2024 ANNUAL REPORT

Quorum

Celebrating 90 years

Banking That's Good. For You.

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, online credit union whose aim is to do "Good" by and for its customers. We call this mission "Banking That's Good. For You."

Quorum Celebrating 90 years 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.

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Quorum
FEDERAL CREDIT UNION

LEADERSHIP

BOARD OF DIRECTORS

JAMES F. INGOLD
Chairperson & Director
GTI Energy
(Board member since 2018)

MARCELLA BARRY
MS, SHRM-SCP
Vice Chairperson & Director
Phoenix Tower International
(Board member since 2021)

JAN PRICE
Treasurer & Director
Retired, Kraft Foods Inc.
(Board member since 1994)

VALAREE BROWN
Director
Retired, Filtran LLC
(Board member since 2019)

RUDY CHANG
Director
Agile Innovations
(Board member since 2021)

BRUCE L. FISHSTEIN
Director
Retired, Hudson Group
(Board member since 2016)

MATTHEW MCKENNA
Director
Retired, Health Credit Services
(Board member since 2024)

DAVID TILIS
Director
Elm Tree Ventures, LLC
(Board member since 2024)

Not pictured:

PETER SILBERSTEIN
Director
Unlock Technologies
(Board member since 2024)

YOGI NEHRA
Associate Director
Bank of America
(Board member since 2024)

MICHAEL PENNCAVAGE
(Former Associate Director)
Party City Holdings Inc.
(2019 – August 2024)

GERALD FILIPPONE
(Former Secretary and Director)
Retired, Altria Client Services, LLC.
(2020 to November 2024)

EXECUTIVE TEAM

JEFFREY PACHTER
President and CEO

TYSON BLACKBURN
Chief Lending Officer

TAVIS BRIECHLE
Chief Financial Officer

DIANE SLIFSTEIN
Chief Servicing Officer

SENIOR MANAGEMENT TEAM

ANA DEVITA
Director of Marketing

GEORGE CACCHIANI
VP, Information Technology & Facilities

DANIEL GUNDERSEN
Director of Internal Audit

ERIN LEE
Human Resources Director

ELEANOR MACINA
Director of Business Systems

CLAIREMARIE MOTTA
Controller

MATTHEW WHITE
Treasurer

BRAYTON WICKS
Digital Transformation Director

SUPERVISORY COMMITTEE
(Date of Supervisory Committee initiation, in parentheses)

RUDY CHANG
Chairperson
Agile Innovations
(2021 to present)

YOGI NEHRA
Bank of America
(2024 to present)

GERALD FILIPPONE
Former Chairperson
Retired, Altria Client Services, LLC.
(2020 to November 2024)

MICHAEL PENNCAVAGE
Party City Holdings Inc.
(2019 to August 2024)

VOFCO BOARD OF MANAGERS

JEFFREY PACHTER
Chairperson

TYSON BLACKBURN
Manager, Treasurer & Secretary

GREG COOPER
Manager

GRAHAM HUNT
Manager

JAMES F. INGOLD
Manager

VOFCO COMPANY OFFICERS

TODD FASANELLA
CEO

GREG COOPER
Chief Investment Officer

JOHN CAMPBELL
General Counsel

HEADQUARTERS

2500 Westchester Avenue
Ste. 113
Purchase, NY 10577

JEFFREY PACHTER
President and CEO

JAMES F. INGOLD
Chairperson of the Board

Quorum FEDERAL CREDIT UNION

LETTER FROM THE PRESIDENT/CEO AND CHAIRPERSON

As we reflect on 2024, we're filled with pride and gratitude for the opportunity to serve our members. Reaching this milestone is more than just a testament to longevity—it's a celebration of the trust they place in us and the shared commitment to financial well-being that defines Quorum.

This year has been about one thing: delivering more value to members. As member Sonja M. kindly shared with us: "Quorum has been my primary bank for over 5 years where they do NOT disappoint. Not only do they offer the best interest rates with the HighQ Savings and term accounts, they are prompt to provide answers to any questions that you may have regarding transactions with a detailed explanation of both benefits and minimum balances as well as other options to avoid fees. I encourage others to use these benefits and services offered."

We love to hear this feedback from those we serve day in and out. Thank you, Sonja. From new savings and loan products to streamlined digital experiences and innovative technologies, we've worked tirelessly to make banking with Quorum a decision that's Good for our members, their wallets, their security, and their future.

Now let's take a closer look at the successes of 2024:

Innovating to Meet Needs

We were thrilled to introduce two exciting checking accounts in 2024, designed to help members manage their money with more ease and flexibility.

QPlus: Built to relieve financial stress, this account provides access to paychecks up to five days early, unlimited ATM reimbursements, and $0 overdraft fees.

QBoost: A high-yield checking account that helps grow savings while still handling everyday expenses.

These accounts joined our ever-popular **QClassic**, recognized by CNBC as the Best Credit Union Checking Account for its simplicity and robust ATM network. Together, they offer options tailored to fit every stage of our members' financial journey.

In lending, we expanded our offerings with products like **Renovation HELOCs, Fixed Home Equity Loans, adjustable-rate first mortgages,** and **First Lien HELOCs**—each designed to help members access the funds they need with confidence and flexibility.

Maximizing Savings

We know how important it is for our members to make their money work for them, and in 2024, our savings and term accounts continued to deliver top-tier value.

