403	$ 1,252,729,482

Allowance for Credit Losses

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment:

For the year ended December 31, 2024	Commercial	Residential Real Estate	Consumer	Total
Allowance for credit losses:				
Beginning Balance, December 31, 2023	$ 350,256	$ 277,333	$ 13,184,694	$ 13,812,283
Provision for credit losses	548,228	306,371	18,545,272	19,399,871
Recoveries on previous credit losses	53,213	1,517	2,390,607	2,445,337
Loans receivable charged off	(188,030)	(91,732)	(16,039,496)	(16,319,258)
Ending Balance, December 31, 2024	$ 763,667	$ 493,489	$ 18,081,077	$ 19,338,233

Continued

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment:

	For the year ended December 31, 2023			
	Commercial	Residential Real Estate	Consumer	Total
Allowance for credit losses:				
Beginning Balance, December 31, 2022	$ 647,425	$ 308,107	$ 9,063,431	$ 10,018,963
Impact of adopting FASB ASU 2016-13	-	-	1,932,817	1,932,817
Balance, January 1, 2023 as restated	647,425	308,107	10,996,248	11,951,780
Provision for credit losses	(434,899)	(15,678)	14,480,279	14,029,702
Recoveries on previous credit losses	173,936	6	2,404,319	2,578,261
Loans receivable charged off	(36,206)	(15,102)	(14,696,152)	(14,747,460)
Ending Balance, December 31, 2023	$ 350,256	$ 277,333	$ 13,184,694	$ 13,812,283

As of December 31, 2024, the allowance for credit losses (ACL) totaled approximately $19,338,000, up approximately $5,526,000 compared to December 31, 2023. The day one impact of the adoption of CECL was an increase of $1,932,817 to the ACL. The remaining net change was due to nominal changes in portfolio size and mix. In addition, the increase reflects unfavorable market conditions in the used auto market as values have gone down driving up losses upon default.

Age Analysis of Past Due Loans

The following tables present the aging of the recorded investment in past due loans:

	As of the year ended December 31, 2024					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Real Estate:						
First Liens	$ 2,703,675	$ 408,301	$ 1,071,744	$ 4,183,720	$ 379,245,107	$ 383,428,827
Second Liens	292,797	391,911	350,296	1,035,004	64,037,326	65,072,330
Total	2,996,472	800,212	1,422,040	5,218,724	443,282,433	448,501,157
Consumer:						
New vehicle	3,495,480	483,917	542,706	4,522,103	138,674,342	143,196,445
Used vehicle	14,195,370	2,936,684	5,061,125	22,193,179	377,573,009	399,766,188
Credit cards	712,146	412,968	625,653	1,750,767	39,724,374	41,475,141
Unsecured	118,221	49,556	58,088	225,865	11,126,890	11,352,755
Other secured	2,655,496	424,909	752,561	3,832,966	68,686,562	72,519,528
Total	21,176,713	4,308,034	7,040,133	32,524,880	635,785,177	668,310,057
Commercial:						
Real Estate	-	-	-	-	13,931,700	13,931,700
Other	9,080	-	143,557	152,637	487,921	640,558
SBA guaranteed	51,450	-	430,671	482,121	4,310,043	4,792,164
Total	60,530	-	574,228	634,758	18,729,664	19,364,422
Grand Total	$ 24,233,715	$ 5,108,246	$ 9,036,401	$ 38,378,362	$ 1,097,797,274	$ 1,136,175,636

Continued

	As of the year ended December 31, 2023					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Real Estate:						
First Liens	$ 2,788,983	$ 193,480	$ 179,285	$ 3,161,748	$ 336,949,591	$ 340,111,339
Second Liens	583,144	218,134	7,175	808,453	59,591,359	60,399,812
Total	3,372,127	411,614	186,460	3,970,201	396,540,950	400,511,151
Consumer:						
New vehicle	2,308,278	768,192	642,383	3,718,853	166,760,295	170,479,148
Used vehicle	16,481,435	4,588,074	5,299,906	26,369,415	499,309,119	525,678,534
Credit cards	903,596	413,442	524,265	1,841,303	43,235,574	45,076,877
Unsecured	152,148	53,730	133,688	339,566	11,389,441	11,729,007
Other secured	2,471,853	1,103,950	1,071,466	4,647,269	86,779,192	91,426,461
Total	22,317,310	6,927,388	7,671,708	36,916,406	807,473,621	844,390,027
Commercial:						
Real Estate	176,776	-	-	176,776	14,448,224	14,625,000
Other	10,439	-	37,291	47,730	1,605,739	1,653,469
SBA guaranteed	64,466	-	-	64,466	5,297,652	5,362,118
Total	251,681	-	37,291	288,972	21,351,615	21,640,587
Grand Total	$ 25,941,118	$ 7,339,002	$ 7,895,459	$ 41,175,579	$ 1,225,366,186	$ 1,266,541,765

