Quorum
FEDERAL CREDIT UNION

2023 ANNUAL REPORT

Banking That's Good. For You.

CONTENTS

Mission

Quorum is banking that is focused on our customers (members, partners, and employees) and how our products and services help them to live life as they choose. We are a forward-thinking, technology-based online credit union whose aim is to do "Good" by and for its customers. We call this mission "Banking That's Good. For You."

FOR OUR MEMBERS
We bring Good to our members by making it easy and frictionless to bank with us; we offer competitively priced products and services, as well as value-add resources to help members make informed financial decisions. We return profits in the form of competitive rates, low fees, and unbiased advice.

FOR OUR PARTNERS
We provide a win-win-win partnership model that's Good for partners, their clients, and Quorum; we help partners to grow and prosper by delivering outstanding financial products and services to their clients, who in turn, create return business for Quorum.

FOR OUR EMPLOYEES
We offer a career that's Good for our employees through flexibility, opportunity, and fun.

BOARD OF DIRECTORS

JAMES F. INGOLD
Chairperson and Director
GTI Energy
Board member since 2018

MARCELLA BARRY, MS, SHRM-SCP
Vice Chairperson and Director
Phoenix Tower International,
Board Member since 2021

JAN PRICE
Treasurer and Director
Retired, Kraft Foods Inc.
Board Member since 1994

Not pictured:

Michael L. Penncavage, Associate Director, Party City Holdings Inc. (Board member since 2019)

Rudy Chang, Associate Director, Agile Innovations (Board member since 2021)

Mark Werner, Treasurer and Director Retired, Altria Group, Inc. (Board member 1998 to June 2023)

GERALD FILIPPONE
Secretary and Director
Retired, Altria Client Services, LLC
Board Member since 2020

VALAREE BROWN
Director
Retired, Filtran LLC
Board member since 2019

BRUCE L. FISHSTEIN
Director
Hudson Group
Board Member since 2016

SUPERVISORY COMMITTEE

(Date of Supervisory Committee initiation, in parentheses)

Gerald Filippone, Chairperson
Retired, Altria Client Services, LLC (2020 – present)

Michael L. Penncavage
Party City Holdings Inc. (2019 – present)

Rudy Chang
Agile Innovations (2021 – present)

VOFCO BOARD OF MANAGERS (CUSO)

Jeffrey Pachter, Chairperson

Tyson Blackburn, Manager, Treasurer & Secretary

Greg Cooper, Manager

Graham Hunt, Manager

James F. Ingold, Manager

*Mark Werner – Manager (2009 - June 2023)

VOFCO COMPANY OFFICERS

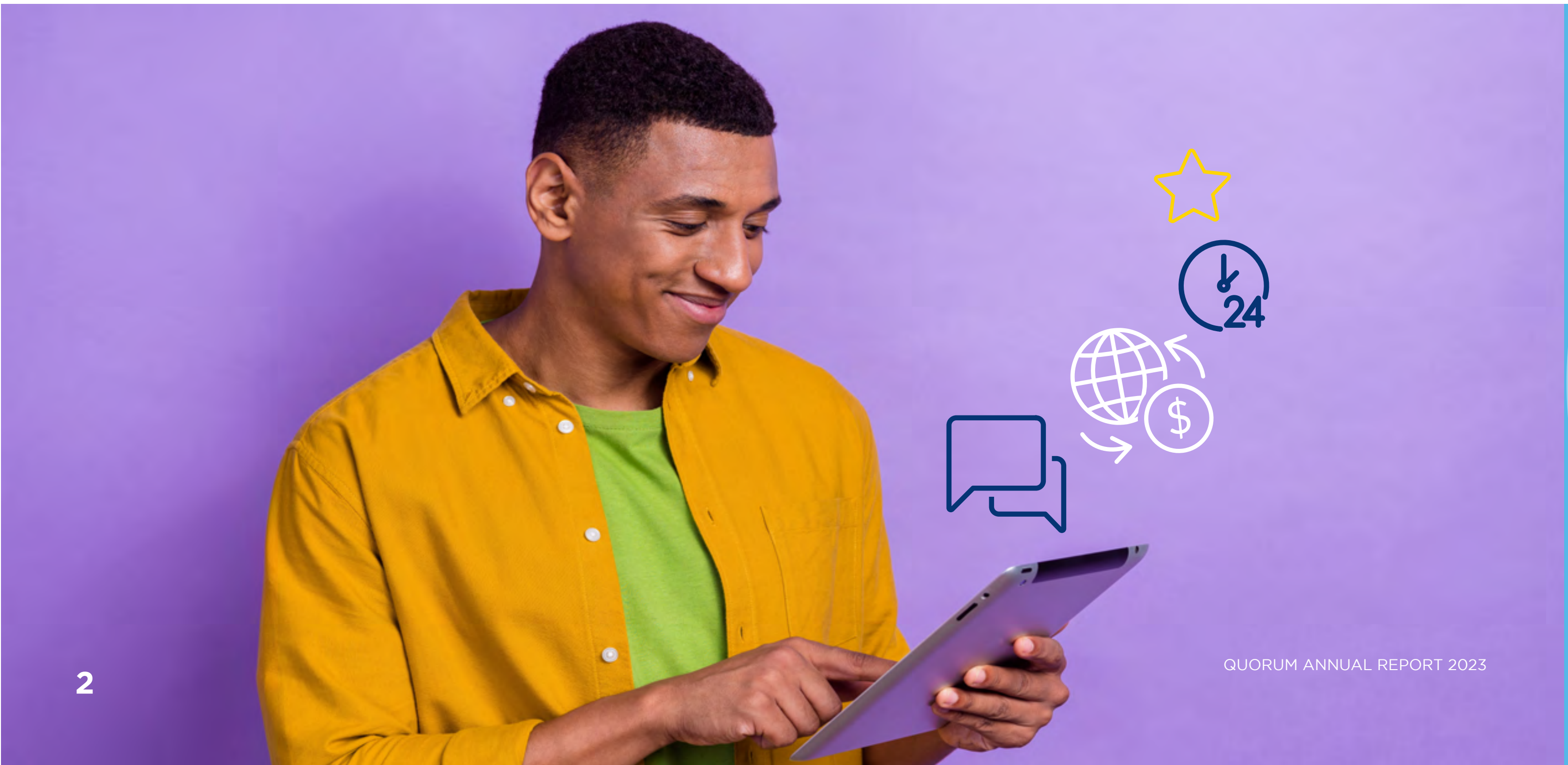
Todd Fasanella, CEO

Greg Cooper, Chief Investment Officer

John Campbell, General Counsel

HEADQUARTERS

2500 Westchester Avenue, Ste. 113
Purchase, NY 10577



SENIOR MANAGEMENT TEAM

Jeffrey Pachter
President and CEO

Tyson Blackburn
Chief Lending Officer

Tavis Briechle
Chief Financial Officer

Carlene Armetta
Chief Marketing Officer

Diane Slifstein
Chief Servicing Officer

George Cacchiani
Vice President of Information Technology

Dan Gundersen
Director, Internal Audit

Ellie Macina
Director, Business Systems

Matthew White
Treasurer

LETTER FROM THE PRESIDENT/CEO AND CHAIRPERSON

The word "Quorum" means a select group, a name that has come to signify who we are as a credit union, who our members are, and the exclusivity of advantages that come with membership. From a small group of Kraft Employees in the midst of the Great Depression who decided they could to better, to a forward-thinking, technology-based online credit union serving members across the country, Quorum remains a credit union dedicated to helping its members save and grow money together, all while they experience—and benefit from—the Credit Union Difference.

Our members' choice to entrust us with their hard-earned savings means all the more to us amidst some of the financial headlines of 2023: Whether it was bank failures, debt ceilings, data breaches, rate hikes (and more hikes), recession fears, or uncertainties surrounding the job market (or, given the rise of AI, questions around the types of jobs that will be available), it was a year where it was difficult to know what was for certain, or who it was safe to trust.

