UNITED STATES SENATE FEDERAL CREDIT UNION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023
(With Independent Auditor's Report Thereon)

UNITED STATES SENATE FEDERAL CREDIT UNION

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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee, Board of Directors and Management
United States Senate Federal Credit Union ***(Draft Report)***

Opinion

We have audited the consolidated financial statements of United States Senate Federal Credit Union and its subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023 and the related consolidated statements of (loss)/income, comprehensive (loss)/income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of United States Senate Federal Credit Union and its 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 Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of United States Senate Federal Credit Union, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 United States Senate Federal Credit Union's ability to continue as a going concern for one year the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audits 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 auditor's 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 United States Senate Federal Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United States Senate Federal Credit Union's ability to continue as a going concern for a reasonable period of time.

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

Miami, Florida
(Date Pending)

UNITED STATES SENATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2024 AND 2023

Assets	**2024**	**2023**
Cash and cash equivalents	$ 267,331,016	$ 176,836,585
Available-for-sale debt securities (Note 2)	61,829,900	76,461,746
Loans to members, net of allowance for credit losses of $11,033,734 and $12,112,446 as of December 31, 2024 and 2023, respectively (Note 3)	1,132,224,016	1,148,961,277
Accrued interest receivable	6,664,035	6,259,382
Prepaid and other assets	16,706,737	11,782,303
Property and equipment (Note 4)	26,753,832	26,747,035
National Credit Union Share Insurance Fund (NCUSIF) deposit	13,013,652	10,284,331
Total assets	$ 1,524,523,188	$ 1,457,332,659
Liabilities and Members' Equity		
Liabilities		
Members' shares and savings accounts (Note 5)	$ 1,408,237,145	$ 1,334,904,860
Accrued expenses and other liabilities	9,498,500	10,305,347
Total liabilities	1,417,735,645	1,345,210,207
Members' equity		
Undivided earnings	114,328,165	120,718,059
Accumulated other comprehensive loss	(7,540,622)	(8,595,607)
Total members' equity	106,787,543	112,122,452
Total liabilities and members' equity	$ 1,524,523,188	$ 1,457,332,659

See accompanying notes to consolidated financial statements

UNITED STATES SENATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF (LOSS)/INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Interest income		
Loans to members	$ 71,213,978	$ 65,832,891
Investments	16,069,214	4,523,264
Total interest income	87,283,192	70,356,155
Interest expense		
Members' shares and savings accounts	42,603,347	24,882,108
Borrowed funds	-	703,109
Total interest expense	42,603,347	25,585,217
Net interest income	44,679,845	44,770,938
Provision for credit losses (Note 3)	18,257,524	12,053,677
Net interest income after provision for credit losses	26,422,321	32,717,261
Non-interest income		
Interchange income	2,902,275	2,918,117
Fees and charges	893,980	1,210,693
Other income	673,343	869,866
Total non-interest income	4,469,598	4,998,676
Non-interest expenses		
Compensation and benefits	18,973,462	17,967,511
Office operations	6,384,654	5,648,347
Loan servicing	5,142,302	5,357,019
Professional and outside servicing costs	3,326,746	2,576,459
Office occupancy	1,855,391	1,896,312
Other	1,599,258	1,549,994
Total non-interest expenses	37,281,813	34,995,642
Net (loss)/income	$ (6,389,894)	$ 2,720,295

See accompanying notes to consolidated financial statements

UNITED STATES SENATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Net (loss)/income	$ (6,389,894)	$ 2,720,295
Other comprehensive income		
Available-for-sale debt securities		
Net unrealized holding gains on available-for-sale debt securities	1,054,985	1,902,011
Other comprehensive income	1,054,985	1,902,011
Comprehensive (loss)/income	$ (5,334,909)	$ 4,622,306

See accompanying notes to consolidated financial statements

UNITED STATES SENATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023

	Undivided Earnings	Accumulated Other Comprehensive (Loss)/Income	Total
Members' equity - December 31, 2022	$ 119,726,886	$ (10,497,618)	$ 109,229,268
Cumulative effect from change in accounting principle (Note 1)	(1,729,122)	-	(1,729,122)
Members' equity - January 1, 2023, restated	117,997,764	(10,497,618)	107,500,146
Net income	2,720,295	-	2,720,295
Other comprehensive income	-	1,902,011	1,902,011
Members' equity - December 31, 2023	120,718,059	(8,595,607)	112,122,452
Net loss	(6,389,894)	-	(6,389,894)
Other comprehensive income	-	1,054,985	1,054,985
Members' equity - December 31, 2024	$ 114,328,165	$ (7,540,622)	$ 106,787,543