Our HighQ Savings account remains a member favorite, offering one of the highest yields in the market with no monthly fees or minimum balance requirements. Additionally, our top-of-market Term Accounts make it easier than ever to lock in great rates and manage investments seamlessly. With just a few clicks in our highly-rated online and mobile banking platform, members can now renew, roll over, or withdraw funds without paperwork or phone calls.

These savings options, paired with our innovative checking accounts, provide members with a full suite of solutions to grow and manage their finances.

Simplifying Experiences

Our commitment to convenience doesn't stop with products. In 2024, we launched an improved chat feature on our website and in online banking, offering quick answers from our robust knowledge base and personalized support from our Member Service Team. With co-browsing and screen-sharing options, our team is ready to assist members securely, no matter the complexity of their needs.

Recognition That Reflects Trust

Member support continues to garner recognition for Quorum as one of the best in the industry. This year, we were honored by Bankrate, Business Insider, CNET, and MarketWatch Guides as a Best Credit Union. CNN Underscored and Bankrate also named us among the Best HELOC Lenders. These accolades remind us that the work we do is making a meaningful difference for our members.

Putting Security First

The financial services industry continues to experience increased levels of cybersecurity threats and challenges, as a result of sophisticated cyberattacks related to social engineering/phishing, data breaches, cloud security services and human error threats. Quorum, like other banks and credit unions, is subject to this increased scope and volume of cyber activity. We wanted to take this opportunity to remind members that their safety and security is top of mind in every product and service we offer, and every action we take. We invest heavily in the best security features and systems to ensure private information remains private. This year, we've enhanced our Security Page to make it easier for members to report suspected fraud, stay up-to-date on the latest security news, and familiarize themselves with what we do to protect them, and what they can do to better protect themselves. We also introduced free Credit Score monitoring in online and mobile banking, allowing members full access to credit reports, as well as real-time credit monitoring alerts.

Looking Ahead to 2025

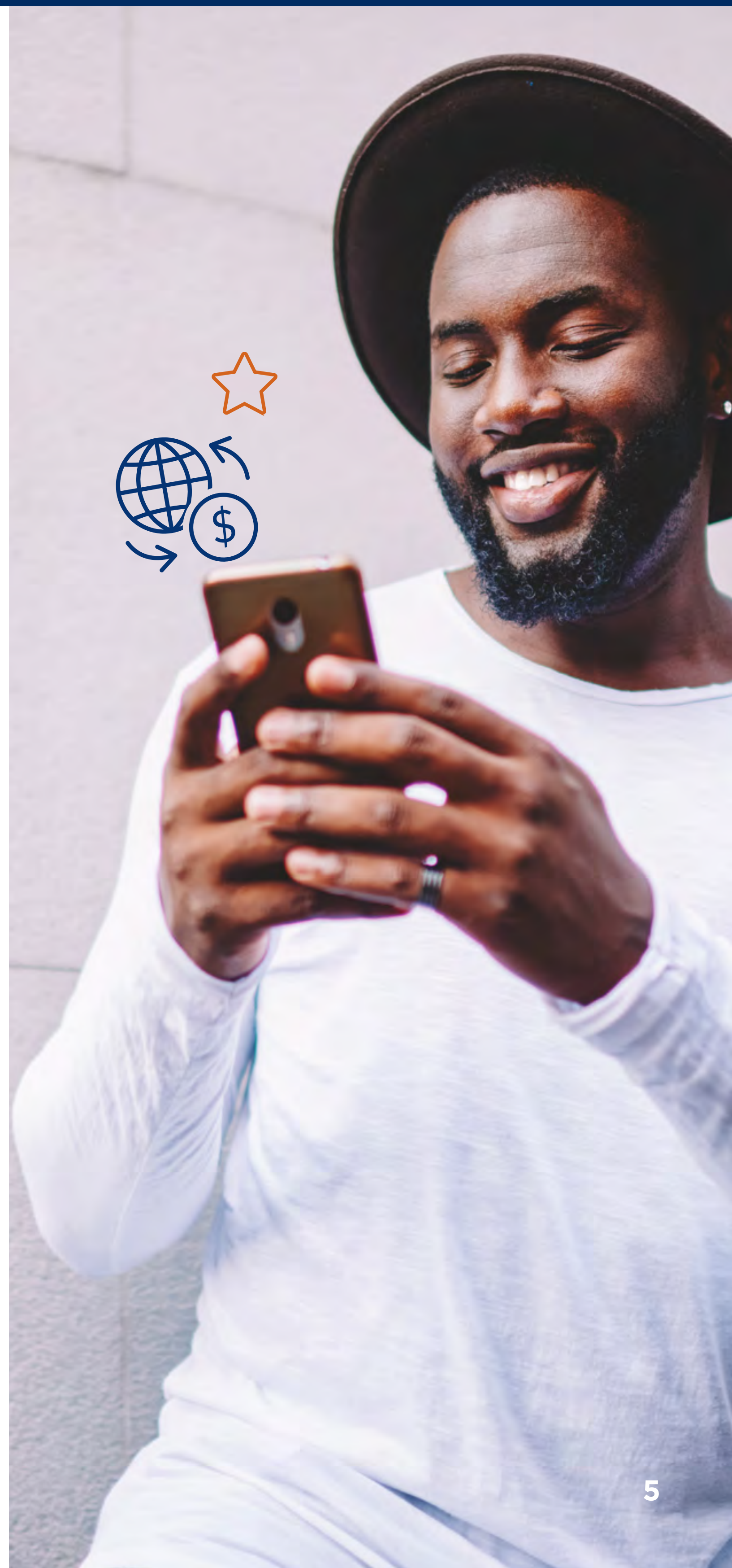
As we close the chapter on 2024, we're energized by what lies ahead. From new products and services to continued innovations that make **Banking That's Good. For You.**, we remain dedicated to helping members achieve their goals.