Year after year, Quorum has demonstrated its strength and resilience, and its place amongst the very top financial institutions deserving of your trust. We've built a credit union ready to face challenges head on, and have an innate confidence (that only comes from experience) that we will come out of any challenge stronger than ever. For nine decades, we have successfully balanced innovation, entrepreneurship, agility, and foresight with rigorous and comprehensive risk management practices, sound lending policies, and the astute oversight of our governing bodies, which have allowed us to not only remain a safe and sound place to bank, but a competitive place to bank. We understand that when we invest in You—our owners—we can't lose, which is why Quorum profits are always returned back to members in the form of new services, better rates, and lower fees.

We have no plans of slowing down in 2024. Each day, we see new players entering the field offering promotional rates, and "better banking" promises. We're working hard to ensure you don't need to entertain those offers or chase that basis point. Our top-of-ma rket term accounts (similar to a CD), HighQ Savings account, and versatile checking accounts have all been recognized throughout 2023 from national publications, including Forbes, Bankrate, CNET, Business Insider, Kiplinger, and CNBC. Our mobile banking apps continue to rate highly in their respective app stores. Our collaborations are expanding evident in our recent partnership with Trust & Will to provide discounted estate-planning services. We know your convenience is paramount, so we continue to invest in intuitive, streamlined, fully-digital experiences.

We also continue to invest heavily in your account security. We know cybersecurity risks are a constant threat to all companies, and the risks are ever-evolving. We wanted to take this time to remind you Quorum never stops investing in the best security features and systems to ensure your private information remains private. In the event we were ever to be affected by a cybersecurity incident where personal data is involved, our pledge is to promptly notify you and take all necessary measures to address the situation. We encourage you to stay vigilant as well. Our Cybersecurity + Privacy section of our Learning Hub is regularly updated with information on the latest scams (and how to combat them) as well as cybersecurity practices to keep you safe online. Our partner Balance has certified experts standing by who can help resolve any issues related to identity theft, or help review a credit report for suspicious activity.

As we step into 2024, look for more financial solutions that empower you to lead the life you choose, backed by the security and trust that define the Quorum experience. Here's to 90 years of partnership and prosperity, Banking That's Good. For You™ and to the many more years ahead!

Sincerely,

Jeffrey Pachter
President and CEO

James F. Ingold
Chairperson of the Board

INDEPENDENT AUDITORS' REPORT

Board of Directors and Supervisory Committee
Quorum Federal Credit Union and Subsidiary
Purchase, New York

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Quorum Federal Credit Union and Subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Quorum Federal Credit Union and Subsidiary as of December 31, 2023 and 2022, and the results of their operations and their 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 Consolidated Financial Statements section of our report. We are required to be independent of Quorum Federal Credit Union and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Quorum Federal Credit Union and Subsidiary'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Quorum Federal Credit Union and Subsidiary'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 CEO and Chairperson's message and nonfinancial information but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated 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 29, 2024

YEARS ENDED DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 207,839	$ 104,444
Available-for-Sale Securities	61,753	47,466
Other Investments	5,029	4,663
Loans, Net	732,294	907,292
Accrued Interest Receivable	6,517	6,494
Leasehold Improvements and Equipment, Net	2,999	2,585
Deposit in National Credit Union Share Insurance Fund	8,719	7,619
Other Assets	63,343	73,998
Total Assets	$ 1,088,493	$ 1,154,561
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share Accounts	$ 984,694	$ 1,039,950
Subordinated Debentures - Face Amount $6,000 (Less Unamortized Debt Issuance Cost of $92 at December 31, 2023 and $110 at 2022)	5,908	5,890
Accrued Expenses and Other Liabilities	18,374	20,533
Total Liabilities	1,008,976	1,066,373
MEMBERS' EQUITY		
Retained Earnings, Substantially Restricted	85,315	95,412
Accumulated Other Comprehensive Loss	(5,391)	(6,817)
Total Members' Equity before Noncontrolling Interest	79,924	88,595
Noncontrolling Interest	(407)	(407)
Total Members' Equity	79,517	88,188
Total Liabilities and Members' Equity	$ 1,088,493	$ 1,154,561

YEARS ENDED DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

	2023	2022
INTEREST INCOME		
Loans	$ 53,561	$ 45,476
Available-for-Sale Securities	1,928	1,289
Interest Bearing Deposits and Cash Equivalents	7,776	1,302
Total Interest Income	63,265	48,067
INTEREST EXPENSE		
Members' Share and Savings Accounts	29,403	9,884
Borrowed Funds	456	1,181
Total Interest Expense	29,859	11,065
Net Interest Income	33,406	37,002
PROVISION FOR CREDIT LOSSES	2,994	1,085
Net Interest Income After Provision for Credit Losses	30,412	35,917
NON-INTEREST INCOME		
Checking Fees	670	649
Credit Card Fees	1,056	1,114
Check Card Fees	595	680
Late Fees	169	131
Gain on Sale of Loans	4,002	14,765
Loss on Sale of Investments	-	(989)
Net Gain on Sale of Assets	109	409
Other Fees (Expenses)	4,471	5,169
Member Capital Payout	154	666
Total Non-Interest Income	11,226	22,594
NON-INTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	20,185	25,131
Office Operations	4,893	5,024
Loan Processing	6,144	7,049
Professional Fees and Other Outside Services	3,207	3,952
Office Occupancy	477	609
Marketing and Promotional	850	1,123
Travel and Conference	91	155
Other Non-Interest Expenses	442	304
Total Non-Interest Expense	36,289	43,347
NET INCOME	5,349	15,164
Less: Net Income Attributable to Noncontrolling Interest	-	81
NET INCOME ATTRIBUTABLE TO CREDIT UNION	$ 5,349	$ 15,083

YEARS ENDED DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

	2023	2022
NET INCOME	$ 5,349	$ 15,083
OTHER COMPREHENSIVE INCOME (LOSS)		
Securities - Available-for-Sale		
Unrealized Holding Gain (Loss) Arising During the Period	1,166	(5,218)
Reclassification for Losses Included in Net Income	-	989
Subtotal	1,166	(4,229)
Defined Benefit Pension Plan		
Net Gain Arising During the Period	165	362
Cost and Net Loss Included in Periodic Pension Cost	95	120
Subtotal	260	482
Total Other Comprehensive Income (Loss)	1,426	(3,747)
TOTAL COMPREHENSIVE INCOME	$ 6,775	$ 11,336

YEARS ENDED DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

	Statutory Reserves	Undivided Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
BALANCES AT JANUARY 1, 2022	$ 11,453	$ 68,876	$ (3,070)	$ (488)	$ 76,771
Cumulative Effect of Change in Regulation (See Members' Equity in Note 1)	(11,453)	11,453	-	-	-
Net Income	-	15,083	-	-	15,083
Net Income Attributable to Noncontrolling Interest	-	-	-	81	81
Other Comprehensive Loss	-	-	(3,747)	-	(3,747)
BALANCES AT DECEMBER 31, 2022	-	95,412	(6,817)	(407)	88,188
Cumulative Effect of Change in Accounting Principle - ASC 326		(15,446)	-	-	(15,446)
Net Income	-	5,349	-	-	5,349
Net Income Attributable to Noncontrolling Interest	-	-	-	-	-
Other Comprehensive Gain	-	-	1,426	-	1,426
BALANCES AT DECEMBER 31, 2023	$ -	$ 85,315	$ (5,391)	$ (407)	$ 79,517