Consumer and Real Estate Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance. For consumer loan and real estate classes, the Credit Union evaluates credit quality based on the aging status of the loan and payment activity. Accordingly, non-accrual loans are considered to be in a non-performing status for purposes of credit quality evaluation.

Continued

The following tables present the loan balance based on performance indication:

	As of December 31, 2024		As of December 31, 2023	
	Performing Loans	Non-performing Loans	Performing Loans	Non-performing Loans
Real Estate:				
First Liens	$ 382,357,083	$ 1,071,744	$ 339,932,054	$ 179,285
Second Liens	64,722,034	350,296	60,392,637	7,175
Total	$ 447,079,117	$ 1,422,040	$ 400,324,691	$ 186,460
Consumer:				
New vehicle	142,653,739	542,706	169,836,765	642,383
Used vehicle	394,705,063	5,061,125	520,378,628	5,299,906
Credit cards	40,849,488	625,653	44,552,612	524,265
Unsecured	11,294,667	58,088	11,595,319	133,688
Other secured	71,766,967	752,561	90,354,995	1,071,466
Total	$ 661,269,924	$ 7,040,133	$ 836,718,319	$ 7,671,708
Grand Total	$ 1,108,349,041	$ 8,462,173	$ 1,237,043,010	$ 7,858,168

Commercial Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for credit losses. For commercial loan classes, the Credit Union evaluates credit quality based on risk ratings assigned to each loan as described in Note 1.

The following tables present the loan balance for commercial loans based on risk rating:

	As of the year ended December 31, 2024		
	SBA Guaranteed	Commercial Real Estate	Commercial Other
Credit Grade:			
No Rating	$ 359,615	$ 8,393,877	$ 399,097
Pass	1,652,318	5,362,387	162,496
Watch	508,839	175,436	78,965
Special Mention	739,532	-	-
Substandard	957,635	-	-
Doubtful	574,225	-	-
Total	$ 4,792,164	$ 13,931,700	$ 640,558

Continued

	As of the year ended December 31, 2023		
	SBA Guaranteed	Commercial Real Estate	Commercial Other
Credit Grade:			
No Rating	$ 188,752	$ 8,651,086	$ 947,660
Pass	4,022,000	5,973,914	485,620
Watch	308,497	-	6,788
Special Mention	324,752	-	180,892
Substandard	518,117	-	31,211
Doubtful	-	-	1,298
Total	$ 5,362,118	$ 14,625,000	$ 1,653,469

Non-accrual Loans

Loans on which the accrual of interest has been discontinued or reduced amounted to approximately $8,462,000 and $7,858,000 in consumer, real estate, and commercial loans as of December 31, 2024 and 2023, respectively.

Note 4 - Premises and Equipment

	December 31, 2024	December 31, 2023
Land	$ 9,463,422	$ 9,441,443
Buildings	37,640,376	37,251,275
Furniture and equipment	24,477,470	23,705,116
Leasehold improvements	2,030,120	2,278,415
Construction in process	65,241	35,213
	73,676,629	72,711,462
Less accumulated depreciation and amortization	(41,028,438)	(38,734,877)
Premises and equipment, net	$ 32,648,191	$ 33,976,585

Note 5 - Share and Savings Accounts

	December 31, 2024	December 31, 2023
Share draft accounts	$ 386,503,117	$ 393,311,152
Money market accounts	152,419,370	140,918,851
Share accounts	622,142,541	632,263,999
IRA share accounts	23,076,187	23,282,221
Certificate accounts	383,654,699	354,718,709
Total	$ 1,567,795,914	$ 1,544,494,932

