WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
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CliftonLarsonAllen LLP
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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, 2021 and 2020, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wright Patman Congressional Federal Credit Union as of December 31, 2021 and 2020, 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 the reference to our audit but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
April 26, 2022

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	$ 116,040,819	$ 161,916,521
Equity Securities	69,915,142	50,063,739
Securities - Available-for-Sale	328,572,139	261,997,961
Securities - Held-to-Maturity	78,606,773	31,587,799
Other Investments	7,011,038	4,740,621
Loans Held-for-Sale	-	3,253,155
Loans, Net	630,134,588	622,530,001
Accrued Interest Receivable	1,579,691	1,720,837
Premises and Equipment, Net	9,641,616	9,746,999
NCUSIF (National Credit Union Share Insurance Fund) Deposit	9,419,032	8,573,890
Other Assets	30,409,539	36,603,169
Total Assets	$ 1,281,330,377	$ 1,192,734,692
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	$ 1,164,381,014	$ 1,079,510,470
Accrued Expenses and Other Liabilities	11,490,257	10,851,022
Total Liabilities	1,175,871,271	1,090,361,492
MEMBERS' EQUITY		
Regular Reserves	6,256,136	6,256,136
Undivided Earnings	97,119,674	92,730,679
Accumulated Other Comprehensive Income	2,083,296	3,386,385
Total Members' Equity	105,459,106	102,373,200
Total Liabilities and Members' Equity	$ 1,281,330,377	$ 1,192,734,692

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
INTEREST INCOME		
Loans	$ 24,835,584	$ 26,941,288
Securities, Interest Bearing Deposits, and Cash Equivalents	3,987,465	4,785,488
Total Interest Income	28,823,049	31,726,776
INTEREST EXPENSE		
Members' Share and Savings Accounts	2,982,484	5,557,159
Net Interest Income	25,840,565	26,169,617
PROVISION FOR LOAN LOSSES	456,937	2,150,808
Net Interest Income After Provision for Loan Losses	25,383,628	24,018,809
NONINTEREST INCOME		
Service Charges and Fees	4,907,052	6,959,548
Other Noninterest Income	4,759,282	4,057,331
Tenant Income	513,733	446,475
Total Noninterest Income	10,180,067	11,463,354
NONINTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	15,651,719	16,366,500
Occupancy	1,302,582	1,242,615
Operations	7,468,471	7,186,412
Professional and Outside Services	1,781,945	1,509,510
Educational and Promotional	488,620	483,843
Loan Servicing	3,388,937	3,057,756
Other Operating Expenses	1,092,426	1,136,339
Total Noninterest Expense	31,174,700	30,982,975
NET INCOME	$ 4,388,995	$ 4,499,188

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
NET INCOME	$ 4,388,995	$ 4,499,188
OTHER COMPREHENSIVE (LOSS) INCOME:		
Securities - Available-for-Sale		
Unrealized Holding (Loss) Gain Arising During the Period	(1,303,089)	950,531
Subtotal	(1,303,089)	950,531
TOTAL COMPREHENSIVE INCOME	$ 3,085,906	$ 5,449,719

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income	Total
BALANCES AT DECEMBER 31, 2019	$ 6,256,136	$ 88,231,491	$ 2,435,854	$ 96,923,481
Net Income	-	4,499,188	-	4,499,188
Other Comprehensive Income	-	-	950,531	950,531
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

See accompanying Notes to Financial Statements.