YEARS ENDED DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 5,349	$ 15,083
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	885	872
Provision for Credit Losses	2,994	1,085
Amortization of Servicing Rights	3,183	4,735
Change in Valuation Allowance of Servicing Rights	115	(2,765)
Capitalization of Servicing Rights	(2,642)	(6,374)
Amortization of Net Loan Origination Costs	5,169	5,260
Net Amortization of Securities Premiums and Discounts	142	181
Impairment on Foreclosed Assets	18	11
Amortization of Subordinate Debt Issuance Costs	18	19
Proceeds from Sale of Loans	73,701	80,998
Loans Originated for Sale	(73,680)	(81,122)
(Gain) Loss on Sale of Whole Loans, Net	(21)	124
Gain on Sale of Residential Mortgage Loan Participations	(3,981)	(14,889)
Loss on Sale of Investments, Net	-	989
Gain on Sale of Assets, Net	(109)	(409)
Changes in:		
Accrued Interest Receivable	(23)	(1,289)
Other Assets	5,629	(6,690)
Accrued Expenses and Other Liabilities	(2,159)	(2,830)
Net Cash Provided (Used) by Operating Activities	14,588	(7,011)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Securities:		
Available-for-Sale	(18,380)	(35,981)
Proceeds from Maturities and Paydowns of Securities - Available-for-Sale	5,117	5,984
Proceeds from Sales of Securities - Available-for-Sale	-	28,959
Net Change in Other Investments	(366)	(234)
Loan Originations Net of Principal Collected on Loans to Members	(89,392)	(606,080)
Increase in NCUSIF Deposit	(1,100)	(409)
Proceeds from Sales of Foreclosed Assets	1,921	502
Proceeds from Sale of Residential Mortgage Loan Participations	247,562	478,036
Expenditures for Premises and Equipment	(1,299)	(229)
Net Cash Provided (Used) by Investing Activities	144,063	(129,452)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease) Increase in Members' Share Accounts	(55,256)	120,699
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	103,395	(15,764)
Cash and Cash Equivalents - Beginning of Year	104,444	120,208
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 207,839	$ 104,444
SUPPLEMENTAL DISCLOSURES OF NONCASH AND CASH FLOW INFORMATION		
Borrowed Funds Interest Paid	$ 456	$ 1,181
Members' Share and Savings Accounts Interest Paid	$ 29,403	$ 9,884
Transfers of Loans to Foreclosed and Repossessed Assets	$ 2,800	$ 12
Recognition of Right-of-Use Asset and Lease Liability, at Adoption	$ -	$ 3,795
Cumulative Effect of Change in Accounting Principle - ASC 326	$ 15,446	$ -

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Quorum Federal Credit Union (the Credit Union) is chartered under the Federal Credit Union Act and is administratively responsible to the National Credit Union Administration.

The Credit Union provides financial services primarily through digital services. Its primary deposit products are checking, savings, money market and term certificate accounts, and its primary lending products are residential mortgages, student loans, and consumer installment loans. A majority of loans are secured by specific items of collateral including consumer assets and residential real estate.

The Credit Union also participates in loan programs through established relationships including vacation ownership companies, universities, and other credit unions.

Principles of Consolidation

The consolidated financial statements include Quorum Federal Credit Union and its 79% owned subsidiary, Vacation Ownership Funding Company, LLC, together referred to as "the Credit Union." The Vacation Ownership Funding Company, LLC was formed during 2009 for the purposes of providing consultative services on the Credit Union's behalf to the timeshare industry in offering financing solutions to vacation ownership companies. Intercompany transactions and balances are eliminated in consolidation. All significant intercompany accounts and transactions have been eliminated.

Membership

Participation in this Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws. The Credit Union's field of membership includes not only full-time employees, retirees, immediate family members and households of Kraft Heinz, Inc., Mondelēz International, Altria Group, Inc., Mastercard, Inc., and other subsidiaries, but also other employee groups and associations. The Credit Union provides a full range of financial services to its members.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Financial Instruments with Concentrations of Risk

The Credit Union is exposed to credit risk from a regional economic standpoint; 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 consolidated statements of financial condition and consolidated 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. Cash flows from loans and deposits are reported net.

Securities

Debt securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses reported in other comprehensive income (loss). Realized gains and losses on securities available for sale are included in loss on sale of investments and, when applicable, are reported as a reclassification adjustment out of other comprehensive income (loss). 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 date. For callable securities purchased at a premium, the amortization period is shortened to the earliest call date.

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

Other Investments

Other investments that are equity investments and do not have readily determinable fair values are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors or from a third-party valuation. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of loans are based on the difference between the selling price and the carrying value of the related loan sold.

The fair value of loans held for sale are estimated through discounted cash flow analyses using interest rates currently being offered for loans with similar credit quality and similar credit enhancement provisions.

Loans, Net

The Credit Union grants consumer, residential real estate, vacation ownership, and commercial loans to members. In addition, the Credit Union purchases participation loans originated by various other credit unions. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Union’s field of membership.

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

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. Loans past 90 days still on accrual include vacation ownership loans that are collectively evaluated for impairment. Subsequent recognition of income occurs only to the extent payment is received subject to the Credit Union’s assessment of the collectability of the remaining principal and interest.

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 per the Credit Union’s policy.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using methods approximating the interest method over the estimated life of the loans. The Credit Union does not charge commitment fees.

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

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

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. These loans generally possess a lower inherent risk of loss than commercial real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Vacation Ownership: The Credit Union enters into financing agreements with vacation ownership companies to provide loans for the purchase of vacation ownership intervals. The loans are purchased at a discount (generally 80% to 90% of loan balance in 2023 and 2022). The discount amount is netted against the loan balances as a hold-back by the Credit Union and paid to the vacation ownership company over the term of the loan, as interest and principal is paid to the Credit Union. This holdback feature is structured to reduce the credit risk on this portfolio.

Risk-rated portfolio segments and risk characteristics are described as follows:

Commercial Real Estate: Commercial real estate loans generally possess a higher inherent risk of loss than residential real estate portfolio segments. Adverse economic developments or an overbuilt market, impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

Commercial Other: Commercial other loans are generally underwritten to existing cash flows or inventories of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

The Credit Union assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans to identify credit risks and to assess the overall collectibility of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Pass: Satisfactory asset quality; however, the borrower's financial condition may be leveraged, liquidity may be marginal and/or operating results uneven. Collateral remains protective of outstanding credit and cash flow is adequate to repay the debt as agreed. The financial trends are flat or, if negative, are deemed to be of a temporary nature and can be satisfactorily explained. Credit is still expected to pay out in the normal course but may require increased loan officer attention.

Watch: Loan paying as agreed with generally acceptable asset quality; however, borrower's performance has not met expectations. Balance sheet and/or income statement has shown deterioration to the point that the company could not sustain further setbacks. Credit is expected to be strengthened through improved company performance and/or additional collateral within a reasonable period of time.

Special Mention: Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

Substandard: Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as Loss are considered uncollectible and anticipated to be charged off.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Loans

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

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

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include but are not necessarily limited to, product or collateral type, geography, and internal risk ratings. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans, expected credit losses are estimated on an individual basis.

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

Loans are charged off against the allowance for credit losses on loans in the period in which they are deemed uncollectible, and recoveries are credited to the allowance for credit losses on loans when received.

The Credit Union utilized the Advanced Vintage Loss Rate method in determining expected future credit losses for each of the loan categories except for the Credit Card and Auto Loan categories. This technique considers losses over the full life cycle of loan pools. A vintage is a group of loans originated in the same annual time period. The loss rate method measures the amount of loan charge offs, net of recoveries, (loan losses) recognized over the life of a pool by loan segment and vintage and compares those loan losses to the outstanding loan balance of that pool as of a similar vintage.

In addition, the Probability of Default (PD) method is used for the Credit Card and Auto Loan pools. The PD method leverages loan quality and macroeconomic factors to produce monthly projects of credit loss. The PD method is a loan-level method and turns economic characteristics into monthly probabilities of default. This method incorporates loss likelihood (PD) and loss severity (loss-given-default LGD), as the two factors are multiplied to arrive at expected loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Loans

The Credit Union's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. When historical credit loss experience is not sufficient for a specific portfolio, the Credit Union may supplement its own portfolio data with external models or data.

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

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

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

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

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

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments (Continued)

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

Transfers of Financial Assets and Participating Interests

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

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

Servicing Rights

Servicing rights are recognized as separate assets when rights are acquired through purchase or through sale of financial assets.

For sales of mortgage loans, a portion of the cost of originating the loan is allocated to the servicing right based on the fair value of the servicing rights. Fair value is based on market prices for comparable mortgage 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. The Credit Union compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. Capitalized servicing rights are reported in other assets and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Servicing Rights (Continued)

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. Fair value is determined by stratifying rights into tranches based on predominant risk characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance and charged to other expense, for an individual tranche, to the extent that fair value is less than the capitalized amount of the tranche. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to non-interest income. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. Servicing fee income, which is reported on the consolidated statement of operations as non-interest income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights, and any related impairment charge, is netted against loan servicing fee income.