Thank you for being part of our journey. Your trust and loyalty inspire us every day, and we're honored to serve as your financial partner. Here's to a future that's bright, secure, and filled with opportunity—for you and for Quorum.

Sincerely,

JEFFREY PACHTER
President and CEO

JAMES F. INGOLD
Chairperson of the Board



CliftonLarsonAllen LLP
CLAconnect.com

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, 2024 and 2023, 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, 2024 and 2023, 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.

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 26, 2025

YEARS ENDED DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

	2024	2023
ASSETS		
Cash and Cash Equivalents	$ 224,017	$ 207,839
Available-for-Sale Debt Securities	98,604	61,753
Other Investments	4,953	5,029
Loans Held-for-Sale	15,996	-
Loans, Net	699,033	732,294
Accrued Interest Receivable	7,110	6,517
Leasehold Improvements and Equipment, Net	2,630	2,999
Deposit in National Credit Union Share Insurance Fund	8,094	8,719
Other Assets	73,742	63,343
Total Assets	$ 1,134,179	$ 1,088,493
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share Accounts	$ 1,010,368	$ 984,694
Subordinated Debentures - Face Amount $14,000 at December 31, 2024 and $6,000 at 2023 (Less Unamortized Debt Issuance Cost of $263 at December 31, 2024 and $92 at 2023)	13,738	5,908
Accrued Expenses and Other Liabilities	21,332	18,374
Total Liabilities	1,045,438	1,008,976
MEMBERS' EQUITY		
Retained Earnings, Substantially Restricted	92,814	85,315
Accumulated Other Comprehensive Loss	(3,718)	(5,391)
Total Members' Equity before Noncontrolling Interest	89,096	79,924
Noncontrolling Interest	(355)	(407)
Total Members' Equity	88,741	79,517
Total Liabilities and Members' Equity	$ 1,134,179	$ 1,088,493

YEARS ENDED DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

	2024	2023
INTEREST INCOME		
Loans	$ 52,022	$ 53,561
Available-for-Sale Debt Securities	3,563	1,928
Interest Bearing Deposits and Cash Equivalents	10,106	7,776
Total Interest Income	65,691	63,265
INTEREST EXPENSE		
Members' Share and Savings Accounts	33,541	29,403
Borrowed Funds	609	456
Total Interest Expense	34,150	29,859
Net Interest Income	31,541	33,406
PROVISION FOR CREDIT LOSSES	3,884	2,994
Net Interest Income After Provision for Credit Losses	27,657	30,412
NON-INTEREST INCOME		
Checking Fees	637	670
Credit Card Fees	955	1,056
Check Card Fees	547	595
Late Fees	239	169
Gain on Sale of Loans	11,512	4,002
Net (Loss) Gain on Sale of Assets	(25)	109
Other Fees	6,344	4,471
Member Capital Payout	-	154
Total Non-Interest Income	20,209	11,226
NON-INTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	22,078	20,185
Office Operations	5,252	4,893
Loan Processing	7,213	6,144
Professional Fees and Other Outside Services	3,668	3,207
Office Occupancy	218	477
Marketing and Promotional	1,169	850
Travel and Conference	153	91
Other Non-Interest Expenses	564	442
Total Non-Interest Expense	40,315	36,289
NET INCOME	7,551	5,349
Less: Net Income Attributable to Noncontrolling Interest	52	-
NET INCOME ATTRIBUTABLE TO CREDIT UNION	$ 7,499	$ 5,349

YEARS ENDED DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

	2024	2023
NET INCOME	$ 7,499	$ 5,349
OTHER COMPREHENSIVE INCOME		
Securities - Available-for-Sale		
Unrealized Holding Gain Arising During the Period	816	1,166
Subtotal	816	1,166
Defined Benefit Pension Plan		
Net Gain Arising During the Period	531	165
Amortization of Net Loss	326	95
Subtotal	857	260
Total Other Comprehensive Income	1,673	1,426
TOTAL COMPREHENSIVE INCOME	$ 9,172	$ 6,775

YEARS ENDED DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

	Undivided Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
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 Income	-	1,426	-	1,426
BALANCES AT DECEMBER 31, 2023	85,315	(5,391)	(407)	79,517
Net Income	7,499	-	-	7,499
Net Income Attributable to Noncontrolling Interest	-	-	52	52
Other Comprehensive Income	-	1,673	-	1,673
BALANCES AT DECEMBER 31, 2024	$ 92,814	$ (3,718)	$ (355)	$ 88,741

