2024
ANNUAL REPORT

Members Credit Union

Members Credit Union

Board of Directors

William A. Tittsworth, Chairman of the Board

Richard Trotter, Vice Chairman of the Board

Karen Keller

Durham White, JR.

Jerry Church

Jack Braswell, JR.

Tommy Rhoney

Jeff Seaford

Cindy Stiff

Bob Donley

Delphine Dennis

Supervisory Committee

Alex Newman, Chair

Mark Brown

Mac McCormack

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Joint Report

2024 was a year filled with a little of everything for our membership and our credit union. We relocated a branch, opened a new branch, Hurricane Helene hurt our state and membership, and we finally saw some improvement in inflation and interest rates. Inflation on a year-over-year basis began to improve in the second half of 2024, which allowed the Federal Reserve to begin decreasing rates. The Federal Reserve decreased rates by 50 basis points in September and 25 basis points in November and December. While year-over-year inflation is moving towards the Federal Reserve's 2.00% target, the impact of the cumulative inflation rate from early 2022 through early 2024 is causing financial stress all across our membership. We saw this impact on our membership in our loan delinquency, loan charge-offs, and lack of net deposit growth. Our members are spending 100% or more of their paycheck on their basic needs, such as food, housing, utilities, insurance, clothing, and transportation. As evidenced by our elevated delinquencies and charge-offs, the increased cost of normal day-to-day necessities is causing many of our members to make difficult decisions and choose between feeding, clothing, housing their family, and paying their debts in a timely manner. We continue to offer every conceivable workout solution we can to help our members in their time of need.

Change, both good and bad, is an absolute constant in our lives, but what also needs to be an absolute constant is our "Why." If we are solidly grounded in who we are, why we do what we do, and who we do it for, all the change and noise constantly surrounding us cannot change who we are.

This is so true of our credit union and the members of our credit union employee family who are absolutely focused on Why we do what we do and who we are here to serve.

Our credit union's "WHY" is "To be the caring and trusted financial partner to each member, so our members are able to focus less on finances and more on what really matters in their daily lives." Our “WHY” continues to have a very positive impact on our dedication to delivering quality products and services to our membership. Our employees see first-hand how post-pandemic inflation is in every part of our member's lives. Seeing the positive difference they make in our members’ lives keeps our employees working so hard to live out our "WHY."

At our 2023 planning session, our Board approved a reduction in our NSF fee from $30 to $5, effective Feb 1, 2024. This reduction saved our checking account members over $716,000 in 2024 and is projected to save them over $800,000 in 2025. These are members who have trouble making ends meet, and this savings has been so helpful to them and their families.

In September, Hurricane Helene caused major loss of life and massive destruction in western North Carolina. Our membership impacted by this storm saw families destroyed, their homes damaged or destroyed, and their livelihoods disrupted. We immediately offered Hurricane loan skips to our impacted members and processed 605 requests for loan payment relief, providing over $161,000 of desperately needed cash flow relief to these impacted members. We also donated $15,000 to the Carolinas Credit Union Foundation fund established to help credit union system employees impacted by Hurricane Helene.

In November and December, our lending department processed 4,278 Holiday-Skip-A-Pay requests, providing extra cash of nearly $1.2 million to our members for holiday needs while processing and approving $7.6 million in new loans. These three highlighted examples are testaments to our credit union, our Board, and our employees living out our "WHY."

Our total member behavior returned to normal pre-pandemic levels in 2023, and the cumulative impact of inflation has caused their spending and usage of funds to be even greater in 2024, and many members continue to live paycheck to paycheck. This behavior change, combined with the impact of inflation, is a significant reason we have seen our loan delinquencies remain elevated and charge-offs increase in 2024. Although our delinquencies decreased by 15.65% at December 31, they still remain at the top end of the lowest tier assigned by our regulators, and our charge-offs have increased and are at the high end of the historic range for our membership and our loan portfolio mix. To help the needs of this segment of our membership and to help contain losses, we added one additional member to our financial solutions team in 2024 and have budgeted to add another in 2025. This will enable our financial solutions team to continue working with members who are impacted by rising inflation and cash flow issues by offering payment extensions and other workout solutions to help them through the difficult circumstances they are facing.

2024 was another great year for our credit union, thanks to the incredible support of our loyal membership, the hard work of our dedicated employees, and guidance from our Board. Our deposits seemed to stabilize in 2024; after we experienced a net deposit decrease of approximately 8.00% in 2023, 2024 deposits only decreased by 0.46%.

However, our deposits are still up 32.1% over pre-pandemic levels, which is a 5.73% annualized growth rate over the past five years. Our membership borrowing slowed in 2024, and we experienced a 2.56% decrease in loans to our members. The primary factors leading to this decrease were economic uncertainty, inflation, and credit-related issues for our members.