WRIGHT PATMAN CONGRESSIONAL FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 4,388,995	$ 4,499,188
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,158,464	1,046,118
Amortization of Securities Premiums/Discounts, Net	889,796	1,324,049
Provision for Loan Losses	456,937	2,150,808
Amortization of Servicing Rights	531,346	385,772
Capitalization of Servicing Rights	(593,845)	(1,418,265)
Unrealized Loss (Gain) on Equity Securities	148,597	(63,739)
Changes in:		
Loans Held-for-Sale	3,253,155	(2,966,255)
Accrued Interest Receivable	141,146	450,995
Other Assets	6,256,129	(6,872,645)
Accrued Expenses and Other Liabilities	639,235	2,950,501
Net Cash Provided by Operating Activities	17,269,955	1,486,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Change in Other Investments	(2,270,417)	(19,522)
Purchase of Securities:		
Equity	(20,000,000)	(50,000,000)
Available-for-Sale	(148,719,899)	(90,773,398)
Held-to-Maturity	(62,858,239)	(26,507,930)
Proceeds from Maturities and Paydowns of Securities:		
Available-for-Sale	80,201,913	98,353,967
Held-to-Maturity	15,590,188	8,994,269
Loan (Originations) Repayments Net of Principal Collected on Loans to Members	(8,061,524)	7,091,134
Increase in NCUSIF Deposit	(845,142)	(1,033,060)
Purchase of Participation Loans	-	(20,643,035)
Expenditures for Premises and Equipment	(1,053,081)	(1,897,365)
Net Cash Used by Investing Activities	(148,016,201)	(76,434,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Members' Share and Savings Accounts	84,870,544	187,695,382
Net Cash Provided by Financing Activities	84,870,544	187,695,382
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(45,875,702)	112,746,969
Cash and Cash Equivalents - Beginning of Year	161,916,521	49,169,552
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 116,040,819	$ 161,916,521
SUPPLEMENTARY DISCLOSURE OF NONCASH AND CASH FLOW INFORMATION		
Members' Share and Savings Accounts Cash Paid For Interest	$ 2,982,484	$ 5,557,159

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 and the determination of the allowance for loan losses.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic may impact various parts of the Credit Union's future operations and financial results, including additional loan loss reserves. Management believes the Credit Union is taking appropriate actions to mitigate the negative impact.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2021 and 2020.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Investments

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

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made without recourse. Loans typically carry a six month buy back period. Repurchase of a loan could be required in the event of fraud or violation of covenants.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

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.

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.

In response to the COVID-19 pandemic and related economic disruption to nonessential businesses and resulting increased unemployment, the Credit Union provided additional reserves in its allowance for loan losses to account for the credit quality implications of these economic factors. The qualitative factors were added based on the risk of the various loan types in the portfolio.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

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.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act sought to provide relief when structuring loan modifications with borrowers impacted by COVID-19. In order to qualify, the modification must be related to COVID-19, the loan must have been current at December 31, 2019, and the modification must have been granted prior to January 1, 2022. The Credit Union has granted such modifications and under the CARES Act, these loan modifications are not considered to be TDRs.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment, Net

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

Impairment of Long-Lived Assets

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

NCUSIF Deposit and NCUSIF

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

Members’ Share and Savings Accounts

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

Members’ Equity

The Credit Union is required by regulation to maintain a statutory regular reserve. This reserve, which represents a regulatory restriction of retained earnings, is established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earnings. The statutory reserve is not available for the payment of interest.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income

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

Reclassifications from accumulated other comprehensive income 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 R*evenue from Contracts with Customers (Topic 606).* The Credit Union has elected to use the following optional exemptions that are permitted under Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Credit Union recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Credit Union would have recognized is one year or less.
- For performance obligations satisfied over time, if the Credit Union has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Credit Union's performance completed to date, the Credit Union will generally recognize revenue in the amount to which the Credit Union has a right to invoice.
- The Credit Union does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Credit Union recognizes revenue in the amount to which the Credit Union has a right to invoice.

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

Service Charges on Deposits

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Members (Continued)

Interchange and Bankcard Fees

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

Other

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

Income Taxes

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

Retirement Plans

401(k) plan – The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable Internal Revenue Service limitations of the participant's annual compensation. The Credit Union makes safe harbor qualified matching contributions to the plan. The Credit Union's contributions to the plan approximated $628,000 and $658,000 for the years ended December 31, 2021 and 2020, respectively.

Deferred Compensation Plan [Section 457(b)] – The Credit Union has a nonqualified deferred compensation plan for members of management. The Credit Union makes discretionary contributions to the plan and employees are allowed to contribute to the plan. The deferred compensation accounts are shown as both assets and liabilities on the Credit Union's financial statements and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation arrangement was $1,972,523 and $1,740,167 as of December 31, 2021 and 2020, respectively. Deferred compensation expense was $91,179 and $114,282 for the years ended December 31, 2021 and 2020, respectively.