YEARS ENDED DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 7,499	$ 5,349
Adjustments to Reconcile Net Income to Net Cash (Used) Provided by Operating Activities:		
Depreciation and Amortization	1,097	885
Provision for Credit Losses	3,884	2,994
Amortization of Servicing Rights	2,218	3,183
Change in Valuation Allowance of Servicing Rights	43	115
Capitalization of Servicing Rights	(4,929)	(2,642)
Amortization of Net Loan Origination Costs	4,692	5,169
Net Amortization of Securities Premiums and Discounts	304	142
Impairment on Foreclosed Assets	7	18
Amortization of Subordinate Debt Issuance Costs	30	18
Proceeds from Sale of Loans	60,139	73,701
Loans Originated for Sale	(60,103)	(73,680)
Gain on Sale of Whole Loans, Net	(36)	(21)
Gain on Sale of Residential Mortgage Loan Participations	(11,476)	(3,981)
Loss (Gain) on Sale of Assets, Net	25	(109)
Changes in:		
Loans Held-for-Sale	(15,996)	-
Accrued Interest Receivable	(593)	(23)
Other Assets	(12,368)	5,629
Accrued Expenses and Other Liabilities	2,958	(2,159)
Net Cash (Used) Provided by Operating Activities	(22,605)	14,588
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Securities:		
Available-for-Sale	(44,560)	(18,380)
Proceeds from Maturities and Paydowns of Securities:		
Available-for-Sale	8,221	5,117
Net Change in Other Investments	76	(366)
Loan Originations Net of Principal Collected on Loans to Members	(250,793)	(89,392)
Decrease (Increase) in NCUSIF Deposit	625	(1,100)
Proceeds from Sales of Foreclosed Assets	1,664	1,921
Proceeds from Sale of Residential Mortgage Loan Participations	290,804	247,562
Expenditures for Premises and Equipment	(728)	(1,299)
Net Cash Provided by Investing Activities	5,309	144,063
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Members' and Nonmembers' Share Accounts	25,674	(55,256)
Proceeds from Subordinate Debt, Net of Issuance Costs	7,800	-
Net Cash Provided (Used) by Financing Activities	33,474	(55,256)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,178	103,395
Cash and Cash Equivalents - Beginning of Year	207,839	104,444
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 224,017	$ 207,839
SUPPLEMENTAL DISCLOSURES OF NONCASH AND CASH FLOW INFORMATION		
Borrowed Funds Interest Paid	$ 609	$ 456
Members' Share and Savings Accounts Interest Paid	$ 33,541	$ 29,403
Transfers of Loans to Foreclosed and Repossessed Assets	$ 3,850	$ 2,800
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.

Debt 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. Realized gains and losses on debt securities available for sale are included in other noninterest income and, when applicable, are reported as a reclassification adjustment in other comprehensive income. Gains and losses on sales of debt 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 debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

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 debt security before recovery of its amortized cost basis. If either of these criteria are met, the debt 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 debt security, and adverse conditions specifically related to the debt 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 debt security are compared to the amortized cost basis of the debt 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. Changes in the allowance for credit losses are recorded as a provision for credit loss.

Other Investments

Other investments that are equity investments without 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 on loans, 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 collectibility 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

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 2024 and 2023). 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

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.

Allowance for Credit Losses on Loans

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 statement of financial condition 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Loans (Continued)

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, Auto, Unsecured, Other Consumer, and Taxi Medallion 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.

The Probability of Default (PD) method is used for the Credit Card loan pool. The PD method leverages loan quality and macroeconomic factors to produce monthly projections 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.

The Weighted Average Remaining Maturity (WARM) method is used for the Auto loan pool. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Loans (Continued)

The Credit Union utilizes a loss rate-based method for the Unsecured, Other Consumer, and Taxi Medallion loan pools. This method is supplemented by external models or data in cases where the Credit Union cannot utilize Advanced Vintage Loss Rate, PD, or WARM methods due to insufficient historical credit loss data for these loan pools.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Expected credit losses related to off-statement of financial condition 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-statement of financial condition credit exposures is presented within other liabilities on the consolidated statements of financial condition. 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 $1,839 (net of $2,852 valuation allowance) and $1,882 (net of $2,879 valuation allowance) in repossessed assets at December 31, 2024 and 2023, respectively, which are reported in other assets in the consolidated statements of financial condition. At December 31, 2024 and 2023, there were $2,493 and $281 in other real estate owned assets, respectively, which are reported in other assets in the consolidated statements of financial condition.

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 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 position.

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 lease 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 consolidated 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 one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

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 accounts, except for interest on certificates of deposit which are set in advance, are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members' share and savings accounts are set by management, based on an evaluation of current and future market conditions.

Members' Equity

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

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. 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, 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 Prior-Period Other Comprehensive Income	1,166	260	1,426
BALANCES AT DECEMBER 31, 2023	(3,832)	(1,559)	(5,391)
Other Comprehensive Income Before Reclassifications	816	531	1,347
Amounts Reclassified from Accumulated Other Comprehensive Loss	-	326	326
Net Current-Period Other Comprehensive Income	816	857	1,673
BALANCES AT DECEMBER 31, 2024	$ (3,016)	$ (702)	$ (3,718)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2024 and 2023, the Credit Union made matching contributions of 100% up to 6% of participant compensation after six months 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 $861 and $599 for the years ended December 31, 2024 and 2023, 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, 2024 and 2023, deferrals and the associated liability under the plan were $475 and $400, 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 $1,470 and $1,938 as of December 31, 2024 and 2023, respectively. The expense for 2024 and 2023 was $948 and $874, respectively.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split Dollar Life Insurance (Continued)

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 $18,979 and $18,710 at December 31, 2024 and 2023, respectively. The total collateral, consisting of the cash surrender value and assigned value of annuity contracts, was $16,786 and $16,208 as of December 31, 2024 and 2023, 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the performance obligation is satisfied. 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.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

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, 2024 and 2023, the Credit Union did not have any significant contract balances and did not capitalize any contract acquisition costs.

