WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Wright Patman Congressional Federal Credit Union, which comprise the statements of financial condition as of December 31, 2022 and 2021, and the related statements of income, comprehensive income (loss), changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wright Patman Congressional Federal Credit Union as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wright Patman Congressional Federal Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wright Patman Congressional Federal Credit Union's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Annual Report

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
March 31, 2023

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	$ 102,747,664	$ 119,510,298
Equity Securities	-	69,915,142
Securities - Available-for-Sale	299,398,395	328,572,139
Securities - Held-to-Maturity	114,300,135	78,606,773
Other Investments	3,975,362	3,541,559
Loans, Net	683,736,097	630,134,588
Accrued Interest Receivable	2,634,719	1,579,691
Premises and Equipment, Net	9,196,101	9,641,616
NCUSIF (National Credit Union Share Insurance Fund) Deposit	9,619,269	9,419,032
Other Assets	29,257,393	30,409,539
Total Assets	$ 1,254,865,135	$ 1,281,330,377
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	$ 1,153,580,548	$ 1,164,381,014
Accrued Expenses and Other Liabilities	11,064,169	11,490,257
Total Liabilities	1,164,644,717	1,175,871,271
MEMBERS' EQUITY		
Regular Reserves	-	6,256,136
Undivided Earnings	111,836,773	97,119,674
Accumulated Other Comprehensive (Loss) Income	(21,616,355)	2,083,296
Total Members' Equity	90,220,418	105,459,106
Total Liabilities and Members' Equity	$ 1,254,865,135	$ 1,281,330,377

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
INTEREST INCOME		
Loans	$ 26,840,628	$ 24,835,584
Securities, Interest Bearing Deposits, and Cash Equivalents	8,647,119	3,987,465
Total Interest Income	35,487,747	28,823,049
INTEREST EXPENSE		
Members' Share and Savings Accounts	4,115,938	2,982,484
Net Interest Income	31,371,809	25,840,565
PROVISION FOR LOAN LOSSES	691,763	456,937
Net Interest Income After Provision for Loan Losses	30,680,046	25,383,628
NONINTEREST INCOME		
Service Charges and Fees	3,172,423	4,907,052
Other Noninterest Income	4,983,572	4,759,282
Tenant Income	490,555	513,733
Total Noninterest Income	8,646,550	10,180,067
NONINTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	15,092,831	15,651,719
Occupancy	1,165,380	1,302,582
Operations	7,896,451	7,468,471
Professional and Outside Services	1,496,175	1,781,945
Educational and Promotional	498,272	488,620
Loan Servicing	3,302,891	3,388,937
Other Operating Expenses	1,413,633	1,092,426
Total Noninterest Expense	30,865,633	31,174,700
NET INCOME	$ 8,460,963	$ 4,388,995

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
NET INCOME	$ 8,460,963	$ 4,388,995
OTHER COMPREHENSIVE LOSS:		
Securities - Available-for-Sale		
Unrealized Holding Loss Arising During the Period	(23,699,651)	(1,303,089)
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (15,238,688)	$ 3,085,906

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income	Total
BALANCES AT DECEMBER 31, 2020	$ 6,256,136	$ 92,730,679	$ 3,386,385	$ 102,373,200
Net Income	-	4,388,995	-	4,388,995
Other Comprehensive Loss	-	-	(1,303,089)	(1,303,089)
BALANCES AT DECEMBER 31, 2021	6,256,136	97,119,674	2,083,296	105,459,106
Cumulative Effect of Change in Regulation (See Members' Equity in Note 1)	(6,256,136)	6,256,136		-
Net Income	-	8,460,963	-	8,460,963
Other Comprehensive Loss	-	-	(23,699,651)	(23,699,651)
BALANCES AT DECEMBER 31, 2022	$ -	$ 111,836,773	$ (21,616,355)	$ 90,220,418