Advertising Costs

Advertising and promotion costs which totaled approximately $489,000 and $484,000 for the years ended December 31, 2021 and 2020, respectively, are expensed as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

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

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

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

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

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

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

New Accounting Pronouncements

In February 2016, the FASB approved 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 2020-05, *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. Early adoption is permitted. The Credit Union is currently evaluating the impact of ASU 2016-02 on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

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. The Credit Union is currently evaluating the impact of ASU 2016-13 and ASU 2018-19 on the financial statements.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the current year presentation. These reclassifications did not result in any change to members' equity of net income.

Subsequent Events

In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through April 26, 2022, 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:

	2021	2020
Mutual Funds	$ 69,915,142	$ 50,063,739

The unrealized loss on the equity security of $148,597 as of December 31, 2021, and the unrealized gain on the equity security of $63,739 as of December 31, 2020, was reported in other non-interest income. The unrealized (loss) gain is related to an equity security still held at December 31, 2021 and 2020.

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, 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
December 31, 2020				
Federal Agency Mortgage-Backed Securities	$ 84,373,926	$ 2,507,123	$ (3,452)	$ 86,877,597
Collateralized Mortgage Obligation Securities	174,237,650	1,328,069	(445,355)	175,120,364
Total	$ 258,611,576	$ 3,835,192	$ (448,807)	$ 261,997,961

There were no sales of securities available-for-sale during the years ended December 31, 2021 and 2020.

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, 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
December 31, 2020				
Federal Agency Mortgage-Backed Securities	$ 1,096,221	$ 56,752	$ -	$ 1,152,973
Collateralized Mortgage Obligation Securities	30,491,578	168,519	(53,853)	30,606,244
Total	$ 31,587,799	$ 225,271	$ (53,853)	$ 31,759,217

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

At December 31, 2021 and 2020, securities carried at approximately $8,987,000 and $18,578,000, respectively, were pledged as collateral to secure borrowed funds

The amortized cost and estimated fair value of securities, at December 31, 2021, 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	$ -	$ -	$ 14,000,000	$ 13,797,920
Federal Agency Mortgage-Backed Securities	147,056,457	148,265,123	13,535,791	13,315,110
Collateralized Mortgage Obligation Securities	179,432,386	180,307,016	51,070,982	49,719,615
Total	$ 326,488,843	$ 328,572,139	$ 78,606,773	$ 76,832,645

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	
	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
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)

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2020				
Federal Agency Mortgage-Backed Securities	$ (3,452)	$ 245,291	$ -	$ -
Collateralized Mortgage Obligation Securities	(444,599)	31,466,351	(756)	1,501,386
Total Available-for-Sale	$ (448,051)	$ 31,711,642	$ (756)	$ 1,501,386
Collateralized Mortgage Obligation Securities	$ (53,853)	$ 5,567,103	$ -	$ -
Total Held-to-Maturity	$ (53,853)	$ 5,567,103	$ -	$ -

At December 31, 2021, the 55 securities with unrealized losses have depreciated 1.40% 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 to hold securities until maturity or for the foreseeable future for those classified as available-for-sale, 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, 2021	December 31, 2020
FHLB Stock and Investment Accounts	$ 4,065,979	$ 2,067,939
Central Liquidity Facility Stock	2,701,780	2,435,356
Investments in CUSOs	243,279	237,326
Total	$ 7,011,038	$ 4,740,621

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.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

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, 2021 and 2020, 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,	
	2021	2020
Consumer:		
Automobile	$ 49,945,930	$ 55,503,169
Credit Cards	52,516,636	55,579,690
Unsecured	27,397,402	30,304,831
Other Secured	1,000,663	845,264
Student	868,955	1,224,473
Subtotal	131,729,586	143,457,427
Residential Real Estate:		
First Mortgage	434,612,380	411,725,622
Home Equity	68,023,940	71,395,416
Subtotal	502,636,320	483,121,038
Total Loans	634,365,906	626,578,465
Net Deferred Loan Origination Costs (Fees)	(12,523)	(62,054)
Allowance for Loan Losses	(4,218,795)	(3,986,410)
Loans, Net	$ 630,134,588	$ 622,530,001