Reclassification of 2023 Data

Data in the 2023 consolidated financial statements has been reclassified to conform with the presentation of the 2024 consolidated financial statements. This reclassification did not result in any change to consolidated net income (loss) or members' equity.

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through March 26, 2025, the date the consolidated financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2024 and 2023:

	2024	2023
Demand Deposits at Banks	$ 222,743	$ 206,156
Cash at Corporate Credit Unions	1,274	1,683
Total Cash and Cash Equivalents	$ 224,017	$ 207,839

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, 2024 and 2023.

NOTE 3 DEBT SECURITIES AND OTHER INVESTMENTS

AVAILABLE-FOR-SALE SECURITIES:

The amortized cost and fair value, with gross unrealized gains and losses, of debt securities available-for-sale at December 31, 2024 and 2023 are as follows:

	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
Mortgage-Backed Securities	$ 7,699	$ 22	$ (16)	$ 7,705
Collateralized Mortgage Obligations	45,908	34	(1,229)	44,713
SBA Loan Pools	23,442	74	(101)	23,415
Municipal Bonds	24,571	-	(1,800)	22,771
Total	$ 101,620	$ 130	$ (3,146)	$ 98,604

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 3 DEBT SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE SECURITIES (CONTINUED):

	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

There were no sales of debt securities available-for-sale during the years ended December 31, 2024 and 2023.

At December 31, 2024 and 2023, debt securities carried at approximately $82,924 and $52,365, respectively, were pledged as collateral to secure borrowed funds.

The amortized cost and estimated fair value of debt securities, at December 31, 2024, 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	$ 24,571	$ 22,771
Subtotal	24,571	22,771
Mortgage-Backed Securities and Collateralized Mortgage Obligations	53,607	52,418
SBA Loan Pools	23,442	23,415
Total	$ 101,620	$ 98,604

The Credit Union elected to exclude accrued interest receivable from the reported balances of available-for-sale debt securities and from its considerations of the allowances for credit losses. As of December 31, 2024 and 2023, accrued interest receivable for available-for-sale debt securities totaled $527 and $268, respectively, and is included in Accrued Interest Receivable on the consolidated statements of financial condition.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 3 DEBT SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE SECURITIES (CONTINUED):

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

	Less Than Twelve Months		Greater Than Twelve Months	
December 31, 2024	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Mortgage-Backed Securities	$ -	$ -	$ (16)	$ 1,611
Collateralized Mortgage Obligations	(65)	17,801	(1,164)	10,301
SBA Loan Pools	(40)	9,872	(61)	3,487
Municipal Bonds	-	-	(1,800)	22,771
Total Available-for-Sale	$ (105)	$ 27,673	$ (3,041)	$ 38,170

	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

The Credit Union does not believe that the available-for-sale debt securities that were in an unrealized loss position as of December 31, 2024, which were comprised of 45 individual debt securities, represent a credit loss impairment. The gross unrealized loss positions were primarily related to municipal bonds. For municipal bonds and private label collateralized mortgage-obligations, the credit ratings of these debt 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 debt securities, which include mortgage-backed debt securities and collateralized mortgage obligations, are issued by U.S. government agencies or U.S. government-sponsored enterprises. These debt 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 debt securities were purchased, and not due to the credit quality of the debt securities. The Credit Union does not intend to sell the debt 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 debt 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.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 3 DEBT SECURITIES AND OTHER INVESTMENTS (CONTINUED)

OTHER INVESTMENTS:

Other investments are summarized as follows:

	2024	2023
Perpetual Contributed Capital Accounts	$ 1,500	$ 1,500
FHLB Stock	656	802
Central Liquidity Facility Stock	2,747	2,677
Investments in CUSOs	50	50
Total	$ 4,953	$ 5,029

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.

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, 2024 and 2023, 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.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 4 LOANS, NET

The composition of loans at December 31, 2024 and 2023, is as follows:

	2024	2023
Consumer:		
Credit Card	$ 14,480	$ 16,554
Vehicle	34,612	58,775
Other Unsecured	8,568	10,029
Other Secured	30,688	33,627
Private Student Loans	54,702	66,070
Subtotal	143,050	185,055
Residential Real Estate:		
First Mortgage	227,448	241,961
All Other Real Estate	267,645	233,825
Subtotal	495,093	475,786
Vacation Ownership	56,391	64,791
Commercial:		
Commercial Non-Real Estate Secured	7,771	8,809
Commercial Real Estate	5,993	9,247
Subtotal	13,764	18,056
Total Loans	708,298	743,688
Net Deferred Loan Origination Costs	8,985	10,506
Allowance for Credit Losses	(18,250)	(21,900)
Loans, Net	$ 699,033	$ 732,294

The Credit Union elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2024 and 2023, accrued interest receivable for loans totaled $6,583 and $6,250 respectively, and is included in accrued interest receivable on the consolidated statements of financial condition.