Foreclosed and Repossessed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated selling cost at the date of foreclosure, establishing a new cost basis. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for credit losses. Subsequent to foreclosure, valuations are periodically performed by management and the assets held for sale are carried at the lower of the new cost basis or fair value less cost to sell. This evaluation is inherently subjective and requires estimates that are susceptible to significant revisions as more information becomes available. Due to potential changes in conditions, it is at least reasonably possible that changes in fair values will occur in the near term and that such changes could materially affect the amounts reported in the Credit Union's consolidated financial statements. Costs of significant asset improvements are capitalized, whereas costs relating to holding assets are expensed. Revenue and expenses from operations and changes in the valuation allowance are included in noninterest income.

There were $1,882 (net of $2,879 valuation allowance) and $1,194 (net of $2,971 valuation allowance) in repossessed assets at December 31, 2023 and 2022, respectively, which are reported in other assets in the consolidated statements of financial condition. At December 31, 2023, there were $281 in other real estate owned assets, which are reported in other assets in the consolidated statements of financial condition. At December 31, 2022, there was no other real estate owned assets.

Leasehold Improvements and Equipment, Net

Leasehold improvements and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated lives of the assets, which range from 3-15 years. Leasehold improvements are amortized on the straight-line basis over the shorter of the remaining lease term or the estimated useful lives of the improvements. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Credit Union accounts for leases in accordance with the Financial Accounting Standards Board (FASB) ASC 842, *Leases.* The Credit Union determines if an arrangement is a lease at inception. Operating leases are included in other assets and accrued expenses and other liabilities in the consolidated statements of financial condition.

Right of use (ROU) assets represent the Credit Union's right to use an underlying asset for the lease term and lease liabilities represent the Credit Union's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Credit Union will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Credit Union has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

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.

Deposit in National Credit Union Share Insurance Fund

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 accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members' share, 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 management, based on an evaluation of current and future market conditions.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

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 earnings. 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 consists of net income and other comprehensive loss. Accumulated other comprehensive loss, also recognized as a separate component of members' equity, includes valuation adjustments for available for sale securities, and transition obligations, prior service credits and other gains and losses related to the Credit Union's defined benefit pension.

The changes in accumulated other comprehensive loss included in members' equity, by component, are as follows:

	Securities - Available-for-Sale	Defined Benefit Plan	Total
BALANCES AT DECEMBER 31, 2021	$ (769)	$ (2,301)	$ (3,070)
Other Comprehensive (Loss) Income Before Reclassifications	(5,218)	362	(4,856)
Reclassification for (Gains) Losses Included in Net Income		-	-
Amounts Reclassified from Accumulated Other Comprehensive Loss	989	120	1,109
Net Prior-Period Other Comprehensive (Loss) Income	(4,229)	482	(3,747)
BALANCES AT DECEMBER 31, 2022	(4,998)	(1,819)	(6,817)
Other Comprehensive Income Before Reclassifications	1,166	165	1,331
Amounts Reclassified from Accumulated Other Comprehensive Loss	-	95	95
Net Current-Period Other Comprehensive Income	1,166	260	1,426
BALANCES AT DECEMBER 31, 2023	$ (3,832)	$ (1,559)	$ (5,391)

Reclassifications from accumulated other comprehensive loss for securities – available-for-sale are posted through net loss on sale of investments on the consolidated statements of income. Reclassifications from accumulated other comprehensive loss for defined benefit plans are recorded through other non-interest expense on the consolidated statements of income. See defined benefit pension plan footnotes for additional details.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncontrolling Interests

The Credit Union reports the noncontrolling (that is, minority) interest in its subsidiary as members' equity in the consolidated financial statements and accounts for transactions between the entity and all noncontrolling owners as equity transactions.

Income Taxes

The Credit Union is exempt, by statute, from federal, state, and other income and franchise taxes.

Retirement Plans

Defined Benefit Pension Plan - The Credit Union sponsored a noncontributory defined benefit pension plan covering certain full-time employees. Effective June 15, 2016, the Credit Union froze the plan's benefit accruals and participants. Participants became eligible for the plan after completing one-half year of service. Participants became 100% vested after three years of service. Benefits were based upon years of service and level of compensation during specified years of employment.

Pension expense under the defined benefit plan consists of interest costs, return on plan assets, and the amortization of the net unrecognized loss from accumulated other comprehensive loss. Those components are reflected in other non-interest expense on the consolidated statements of income. Since the defined benefit plan was frozen in 2016 there is no service component of pension expense.

401(k) plan – The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who have completed one month of service. Under the terms of the plan, participants can contribute a percentage of their compensation, subject to federal limitations. In 2023 and 2022, the Credit Union made matching contributions of 100% up to 6% of participant compensation after one year of employee service. Participants are immediately vested in their contributions and the earnings thereon and become fully vested in Credit Union contributions and the earnings thereon after completing three years of service. The Credit Union contributed $599 and $712 for the years ended December 31, 2023 and 2022, respectively.

Deferred Compensation Plan [Section 457(b)] – The Credit Union maintains a noncontributory deferred compensation plan to cover all executive officers. Under the plan, participants may voluntarily defer a portion of their salary. The Credit Union pays each participant, or their beneficiary, the amount of salary deferred plus earnings, beginning with the individual's termination of service. A liability is accrued for the obligation under this plan. At December 31, 2023 and 2022, deferrals and the associated liability under the plan were $400 and $322, respectively.

Deferred Compensation Plan [Section 457(f)] – The Credit Union has non-qualified deferred compensation plans for members of management. Under the plan, a portion of a participant's compensation is deferred each year and vests in three years. The amount will be forfeited if the officer leaves the Credit Union prior to the vesting date. A liability is accrued for the obligation under this plan. The balance was $1,938 and $2,411 as of December 31, 2023 and 2022, respectively. The expense for 2023 and 2022 was $874 and $1,007, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split Dollar Life Insurance

The Credit Union has paid funds into life insurance policies and funding accounts connected to the policies on behalf of select executives. The executive owns the policy on their life and related accounts, but the Credit Union holds a first lien on the policy as security for repayment of the advanced funds. The loans are made with recourse which allows management to seek recovery beyond the current cash surrender value of the policies.

During their life, the executives can draw from the policy cash values to supplement retirement income. Executive draws are strictly limited so that they never put the policy at risk of lapsing.

At the executive's death, the death proceeds are allocated to (1) pay the Credit Union the outstanding loan balance plus accrued interest, and (2) all or 75% of the funds available after full payment of the executive loan provide a death benefit for the executive's beneficiaries, with any remainder paid to the Credit Union.

The total unpaid principal balance, including interest, of the loans was $18,710 and $18,444 at December 31, 2023 and 2022, respectively. The total collateral, consisting of the cash surrender value and assigned value of annuity contracts, was $16,208 and $15,620 as of December 31, 2023 and 2022, respectively. Costs associated with the program such as commissions and fees, reduce the asset returns within the program.

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.

Revenue from Contracts with Members

The Credit Union recognizes revenue from contracts with members in accordance with ASC 606 – *Revenue Recognition*. The Credit Union has elected to use the following optional exemptions that are permitted under the ASC 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.

ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. The Credit Union's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Credit Union satisfies its obligation to the customer. Significant components of non-interest income considered to be within the scope of ASC 606 are discussed below.

Service Charges and Deposit Account Fees

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 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Members (Continued)

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, 2023 and 2022, the Credit Union did not have any significant contract balances and did not capitalize any contract acquisition costs.

New Accounting Pronouncements

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

The Credit Union adopted the standard using the modified retrospective method for all financial assets measured at amortized cost and for off-balance sheet credit exposures. Results for annual periods beginning after January 1, 2023 are presented under the new CECL model while prior reporting periods continue to be reported in accordance with previously applicable GAAP. The Credit Union recorded a net decrease to undivided earnings in the amount of $15,446 as of January 1, 2023 representing the cumulative effect of adopting this standard. The adjustment includes an increase in the allowance for credit losses on loans in the amount of $12,900 and an increase in the allowance for credit losses on unfunded commitments in the amount of $2,546.