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 8,460,963	$ 4,388,995
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,366,902	1,158,464
Amortization of Securities Premiums/Discounts, Net	747,403	889,796
Provision for Loan Losses	691,763	456,937
Amortization of Servicing Rights	57,608	531,346
Capitalization of Servicing Rights	(293,506)	(593,845)
Unrealized Loss on Equity Securities	520,091	148,597
Changes in:		
Loans Held-for-Sale	-	3,253,155
Accrued Interest Receivable	(1,055,028)	141,146
Other Assets	1,388,044	6,256,129
Accrued Expenses and Other Liabilities	(426,088)	639,235
Net Cash Provided by Operating Activities	11,458,152	17,269,955
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Change in Other Investments	(433,803)	27,923
Purchase of Securities:		
Equity	-	(20,000,000)
Available-for-Sale	(73,309,998)	(148,719,899)
Held-to-Maturity	(44,657,461)	(62,858,239)
Proceeds from Maturities and Paydowns of Securities:		
Available-for-Sale	78,196,738	80,201,913
Held-to-Maturity	8,804,049	15,590,188
Proceeds from Sales of Securities - Equity	69,395,051	-
Loan Originations Net of Principal Collected on Loans to Members	(54,293,272)	(8,061,524)
Increase in NCUSIF Deposit	(200,237)	(845,142)
Expenditures for Premises and Equipment	(921,387)	(1,053,081)
Net Cash Used by Investing Activities	(17,420,320)	(145,717,861)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease) Increase in Members' Share and Savings Accounts	(10,800,466)	84,870,544
Net Cash (Used) Provided by Financing Activities	(10,800,466)	84,870,544
NET DECREASE IN CASH AND CASH EQUIVALENTS	(16,762,634)	(43,577,362)
Cash and Cash Equivalents - Beginning of Year	119,510,298	163,087,660
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 102,747,664	$ 119,510,298
SUPPLEMENTARY DISCLOSURE OF NONCASH AND CASH FLOW INFORMATION		
Members' Share and Savings Accounts Cash Paid For Interest	$ 4,115,938	$ 2,982,484

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Membership

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

Uses of Estimates

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

Material estimates that are particularly susceptible to significant change in the near term include the valuation of securities, determination of the allowance for loan losses, and the valuation of mortgage servicing rights.

Financial Instruments with Concentrations of Risk

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

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

Cash and Cash Equivalents

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Securities

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

Debt Securities

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

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union’s intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more likely than not that the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in noninterest income.

The Credit Union did not record any other than temporary impairment during the years ended December 31, 2022 and 2021.

Other Investments

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net

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

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

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

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

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

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the impact of current internal and external influences on credit loss and the levels of nonperforming loans. Specific allowances for loan losses are established for impaired loans on an individual basis. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge off experience (one year). These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

The Credit Union has concluded that the impairment impact of TDRs on its consumer loans (generally lower balance loans having original maturities of 60 months or less and average lives less than 36 months) is insignificant to the financial statements. However, the loss estimates on these loans are computed using a present value calculation on an individual loan basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

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

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

Servicing Rights

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Off-Statement of Financial Condition Credit Related Financial Instruments

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

Foreclosed Assets

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

Premises and Equipment, Net

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

Impairment of Long-Lived Assets

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

NCUSIF Deposit and NCUSIF

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

Members' Share and Savings Accounts

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Equity

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

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

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive (loss) income. Accumulated other comprehensive income (loss), also recognized as a separate component of members' equity, includes valuation adjustments for available-for-sale securities.

Reclassifications from accumulated other comprehensive income (loss) for securities – available-for-sale are posted through net gain on sale of assets on the statements of income.