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 $5,551,452 and $13,086,999 at December 31, 2021 and 2020, 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, 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

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, 2020			
Allowance for Loan Losses:			
Balance at Beginning of Year	$ 1,611,350	$ 1,470,464	$ 3,081,814
Provision for Loan Losses	1,407,373	743,435	2,150,808
Loans Charged Off	(1,694,424)	(61,551)	(1,755,975)
Recoveries of Loans Previously Charged Off	508,333	1,430	509,763
Balance at End of Year	$ 1,832,632	$ 2,153,778	$ 3,986,410
Ending Balance: Individually Evaluated for Impairment	$ 33,976	$ 313,410	$ 347,386
Ending Balance: Collectively Evaluated for Impairment	1,798,656	1,840,368	3,639,024
Total Allowance for Loan Losses	$ 1,832,632	$ 2,153,778	$ 3,986,410
Loans:			
Ending Balance: Individually Evaluated for Impairment	$ 551,107	$ 5,020,868	$ 5,571,975
Ending Balance: Collectively Evaluated for Impairment	142,906,320	478,100,170	621,006,490
Total Loans	$ 143,457,427	$ 483,121,038	$ 626,578,465

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, 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

NOTE 3 LOANS, NET (CONTINUED)

	Payment Activity		
	Performing	Nonperforming	Total
December 31, 2020			
Consumer:			
Automobile	$ 55,377,258	$ 125,911	$ 55,503,169
Credit Cards	55,384,110	195,580	55,579,690
Unsecured	30,119,454	185,377	30,304,831
Other Secured	845,264	-	845,264
Student	1,224,473	-	1,224,473
Residential Real Estate:			
First Mortgage	410,571,485	1,154,137	411,725,622
Home Equity	71,333,051	62,365	71,395,416
Total	$ 624,855,095	$ 1,723,370	$ 626,578,465

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, 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

	Accruing Interest			
	Current	30-89 Days Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
December 31, 2020				
Automobile	$ 54,947,225	$ 430,033	$ 125,911	$ 55,503,169
Credit Cards	54,810,293	573,817	195,580	55,579,690
Unsecured	29,634,424	485,030	185,377	30,304,831
Other Secured	830,412	14,852	-	845,264
Student	1,224,473	-	-	1,224,473
First Mortgage	405,824,021	4,747,464	1,154,137	411,725,622
Home Equity	71,010,062	322,989	62,365	71,395,416
Total	$ 618,280,910	$ 6,574,185	$ 1,723,370	$ 626,578,465

Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2021 and 2020.

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, 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

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
December 31, 2020				
With No Related Allowance:				
First Mortgage	$ 2,542,498	$ 2,542,498	$ -	$ 2,247,175
Home Equity	186,922	186,922	-	126,654
Subtotal	2,729,420	2,729,420	-	2,373,829
With An Allowance Recorded:				
Automobile	59,353	59,353	4,797	64,139
Credit Card	80,331	80,331	3,919	86,867
Unsecured	411,423	411,423	25,260	391,973
First Mortgage	1,875,105	1,875,105	157,448	2,580,883
Home Equity	416,343	416,343	155,962	485,462
Subtotal	2,842,555	2,842,555	347,386	3,609,324
Total Impaired Loans:				
Consumer	$ 551,107	$ 551,107	$ 33,976	$ 542,979
Residential Real Estate	5,020,868	5,020,868	313,410	5,440,174

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, 2021 and 2020 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, 2021				
Automobile	2	$ 4,929	-	$ -
Unsecured	5	57,470	-	-
Home Equity	2	30,433	-	-
Total	9	$ 92,832	-	$ -