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

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through March 29, 2024, the date the consolidated financial statements were available to be issued.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification of 2022 Data

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

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2023 and 2022:

	2023	2022
Demand Deposits at Banks	$ 206,156	$ 102,368
Cash at Corporate Credit Unions	1,683	2,076
Total Cash and Cash Equivalents	$ 207,839	$ 104,444

The Credit Union is required to maintain reserves against its respective transaction accounts and nonpersonal time deposits. The Credit Union was required to have cash and liquid assets of $4,500 to meet these requirements at December 31, 2023 and 2022.

NOTE 3 SECURITIES AND OTHER INVESTMENTS

AVAILABLE-FOR-SALE SECURITIES:

A summary of the amortized cost, gross unrealized gains and losses, and fair value of available-for-sale securities at December 31, 2023 and 2022, follows:

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
Mortgage-Backed Securities	$ 4,356	$ -	$ (35)	$ 4,321
Collateralized Mortgage Obligations	32,526	3	(1,551)	30,978
SBA Loan Pools	4,147	-	(5)	4,142
Municipal Bonds	24,556	-	(2,244)	22,312
Total	$ 65,585	$ 3	$ (3,835)	$ 61,753

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
Mortgage-Backed Securities	$ 3,073	$ -	$ (81)	$ 2,992
Collateralized Mortgage Obligations	24,848	-	(1,731)	23,117
Municipal Bonds	24,543	-	(3,186)	21,357
Total	$ 52,464	$ -	$ (4,998)	$ 47,466

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 3 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE SECURITIES (CONTINUED):

There were no sales of securities available-for-sale during the year ended December 31, 2023. Sales of securities available-for-sale of $28,959 resulted in gross losses of $989 during the year ended December 31, 2022.

At December 31, 2023 and 2022, securities carried at approximately $52,365 and $39,066, respectively, were pledged as collateral to secure borrowed funds.

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

	Amortized Cost	Fair Value (Carrying Value)
Municipal Bonds:		
One to Five Years	$ 24,556	$ 22,312
Five to Ten Years	-	-
Subtotal	24,556	22,312
Mortgage-Backed Securities and Collateralized Mortgage Obligations	36,882	35,299
SBA Loan Pools	4,147	4,142
Total	$ 65,585	$ 61,753

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

	Less Than Twelve Months		Greater Than Twelve Months	
December 31, 2023	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Mortgage-Backed Securities	$ (1)	$ 1,870	$ (34)	$ 2,451
Collateralized Mortgage Obligations	(105)	10,331	(1,446)	18,645
SBA Loan Pools	(5)	1,957	-	-
Municipal Bonds	-	-	(2,244)	22,312
Total Available-for-Sale	$ (111)	$ 14,158	$ (3,724)	$ 43,408

	Less Than Twelve Months		Greater Than Twelve Months	
December 31, 2022	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Mortgage-Backed Securities	$ (19)	$ 896	$ (62)	$ 2,096
Collateralized Mortgage Obligations	(34)	1,963	(1,697)	21,154
Municipal Bonds	(233)	4,298	(2,953)	17,059
Total Available-for-Sale	$ (286)	$ 7,157	$ (4,712)	$ 40,309

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 3 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE SECURITIES (CONTINUED):

The Credit Union does not believe that the available-for-sale securities that were in an unrealized loss position as of December 31, 2023, which were comprised of 45 individual securities, represent a credit loss impairment. The gross unrealized loss positions were primarily related to municipal bonds. The credit ratings of these securities are monitored monthly to determine if any significant changes that resulted in credit downgrades would require an allowance for credit losses to be recorded. The remaining securities, which include mortgage-backed securities and collateralized mortgage obligations, are issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Total gross unrealized losses were primarily attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities. The Credit Union does not intend to sell the investment securities that were in an unrealized loss position, and it is not more likely than not that the Credit Union will be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity.

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:

	2023	2022
Perpetual Contributed Capital Accounts	$ 1,500	$ 1,500
FHLB Stock	802	737
Central Liquidity Facility Stock	2,677	2,376
Investments in CUSOs	50	50
Total	$ 5,029	$ 4,663

Perpetual Contributed Capital Accounts

The Credit Union maintains perpetual contributed capital accounts with Alloya Corporate Federal Credit Union that are uninsured and contain significant withdrawal restrictions.

These uninsured deposits are part of the corporate credit union’s regulatory capital and are subject to impairment or loss in the event the corporate credit union is required to merge, is placed into conservatorship, incurs significant losses, or is liquidated.

FHLB Stock

The Credit Union has an investment in Federal Home Loan Bank of New York (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.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 3 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

OTHER INVESTMENTS (CONTINUED):

Central Liquidity Facility Stock

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

Investments in CUSOs

The Credit Union also has non-controlling equity ownership interests in CUSOs providing services to the credit union market.

As a practical expedient, the investments in CUSOs are reported at cost, less impairment, plus or minus price changes from observable market transactions.

NOTE 4 LOANS, NET

The composition of loans at December 31, 2023 and 2022, is as follows:

	2023	2022
Consumer:		
Credit Card	$ 16,554	$ 17,741
Vehicle	58,775	61,120
Other Unsecured	10,029	1,361
Other Secured	33,627	36,649
Private Student Loans	66,070	83,702
Subtotal	185,055	200,573
Residential Real Estate:		
First Mortgage	241,961	260,685
All Other Real Estate	233,825	346,753
Subtotal	475,786	607,438
Vacation Ownership	64,791	73,407
Commercial:		
Commercial Non-Real Estate Secured	8,809	11,084
Commercial Real Estate	9,247	12,094
Subtotal	18,056	23,178
Total Loans	743,688	904,596
Net Deferred Loan Origination Costs	10,506	15,096
Allowance for Credit Losses	(21,900)	(12,400)
Loans, Net	$ 732,294	$ 907,292

The Credit Union elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2023 and 2022, accrued interest receivable for loans totaled $6,250 and $6,313 respectively, and is included in accrued interest receivable on the consolidated statements of financial condition.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

The Credit Union has purchased loan participations originated by various other credit unions, which are secured by first mortgage, commercial real estate, and taxi medallions of members of other credit unions. These loan participations were purchased without recourse and the originating credit union performs all loan servicing functions on these loans. The total loan participations included in the other unsecured, first mortgage, commercial real estate, and commercial non-real estate segments above totaled $44,898 and $41,853 at December 31, 2023 and 2022, respectively.

The Credit Union has sold loan participations to various other credit unions, which are secured by commercial property and real estate of the Credit Union's members. These loan participations were sold without recourse and the Credit Union performs all loan servicing functions on these loans. Loan participations sold and excluded from the first mortgage, all other real estate, and commercial real estate loan segments above, totaled $943,000 and $818,441 at December 31, 2023 and 2022, respectively.

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

December 31, 2023	Consumer	Residential Real Estate	Vacation Ownership	Commercial	Total
Allowance for Credit Losses on Loans:					
Balance at Beginning of Year	$ 5,710	$ 2,226	$ -	$ 4,464	$ 12,400
Adoption of CECL	9,197	3,941	-	(238)	12,900
Provision (Credit) for Credit Losses	6,948	(1,450)	-	(1,308)	4,190
Loans Charged Off	(7,905)	(125)	-	(1,788)	(9,818)
Recoveries of Loans Previously Charged-Off	714	9	-	1,505	2,228
Balance at End of Year	$ 14,664	$ 4,601	$ -	$ 2,635	$ 21,900

December 31, 2022	Consumer	Residential Real Estate	Vacation Ownership	Commercial	Total
Allowance for Loan Losses:					
Balance at Beginning of Year	$ 5,301	$ 1,610	$ -	$ 6,239	$ 13,150
Provision (Credit) for Loan Losses	2,865	721	-	(2,501)	1,085
Loans Charged Off	(2,721)	(185)	-	(365)	(3,271)
Recoveries of Loans Previously Charged Off	265	80	-	1,091	1,436
Balance at End of Year	$ 5,710	$ 2,226	$ -	$ 4,464	$ 12,400

In addition to the allowance for credit losses on loans above, the Credit Union has established an allowance for credit losses on unfunded commitments, classified in other liabilities on the consolidated statements of financial condition. This allowance is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments and is determined based on a methodology similar to the methodology for determining the allowance for credit losses on loans. The allowance for credit losses on unfunded commitments as of December 31, 2023 was $1,350.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

A summary of the activity in the allowance for credit losses on unfunded commitments for the year ended December 31, 2023 is as follows:

December 31, 2023	
Allowance for Credit Losses on Unfunded Commitments:	
Balance at Beginning of Year	$ -
Adoption of CECL	2,546
Credit for Credit Losses	(1,196)
Balance at End of Year	$ 1,350

The provision for credit losses is determined by the Credit Union as the amount to be added to the allowance for credit losses for various types of financial instruments including loans, investment securities, and unfunded commitments after net charge-offs have been deducted to bring the allowance for credit losses to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments.