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. 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 $35,746 and $44,898 at December 31, 2024 and 2023, 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 $1,009,564 and $943,000 at December 31, 2024 and 2023, respectively.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

A summary of the activity in the allowance for credit losses on loans for the years ended December 31, 2024 and 2023, respectively, are as follows:

December 31, 2024	Consumer	Residential Real Estate	Vacation Ownership	Commercial	Total
Allowance for Credit Losses on Loans:					
Balance at Beginning of Year	$ 14,664	$ 4,601	$ -	$ 2,635	$ 21,900
Provision (Credit) for Credit Losses	6,166	(2,296)	-	(544)	3,326
Loans Charged Off	(7,970)	(66)	-	(494)	(8,530)
Recoveries of Loans Previously Charged Off	1,096	11	-	447	1,554
Balance at End of Year	$ 13,956	$ 2,250	$ -	$ 2,044	$ 18,250

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

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, 2024 and 2023 was $1,908 and $1,350, respectively.

A summary of the activity in the allowance for credit losses on unfunded commitments for the years ended December 31, 2024 and 2023 are as follows:

December 31, 2024	
Allowance for Credit Losses on Unfunded Commitments:	
Balance at Beginning of Year	$ 1,350
Provision for Credit Losses	558
Balance at End of Year	$ 1,908

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

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

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:

	2024	2023
Loans	$ 3,326	$ 4,190
Unfunded Commitments	558	(1,196)
Total Provision for Credit Losses	$ 3,884	$ 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 is as follows:

December 31, 2024	Consumer	Residential Real Estate	Vacation Ownership	Commercial	Total
Allowance for Credit Losses on Loans:					
Ending Balance: Collateral Dependent	$ -	$ -	$ -	$ 1,739	$ 1,739
Loans					
Ending Balance: Collateral Dependent	$ -	$ -	$ -	$ 6,963	$ 6,963

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

DECEMBER 31, 2024 AND 2023 (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 following tables show the commercial loan portfolio segments allocated by management's internal risk ratings as of December 31, 2024 and 2023:

	Commercial Credit Risk Profile by Risk Rating	
	2024	
Risk Rating:	Commercial Real Estate	Commercial Non-Real Estate Secured
Pass	$ 4,061	$ -
Substandard	1,299	-
Doubtful	633	-
Not Rated	-	7,771
Total	$ 5,993	$ 7,771

	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

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

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

December 31, 2024	Current	30-89 Days Past Due	90 Days or More Past Due	Total Loans
Consumer:				
Credit Card	$ 14,116	$ 246	$ 118	$ 14,480
Vehicle	32,301	2,218	93	34,612
Other Unsecured	8,321	145	102	8,568
Other Secured	29,800	632	256	30,688
Private Student Loans	50,457	2,281	1,964	54,702
Residential Real Estate:				
First Mortgage	221,380	4,007	2,061	227,448
All Other Real Estate	258,510	4,226	4,909	267,645
Vacation Ownership	51,703	3,178	1,510	56,391
Commercial:				
Commercial Non-Real Estate Secured	6,075	-	1,696	7,771
Commercial Real Estate Secured	5,037	956	-	5,993
Total	$ 677,700	$ 17,889	$ 12,709	$ 708,298

December 31, 2023	Current	30-89 Days Past Due	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	$ 11,634	$ 743,688

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due 90 days or more and still accruing interest as of December 31:

December 31, 2024	Nonaccrual	Nonaccrual With No Allowance for Credit Loss	Loans 90 Days or More Past Due and Still Accruing
Consumer:			
Credit Card	$ 118	$ -	$ -
Vehicle	92	-	-
Other Unsecured	102	-	-
Other Secured	256	-	-
Private Student Loans	1,964	-	-
Residential Real Estate:			
First Mortgage	3,158	-	-
All Other Real Estate	3,812	-	-
Vacation Ownership	-	-	1,510
Commercial:			
Commercial Non-Real Estate Secured	1,696	-	-
Commercial Real Estate	-	-	-
Total	$ 11,198	$ -	$ 1,510

December 31, 2023	Nonaccrual	Nonaccrual With No Allowance for Credit Loss	Loans 90 Days or More Past Due and Still Accruing
Consumer:			
Credit Card	$ 173	$ -	$ -
Vehicle	320	-	-
Other Unsecured	102	-	-
Other Secured	135	-	-
Private Student Loans	1,653	-	-
Residential Real Estate:			
First Mortgage	1,773	-	-
All Other Real Estate	4,624	-	-
Vacation Ownership	-	-	1,673
Commercial:			
Commercial Non-Real Estate Secured	1,181	-	-
Commercial Real Estate	-	-	-
Total	$ 9,961	$ -	$ 1,673

Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2024 and 2023.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 4 LOANS, NET (CONTINUED)

The delinquent vacation ownership loans are considered performing due to the credit enhancement feature. At December 31, 2024 and 2023, there were $56,391 and $64,791, respectively, in vacation ownership loans.

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 years ended December 31, 2024 and 2023, were insignificant to the consolidated financial statement disclosures.

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 $1,110,965 and $1,028,196 at December 31, 2024 and 2023, respectively. Servicing fees totaled $7,615 and $7,074 for the years ended December 31, 2024 and 2023, respectively.