Revenue from Contracts with Members

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Members (Continued)

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

Service Charges on Deposits

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

Interchange and Bankcard Fees

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

Other

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

Income Taxes

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

Retirement Plans

401(k) plan – The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable Internal Revenue Service limitations of the participant's annual compensation. The Credit Union makes safe harbor qualified matching contributions to the plan. The Credit Union's contributions to the plan approximated $558,000 and $628,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans (Continued)

Deferred Compensation Plan [Section 457(b)] – The Credit Union has a nonqualified deferred compensation plan for members of management. The Credit Union makes discretionary contributions to the plan and employees are allowed to contribute to the plan. The deferred compensation accounts are shown as both assets and liabilities on the Credit Union's financial statements and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation arrangement was $1,568,455 and $1,972,523 as of December 31, 2022 and 2021, respectively. Deferred compensation expense was $77,854 and $91,179 for the years ended December 31, 2022 and 2021, respectively.

Advertising Costs

Advertising and promotion costs which totaled approximately $498,000 and $489,000 for the years ended December 31, 2022 and 2021, respectively, are expensed as incurred.

Fair Value Measurements

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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

New Accounting Pronouncements

In February 2016, the FASB approved Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial condition and disclosing key information about leasing arrangements. In June 2020, the FASB approved ASU 2020-5, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842). The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2020-05, ASU 2016-02 is effective for the Credit Union for the fiscal year beginning after December 15, 2021 and all interim period within fiscal years beginning after December 15, 2022. The Credit Union adopted ASU 2016-02 during the year ended December 31, 2022 and the adoption did not have a significant impact to the financial statements as a whole.

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In November 2018, the FASB approved ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB approved ASU 2019-10, *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815),* and *Leases (Topic 842)*. The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2019-10, ASU 2016-13 is effective for the Credit Union for the fiscal year and all interim periods beginning after December 15, 2022. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. Management continues to analyze the model to determine the impact of the adoption of ASU 2016-03 on the financial statements. Management expects the adoption of ASC 2016-03 to significantly increase the Credit Union's allowance for loan losses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification of 2021 Data

Data in the 2021 financial statements has been reclassified to conform with the presentation of the 2022 financial statements. This reclassification did not result in any change to net income or members' equity.

Subsequent Events

In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through March 31, 2023, the date the financial statements were available to be issued.

NOTE 2 SECURITIES AND OTHER INVESTMENTS

EQUITY SECURITY:

The fair values of equity securities as of December 31 are as follows:

	2022	2021
Mutual Funds	$ -	$ 69,915,142

Losses on equity securities are included in noninterest income on the statements of income and are accounted for as follows as of December 31, 2022 and 2021:

	2022	2021
Net Loss Recognized During the Year on Equity Securities	$ (520,091)	$ (148,597)
Less: Net Losses Recognized During the Year on Equity Securities Sold During the Year	520,091	-
Unrealized Losses Recognized During the Year on Equity Securities Still Held at December 31	$ -	$ (148,597)

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE:

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
December 31, 2022				
Federal Agency Mortgage-Backed Securities	$ 152,206,087	$ 248,351	$ (13,366,609)	$ 139,087,829
Collateralized Mortgage Obligation Securities	168,808,663	34,865	(8,532,962)	160,310,566
Total	$ 321,014,750	$ 283,216	$ (21,899,571)	$ 299,398,395
December 31, 2021				
Federal Agency Mortgage-Backed Securities	$ 147,056,457	$ 1,776,309	$ (567,643)	$ 148,265,123
Collateralized Mortgage Obligation Securities	179,432,386	1,252,052	(377,422)	180,307,016
Total	$ 326,488,843	$ 3,028,361	$ (945,065)	$ 328,572,139

There were no sales of securities available-for-sale during the years ended December 31, 2022 and 2021.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

HELD-TO-MATURITY:

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

	Amortized Cost (Carrying Value)	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
U.S. Government Obligations and Federal Agencies Securities	$ 48,951,561	$ -	$ (2,545,037)	$ 46,406,524
Federal Agency Mortgage-Backed Securities	16,456,127	2,271	(2,117,792)	14,340,606
Collateralized Mortgage Obligation Securities	48,892,447	18,871	(7,371,435)	41,539,883
Total	$ 114,300,135	$ 21,142	$ (12,034,264)	$ 102,287,013
December 31, 2021				
U.S. Government Obligations and Federal Agencies Securities	$ 14,000,000	$ -	$ (202,080)	$ 13,797,920
Federal Agency Mortgage-Backed Securities	13,535,791	33,095	(253,776)	13,315,110
Collateralized Mortgage Obligation Securities	51,070,982	73,578	(1,424,945)	49,719,615
Total	$ 78,606,773	$ 106,673	$ (1,880,801)	$ 76,832,645

At December 31, 2022 and 2021, securities carried at approximately $5,290,000 and $8,987,000, respectively, were pledged as collateral to secure borrowed funds

The amortized cost and estimated fair value of securities, at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value (Carrying Value)	Amortized Cost (Carrying Value)	Fair Value
U.S. Government Obligations and Federal Agencies Securities One to Five Years	$ -	$ -	$ 48,951,561	$ 46,406,524
Federal Agency Mortgage-Backed Securities	152,206,087	139,087,829	16,456,127	14,340,606
Collateralized Mortgage Obligation Securities	168,808,663	160,310,566	48,892,447	41,539,883
Total	$ 321,014,750	$ 299,398,395	$ 114,300,135	$ 102,287,013

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Temporarily Impaired Securities

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

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

	Less Than Twelve Months		Greater Than Twelve Months	
Available-for -Sale	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2021				
Federal Agency Mortgage-Backed Securities	$ (567,643)	$ 96,777,523	$ -	$ -
Collateralized Mortgage Obligation Securities	(214,545)	34,247,622	(162,877)	11,805,050
Total Available-for-Sale	$ (782,188)	$ 131,025,145	$ (162,877)	$ 11,805,050
Held-to-Maturity				
U.S. Government Obligations and Federal Agencies Securities	$ (202,080)	$ 13,797,920	$ -	$ -
Federal Agency Mortgage-Backed Securities	(253,776)	12,618,074	-	-
Collateralized Mortgage Obligation Securities	(1,424,945)	43,195,320	-	-
Total Held-to-Maturity	$ (1,880,801)	$ 69,611,314	$ -	$ -

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Temporarily Impaired Securities (Continued)

At December 31, 2022, the 192 securities with unrealized losses have depreciated 8.42% from the Credit Union's amortized cost basis. All of these securities are either guaranteed by federal insurance, the U.S. Government, and/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. As management has the ability and intent to hold securities until maturity or until recovery for those classified as available-for-sale and held-to-maturity, no declines are deemed to be other than temporary.

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

OTHER INVESTMENTS:

Other investments are summarized as follows:

	December 31,	
	2022	2021
FHLB Stock and Investment Accounts	$ 640,900	$ 596,500
Central Liquidity Facility Stock	3,091,183	2,701,780
Investments in CUSOs	243,279	243,279
Total	$ 3,975,362	$ 3,541,559

FHLB Stock

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

Central Liquidity Facility Stock

The Credit Union is a member of the NCUA Central Liquidity Facility (Facility), which was formed to assist member credit unions in meeting their short-term liquidity needs. Membership is obtained through investment in shares of the Facility as determined by a statutory formula. As of December 31, 2022 and 2021, the Credit Union had not borrowed from the Facility.

Investments in CUSOs

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

NOTE 3 LOANS, NET

The composition of loans is as follows:

	December 31, 2022	December 31, 2021
Consumer:		
Automobile	$ 59,450,445	$ 49,945,930
Credit Cards	53,221,685	52,516,636
Unsecured	27,937,954	27,397,402
Other Secured	1,068,462	1,000,663
Student	2,098,109	868,955
Subtotal	143,776,655	131,729,586
Residential Real Estate:		
First Mortgage	456,075,689	434,612,380
Home Equity	88,475,135	68,023,940
Subtotal	544,550,824	502,636,320
Total Loans	688,327,479	634,365,906
Net Deferred Loan Origination Costs (Fees)	(32,811)	(12,523)
Allowance for Loan Losses	(4,558,571)	(4,218,795)
Loans, Net	$ 683,736,097	$ 630,134,588

The Credit Union purchased residential real estate loan participations originated by other financial institutions during the year ended December 31, 2020. These loan participations were purchased without recourse and the originating financial institution performs all loan servicing functions on these loans. The total loan participations have been included above in the First Mortgage segment and totaled $3,598,257 and $5,551,452 at December 31, 2022 and 2021, respectively.