See accompanying notes to consolidated financial statements

UNITED STATES SENATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash flows from operating activities		
Net (loss)/income	$ (6,389,894)	$ 2,720,295
Adjustments		
Provision for credit losses	18,257,524	12,053,677
Depreciation and amortization	1,724,700	1,596,588
Net amortization and accretion on available-for-sale debt securities	232,572	229,370
(Increase)/decrease in assets		
Accrued interest receivable	(404,653)	(1,088,655)
Prepaid and other assets	(4,924,434)	3,538,034
(Decrease)/increase in liabilities		
Accrued expenses and other liabilities	(806,847)	2,580,700
Total adjustments	14,078,862	18,909,714
Net cash provided from operating activities	7,688,968	21,630,009

See accompanying notes to consolidated financial statements

UNITED STATES SENATE FEDERAL CREDIT UNION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash flows from investing activities		
Proceeds from the repayment, call, or maturity of available-for-sale debt securities	$ 15,454,259	$ 50,373,201
Purchase of loan participations	(87,758,173)	(13,070,463)
Proceeds from sale of Upgrade loans	33,350,638	-
Net change in loans to members	52,887,272	(132,291,430)
Purchase of property and equipment	(1,731,497)	(921,771)
Increase in NCUSIF deposit	(2,729,321)	(702,097)
Net cash provided from/(used) in investing activities	9,473,178	(96,612,560)
Cash flows from financing activities		
Net change in members' shares and savings accounts	73,332,285	192,782,535
Net cash provided from financing activities	73,332,285	192,782,535
Net change in cash and cash equivalents	90,494,431	117,799,984
Cash and cash equivalents - beginning	176,836,585	59,036,601
Cash and cash equivalents - ending	$ 267,331,016	$ 176,836,585

Supplemental Information

	2024	2023
Interest paid	$ 41,953,207	$ 24,309,423

See accompanying notes to consolidated financial statements

Note 1 – Nature of Business and Significant Accounting Policies

Organization

United States Senate Federal Credit Union (the Credit Union) is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among, and creating a source of credit for, its members. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined by the Credit Union's Charter and Bylaws.

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union and the accounts of its wholly owned credit union service organization (CUSO), CU Strategic Services, LLC. The CUSO provides consulting and outsourcing services for other financial institutions. The CUSO also provides commercial loan underwriting and servicing. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the consolidated financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change include the determination of the allowance for credit losses. The significant accounting principles and policies used in the preparation of these consolidated financial statements, together with certain related information, are summarized below.

Accounting Standard Adopted January 1, 2023

Financial Instruments - Credit Losses (CECL)

The adoption of this guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This framework requires that management's estimate reflects credit losses over the instrument's remaining expected life and considers expected future changes in macroeconomic conditions. The adoption of CECL on January 1, 2023, resulted in a decrease of approximately $1,729,000 to retained earnings.

Concentrations of Credit Risk

A significant amount of the Credit Union's business activity is with members who work or reside in the Washington D.C. area. Therefore, the Credit Union may be exposed to credit risk by the economic climate of the overall geographical region in which borrowers reside.

Comprehensive Income/(Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) is limited to the changes in unrealized gain/(loss) on available-for-sale debt securities.

When available-for-sale debt securities are sold, the gain or loss realized on the sale is reclassified from accumulated other comprehensive income/(loss) to the gain/(loss) on sale of investments in the consolidated statements of income.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks (including cash items in the process of clearing) and interest-bearing deposits in banks with an original maturity of 90 days or less including overnight deposits. Amounts due from banks may, at times, exceed federally insured limits.

Available-for-Sale Debt Securities

Debt 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.

The Credit Union evaluates its available-for-sale (AFS) investment securities portfolio on a quarterly basis for indicators of impairment. The Credit Union assesses whether an impairment has occurred when the fair value of a debt security is less than the amortized cost at the balance sheet date. Management reviews the amount of unrealized loss, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. For those debt securities that the Credit Union intends to sell or is more likely than not required to sell, before the recovery of their amortized cost basis, the difference between fair value and amortized cost is considered to be impaired and is recognized in provision for credit losses. For those debt securities that the Credit Union does not intend to sell or is not more likely than not required to sell, prior to expected recovery of amortized cost basis, the credit portion of the impairment is recognized through an allowance in provision for credit losses while the noncredit portion is recognized in OCI. In determining the credit portion, the Credit Union uses a discounted cash flow analysis, which includes evaluating the timing and amount of the expected cash flows. Credit related impairment on AFS securities is immaterial and intentionally omitted for disclosure.