	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, 2020				
Automobile	3	$ 38,269	-	$ -
Credit Cards	6	62,913	-	-
Unsecured	13	165,273	-	-
Home Equity	3	170,950	-	-
Total	25	$ 437,405	-	$ -

The following tables show the types of modifications made during the years ended December 31, 2021 and 2020:

	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

	Extended Maturities	Bankruptcy	Total
December 31, 2020			
Automobile	$ 24,809	$ 13,460	$ 38,269
Credit Cards	62,913	-	62,913
Unsecured	165,273	-	165,273
Home Equity	170,950	-	170,950
Total	$ 423,945	$ 13,460	$ 437,405

NOTE 3 LOANS, NET (CONTINUED)

The Credit Union's loan portfolio also includes certain loans with deferments that have been modified in connection with COVID-19. A summary of modified loans in connection with COVID-19 not categorized as troubled debt restructurings are as follows:

	Modified During the Year Ended December 31, 2021		Still Under Modification at December 31, 2021	
	Number of Loans	Loan Balance	Number of Loans	Loan Balance
Consumer	12	$ 89,361	21	$ 158,294
Residential Real Estate	5	693,980	24	7,891,340
Total	17	$ 783,341	45	$ 8,049,634

	Modified During the Year Ended December 31, 2020		Still Under Modification at December 31, 2020	
	Number of Loans	Loan Balance	Number of Loans	Loan Balance
Consumer	17	$ 141,967	17	$ 115,984
Residential Real Estate	30	10,133,290	21	7,235,856
Total	47	$ 10,275,257	38	$ 7,351,840

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 $194,789,000 and $169,256,000 at December 31, 2021 and 2020, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were approximately $1,129,000 and $1,078,000 at December 31, 2021 and 2020, respectively.

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

	Years Ended December 31:	
	2021	2020
Servicing Rights:		
Balance at Beginning of Year	$ 1,737,487	$ 704,994
Servicing Rights Capitalized	593,845	1,418,265
Servicing Rights Amortized	(531,346)	(385,772)
Balance at End of Year	$ 1,799,986	$ 1,737,487
Valuation Allowances:		
Balance at Beginning of Year	$ 353,343	$ -
Additions	-	353,343
Balance at End of Year	$ 353,343	$ 353,343

NOTE 4 LOAN SERVICING (CONTINUED)

The balance of capitalized servicing rights, net of valuation allowances, is included in other assets and totaled $1,446,643 and $1,384,144 at December 31, 2021 and 2020, respectively. The fair values of these rights were $1,820,116 and $1,384,144 at December 31, 2021 and 2020, respectively. The fair value of servicing rights was determined using discount rates ranging from 9.50% to 10% as of December 31, 2021 and 2020 and prepayment speeds ranging from 8.20% to 25.60% as of December 31, 2021 and from 9.10% to 32.80% as of December 31, 2020.

NOTE 5 PREMISES AND EQUIPMENT, NET

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

	December 31,	
	2021	2020
Land	$ 1,433,000	$ 1,433,000
Buildings and Improvements	13,953,108	13,840,111
Furniture and Equipment	13,817,148	12,897,619
Leasehold Improvements	882,386	861,831
Total	30,085,642	29,032,561
Less: Accumulated Depreciation and Amortization	(20,444,026)	(19,285,562)
Total	$ 9,641,616	$ 9,746,999

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 $514,000 and $446,000 for the years ended December 31, 2021 and 2020, respectively. Future minimum lease payments receivable under these leases are as follows:

Year Ending December 31,	Amount
2022	$ 522,621
2023	536,629
2024	514,091
2025	428,742
2026	251,242
Thereafter	937,963
Total	$ 3,191,288

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. The accompanying statements of income reflect other noninterest income and office occupancy expense of approximately $188,000 and $191,000 for the years ended December 31, 2021 and 2020, respectively. The amounts represent management's estimate of the fair value of the donated space.