Our 2024 net income was $4.75 million, which is a Return on Assets of 1.09%. This net income helped to increase our Capital/Asset ratio to 15.13% by December 31, 2024, up from a pandemic low of 10.08%, and now exceeds pre-pandemic ratios from 2019. This Capital position has us well positioned for growth, unplanned opportunity, elevated delinquencies, and elevated charge-offs.

We are proud of what we accomplished in 2024:

1) Meeting our member’s loan and spending needs, processing $1.3 billion in debits and credits in our 37,000 checking accounts, and funding new loan requests and LOC advances totaling $88 million;

2) Helping our members manage their financial affairs while experiencing distress dealing with the impacts of record-setting inflation;

3) In February 2024, we completed the relocation of our Morganton Branch to its’ new location on Wamsutta Mill Road. Our membership in the greater Morganton area is very pleased and happy with their new branch, which features a drive-thru, drive-up ATM, and a night deposit;

4) With the help of our generous members who purchased t-shirts and tumblers and our “Kids Helping Kids Fundraiser, we were able to donate $41,000 to Children’s Cancer Partners of the Carolinas during our 2024 promotions, bringing our two-year contribution to an amazing $77,000. I am honored and proud to inform you our fundraising efforts for Children’s Cancer Partners of the Carolinas are being awarded the 2025 Partner in Philanthropy Award from the Carolinas Credit Union Foundation. Our members and our employees also participated in our annual Holiday Hero campaign and raised an additional $8,100, which was given to organizations located in our branch footprint to help families in need during Christmas;

5) We purchased a branch facility in Gastonia, NC from an Indiana-based credit union and opened it as a Members Credit Union branch in mid-September. As of today, we have attracted 344 new members, with $1.5 million in new deposits and $500,000 in new loans at this location. This new branch features a drive-thru, drive-up ATM, and a night deposit and has five employees. As a result of the Low-Income Designation we received in early 2024, we were granted a community service area for Gaston County, making those who live or work in this area eligible for membership in Members Credit Union;

6) We continued our commitment to financial literacy in 2024. We conducted Financial Reality Fairs at eight schools in Forsyth & Stokes counties involving over 1,300 students. Our War Eagle branch at Davie High School continues to grow. Through that branch, we continue our financial literacy impact through classroom instruction, reality fairs, Freshman orientation and financial counseling for teachers. These sessions allowed us to present financial education and counseling to over 2,100 students, teachers, and parents.

As we look forward to a successful year in 2025, we have new developments and projects on the horizon.

To help teach financial education to kids and families, we partnered with Greenlight, a financial technology company that provides a debit card designed specifically for kids. We began offering Greenlight to our memberships in late November, and to date, we have already enrolled 117 families.

In an effort to become more relevant with students and young adults, the Board also approved the formation of a Youth Advisory Board to help create an even deeper relationship and better product and service offerings for our next generation of potential members. The Board also approved the continued pursuit of a relationship with Carolina University to become their credit union and eventually locate a full-service branch on their newly acquired campus on the north side of Winston-Salem.

In closing, I want to thank our membership, our employees and the credit union's Board of Directors for their unwavering support and loyalty throughout a very challenging, successful, and rewarding 2024.

As we continue working together to serve and care for our members and each other, I know we can continue to make great things happen in 2025.

Bob Donley

Bob Donley

Bob Donley
President/CEO

William A. Tittsworth

W. A. Tittsworth

William A. Tittsworth
Chairman of the Board

Board of Directors
Members Credit Union
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

Opinion

We have audited the accompanying financial statements of Members Credit Union, which comprise the statements of financial condition as of December 31, 2024 and 2023, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presented fairly, in all material respects, the financial position of Members Credit Union as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Members Credit Union's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Members Credit Union's ability to continue as a going concern for a reasonable period of time.

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

Butler & Burke, LLP

Winston-Salem, North Carolina
March 21, 2025

MEMBERS CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 5,914,660	$ 9,445,038
Investment securities, available-for-sale	69,633,006	68,185,471
Investment securities, held-to-maturity	155,739,002	146,434,727
Loans receivable, net of allowance for credit losses	182,835,417	188,104,106
Assets held for sale	347,611	131,975
Accrued interest receivable	1,792,504	1,436,029
Property and equipment, net	10,410,934	9,650,599
NCUSIF deposit	3,695,618	3,885,215
Other assets	8,447,446	8,083,689
TOTAL ASSETS	$ 438,816,198	$ 435,356,849
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts	$ 373,281,303	$ 374,734,035
Accrued expenses and other liabilities	3,184,148	3,337,076
Total Liabilities	376,465,451	378,071,111
Members' Equity		
Undivided earnings	63,438,844	58,685,466
Accumulated other comprehensive income (loss)	(1,088,097)	(1,399,728)
Total Members' Equity	62,350,747	57,285,738
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 438,816,198	$ 435,356,849