The components of the provision for credit losses included in the consolidated statements of income for the years ended December 31 are as follows:

	2023
Loans	$ 4,190
Unfunded Commitments	(1,196)
Total Provision for Credit Losses	$ 2,994

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

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

December 31, 2023	Consumer	Residential Real Estate	Vacation Ownership	Commercial	Total
Allowance for Credit Losses:					
Ending Balance: Collateral Dependent	$ -	$ -	$ -	$ 2,287	$ 2,287
Loans					
Ending Balance: Collateral Dependent	$ -	$ -	$ -	$ 7,918	$ 7,918

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

Collateral dependent commercial non-real estate secured loans are valued by independent fair valuations. These external valuations are prepared using the sales comparison approach and income approach valuation techniques. Estimated fair values are reduced to account for sales commissions, broker fees, and additional selling expenses to arrive at an estimated net realizable value. Management may make subsequent unobservable adjustments to the collateral dependent loan valuations.

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

December 31, 2022	Consumer	Residential Real Estate	Vacation Ownership	Commercial	Total
Allowance for Loan Losses:					
Ending Balance: Individually Evaluated for Impairment	$ 2,486	$ 785	$ -	$ 4,244	$ 7,515
Ending Balance: Collectively Evaluated for Impairment	3,224	1,441	-	220	4,885
Total Allowance for Loan Losses	$ 5,710	$ 2,226	$ -	$ 4,464	$ 12,400
Loans:					
Ending Balance: Individually Evaluated for Impairment	$ 3,834	$ 6,310	$ -	$ 11,480	$ 21,624
Ending Balance: Collectively Evaluated for Impairment	196,739	601,128	73,407	11,698	882,972
Total Loans	$ 200,573	$ 607,438	$ 73,407	$ 23,178	$ 904,596

The following tables show the commercial loan portfolio segments allocated by management's internal risk ratings as of December 31, 2023 and 2022:

	Commercial Credit Risk Profile by Risk Rating 2023	
Risk Rating:	Commercial Real Estate	Commercial Non-Real Estate Secured
Pass	$ 7,258	$ -
Substandard	1,329	-
Doubtful	660	-
Not Rated	-	8,809
Total	$ 9,247	$ 8,809

	Commercial Credit Risk Profile by Risk Rating 2022	
Risk Rating:	Commercial Real Estate	Commercial Non-Real Estate Secured
Pass	$ 8,940	$ -
Watch	1,112	-
Substandard	1,361	-
Doubtful	681	-
Not Rated	-	11,084
Total	$ 12,094	$ 11,084

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

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

December 31, 2023	Performing	Non-Performing	Total
Consumer:			
Credit Card	$ 16,381	$ 173	$ 16,554
Vehicle	58,455	320	58,775
Other Unsecured	9,927	102	10,029
Other Secured	33,492	135	33,627
Private Student Loans	64,417	1,653	66,070
Residential Real Estate:			
First Mortgage	240,188	1,773	241,961
All Other Real Estate	229,201	4,624	233,825
Vacation Ownership	64,791	-	64,791
Commercial:			
Commercial Non-Real Estate Secured	7,628	1,181	8,809
Total	$ 724,480	$ 9,961	$ 734,441

December 31, 2022	Performing	Non-Performing	Total
Consumer:			
Credit Card	$ 17,531	$ 210	$ 17,741
Vehicle	60,924	196	61,120
Other Unsecured	1,355	6	1,361
Other Secured	36,155	494	36,649
Private Student Loans	82,083	1,619	83,702
Residential Real Estate:			
First Mortgage	258,817	1,868	260,685
All Other Real Estate	343,397	3,356	346,753
Vacation Ownership	73,407	-	73,407
Commercial:			
Commercial Non-Real Estate Secured	5,885	5,199	11,084
Total	$ 879,554	$ 12,948	$ 892,502

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

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

December 31, 2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With No Related Allowance:					
First Mortgage	$ 1,859	$ 1,859	$ -	$ 2,784	$ -
All Other Real Estate	1,674	1,674	-	2,281	-
Commercial Non-Real Estate Secured	3,094	3,094	-	2,527	-
Subtotal	6,627	6,627	-	7,592	-
With An Allowance Recorded:					
Credit Card	225	225	219	188	-
Other Unsecured	42	42	21	55	-
Private Student Loans	3,567	3,567	2,246	3,591	-
First Mortgage	1,865	1,865	536	2,489	-
All Other Real Estate	912	912	249	1,793	-
Commercial Non-Real Estate Secured	7,705	7,705	4,041	8,887	-
Commercial Real Estate	681	681	203	695	-
Subtotal	14,997	14,997	7,515	17,698	-
Total Impaired Loans:					
Consumer	$ 3,834	$ 3,834	$ 2,486	$ 3,834	$ -
Residential Real Estate	$ 6,310	$ 6,310	$ 785	$ 9,347	$ -
Commercial	$ 11,480	$ 11,480	$ 4,244	$ 12,109	$ -

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

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

	Accruing Interest				
December 31, 2023	Current	30-89 Days Past Due	90 Days or More Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
Consumer:					
Credit Card	$ 16,130	$ 251	$ -	$ 173	$ 16,554
Vehicle	55,430	3,025	-	320	58,775
Other Unsecured	9,739	188	-	102	10,029
Other Secured	32,664	828	-	135	33,627
Private Student Loans	61,970	2,447	-	1,653	66,070
Residential Real Estate:					
First Mortgage	235,685	4,503	-	1,773	241,961
All Other Real Estate	225,710	3,491	-	4,624	233,825
Vacation Ownership	59,840	3,278	1,673	-	64,791
Commercial:					
Commercial Non-Real Estate Secured	6,828	800	-	1,181	8,809
Commercial Real Estate Secured	9,247	-	-	-	9,247
Total	$ 713,243	$ 18,811	$ 1,673	$ 9,961	$ 743,688

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

December 31, 2022	Accruing Interest Current	Accruing Interest 30-89 Days Past Due	Accruing Interest 90 Days or More Past Due	Nonaccrual 90 Days or More Past Due	Total Loans
Consumer:					
Credit Card	$ 17,241	$ 290	$ -	$ 210	$ 17,741
Vehicle	58,524	2,400	-	196	61,120
Other Unsecured	1,328	27	-	6	1,361
Other Secured	35,354	801	-	494	36,649
Private Student Loans	80,265	1,818	-	1,619	83,702
Residential Real Estate:					
First Mortgage	256,788	2,029	-	1,868	260,685
All Other Real Estate	341,156	2,241	-	3,356	346,753
Vacation Ownership	69,129	3,000	1,278	-	73,407
Commercial:					
Commercial Non-Real Estate Secured	5,885	-	-	5,199	11,084
Commercial Real Estate Secured	12,094	-	-	-	12,094
Total	$ 877,764	$ 12,606	$ 1,278	$ 12,948	$ 904,596

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

The delinquent vacation ownership loans are considered performing due to the credit enhancement feature. At December 31, 2023 and 2022, there were $64,791 and $73,407, respectively, in vacation ownership loans.

The amortized costs basis for loans on nonaccrual status for which there is no related allowance for credit losses was $2,244 and $6,627 for the years ended December 31, 2023 and 2022, respectively.