NOTE 3 LOANS, NET (CONTINUED)

The allowance for loan losses and recorded investment in loans is as follows:

	Consumer	Residential Real Estate	Total
December 31, 2022			
Allowance for Loan Losses:			
Balance at Beginning of Year	$ 1,017,810	$ 3,200,985	$ 4,218,795
Provision for Loan Losses	422,051	269,712	691,763
Loans Charged Off	(907,243)	-	(907,243)
Recoveries of Loans Previously Charged Off	555,256	-	555,256
Balance at End of Year	$ 1,087,874	$ 3,470,697	$ 4,558,571
Ending Balance: Individually Evaluated for Impairment	$ 2,452	$ 150,834	$ 153,286
Ending Balance: Collectively Evaluated for Impairment	1,085,422	3,319,863	4,405,285
Total Allowance for Loan Losses	$ 1,087,874	$ 3,470,697	$ 4,558,571
Loans:			
Ending Balance: Individually Evaluated for Impairment	$ 209,615	$ 3,389,993	$ 3,599,608
Ending Balance: Collectively Evaluated for Impairment	143,567,040	541,160,831	684,727,871
Total Loans	$ 143,776,655	$ 544,550,824	$ 688,327,479

NOTE 3 LOANS, NET (CONTINUED)

The allowance for loan losses and recorded investment in loans is as follows (continued):

	Consumer	Residential Real Estate	Total
December 31, 2021			
Allowance for Loan Losses:			
Balance at Beginning of Year	$ 1,832,632	$ 2,153,778	$ 3,986,410
Provision (Credit) for Loan Losses	(495,564)	952,501	456,937
Loans Charged Off	(876,733)	(16,871)	(893,604)
Recoveries of Loans Previously Charged Off	557,475	111,577	669,052
Balance at End of Year	$ 1,017,810	$ 3,200,985	$ 4,218,795
Ending Balance: Individually Evaluated for Impairment	$ 26,911	$ 241,343	$ 268,254
Ending Balance: Collectively Evaluated for Impairment	990,899	2,959,642	3,950,541
Total Allowance for Loan Losses	$ 1,017,810	$ 3,200,985	$ 4,218,795
Loans:			
Ending Balance: Individually Evaluated for Impairment	$ 393,817	$ 4,326,459	$ 4,720,276
Ending Balance: Collectively Evaluated for Impairment	131,335,769	498,309,861	629,645,630
Total Loans	$ 131,729,586	$ 502,636,320	$ 634,365,906

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

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

NOTE 3 LOANS, NET (CONTINUED)

	Payment Activity		
	Performing	Nonperforming	Total
December 31, 2021			
Consumer:			
Automobile	$ 49,899,571	$ 46,359	$ 49,945,930
Credit Cards	52,270,419	246,217	52,516,636
Unsecured	27,317,228	80,174	27,397,402
Other Secured	1,000,663	-	1,000,663
Student	868,955	-	868,955
Residential Real Estate:			
First Mortgage	431,589,807	3,022,573	434,612,380
Home Equity	68,003,923	20,017	68,023,940
Total	$ 630,950,566	$ 3,415,340	$ 634,365,906

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

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

	Accruing Interest			
	Current	30-89 Days Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
December 31, 2021				
Automobile	$ 49,195,317	$ 704,254	$ 46,359	$ 49,945,930
Credit Cards	51,864,513	405,906	246,217	52,516,636
Unsecured	26,837,605	479,623	80,174	27,397,402
Other Secured	1,000,442	221	-	1,000,663
Student	868,955	-	-	868,955
First Mortgage	428,802,519	2,787,288	3,022,573	434,612,380
Home Equity	67,393,645	610,278	20,017	68,023,940
Total	$ 625,962,996	$ 4,987,570	$ 3,415,340	$ 634,365,906

Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2022 and 2021.