	2024	2023
Interest Income		
Outstanding loans	$ 16,186,632	$ 14,863,793
Investment securities	5,765,661	5,985,655
Total Interest Income	21,952,293	20,849,448
Interest Expense		
Members' share and savings accounts	3,066,663	2,608,370
Total Interest Expense	3,066,663	2,608,370
NET INTEREST INCOME	18,885,630	18,241,078
Provision for Credit Losses	3,666,423	2,949,134
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	15,219,207	15,291,944
Non-Interest Income		
Fees and other income, net	3,153,556	4,107,582
Rental income	44,100	47,850
Total Non-Interest Income	3,197,656	4,155,432
Non-Interest Expense		
Compensation and benefits	8,379,456	7,711,004
Occupancy	1,081,168	1,169,763
Office operations	3,185,710	2,945,976
Other	1,017,151	797,911
Total Non-Interest Expense	13,663,485	12,624,654
NET INCOME	$ 4,753,378	$ 6,822,722

MEMBERS CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2024 and 2023

	2024	2023
Net Income	$ 4,753,378	$ 6,822,722
Other Comprehensive Income		
Unrealized holding gains arising during the period on securities available-for-sale	311,631	471,066
TOTAL COMPREHENSIVE INCOME	$ 5,065,009	$ 7,293,788

See accompanying notes to financial statements.

	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2023	53,007,426	(1,870,794)	51,136,632
Cumulative Effect of Change in Accounting Principle - ASU 2016-13	(1,144,682)	-	(1,144,682)
Comprehensive Income	6,822,722	471,066	7,293,788
Balance, December 31, 2023	58,685,466	(1,399,728)	57,285,738
Comprehensive Income	4,753,378	311,631	5,065,009
Balance, December 31, 2024	$ 63,438,844	$ (1,088,097)	$ 62,350,747

MEMBERS CREDIT UNION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
OPERATING ACTIVITIES		
Net income	$ 4,753,378	$ 6,822,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	463,475	349,422
Amortization of investment premium (discounts), net	(293,319)	(302,896)
Provision for credit losses	3,666,423	2,949,134
Net changes in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	(356,475)	(217,624)
(Increase) decrease in other assets	(363,757)	(228,173)
Increase (decrease) in accrued expenses and other liabilities	(152,928)	(653,429)
Net Cash Provided by Operating Activities	7,716,797	8,719,156
INVESTING ACTIVITIES		
Proceeds from maturities of investment securities, held-to-maturity	23,850,021	40,998,108
Purchases of investment securities, held-to-maturity	(22,841,000)	(347,386)
Proceeds from maturities of investment securities, available-for-sale	48,322,558	53,294,794
Purchases of investment securities, available-for-sale	(59,478,439)	(61,919,113)
Net (increase) decrease in loans receivable	1,602,266	(6,468,013)
Purchases of property and equipment	(1,223,810)	(887,752)
Change in NCUSIF deposit	189,597	117,439
Change in assets held for sale	(215,636)	(58,475)
Net Cash Provided by (Used in) Investing Activities	(9,794,443)	24,729,602
FINANCING ACTIVITIES		
Net decrease in members' share and savings accounts	(1,452,732)	(33,155,567)
Net Cash Used in Financing Activities	(1,452,732)	(33,155,567)
CHANGE IN CASH AND CASH EQUIVALENTS	(3,530,378)	293,191
Cash and Cash Equivalents, Beginning	9,445,038	9,151,847
Cash and Cash Equivalents, Ending	$ 5,914,660	$ 9,445,038
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	$ 3,066,663	$ 2,608,370
Unrealized gains arising during the year on investment securities, available-for-sale	$ 311,631	$ 471,066

NOTE A: ORGANIZATION

Members Credit Union is a member-owned, not-for-profit cooperative organized under the laws of the State of North Carolina. Its members are principally employees of sponsor companies affiliated with the Credit Union.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Credit Union conform to accounting principles generally accepted in the United States of America (GAAP). A brief description of significant policies is presented below.

Cash and Cash Equivalents

Cash and cash equivalents include cash and amounts on deposit with commercial banks with an original maturity of three months or less. These accounts at times may exceed federally insured limits. The Credit Union has not experienced any losses in these accounts and management does not believe it is exposed to any significant credit risk.

Investment Securities

The Credit Union's investment securities are classified and accounted for as follows:

> *Held-to-Maturity* (HTM) - Investment securities which the Credit Union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method.
>
> *Available-for-Sale* (AFS) - Investment securities are classified as available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments, and other market and economic factors. These securities are reported at fair value with unrealized gains and losses recorded through comprehensive income.

Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in an allowance for credit losses.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities (Continued)

Expected credit losses on HTM securities are measured on a collective basis by major security type, when similar risk characteristics exist. Risk characteristics for segmenting HTM debt securities include issuer, maturity, coupon rate, yield, payment frequency, source of repayment, bond payment structure, and embedded options. Upon assignment of the risk characteristics to the major security types, management may further evaluate the qualitative factors associated with these securities to determine the expectation of credit losses, if any. Impairments below cost in the estimated fair value of individual HTM debt securities that are attributable to credit losses are recorded through an allowance for HTM credit losses. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Impairments below cost attributable to other factors are realized in noninterest income in the statements of income. There is no allowance required for credit losses on HTM securities where risk of non-repayment is zero such as government backed securities. The Credit Union only holds HTM debt securities with non-repayment risk of zero, therefore, no allowance for credit losses is considered necessary.

AFS debt securities must be evaluated individually for impairment with an allowance for credit losses recorded through net income if the fair value is less than amortized cost, and the Credit Union intends to sell the security, or it is more likely than not that the Credit Union will be required to sell the security, or the Credit Union does not expect to recover the amortized cost basis. None of those criteria exist for the Credit Union's AFS debt securities and therefore no allowance for credit losses is considered necessary.

The Credit Union does not maintain a trading portfolio.

Loans Receivable and Allowance for Credit Losses

Loans receivable are stated at unpaid principal balances, less an allowance for credit losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loan fees and certain direct loan origination costs are not deferred, since the effect of deferral and amortization as an adjustment of loan yield is not material to the financial statements of the Credit Union.

The Credit Union also purchases participation loans originated by various other credit unions. The originating institution performs all servicing functions on these loans. The Credit Union will purchase only the following participation loans: automobile loans, unsecured closed-end loans, and unsecured insured home improvement loans. Participation loans are included with loans receivable in their respective loan class and stated at unpaid principal balance, less an allowance for credit losses, and net of any purchased premiums or discounts. Interest on participation loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable and Allowance for Credit Losses (Continued)

With the adoption of ASU 2016-13 on January 1, 2023, an allowance for credit losses is established upon origination for all loans through a provision for credit losses charged to earnings. ASU 2016-13 established an expected credit loss model that replaced the previous probable incurred loss model, which incorporated only known information as of the balance sheet date. The expected credit loss model is based on management's best estimate of lifetime expected credit losses inherent in the Credit Union's relevant financial assets. The Credit Union has elected to use the Weighted Average Remaining Maturity (WARM) methodology to calculate its allowance for credit losses. This method estimates expected credit losses over the remaining life of the financial assets and uses a weighted average of the assets' contractual terms to estimate the pool's remaining contractual term. The WARM method uses average annual net charge-off rates and the amortization adjusted remaining life, plus Qualitative Factor (Q factor) adjustments, to estimate the allowance for credit losses. Historical loss information is used to determine historical loss rates and expected future loss rates, by loan segment. Management considers the need to qualitatively adjust expected credit loss estimates for information that has not already been captured in the loss estimation process. These Q factor adjustments may increase or decrease management's estimate of expected credit losses. Potential Q factors may include external and environmental factors, such as comparable peer experience, observed and expected national, regional, and local economic trends that affect the value and collectability of financial assets. Internal factors specific to the Credit Union, such as lending policies, nature and growth of loan portfolio and other various factors will be used as well. When management determines that foreclosure is probable, expected credit losses are accrued based on the differences between the loan balance and 1) the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, 2) the present value of future cash flows, or 3) the loan's value as observable in the secondary market. Adjustments are made for selling costs, as appropriate. When management believes the loan is not collectible, the loan is charged off against the allowance. Subsequent recoveries, if any, are credited to the allowance.

Accrual of interest on loans is discontinued when management believes, after considering economics, business conditions, and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. All loans continue to accrue interest until they are 90 days past due.

Loan modifications occur in situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession for other than an insignificant period of time to the member that the Credit Union would not otherwise consider. The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms include payment relief in the terms of an extension of the original maturity date and short-term payment reductions. The Credit Union does not provide its members rate reductions, principal forgiveness, or reductions of accrued interest. In cases where management has modified a loan, an analysis is performed to determine whether the loan is impaired.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held for Sale

Assets held for sale is comprised of automobiles repossessed by the Credit Union due to non-payment on loans. When repossessed, the carrying value of the automobiles are adjusted to the lower of the loan balance outstanding or fair market value based on published prices from a national automobile dealership association, with losses initially recorded in the provision for credit losses. Any subsequent expenses that do not significantly increase the vehicles value and actual losses on sale are recorded as repossession expenses and losses in the accompanying statements of income.