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

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

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 5 LOAN SERVICING

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balance of these loans serviced for others was $1,028,196 and $915,903 at December 31, 2023 and 2022, respectively. Servicing fees totaled $7,074 and $6,309 for the years ended December 31, 2023 and 2022, respectively.

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

	Years Ended December 31:	
	2023	2022
Servicing Rights:		
Balance at Beginning of Year	$ 15,137	$ 13,498
Servicing Rights Capitalized	2,642	6,374
Servicing Rights Amortized	(3,183)	(4,735)
Balance at End of Year	$ 14,596	$ 15,137
Valuation Allowances:		
Balance at Beginning of Year	$ 30	$ 2,795
Additions	115	-
Reductions	-	(2,765)
Balance at End of Year	$ 145	$ 30

The balance of capitalized servicing rights, net of valuation allowances, is included in other assets and totaled $14,451 and $15,107 at December 31, 2023 and 2022, respectively. The fair values of these rights were $16,700 and $15,620 at December 31, 2023 and 2022, respectively. The fair value of servicing rights at December 31, 2023 was determined using a discount rate of 10.6% and prepayment speed of 6.1% for first mortgages, and a discount rate of 12.4% and prepayment speed of 28.8% for second mortgages (HELOCs). The fair value of servicing rights at December 31, 2022 was determined using a discount rate of 8.0% and prepayment speed of 7.1% for first mortgages, and a discount rate of 12.5% and prepayment speed 29.3% for second mortgages (HELOCs).

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 6 LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment are summarized as followings:

	December 31, 2023	December 31, 2022
Computer Equipment and Software	$ 5,063	$ 4,505
Furniture and Equipment	292	116
Leasehold Improvements	2,968	2,697
Subtotal	8,323	7,318
Less: Accumulated Depreciation and Amortization	5,324	4,733
Total	$ 2,999	$ 2,585

Depreciation and amortization expense was $885 and $872 for the years ended December 31, 2023 and 2022, respectively.

NOTE 7 LEASES

The Credit Union leases office space under a noncancelable operating lease.

The cost components of the Credit Union's operating leases were as follows for the year ending December 31:

	2023	2022
Operating Lease Cost	$ 647	$ 563
Total Lease Cost	$ 647	$ 563

The following table summarizes other information related to the Credit Union's operating leases for the year ending December 31:

	2023	2022
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Operating Leases	$ 606	$ 525
ROU Assets Obtained in Exchange for Lease Liabilities		
Initial Recognition of Right-of-Use Assets	626	3,795
Initial Recognition of Lease Liabilities	626	3,795
Weighted-Average Remaining Lease Term - Operating Leases, in Years	6 years	7 years
Weighted-Average Discount Rate - Operating Leases	4.27%	4.34%

The right- of-use assets, which are included in other assets in the consolidated statements of financial condition, totaled $3,520 and $3,388 for the years ended December 31, 2023 and 2022, respectively. The lease liabilities, which are included in accrued expenses and other liabilities in the consolidated statements of financial condition, totaled $3,599 and $3,426 for the years ended December 31, 2023 and 2022, respectively.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 7 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023, is as follows:

Year Ending December 31,	Amount
2024	$ 680
2025	693
2026	707
2027	721
2028	661
Thereafter	601
Total Undiscounted Lease Payments	4,063
Less Imputed Interest	(464)
Total Lease Liabilities	$ 3,599

NOTE 8 MEMBERS' SHARE ACCOUNTS AND DIVIDENDS

Members' share accounts as of December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Share Drafts	$ 120,670	$ 145,373
Regular Shares	448,024	517,734
Money Management Accounts	41,285	60,177
IRA Share Accounts	3,315	4,383
Share and IRA Certificates	328,410	243,346
Non-Member Certificates	42,990	68,937
Total	$ 984,694	$ 1,039,950

The aggregate amounts of members and non-members' share certificate accounts over $250 were $90,470 and $82,948 at December 31, 2023 and 2022, respectively.

Scheduled maturities of share, IRA, and brokered certificates at December 31, 2023 are as follows:

Year Ending December 31,	Amount
2024	$ 172,894
2025	125,870
2026	67,606
2027	1,788
2028	3,242
Total	$ 371,400

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 8 MEMBERS' SHARE ACCOUNTS AND DIVIDENDS (CONTINUED)

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

	2023	2022
Share Drafts	$ 20	$ 26
Regular Shares	16,122	5,646
Money Management Accounts	607	286
IRA Share Accounts	42	17
Share and IRA Certificates	10,310	3,015
Non-Member Certificates	2,302	894
Total	$ 29,403	$ 9,884

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

NOTE 9 BORROWED FUNDS

At December 31, 2023 and 2022, the Credit Union had available lines of credit of $200,000 and $10,000 with Alloya Corporate Federal Credit Union and M&T Bank, respectively. The interest rates applied on any borrowing are determined on that date. Substantially all of the assets and earnings of the Credit Union are pledged as collateral on the line of credit, except those pledged on other borrowings. The lines have no expiration date but are subject to review and change by the issuing institution. There were no balances outstanding on these lines at December 31, 2023 and 2022.

The Credit Union has entered into an Advances, Pledges, and Security Agreement with the FHLB whereby specific mortgage loans and investment securities of the Credit Union are pledged to the FHLB as collateral, with advance equivalents of approximately $46,335 and $26,049 at December 31, 2023 and 2022, respectively. The interest rates applied on any borrowing are determined on that date. There were no outstanding borrowings at December 31, 2023 and 2022.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 10 SUBORDINATED DEBT

In 2021 and 2020, the Credit Union issued secondary capital in the form of subordinated notes. The notes are unsecured and subordinate to all other claims of the Credit Union. The amounts of the notes are treated as regulatory capital per the NCUA regulations and pursuant to an approved secondary capital plan. The notes mature in ten years from the date of issuance with annual principal payments of 20% of the face amount of the note due in each of years six through ten.

	December 31, 2023	December 31, 2022
Term Note at an interest rate of 5.50%, maturing September 1, 2030	$ 2,000	$ 2,000
Term Note at an interest rate of 5.50%, maturing December 15, 2030	2,000	2,000
Term Note at an interest rate of 5.50%, maturing February 1, 2031	2,000	2,000
Total	$ 6,000	$ 6,000

NOTE 11 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 consolidated 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-consolidated 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).

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

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 11 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

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

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

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
December 31, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net Worth	$ 101,572	9.33%	$ 65,310	6.00%	$ 76,195	7.00%
Risk-Based Capital Ratio	$ 105,737	14.57%	$ 58,055	8.00%	$ 72,569	10.00%
December 31, 2022						
Net Worth	$ 101,302	8.77%	$ 69,274	6.00%	$ 80,819	7.00%
Risk-Based Capital Ratio	$ 106,066	11.05%	$ 76,782	8.00%	$ 95,977	10.00%

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

The Credit Union has unsecured secondary capital in the form of subordinated debt and is able to include the subordinated debt in the net worth calculation. The amount that the Credit Union is able to apply is reduced each year (after year 5) by 20%. At December 31, 2023 and 2022, the Credit Union applied $6,000 of subordinated debt towards the net worth calculation.

The Credit Union adopted ASC 326 during the year ended December 31, 2023, and applied the regulatory CECL transition provisions (12 CFR Part 702.703). This provision requires a three-year phase in to regulatory net worth associated with the "day-one adjustment" required upon adoption of ASC 326. As of December 31, 2023, $10,349 was added to the Credit Union's consolidated members' equity to determine the regulatory net worth ratio.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 12 RELATED PARTY TRANSACTIONS

Loans to directors, committee members, and executive officers amounted to approximately $22,508 and $22,539 as of December 31, 2023 and 2022, respectively. Share accounts of directors, committee members, and executive officers totaled approximately $5,223 and $4,234 as of December 31, 2023 and 2022, respectively.