Loans to Members

Loans, net, are carried at unpaid principal balances, including unearned discounts, net deferred loan origination costs or fees, and the allowance for credit losses on loans. The Credit Union recognizes interest income on loans using the interest method over the life of the loan. Accordingly, the Credit Union defers certain loan origination and commitment fees, and certain loan origination costs, and amortizes the net fee or cost as an adjustment to the loan yield over the term of the related loan. When a loan is sold or repaid, the remaining net unamortized fee or cost is recognized in interest income.

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date.

A loan generally is classified as a “non-accrual” loan when it is 90 days or more past due or when it is deemed to be impaired because the Credit Union no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income.

A loan is generally returned to accrual status when the loan is current and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash.

Certain commercial and consumer loans for which repayment is expected to be provided substantially through the operation or sale of the loan collateral are considered to be collateral-dependent. Consumer collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

Any loan in the portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment.

Automobile and other consumer loans are generally charged-off at 180-days past due. Residential mortgages and home equity loans are charged-off to the estimated fair value of the collateral at 180-days past due, unless in foreclosure. Commercial loans are generally either charged-off or written down to net realizable value at 90-days past due.

As part of the ongoing monitoring of the credit quality of the Credit Union's loan portfolio, management tracks certain credit quality indicators. The Credit Union utilizes a risk grading of pass, low pass, special mention, substandard, doubtful and loss to assess the overall credit quality of large commercial loans. All large commercial credit grades are reviewed at a minimum of once a year for pass grade loans. Loans with grades below pass are reviewed more frequently depending on the grade.

A description of the general characteristics of these grades is as follows:

Pass – A loan with no existing or known potential weaknesses deserving of management's close attention.

Watch – A loan that otherwise meets the definition of a standard or minimum acceptable quality loan, but which requires more than normal attention due to any of the following items: deterioration of borrower financial condition less severe than those warranting more adverse grading, deterioration of repayment ability and/or collateral value, or less than average credit score. The loan is paid as agreed. If conditions persist or worsen, a more severe risk grade may be warranted.

Special Mention – A loan that has potential weakness that deserves management's close attention but does not warrant substandard classification. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the Credit Union'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 – A loan that is not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Credits classified as substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well-defined weaknesses include a project's lack of marketability, inadequate cash flow or collateral support, or a project's 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 that have all of the weaknesses of those classified as Substandard. However, based on currently existing facts, conditions and values, these weaknesses make full collection of principal highly questionable and improbable.

Loss – Loans that are considered uncollectible and of such little value that continuing to carry them as an asset is not warranted.

Consumer and residential real estate loans are not risk graded. Rather, consumer and residential real estate loans in non-accrual are deemed non-performing.

The Credit Union may modify loans to borrowers experiencing financial difficulty as a way of managing risk and mitigating credit loss from the borrower. The Credit Union may make various types of modifications and may in certain circumstances use a combination of modification types in order to mitigate future loss. Loan modifications were deemed insignificant and intentionally omitted for disclosure purposes.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is deducted from the amortized cost basis of a group of financial assets so that the consolidated statements of financial condition reflect the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net income as a credit loss expense or a reversal of credit loss expense. Management estimates the allowance by projecting and multiplying together the probability-of-default and loss-given-default depending on economic parameters for each month of the remaining contractual term. Economic parameters are developed using available information relating to past events, current conditions, and economic forecasts. The Credit Union's economic forecast period is 24 months and afterwards reverts to a historical average loss rate on a straight-line basis over a 12-month period.

Historical credit experience provides the basis for the estimation of expected credit losses, with qualitative adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in environmental conditions, such as changes in legislation, regulation, policies, administrative practices or other relevant factors. Expected credit losses are estimated over the contractual term of the loans, adjusted for forecasted prepayments when appropriate. The contractual term excludes potential extensions or renewals. The methodology used in the estimation of the allowance for credit and lease losses, which is performed at least quarterly, is designed to be dynamic and responsive to changes in portfolio credit quality and forecasted economic conditions.

Each quarter the Credit Union reassesses the appropriateness of the economic forecasting period, the reversion period and historical mean at the portfolio segment level, considering any required adjustments for differences in underwriting standards, portfolio mix, and other relevant data shifts over time. The allowance for credit losses on loans is measured on a collective (pool) basis when similar risk characteristics exist. The portfolio segment represents the level at which a systematic methodology is applied to estimate credit losses.

Loans that do not share risk characteristics are evaluated on an individual basis. These include loans that are in nonaccrual status with balances above management determined materiality thresholds depending on loan class. If a loan is determined to be collateral-dependent or meets the criteria to apply the collateral-dependent practical expedient, expected credit losses are determined based on the fair value of the collateral at the reporting date, less costs to sell as appropriate. As noted above, consumer collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union maintains an allowance for credit losses on off-balance sheet credit exposures. The Credit Union estimates expected credit losses over the contractual period in 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.