Property and Equipment

Land is carried at cost. Office buildings, furniture, fixtures, equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Buildings, furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings and 3 to 20 years for equipment and furniture. The cost of leasehold improvements is amortized using the straight-line method over terms ranging from 3 to 10 years.

NCUSIF Deposit

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

NCUSIF Insurance Premiums

Credit unions are required to pay an annual insurance premium equal to one-twelfth of one percent of total insured shares, unless the payment is waived or reduced by the NCUA Board. The NCUA Board waived the premium in 2024 and 2023.

Members' Share and Savings Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' share and savings accounts are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

The classification of assets and liabilities within the hierarchy is based on whether inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data. See Note L for assets of the Credit Union measured at fair value on a recurring basis.

Income Taxes

The Credit Union is exempt by statute, from federal and state income taxes. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

The Credit Union's primary tax positions relate to its status as an entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Credit Union has no uncertain tax positions that would be subject to change upon examination.

The Credit Union is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Credit Union is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds $1,000. The Credit Union's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Credit Union has evaluated its subsequent events (events occurring after December 31, 2024) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE C: INVESTMENT SECURITIES

Investment securities have been classified in the statements of financial condition according to management's intent. The carrying amount of securities and their approximate fair values at December 31, 2024 and 2023, are as follows:

Securities available-for-sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2024:				
U.S. government and federal agency securities	$ 14,259,973	$ -	$ (1,085,530)	$ 13,174,443
Deposits in other financial institutions	56,048,152	-	-	56,048,152
Mortgage-backed securities	412,978	-	(2,567)	410,411
	$ 70,721,103	$ -	$ (1,088,097)	$ 69,633,006
December 31, 2023:				
U.S. government and federal agency securities	$ 14,857,498	$ 1,185	$ (1,397,003)	$ 13,461,680
Deposits in other financial institutions	54,229,037	-	-	54,229,037
Mortgage-backed securities	498,664	2	(3,912)	494,754
	$ 69,585,199	$ 1,187	$ (1,400,915)	$ 68,185,471

Securities held-to-maturity	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2024:				
U.S. government and federal agency securities	$ 153,428,103	$ 309	$ (7,420,213)	$ 146,008,199
Deposits in other financial institutions	2,266,632	-	-	2,266,632
Mortgage-backed securities	44,267	220	(416)	44,071
	$ 155,739,002	$ 529	$ (7,420,629)	$ 148,318,902
December 31, 2023:				
U.S. government and federal agency securities	$ 143,853,005	$ -	$ (10,631,239)	$ 133,221,766
Deposits in other financial institutions	2,517,318	-	-	2,517,318
Mortgage-backed securities	64,404	335	(709)	64,030
	$ 146,434,727	$ 335	$ (10,631,948)	$ 135,803,114

NOTE C: INVESTMENT SECURITIES (CONTINUED)

The scheduled maturities of held-to-maturity and available-for-sale securities at December 31, 2024, are as follows:

	Securities held-to-maturity		Securities available-for-sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 18,998,153	$ 18,671,210	$ 56,048,152	$ 56,048,152
Due from one to five years	136,101,404	129,041,524	13,264,100	12,215,393
Due from five to ten years	595,178	562,097	995,873	959,050
	155,694,735	148,274,831	70,308,125	69,222,595
Mortgage-backed securities	44,267	44,071	412,978	410,411
	$ 155,739,002	$ 148,318,902	$ 70,721,103	$ 69,633,006

Included in the above mortgage-backed securities, the Credit Union has mortgage-related derivatives in the form of collateralized mortgage obligations. At December 31, 2024, the amortized cost of those collateralized mortgage obligations was $426,964 and the estimated market value was $423,994.

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

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities available-for-sale				
U.S. government and federal agency securities	$ -	$ -	$ 1,085,530	$ 13,174,443
Mortgage-backed securities	-	-	2,567	410,411
	$ -	$ -	$ 1,088,097	$ 13,584,854
Securities held-to-maturity				
U.S. government and federal agency securities	$ 201,666	$ 22,667,800	$ 7,218,547	$ 123,266,098
Mortgage-backed securities	-	-	416	20,477
	$ 201,666	$ 22,667,800	$ 7,218,963	$ 123,286,575

NOTE C: INVESTMENT SECURITIES (CONTINUED)

The Credit Union had seventy-seven debt securities with unrealized losses at December 31, 2024. All of these securities were either guaranteed by the U.S. Government or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. The Credit Union does not intend to sell these securities and it is more likely than not that the Credit Union will not be required to sell before a period of time sufficient to allow for any anticipated recovery of fair value.