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

	Years Ended December 31: 2024	2023
Servicing Rights:		
Balance at Beginning of Year	$ 14,596	$ 15,137
Servicing Rights Capitalized	4,929	2,642
Servicing Rights Amortized	(2,218)	(3,183)
Balance at End of Year	$ 17,307	$ 14,596
Valuation Allowances:		
Balance at Beginning of Year	$ 145	$ 30
Additions	43	115
Balance at End of Year	$ 188	$ 145

The balance of capitalized servicing rights, net of valuation allowances, is included in other assets and totaled $17,119 and $14,451 at December 31, 2024 and 2023, respectively. The fair values of these rights were $17,494 and $16,700 at December 31, 2024 and 2023, respectively. The fair value of servicing rights at December 31, 2024 was determined using a discount rate of 10.2% and prepayment speed of 7.1% for first mortgages, and a discount rate of 13.0% and prepayment speed of 31.9% for second mortgages (HELOCs). 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 28.8% for second mortgages (HELOCs).

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 6 LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment are summarized as followings:

	December 31, 2024	December 31, 2023
Computer Equipment and Software	$ 5,226	$ 5,063
Furniture and Equipment	292	292
Leasehold Improvements	3,130	2,968
Subtotal	8,648	8,323
Less: Accumulated Depreciation and Amortization	6,018	5,324
Total	$ 2,630	$ 2,999

Depreciation and amortization expense was $1,097 and $885 for the years ended December 31, 2024 and 2023, 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:

	2024	2023
Operating Lease Cost	$ 698	$ 647
Total Lease Cost	$ 698	$ 647

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

	2024	2023
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Operating Leases	$ 680	$ 606
ROU Assets Obtained in Exchange for Lease Liabilities		
Initial Recognition of Right-of-Use Assets	-	626
Initial Recognition of Lease Liabilities	-	626
Weighted-Average Remaining Lease Term - Operating Leases, in Years	5 years	6 years
Weighted-Average Discount Rate - Operating Leases	4.28%	4.27%

The right-of-use assets, which are included in other assets in the consolidated statements of financial condition, totaled $2,963 and $3,520 for the years ended December 31, 2024 and 2023, respectively. The lease liabilities, which are included in accrued expenses and other liabilities in the consolidated statements of financial condition, totaled $3,060 and $3,599 for the years ended December 31, 2024 and 2023, respectively.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 7 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2024, is as follows:

Year Ending December 31,	Amount
2025	$ 693
2026	707
2027	721
2028	661
2029	601
Total Undiscounted Lease Payments	3,383
Less Imputed Interest	(323)
Total Lease Liabilities	$ 3,060

NOTE 8 MEMBERS' SHARE ACCOUNTS AND DIVIDENDS

Members' share accounts as of December 31, 2024 and 2023 are summarized as follows:

	2024	2023
Share Drafts	$ 130,905	$ 120,670
Regular Shares	451,662	448,024
Money Management Accounts	36,978	41,285
IRA Share Accounts	3,047	3,315
Share and IRA Certificates	372,004	328,410
Non-Member Certificates	15,772	42,990
Total	$ 1,010,368	$ 984,694

The aggregate amounts of members and non-members' share certificate accounts over $250 were $99,174 and $90,470 at December 31, 2024 and 2023, respectively.

Scheduled maturities of share, IRA, and brokered certificates at December 31, 2024 are as follows:

Year Ending December 31,	Amount
2025	$ 267,747
2026	110,418
2027	3,518
2028	3,679
2029	2,414
Total	$ 387,776

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 8 MEMBERS' SHARE ACCOUNTS AND DIVIDENDS (CONTINUED)

Dividend expense on members' share accounts for the years ended December 31, 2024 and 2023 is summarized as follows:

	2024	2023
Share Drafts	$ 22	$ 20
Regular Shares	16,893	16,122
Money Management Accounts	523	607
IRA Share Accounts	43	42
Share and IRA Certificates	14,947	10,310
Non-Member Certificates	1,113	2,302
Total	$ 33,541	$ 29,403

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, 2024 and 2023, 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, 2024 and 2023.

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 $73,347 and $46,335 at December 31, 2024 and 2023, respectively. The interest rates applied on any borrowing are determined on that date. There were no outstanding borrowings at December 31, 2024 and 2023.

The Credit Union has the ability to borrow through the Federal Reserve Discount Window. The interest rates applied on any borrowing are determined on that date. The line has no expiration date but is subject to review and change by the issuing institution. At December 31, 2024 and 2023, the Credit Union has not pledged securities as collateral to the Federal Reserve. Therefore, the line is not active and there is no available line of credit. There were no balances outstanding on this line at December 31, 2024 and 2023. At such time the Credit Union has a need to request an advance, securities will be pledged.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 10 SUBORDINATED DEBT

The Credit Union has 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, 2024	December 31, 2023
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
Term Note at an interest rate of 8.25%, maturing July 30, 2034	8,000	-
Total	$ 14,000	$ 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, 2024 AND 2023 (Dollars in Thousands)

NOTE 11 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

As of December 31, 2024, the most recent call reporting period, the NCUA categorized the Credit Union as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized,” the credit union must maintain a minimum net worth ratio of 7% 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, 2024	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net Worth	$ 111,649	9.84%	$ 68,051	6.00%	$ 79,393	7.00%
Risk-Based Capital Ratio	$ 118,599	15.78%	$ 60,137	8.00%	$ 75,172	10.00%
December 31, 2023						
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%

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

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

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, 2024 and 2023, the Credit Union applied $14,000 and $6,000 of subordinated debt towards the net worth calculation, respectively.