NOTE 3 LOANS, NET (CONTINUED)

The following tables present information related to impaired loans:

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

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
December 31, 2021				
With No Related Allowance:				
First Mortgage	$ 2,842,049	$ 2,842,049	$ -	$ 2,692,274
Home Equity	96,315	96,315	-	141,619
Subtotal	2,938,364	2,938,364	-	2,833,893
With An Allowance Recorded:				
Automobile	30,434	30,434	3,162	44,894
Credit Card	52,798	52,798	338	66,565
Unsecured	310,585	310,585	23,411	361,004
First Mortgage	1,036,691	1,036,691	119,973	1,455,898
Home Equity	351,404	351,404	121,370	383,874
Subtotal	1,781,912	1,781,912	268,254	2,312,235
Total Impaired Loans:				
Consumer	$ 393,817	$ 393,817	$ 26,911	$ 472,463
Residential Real Estate	4,326,459	4,326,459	241,343	4,673,665

NOTE 3 LOANS, NET (CONTINUED)

Summaries of loans modified in troubled debt restructurings and those related restructurings for which there was a payment default during the years ended December 31, 2022 and 2021 are as follows. Post-modification balances approximate pre-modification balances. The aggregate amount of charge offs as a result of a restructuring are not significant.

	Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
	Number of Loans	Post-Modification Outstanding Balance	Number of Loans	Post-Modification Outstanding Balance
December 31, 2022				
Unsecured	1	$ 9,204	-	$ -
Total	1	$ 9,204	-	$ -

	Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
	Number of Loans	Post-Modification Outstanding Balance	Number of Loans	Post-Modification Outstanding Balance
December 31, 2021				
Automobile	2	$ 4,929	-	$ -
Unsecured	5	57,470	-	-
Home Equity	2	30,433	-	-
Total	9	$ 92,832	-	$ -

The following tables show the types of modifications made during the years ended December 31, 2022 and 2021:

	Extended Maturities	Bankruptcy	Total
December 31, 2022			
Unsecured	$ 9,204	$ -	$ 9,204
Total	$ 9,204	$ -	$ 9,204

	Extended Maturities	Bankruptcy	Total
December 31, 2021			
Automobile	$ -	$ 4,929	$ 4,929
Unsecured	57,470	-	57,470
Home Equity	30,433	-	30,433
Total	$ 87,903	$ 4,929	$ 92,832

NOTE 4 LOAN SERVICING

Loans serviced for others are not included in the accompanying statements of financial condition. The unpaid principal balances of mortgage loans serviced for others were approximately $184,968,000 and $194,789,000 at December 31, 2022 and 2021, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately $1,013,000 and $1,129,000 at December 31, 2022 and 2021, respectively.

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

	Years Ended December 31:	
	2022	2021
Servicing Rights:		
Balance at Beginning of Year	$ 1,799,986	$ 1,737,487
Servicing Rights Capitalized	57,608	593,845
Servicing Rights Amortized	(293,506)	(531,346)
Balance at End of Year	$ 1,564,088	$ 1,799,986
Valuation Allowances:		
Balance at End of Year	$ 353,343	$ 353,343

The balance of capitalized servicing rights, net of valuation allowances, is included in other assets and totaled $1,210,745 and $1,446,643 at December 31, 2022 and 2021, respectively. The fair values of these rights were $2,130,279 and $1,820,116 at December 31, 2022 and 2021, respectively. The fair value of servicing rights was determined using discount rates of 10% as of December 31, 2022 and ranging from 9.50% to 10% as of December 31, 2021 and prepayment speeds ranging from 7.08% to 19.20% as of December 31, 2022 and from 8.20% to 25.60% as of December 31, 2021.