NOTE D: LOANS RECEIVABLE

The composition of loans receivable at December 31 is as follows:

	2024	2023
Automobile	$ 123,224,151	$ 128,006,270
Mortgage	8,998,038	8,118,382
Unsecured	53,359,451	53,727,898
Share secured	1,218,470	1,597,653
	186,800,110	191,450,203
Less allowance for credit losses	(3,964,693)	(3,346,097)
	$ 182,835,417	$ 188,104,106

Allowance for Credit Losses

The allowance for credit losses on loans represents the expected credit losses in the loan portfolio based on historical loss rates as well as qualitative factors the Credit Union anticipates in the future. For purposes of determining the allowance for credit losses, the Credit Union segments certain loans in its portfolio by product type. The Credit Union's loans are segmented into the following pools: automobiles, mortgages, unsecured, and share secured. The Credit Union also sub-segments one of these segments into classes based on credit risk. Mortgages are divided into the following classes: (a) first mortgages, and (b) home equity loans. Each class of loan requires significant judgment to determine the estimation method that fits the credit risk characteristic of its portfolio segment. See Note B for a description of the Credit Union's policy to calculate the allowance for credit losses.

NOTE D: LOANS RECEIVABLE (CONTINUED)

The following table presents by portfolio segment, the changes in the allowance for credit losses for the years ended December 31, 2024 and 2023.

	2024				
	Automobile	Mortgage	Unsecured	Share Secured	Total
Allowance for Credit Losses:					
Beginning Balance	$ 1,245,066	$ -	$ 2,082,154	$ 18,877	$ 3,346,097
Charge-Offs	(1,272,780)	-	(2,042,609)	-	(3,315,389)
Recoveries	54,809	-	212,753	-	267,562
Provision	1,383,841	-	2,301,459	(18,877)	3,666,423
Ending Balance	$ 1,410,936	$ -	$ 2,553,757	$ -	$ 3,964,693

	2023				
	Automobile	Mortgage	Unsecured	Share Secured	Total
Allowance for Credit Losses:					
Beginning Balance Prior to Adoption of ASU 2016-13	$ 603,110	$ -	$ 870,427	$ -	$ 1,473,537
Impact of Adopting ASU 2016-13	399,192	-	703,736	41,754	1,144,682
Charge-Offs	(855,876)	-	(1,724,904)	-	(2,580,780)
Recoveries	133,377	-	226,147	-	359,524
Provision	965,263	-	2,006,748	(22,877)	2,949,134
Ending Balance	$ 1,245,066	$ -	$ 2,082,154	$ 18,877	$ 3,346,097

NOTE D: LOANS RECEIVABLE (CONTINUED)

Credit Quality Information

The Credit Union's internal risk ratings based on Beacon scores are as follows:

- 740 and above – Members may pose little to no additional risk.
- 680 to 739 – Members may pose nominal risk of loss.
- 620 to 679 – Members may show average risk.
- 560 to 619 – Members may show above average risk.
- 559 and below – Members may show high risk.

The following table represents credit exposures by creditworthiness category as of December 31, 2024 and 2023. The use of creditworthiness categories to grade loans permits management's use of migration analysis to estimate a portion of the credit risk. The Credit Union's internal creditworthiness grading system is based on experiences with similarly graded loans. Loans that trend upward toward higher levels generally have a lower risk factor associated; whereas, loans that migrate toward lower ratings generally will result in a higher risk factor being applied to those loan balances.

	2024					
	740 and Above	680 to 739	620 to 679	560 to 619	559 and Below	Total
Automobile	$ 32,363,819	$ 32,552,554	$ 31,147,391	$ 17,847,328	$ 9,313,059	$ 123,224,151
Mortgage						
First Mortgage	966,962	484,796	292,292	171,283	162,744	2,078,077
Home Equity	3,219,967	1,614,363	973,328	570,367	541,936	6,919,961
Unsecured	10,371,933	14,818,743	16,360,622	8,231,465	3,576,688	53,359,451
Share Secured	355,529	409,150	223,050	205,962	24,779	1,218,470
Total	$ 47,278,210	$ 49,879,606	$ 48,996,683	$ 27,026,405	$ 13,619,206	$ 186,800,110

	2023					
	740 and Above	680 to 739	620 to 679	560 to 619	559 and Below	Total
Automobile	$ 29,566,934	$ 33,204,497	$ 44,267,374	$ 18,651,520	$ 2,315,945	$ 128,006,270
Mortgage						
First Mortgage	675,690	1,333,756	477,830	-	-	2,487,276
Home Equity	1,529,738	3,019,578	1,081,790	-	-	5,631,106
Unsecured	7,336,489	13,744,806	22,931,688	8,788,593	926,322	53,727,898
Share Secured	657,912	331,230	375,131	124,819	108,561	1,597,653
Total	$ 39,766,763	$ 51,633,867	$ 69,133,813	$ 27,564,932	$ 3,350,828	$ 191,450,203

NOTE D: LOANS RECEIVABLE (CONTINUED)

Age Analysis of Past Due Financing Receivables

Following is a table which includes an aging analysis of the recorded investment of past due financing receivables as of December 31, 2024 and 2023.