NOTE 13 COMMITMENTS AND CONTINGENT LIABILITIES

Off-Consolidated Statement of Financial Condition Activities

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

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

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

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

Unfunded loan commitments at December 31 are summarized as follows:

	December 31, 2023	December 31, 2022
Unfunded Commitments Under Lines of Credit		
Home Equity Lines of Credit	$ 250,882	$ 414,918
Other Lines of Credit	18,501	18,980
Credit Card Commitments	50,502	57,472
Other Commitments	35,491	36,269
Total	$ 355,376	$ 527,639

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NOTE 13 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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 14 FAIR VALUE

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and 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 and liabilities measured at fair value on a recurring basis:

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Fund - Investment in Deferred Compensation 457(b) Plan	$ 400	$ -	$ -	$ 400
Government Sponsored Entities - Mortgage-Backed Securities	-	4,321	-	4,321
Government Sponsored Entities - Collateralized Mortgage Obligations	-	30,978	-	30,978
SBA Loan Pools	-	4,142	-	4,142
Municipal Bonds	-	22,312	-	22,312
Total	$ 400	$ 61,753	$ -	$ 62,153

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Fund - Investment in Deferred Compensation 457(b) Plan	$ 322	$ -	$ -	$ 322
Government Sponsored Entities - Mortgage-Backed Securities	-	2,992	-	2,992
Government Sponsored Entities - Collateralized Mortgage Obligations	-	23,117	-	23,117
Municipal Bonds	-	21,357	-	21,357
Total	$ 322	$ 47,466	$ -	$ 47,788

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.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 14 FAIR VALUE (CONTINUED)

Recurring Basis (Continued)

Investment Securities

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

Deferred Compensation

Benchmarking investments for 457(b) nonqualified plan assets are invested in mutual funds. Mutual funds are valued using the net asset value which is calculated daily.

Nonrecurring Basis

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

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

	2023			
	Level 1	Level 2	Level 3	Impairment Losses
Collateral Dependent Loans	$ -	$ -	$ 5,631	$ 2,287
Foreclosed and Repossessed Assets	-	-	2,163	2,879
Servicing Rights	-	-	1,130	145

	2022			
	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans	$ -	$ -	$ 6,134	$ 5,029
Foreclosed and Repossessed Assets	-	-	1,194	2,971
Servicing Rights	-	-	1,420	30

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 14 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a nonrecurring basis at December 31, 2023 and 2022:

	2023				
	Fair Value		Valuation Technique	Unobservable Input	Range (Average)
Collateral Dependent Loans	$	5,631	Valutation of Collateral	Estimation of Value	Not Meaningful
Foreclosed and Repossessed Assets	$	2,163	Sales Comparison Approach	Adjustment for differences between comparable sales	0% - 45%
Servicing Rights	$	1,130	Discounted cash flow method	Prepayment speeds	6.1% - 28.8%

	2022				
	Fair Value		Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	$	6,134	Valutation of Collateral	Estimation of Value	Not Meaningful
Foreclosed and Repossessed Assets	$	1,194	Sales Comparison Approach	Adjustment for differences between comparable sales	0% - 45%
Servicing Rights	$	1,420	Discounted cash flow method	Prepayment speeds	7.1% - 29.3%

Collateral Dependent Loans

Collateral dependent loans were individually evaluated under CECL for the year ended December 31, 2023. Collateral dependent commercial non-real estate secured loans are valued by independent fair valuations. These external valuations are prepared using the sales comparison approach and income approach valuation techniques. Estimated fair values are reduced to account for sales commissions, broker fees, and additional selling expenses to arrive at an estimated net realizable value. Management may make subsequent unobservable adjustments to the collateral dependent loan valuations. Collateral dependent loans other than commercial real estate are not considered material.

NOTE 14 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

Impaired Loans

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

Foreclosed Assets

Foreclosed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer with any impairment amount charged to the allowance for loan losses. Subsequent to the transfer, foreclosed assets are carried at the lower of cost or fair value, less estimated selling costs with changes in fair value or any impairment amount recorded in other noninterest expense. Values are estimated using Level 3 inputs based on customized discounting criteria. The carrying value of foreclosed assets is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

Servicing Rights

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

NOTE 15 DEFINED BENEFIT PENSION PLAN

The Credit Union’s defined benefit pension plan is described in Note 1. The plan calls for benefits to be paid to employees at retirement based on an actuarial valuation consisting primarily of years of service and compensation.

DECEMBER 31, 2023 AND 2022 (Dollars in Thousands)

NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The following table sets forth the funded status, change in plan assets, and net periodic benefit costs for the plan at December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
Projected Benefit Obligation	$ (4,656)	$ (5,179)
Fair Value of Plan Assets	7,456	7,524
Funded Status of Plan at Year-End	$ 2,800	$ 2,345
Accumulated Benefit Obligation	$ (4,656)	$ (5,179)
Assumptions used to Determine Benefit Obligation:		
Weighted Average Discount Rate	5.00%	5.25%
Rate of Future Compensation Increase	N/A	N/A

Years Ended December 31,	2023	2022
Benefits Paid	$ 1,082	$ 373
Net Pension Cost	195	120
Assumptions used to Determine Net Pension Cost:		
Weighted Average Discount Rate	5.00%	5.25%
Expected Long-Term Return on Plan Assets	7.50%	7.50%
Rate of Compensation Increase	N/A	N/A
Included in Statements of Financial Condition:		
Other Assets	$ 2,800	$ 2,345
Included in Other Comprehensive Income:		
Net Unrecognized Loss	$ 1,559	$ 1,819

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year-end pension accounting are reasonable based on currently available information. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

The overall expected long-term rate of return on plan assets represents a weighted average composition rate based on expected rates of return. The Credit Union's pension plan weighted-average asset allocations by asset category are as follows:

	December 31, 2023	December 31, 2022
Collective Investment Fund	100 %	100 %
Total	100 %	100 %

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NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of December 31, 2023 and 2022, plan assets are 100% invested in a collective investment trust fund managed by CUNA Mutual Group. The appropriate strategic asset allocation is governed by the Trustee Plan Portfolio Investment Policy Statement.

The investment objective is to provide a moderate return over a full market cycle with commensurate risk. The fund invests primarily in professional managed mutual funds and collective investment trusts, which in turn invest in equity and fixed income securities. The investment goal is to achieve investment results that minimize contributions as a percentage of payroll by providing a total return over a five-year period equal to the actuarially assumed target, which was 7.50%. This is to be achieved at the lowest possible portfolio risk level.

The long-term rate of return on assets assumption was determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio. When these overall return expectations are applied to the plan's target allocation, the expected rate of return is determined to be 7.50%.

The plan is prohibited from investing in the following investments: precious metals, venture capital, short sales, purchases of letter, stock, private placements, or direct payments, leveraged transactions, commodities transactions, puts, calls, straddles, or other option strategies or purchases or real estate, with the exception of REITS.

The following table presents the balances of the defined benefit plan assets measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	2023			
	Level 1	Level 2	Level 3	Total
Defined Benefit Plan Assets:				
Collective Investment Fund	$ -	$ 7,456	$ -	$ 7,456
Total Assets	$ -	$ 7,456	$ -	$ 7,456

	2022			
	Level 1	Level 2	Level 3	Total
Defined Benefit Plan Assets:				
Collective Investment Fund	$ -	$ 7,524	$ -	$ 7,524
Total Assets	$ -	$ 7,524	$ -	$ 7,524

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending December 31:

Year Ending December 31,	Amount
2024	$ -
2025	160
2026	606
2027	945
2028	181
Thereafter	1,700

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NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Credit Union expects to recognize within net periodic benefit cost for 2023 the following amounts included in other comprehensive loss:

Amortization of Net Loss	$	95

NOTE 16 REVENUE FROM CONTRACTS WITH MEMBERS

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

	2023	2022
In scope of ASC 606		
Services Charges and Deposit Account Fees	$ 1,235	$ 1,245
Interchange Fees	1,485	1,585
Other	109	409
Non-Interest Income in Scope of ASC 606	2,829	3,239
Non-Interest Income not Within the Scope of ASC 606 (a)	8,397	19,355
Total Non-Interest Income	$ 11,226	$ 22,594

(a) This revenue is not within the scope of ASC 606, and includes fees related to loan servicing fees, credit card fees, sales of loans, sales of investments and various other transactions.