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 into regulatory net worth associated with the “day-one adjustment” required upon adoption of ASC 326. As of December 31, 2024 and 2023, $5,097 and $10,349 was added to the Credit Union’s consolidated members’ equity to determine the regulatory net worth ratio, respectively.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 12 RELATED PARTY TRANSACTIONS

Loans to directors, committee members, and executive officers amounted to approximately $22,175 and $22,508 as of December 31, 2024 and 2023, respectively. Share accounts of directors, committee members, and executive officers totaled approximately $3,279 and $5,223 as of December 31, 2024 and 2023, 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,	
	2024	2023
Unfunded Commitments Under Lines of Credit		
Home Equity Lines of Credit	$ 339,478	$ 250,882
Other Lines of Credit	17,953	18,501
Credit Card Commitments	46,172	50,502
Other Commitments	60,851	35,491
Total	$ 464,454	$ 355,376

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

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, 2024	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Fund - Investment in Deferred Compensation 457(b) Plan	$ 475	$ -	$ -	$ 475
Mortgage-Backed Securities	-	7,705	-	7,705
Collateralized Mortgage Obligations	-	44,713	-	44,713
SBA Loan Pools	-	23,415	-	23,415
Municipal Bonds	-	22,771	-	22,771
Total	$ 475	$ 98,604	$ -	$ 99,079

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Fund - Investment in Deferred Compensation 457(b) Plan	$ 400	$ -	$ -	$ 400
Mortgage-Backed Securities	-	4,321	-	4,321
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

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, 2024 AND 2023 (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, 2024 and 2023 consisted of the following:

	2024			
	Level 1	Level 2	Level 3	Impairment Losses
Collateral Dependent Loans	$ -	$ -	$ 5,224	$ 1,739
Foreclosed and Repossessed Assets	-	-	1,534	2,852
Servicing Rights	-	-	967	188

	2023			
	Level 1	Level 2	Level 3	Impairment Losses
Collateral Dependent Loans	$ -	$ -	$ 5,631	$ 2,287
Foreclosed and Repossessed Assets	-	-	1,526	2,879
Servicing Rights	-	-	1,130	145

DECEMBER 31, 2024 AND 2023 (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, 2024 and 2023:

	2024			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Collateral Dependent Loans	$ 5,224	Valuation of Collateral	Estimation of Value	Not Meaningful
Foreclosed and Repossessed Assets	$ 1,534	Sales Comparison Approach	Adjustment for differences between comparable sales	0% - 45%
Servicing Rights	$ 967	Discounted cash flow method	Prepayment speeds	7.1% - 31.9%

	2023			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Collateral Dependent Loans	$ 5,631	Valuation of Collateral	Estimation of Value	Not Meaningful
Foreclosed and Repossessed Assets	$ 1,526	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%

Collateral Dependent Loans

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.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 14 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

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.

The following table sets forth the funded status, change in plan assets, and net periodic benefit costs for the plan at December 31, 2024 and 2023:

	December 31,	
	2024	2023
Projected Benefit Obligation	$ (4,424)	$ (4,656)
Fair Value of Plan Assets	8,081	7,456
Funded Status of Plan at Year-End	$ 3,657	$ 2,800
Accumulated Benefit Obligation	$ (4,424)	$ (4,656)
Assumptions used to Determine Benefit Obligation:		
Weighted Average Discount Rate	5.75%	5.00%
Rate of Future Compensation Increase	N/A	N/A

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Years Ended December 31,	2024	2023
Benefits Paid	$ 71	$ 1,082
Net Pension Cost	-	195
Assumptions used to Determine Net Pension Cost:		
Weighted Average Discount Rate	5.75%	5.00%
Expected Long-Term Return on Plan Assets	6.75%	7.50%
Rate of Compensation Increase	N/A	N/A
Included in Statements of Financial Condition:		
Other Assets	$ 3,657	$ 2,800
Included in Other Comprehensive Income:		
Net Unrecognized Loss	$ 702	$ 1,559

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,	
	2024	2023
Collective Investment Fund	100 %	100 %
Total	100 %	100 %

As of December 31, 2024 and 2023, plan assets are 100% invested in a collective investment trust fund managed by TruStage. 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 6.75%. 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 6.75%.

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2024 and 2023:

	2024			
	Level 1	Level 2	Level 3	Total
Defined Benefit Plan Assets:				
Collective Investment Fund	$ -	$ 8,081	$ -	$ 8,081
Total Assets	$ -	$ 8,081	$ -	$ 8,081

	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

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
2025	$ 330
2026	204
2027	197
2028	176
2029	262
Thereafter	1,576

The Credit Union expects to recognize within net periodic benefit cost for 2025 the following amounts included in other comprehensive loss:

Amortization of Net Loss	$ 289

DECEMBER 31, 2024 AND 2023 (Dollars in Thousands)

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:

	2024	2023
In scope of ASC 606		
Services Charges and Deposit Account Fees	$ 1,412	$ 1,235
Interchange Fees	1,357	1,485
Other	(25)	109
Non-Interest Income in Scope of ASC 606	2,744	2,829
Non-Interest Income not Within the Scope of ASC 606 (a)	17,465	8,397
Total Non-Interest Income	$ 20,209	$ 11,226

(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.