2024	0 – 2 Months Past Due	2 – 3 Months Past Due	Greater Than 3 Months Past Due	Current	Total Financing Receivable	Greater Than 3 Months Past Due and Accruing
Automobile	$ 945,262	$ 424,502	$ 365,629	$ 121,488,758	$ 123,224,151	$ -
Mortgage						
First Mortgage	145,035	-	-	1,933,042	2,078,077	-
Home Equity	49,291	72,779	-	6,797,891	6,919,961	-
					-	-
Unsecured	718,709	333,116	805,374	51,502,252	53,359,451	-
Share Secured	-	-	-	1,218,470	1,218,470	-
Total	$ 1,858,297	$ 830,397	$ 1,171,003	$ 182,940,413	$ 186,800,110	$ -

2023	0 – 2 Months Past Due	2 – 3 Months Past Due	Greater Than 3 Months Past Due	Current	Total Financing Receivable	Greater Than 3 Months Past Due and Accruing
Automobile	$ 1,018,856	$ 788,665	$ 199,188	$ 125,999,561	$ 128,006,270	$ -
Mortgage						
First Mortgage	121,044	-	-	2,366,232	2,487,276	-
Home Equity	44,927	-	46,519	5,539,660	5,631,106	-
					-	-
Unsecured	652,126	744,306	593,817	51,737,649	53,727,898	-
Share Secured	-	-	267	1,597,386	1,597,653	-
Total	$ 1,836,953	$ 1,532,971	$ 839,791	$ 187,240,488	$ 191,450,203	$ -

NOTE D: LOANS RECEIVABLE (CONTINUED)

Nonaccrual Loans

Accrual of interest on loans is discontinued when management believes, after considering economics, business conditions, and collection efforts that the borrower's financial condition is such that collection of interest is doubtful. When automobiles are repossessed due to non-payment then accrual of interest is discontinued. All loans continue to accrue interest until they are 90 days past due. A period of 90 more days may pass before they are written off. Following is a table which includes nonaccrual loans by class as of December 31, 2024 and 2023.

	2024	2023
Automobiles	$ 365,629	$ 199,188
Home equity	-	46,519
Unsecured	805,374	593,817
Share secured	-	267
	$ 1,171,003	$ 839,791

Loans to directors and officers of the Credit Union totaled $294,204 and $277,444 at December 31, 2024 and 2023, respectively.

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment at December 31 is summarized as follows:

	2024	2023
Land	$ 4,236,519	$ 4,068,219
Buildings	8,505,014	7,821,616
Furniture and office equipment	1,325,519	1,189,387
Computer equipment	3,178,536	2,953,124
Leasehold improvements	307,254	296,686
	17,552,842	16,329,032
Less accumulated depreciation	(7,141,908)	(6,678,433)
	$ 10,410,934	$ 9,650,599

Depreciation expense totaled $463,475 and $349,422 in 2024 and 2023, respectively.

NOTE F: LINE OF CREDIT

The Credit Union has available $140,620,793 in multiple lines of credit with various financial institutions, collateralized by certain assets of the Credit Union. There were no outstanding balances at December 31, 2024 or 2023.

NOTE G: MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts at December 31 are summarized as follows:

	2024	2023
Checking	$ 91,095,303	$ 89,989,621
Money market	22,575,217	23,411,631
Super 60	55,887,843	58,785,155
Share savings	156,444,138	152,307,876
IRA shares	17,734,463	19,783,785
	343,736,964	344,278,068
Share and IRA certificates	29,544,339	30,455,967
	$ 373,281,303	$ 374,734,035

At December 31, 2024 and 2023, the aggregate amount of members' share and savings accounts over $250,000 was $8,029,848 and $5,995,032, respectively.