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

	December 31, 2021	December 31, 2020
Share Drafts	$ 336,972,747	$ 311,408,406
Shares	268,800,505	237,636,352
Money Market	416,411,656	367,779,052
IRA Deposits	12,392,462	12,375,087
Share and IRA Certificates	129,803,644	150,311,573
Total	$ 1,164,381,014	$ 1,079,510,470

The aggregate amounts of certificates of deposit in denominations of $250,000 or more was approximately $27,042,000 and $31,708,000 at December 31, 2021 and 2020, respectively.

As of December 31, 2021, scheduled maturities of share and IRA certificates are as follows:

Year Ending December 31,	Amount
2022	$ 80,633,892
2023	23,645,411
2024	12,850,434
2025	7,278,515
2026	5,317,834
Thereafter	77,558
Total	$ 129,803,644

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 $337,202,000 and $323,065,000 at December 31, 2021 and 2020, 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, 2021 and 2020.

The Credit Union has a line of credit with the Federal Reserve Bank of Richmond's Discount Window. As of December 31, 2021 and 2020, the Credit Union has pledged select federal agency securities with book values of approximately $8,987,000 and $18,578,000, respectively. There were no balances outstanding on this line at December 31, 2021 and 2020.

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.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio as of December 31, 2021, the most recent quarterly regulatory filing date, was 5.66%. The minimum ratio to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2021, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2021, 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. 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, 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
December 31, 2020						
Net Worth	$ 98,986,815	8.30%	$ 71,564,082	6.00%	$ 83,491,428	7.00%
Risk-Based Net Worth Requirement	55,581,437	4.66	N/A	N/A	N/A	N/A

NOTE 8 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

Because RBNWR at December 31, 2021, 5.66%, is less than the regulatory net worth ratio of 8.07%, the Credit Union retains its original assigned category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option.

NOTE 9 RELATED PARTY TRANSACTIONS

Included in Loans, Net at December 31, 2021 and 2020, are loans to the Credit Union's board of directors, committee members, and senior executive staff of approximately $2,059,000 and $1,682,000, 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, 2021 and 2020 are approximately $3,336,000 and $2,011,000, 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,	
	2021	2020
Commitments to Grant Collateralized Loans		
First Mortgages	$ 52,377,302	$ 45,583,371
Unfunded Unsecured Commitments Under		
Lines of Credit	21,965,242	21,512,056
Other Unfunded Commitments	25,000	103,150,995
Credit Card Commitments	239,512,277	244,257,642
Total	$ 313,879,821	$ 414,504,064

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, 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

NOTE 11 FAIR VALUE (CONTINUED)

Recurring Basis (Continued)

	Level 1	Level 2	Level 3	Total
December 31, 2020				
Assets:				
Available-for-Sale Securities:				
Federal Agency Mortgage Backed Securities	$ -	$ 86,877,597	$ -	$ 86,877,597
Collateralized Mortgage Obligation Securities	-	175,120,364	-	175,120,364
Equity Security	50,063,739	-	-	50,063,739
457(b) Non-Qualified Plan Assets	1,740,167	-	-	1,740,167
Total	$ 51,803,906	$ 261,997,961	$ -	$ 313,801,867

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, 2021 and 2020 consisted of the following:

	Level 1	Level 2	Level 3	Impairment Losses
December 31, 2021				
Impaired Loans	$ -	$ -	$ 1,513,658	$ 268,254

	Level 1	Level 2	Level 3	Impairment Losses
December 31, 2020				
Impaired Loans	$ -	$ -	$ 2,495,169	$ 347,386

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, 2021				
Impaired Loans	$ 1,513,658	Evaluation of Collateral	Estimation of Value	Not Meaningful

	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
December 31, 2020				
Impaired Loans	$ 2,495,169	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:

	2021	2020
In Scope of ASC 606		
Services Charges on Deposits	$ 1,330,545	$ 950,661
Interchange and Bankcard Fees	5,161,233	4,505,000
Other	103,945	101,557
Noninterest Income in Scope of ASC 606	6,595,723	5,557,218
Noninterest Income not within the Scope of ASC 606 (a)	3,584,344	5,906,136
Total Noninterest Income	$ 10,180,067	$ 11,463,354

(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, 2021 and 2020, the Credit Union did not have any significant contract balances and did not capitalize any contract acquisition costs.