The scheduled maturities of certificate accounts are as follows:

Year Ending December 31,	Amount
2025	$ 507,764
2026	299,807,659
2027	60,941,866
2028	6,501,877
2029	15,895,533
Total	$ 383,654,699

Continued

	December 31, 2024	December 31, 2023
Certificate accounts in denominations of $250,000 or more	$ 45,653,867	$ 34,189,100
Negative share and saving accounts that were reclassed to loans receivable	$ 382,719	$ 400,333

Note 6 - Borrowed Funds

Line-of-Credit

The Credit Union had an unused line-of-credit. The terms of the agreements require the pledging of equipment and all present and future loans, excluding loans and securities pledged for FHLB borrowings or with the Federal Reserve Bank of St Louis's Borrower-in-Custody program and discount window as discussed below as collateral for obligations under this line-of-credit agreement. The interest rate terms under this line-of-credit agreement is variable.

	December 31, 2024		December 31, 2023	
	Credit Limit	Balance	Credit Limit	Balance
Alloya Corporate Federal Credit Union	$ 7,500,000	$ -	$ 7,500,000	$ -

Federal Reserve Bank

The Credit Union participates in the Borrower-In-Custody program with the Federal Reserve. The Borrower-In-Custody program allows the Credit Union to pledge automobile loans as collateral for borrowing at rates determined by the lender at the time of borrowing. The collateral is valued monthly by the Federal Reserve based on the terms of the pledged loans. As of December 31, 2024 and 2023, the balance of loans pledged was approximately $56,110,000 and $72,790,000 respectively. The collateral value as of December 31, 2024 and 2023 was approximately $43,587,000 and $54,321,000 respectively. There were no outstanding borrowings as of December 31, 2024 and 2023.

The Federal Reserve Bank also allows the Credit Union to borrow against securities pledged as collateral. As of December 31, 2024 and 2023, the value of the pledged securities was approximately $141,886,000 and $179,230,000 respectively. The maximum amount that could be borrowed as of December 31, 2024 and 2023 was approximately $126,255,000 and $160,492,000 respectively. There were no outstanding borrowings as of December 31, 2024 and 2023.

Federal Home Loan Bank

The Credit Union has pledged qualifying loans to secure advances under a blanket collateral agreement with the FHLB, which as of December 31, 2024 and 2023, had book values of approximately $369,279,000 and $381,289,000, respectively. Based on borrowing limitations, the amount available under the FHLB arrangement totaled approximately $226,450,000 and $247,358,000 as of December 31, 2024 and 2023 respectively. There were no borrowings outstanding as of December 31, 2024.

At December 31, 2023, the Credit Union had an outstanding borrowing with the FHLB at an interest rate of 4.50%. The borrowing had an original maturity date of October 30, 2026 and was paid off during the year ended December 31, 2024.

Continued

Note 7 - Commitments and Contingent Liabilities

Off-Balance-Sheet Risk

The Credit Union is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of financial condition.

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. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2024, the total unfunded commitments under such lines-of-credit was approximately $139,582,000. The Credit Union evaluates each member’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management’s credit evaluation of the member.

Note 8 - Capital 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 (PCA), 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 practices. 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.

Federally insured, natural-person credit unions defined as “complex” will have to comply with the NCUA’s risk-based capital (“RBC”) final rule which amends NCUA’s Prompt Corrective Action (“PCA”) regulations, part 702, or the newly created Complex Credit Union Leverage Ratio (“CCULR”) rule. A credit union is defined as “complex” if the credit union’s quarter-end total assets exceed $500,000,000, as reflected in its most recent Call Report. The rules require credit unions taking certain risks to hold capital commensurate with those risks. The RBC rule revises part 702 of NCUA’s current regulations to establish an RBC ratio measure that is the percentage of a credit union’s capital divided by the credit union’s defined risk weighted asset base. This RBC rule more closely aligns NCUA’s risk weights with those assigned by other Banking agencies.