At December 31, 2024, scheduled maturities of share and IRA certificates are as follows:

2025	$ 18,991,185
2026	5,500,788
2027	2,335,047
2028	1,635,010
2029	1,082,309
	$ 29,544,339

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

	2024	2023
Checking	$ 8,583	$ 8,527
Money market	282,317	251,654
Super 60	837,753	731,455
Share savings	908,330	939,405
Share certificates and IRAs	1,029,680	677,329
	$ 3,066,663	$ 2,608,370

NOTE H: RETIREMENT PLAN

The Credit Union sponsors a 401(k) retirement plan. Employees with more than 90 days of service who work more than 1,000 hours annually and have attained the age of 21 are eligible to participate. The Credit Union will contribute a dollar for dollar match up to 4% of regular pay. Additionally, the Credit Union contributes 2.5% of regular pay, regardless of participation by the employee. Retirement plan expense totaled $338,871 and $301,188 in 2024 and 2023, respectively.

NOTE I: COMMITMENTS AND CONTINGENT LIABILITIES

The principal commitments of the Credit Union are as follows:

Lease Commitments

At December 31, 2024, the Credit Union was obligated under noncancelable operating leases at eight branch locations. Net rent expense under operating leases, included in occupancy expenses, was $134,144 and $141,813 in 2024 and 2023, respectively.

The required minimum rental payments under the terms of the leases at December 31, 2024, are as follows:

2025	**$ 104,468**
2026	**55,220**
2027	**15,651**
2028	**16,121**
2029	**10,960**
	$ 202,420

Loan Commitments

At December 31, 2024, the Credit Union had outstanding commitments to members for variable rate unused lines of credit that are not reflected in the accompanying financial statements as follows:

Total approved lines of credit	**$ 78,356,141**
Amounts borrowed	**(34,950,596)**
Unused lines of credit	**$ 43,405,545**

Financial Instruments With Off-Balance Sheet Risk

The Credit Union does not write options, offer standby letters of credit and financial guarantees, write interest rate caps or floors, or secure interest rate swaps or forward or futures contracts. Consequently, the Credit Union does not have exposure to credit loss in the event of non-performance by another party to such financial instruments.

NOTE J: CAPITAL REQUIREMENTS

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

Quantitative measures established by regulation to ensure capital adequacy require the credit union to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. Credit unions with total assets greater than $500 million are considered complex and required to calculate their risk-based net worth requirement (RBNWR) unless opting into the complex credit union leverage ratio (CCULR) framework. A complex credit union is considered undercapitalized if its net worth ratio does not exceed its RBNWR ratio. A complex credit union that maintains a minimum net worth ratio of 9% and meets other qualifying criteria is eligible to opt into the CCULR. A qualifying complex credit union that opts into the CCULR and maintains the minimum net worth ratio is considered well capitalized. The Credit Union was not considered complex as of December 31, 2024 since total assets did not exceed $500 million. The Credit Union meets all capital adequacy requirements as of December 31, 2024 and 2023.

As of December 31, 2024, the most recent call reporting period, 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 7.0% of assets and, if complex, meet any applicable RBNWR or opt into the CCULR framework. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual capital amounts and ratios at December 31, 2024 and 2023 are as follows:

	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provisions		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2024						
Net Worth	**$ 63,438,844**	**14.46%**	**$ 26,328,972**	**6.0%**	**$ 30,717,134**	**7.0%**
December 31, 2023						
Net Worth	**$ 58,685,466**	**13.48%**	**$ 26,121,411**	**6.0%**	**$ 30,474,979**	**7.0%**

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

NOTE K: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Credit Union's financial instruments, including cash, available-for-sale investment securities, accrued interest, loans receivable, and members' share and savings accounts approximate the carrying amounts reflected in the accompanying financial statements. At December 31, 2024, the carrying value of held-to-maturity investment securities exceeded the fair value by $7,420,100. At December 31, 2023, the carrying value of held-to-maturity investment securities exceeded the fair value by $10,631,613.

NOTE L: FAIR VALUE MEASUREMENTS

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Credit Union has the ability to access.

Level 2 — Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Credit Union uses fair value accounting to report available-for-sale investment securities. These securities are valued based on quoted market prices, when available, or on market prices provided by recognized broker dealers.

The fair value methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Credit Union believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE L: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Credit Union's assets measured at fair value on a recurring basis as of December 31, 2024 and 2023, respectively:

	Level 1	Level 2	Level 3	Total
2024				
Securities available-for-sale				
U.S. government and federal agency securities	$ -	$ 13,174,443	$ -	$ 13,174,443
Mortgage-backed securities	-	410,411	-	410,411
Deposits in other financial institutions	56,048,152	-	-	56,048,152
Total assets at fair value	$ 56,048,152	$ 13,584,854	$ -	$ 69,633,006
2023				
Securities available-for-sale				
U.S. government and federal agency securities	$ -	$ 13,461,680	$ -	$ 13,461,680
Mortgage-backed securities	-	494,754	-	494,754
Deposits in other financial institutions	54,229,037	-	-	54,229,037
Total assets at fair value	$ 54,229,037	$ 13,956,434	$ -	$ 68,185,471