NOTE 5 PREMISES AND EQUIPMENT, NET

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

	December 31,	
	2022	2021
Land	$ 1,433,000	$ 1,433,000
Buildings and Improvements	13,994,044	13,953,108
Furniture and Equipment	14,697,601	13,817,148
Leasehold Improvements	882,386	882,386
Total	31,007,031	30,085,642
Less: Accumulated Depreciation and Amortization	(21,810,930)	(20,444,026)
Total	$ 9,196,101	$ 9,641,616

NOTE 5 PREMISES AND EQUIPMENT, NET (CONTINUED)

Lessor Agreements

The Credit Union leases certain office facilities to various tenants under noncancelable operating leases expiring in various years. Rental income, included in other noninterest income, was approximately $491,000 and $514,000 for the years ended December 31, 2022 and 2021, respectively. Future minimum lease payments receivable under these leases are as follows:

Year Ending December 31,	Amount
2023	$ 536,629
2024	514,091
2025	428,742
2026	251,242
2027	170,569
Thereafter	767,394
Total	$ 2,668,667

Donated Space

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

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

	December 31,	
	2022	2021
Share Drafts	$ 344,428,787	$ 336,972,747
Shares	270,056,033	268,800,505
Money Market	398,773,989	416,411,656
IRA Deposits	12,069,313	12,392,462
Share and IRA Certificates	128,252,426	129,803,644
Total	$ 1,153,580,548	$ 1,164,381,014

The aggregate amounts of certificates of deposit in denominations of $250,000 or more was approximately $28,434,000 and $27,042,000 at December 31, 2022 and 2021, respectively.

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS (CONTINUED)

As of December 31, 2022, scheduled maturities of share and IRA certificates are as follows:

Year Ending December 31,	Amount
2023	$ 76,188,643
2024	18,821,108
2025	13,224,024
2026	5,386,319
2027	14,632,332
Thereafter	-
Total	$ 128,252,426

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

NOTE 7 BORROWED FUNDS

The Credit Union has entered into an Advances, Pledge, and Security Agreement with the FHLB whereby specific mortgage loans of the Credit Unions with advance equivalents of approximately $328,356,000 and $337,202,000 at December 31, 2022 and 2021, respectively, were pledged to the FHLB as collateral in the event the Credit Union requests any advances on the line. There were no balances outstanding on this line at December 31, 2022 and 2021.

The Credit Union has a line of credit with the Federal Reserve Bank of Richmond's Discount Window. As of December 31, 2022 and 2021, the Credit Union has pledged select federal agency securities with book values of approximately $5,290,000 and $8,987,000, respectively. There were no balances outstanding on this line at December 31, 2022 and 2021.

NOTE 8 REGULATORY NET WORTH REQUIREMENTS

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

NOTE 8 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

Regulatory quantitative measures to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation). Prior to January 1, 2022, credit unions were required to calculate a Risk-Based Net Worth Requirement (RBNWR) which established if the Credit Union is considered “complex” under the regulatory framework. The Credit Union’s RBNW ratio as of December 31, 2021, was 5.66%. The minimum ratio to be considered complex under the regulatory framework was 6.00%.

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

As of March 31, 2022, the most recent call reporting period, the NCUA categorized the Credit Union initially as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized,” the Credit Union must maintain a minimum net worth ratio of 7% of assets. In addition, the credit union, if complex, must maintain a minimum risk-based capital ratio of 10% or greater. There are no conditions or events since that notification that management believes have changed the institution’s category.