Accordingly, the RBC rule adopts a 10 percent RBC ratio level for “well capitalized” credit unions, and an 8 percent RBC ratio level for “adequately capitalized” credit unions. The CCULR rule simplifies the RBC rule requirements for complex credit unions that meet certain eligibility criteria by allowing them to choose between implementing the RBC rule or the CCULR. Credit unions that select CCULR instead of the RBC rule would have a minimum 9 percent leverage ratio. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its net worth ratio under NCUA’s PCA regulations, part 702.

The Credit Union has elected to use the Complex Credit Union Leverage Ratio as the determining net worth classification for regulatory purposes as of December 31, 2024 and 2023. The Credit Union has the option to change this election on a quarterly basis. There are no conditions or events since that notification that management believes have changed the institution's category.

Continued

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows:

	As of December 31, 2024		As of December 31, 2023	
	Amount	Ratio	Amount	Ratio
Regulatory Net Worth	$ 166,556,537	9.54%	$ 160,470,418	9.21%
Net Worth Classification	Well Capitalized		Well Capitalized	
Amounts needed to be classified				
as "well capitalized" per CULR	$ 157,107,854	9.00%	$ 156,859,085	9.00%
as "well capitalized" per PCA	$ 122,194,997	7.00%	$ 122,001,510	7.00%
as "adequately capitalized" per PCA	$ 104,738,569	6.00%	$ 104,572,723	6.00%

In performing its calculation of total assets, the Credit Union used the quarter-end option, as permitted by regulation. Management believes, as of December 31, 2024 and 2023, that the Credit Union meets all capital adequacy requirements to which it is subject.

Further, in performing its calculation of total assets, the Credit Union used the quarter-end option, as permitted by regulation. As of December 31, 2024, total assets and net worth were increased by the CECL transition provision amount of $637,829 as required by regulation.

Note 9 - Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under this guidance are described below:

Basis of Fair Value Measurements

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Continued

Assets Measured at Fair Value on a Recurring Basis

	Assets at Fair Value as of December 31, 2024			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. treasury securities	$ 52,468,070	$ -	$ 52,468,070	$ -
Mortgage-backed securities	39,853,117	-	39,853,117	-
Federal agency securities	17,823,455	-	17,823,455	-
Collateralized mortgage obligations	9,586,529	-	9,586,529	
Fixed income bonds	3,025,632	-	3,025,632	-
Total	$ 122,756,803	$ -	$ 122,756,803	$ -

	Assets at Fair Value as of December 31, 2023			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. treasury securities	$ 70,680,925	$ -	$ 70,680,925	$ -
Mortgage-backed securities	45,717,033	-	45,717,033	-
Federal agency securities	17,303,616	-	17,303,616	-
Collateralized mortgage obligations	10,595,277	-	10,595,277	
Fixed income bonds	2,878,758	-	2,878,758	-
Total	$ 147,175,609	$ -	$ 147,175,609	$ -

Note 10 - Employee Benefits

401(k) Plan
The Credit Union maintains a 401(k) plan that allows employees to defer a portion of their salary into the 401(k) plan. Participation is limited to all employees who meet specific length of service and age requirements. Employee contributions to the plan are subject to certain limits established by the Internal Revenue Service and they are 100% vested in their own contributions. The Credit Union also matches a portion of employees' contributions.

	Years Ended December 31,	
	2024	2023
Credit Union contributions	$ 1,098,651	$ 986,432

Note 11 - Goodwill and Other Intangible Assets

Goodwill
The Credit Union recognizes the net assets acquired and liabilities assumed of acquired entities at estimated fair value as of the acquisition date, and those fair values are subject to refinement as information relative to the fair values at the date of acquisition becomes available. The Credit Union recognized the excess of consideration over the fair value of net assets acquired in its acquisition of the following acquisitions as follows:

Credit Union	Acquisition Date	Amount
Tempo Bank	6/18/2022	$ 8,270,843
		$ 8,270,843

Continued

In accordance with the requirements of ASC 350-20, Goodwill and Other Intangibles, goodwill is evaluated for impairment at the organizational reporting level annually and upon any changes in circumstances that could likely result in reducing the fair value of a reporting unit below its carrying amount. The Credit Union performed qualitative assessments of goodwill during 2024, pursuant to ASU 2011-08, Testing Goodwill for Impairment, and concluded that it was not likely that the fair value of the entity was below its carrying amount, and therefore did not recognize any impairment charges.