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

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022						
Net Worth	$ 111,836,773	8.91%	$ 75,291,908	6.00%	$ 87,840,559	7.00%
Risk-Based Capital Raio	$ 106,776,076	18.19%	$ 46,949,600	8.00%	$ 58,687,000	10.00%
December 31, 2021						
Net Worth	$ 103,375,810	8.07%	$ 76,879,823	6.00%	$ 89,693,126	7.00%
Risk-Based Net Worth Requirement	$ 72,523,299	5.66%	N/A	N/A	N/A	N/A

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

In accordance with the NCUA guidelines, the Credit Union has calculated and applied $586,869,996 as total risk-weighted assets for the calculation of the Risk-Based Capital ratio.

NOTE 9 RELATED PARTY TRANSACTIONS

Included in Loans, Net at December 31, 2022 and 2021, are loans to the Credit Union's board of directors, committee members, and senior executive staff of approximately $3,614,000 and $2,059,000, respectively. The aggregate principal advances and principal repayments are not significant.

Deposits from the Credit Union's board of directors, committee members, and senior executive staff held by the Credit Union at December 31, 2022 and 2021 are approximately $2,291,000 and $3,336,000, respectively.

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

Off-Statement of Financial Condition Activities

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

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

The following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31,	
	2022	2021
Commitments to Grant Collateralized Loans		
First Mortgages	$ 62,538,158	$ 52,377,302
Unfunded Unsecured Commitments Under		
Lines of Credit	21,638,971	21,965,242
Other Unfunded Commitments	25,000	25,000
Credit Card Commitments	236,158,920	239,512,277
Total	$ 320,361,049	$ 313,879,821

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Off-Statement of Financial Condition Activities (Continued)

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

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

Legal Contingencies

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

NOTE 11 FAIR VALUE

Recurring Basis

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

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

NOTE 11 FAIR VALUE (CONTINUED)

Recurring Basis (Continued)

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Assets:				
Available-for-Sale Securities:				
Federal Agency Mortgage Backed Securities	$ -	$ 148,265,123	$ -	$ 148,265,123
Collateralized Mortgage Obligation Securities	-	180,307,016	-	180,307,016
Equity Security	69,915,142	-	-	69,915,142
457(b) Non-Qualified Plan Assets	1,972,523	-	-	1,972,523
Total	$ 71,887,665	$ 328,572,139	$ -	$ 400,459,804

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

Available-for-Sale Securities and Equity Securities

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

Deferred Compensation

The 457(b) nonqualified plan assets are invested in various equity mutual funds. These are classified as Level 1 of the fair value hierarchy.

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

NOTE 11 FAIR VALUE (CONTINUED)

Nonrecurring Basis

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

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended December 31, 2022 and 2021 consisted of the following:

	Level 1	Level 2	Level 3	Impairment Losses
December 31, 2022				
Impaired Loans	$ -	$ -	$ 482,032	$ 150,834

	Level 1	Level 2	Level 3	Impairment Losses
December 31, 2021				
Impaired Loans	$ -	$ -	$ 1,174,024	$ 244,505

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

	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
December 31, 2022				
Impaired Loans	$ 482,032	Evaluation of Collateral	Estimation of Value	Not Meaningful

	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
December 31, 2021				
Impaired Loans	$ 1,174,024	Evaluation of Collateral	Estimation of Value	Not Meaningful

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

NOTE 11 FAIR VALUE (CONTINUED)

Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged off.

NOTE 12 REVENUE FROM CONTRACTS WITH MEMBERS

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

	2022	2021
In Scope of ASC 606		
Services Charges on Deposits	$ 1,557,439	$ 1,330,545
Interchange and Bankcard Fees	4,983,572	5,161,233
Other	416,108	103,945
Noninterest Income in Scope of ASC 606	6,957,119	6,595,723
Noninterest Income not within the Scope of ASC 606 (a)	1,689,431	3,584,344
Total Noninterest Income	$ 8,646,550	$ 10,180,067

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

The Credit Union does not typically enter into long-term revenue contracts with members, and therefore, does not experience significant contract balances. As of December 31, 2022 and 2021, the Credit Union did not have any significant contract balances and did not capitalize any contract acquisition costs.