The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life.

The allowance for credit losses on off-balance sheet credit exposures was deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union has elected to exclude accrued interest receivable from the measurement of its allowance for credit loss given the well-defined non-accrual policies in place for all loan portfolios which results in timely reversal of outstanding interest through interest income.

The ACL related to loans totaled $11,034,000 at December 31, 2024 and $12,112,000 at December 31, 2023. Durning the twelve months ended December 31, 2024, the ACL decreased approximately $1,078,000 based on an updated economic outlook and changes in portfolio composition and credit quality.

Prepaid and Other Assets

Prepaid and other assets include prepaid assets and other miscellaneous assets. Prepaid assets are carried at cost less accumulated amortization using the straight-line method over the useful life.

Central Liquidity Facility (CLF)

During the year-ended December 31, 2024, the Credit Union became a member of the CLF. As a member of the CLF, a government corporation within the NCUA that serves as a liquidity lender to credit unions with unusual liquidity shortfalls, the Credit Union is required to invest in stock of the CLF. The Credit Union's stock investment is equal to one-half of one percent of the Credit Union's paid-in and unimpaired capital and surplus. One-half of the stock requirement is paid to the CLF and the remaining one-half is held on call by the NCUA Board. Dividends are paid on the stock investment. The CLF is included within prepaid and other assets in the consolidated statements of financial condition and approximated $3,450,000 as of December 31, 2024. The CLF stock is carried at cost and its disposition is restricted. No market exists for the CLF stock, and it has no quoted market price.

Federal Home Loan Bank (FHLB) Stock

As a member of the FHLB, the Credit Union is required to invest in stock of the FHLB. The Credit Union's minimum stock investment is based on a formula developed by the FHLB that considers the Credit Union's total assets and outstanding advances from the FHLB. The FHLB stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for this investment and it has no quoted market value. As of December 31, 2024 and 2023, the FHLB stock, included with prepaid and other assets in the consolidated statements of financial condition, approximated $1,022,000 and $883,000, respectively.

Property and Equipment

Land is carried at cost. Buildings and building improvements and furniture and equipment are carried at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method based upon the useful lives of the related assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less.

The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized.

National Credit Union Share Insurance Fund (NCUSIF) Deposit

The deposit in the NCUSIF is 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. The NCUSIF deposit is required to be periodically reviewed for impairment.

Members' Shares and Savings Accounts

Members' shares are the savings deposit accounts of the owners of the Credit Union. Primary share ownership entitles the members to vote in annual elections of the Board of Directors. Irrespective of the number of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' shares and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Asset and Liability Committee (ALCO) and approved by the Board of Directors, based on an evaluation of current and future market conditions.

Income Taxes

The Credit Union is exempt, by the Internal Revenue Code Section 501(c)(1)(a)(i), from federal and state income taxes.

Fees and Charges

The Credit Union's revenue from contracts with customers in the scope of ASC 606, Revenue from Contracts with Customers, is recognized and disaggregated within non-interest income in the consolidated statements of income. A description of the Credit Union's revenue streams accounted for under ASC 606 are as follows.

Service Charges on Deposit Accounts

The Credit Union earns fees from its deposits for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, 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 Credit Union satisfies the performance obligation. 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 Income

The Credit Union earns interchange fees from cardholder transactions conducted through payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily.

Subsequent Events

Management has evaluated subsequent events through ***(Date Pending)*** the date the consolidated financial statements were available to be issued.

Note 2 – Available-for-Sale Debt Securities

The following table presents the amortized cost and estimated fair value of debt securities as of December 31, 2024:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Commercial mortgage-backed securities (CMBS)	$ 31,245,694	$ 2,167	$ (3,617,492)	$ 27,630,369
Mortgage-backed securities	26,619,561	4,060	(3,228,224)	23,395,397
Collateralized mortgage obligations (CMOs)	11,505,267	-	(701,133)	10,804,134
Total	$ 69,370,522	$ 6,227	$ (7,546,849)	$ 61,829,900

The following table presents the amortized cost and estimated fair value of debt securities as of December 31, 2023:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
CMBS	$ 40,800,530	$ -	$ (5,001,429)	$ 35,799,101
Mortgage-backed securities	30,818,987	1,887	(3,291,841)	27,529,033
U.S. Treasury notes	6,999,521	-	(6,625)	6,992,896
CMOs	6,438,315	-	(297,599)	6,140,716
Total	$ 85,057,353	$ 1,887	$ (8,597,494)	$ 76,461,746

As of December 31, 2024, the Credit Union's available-for-sale portfolio consists entirely of commercial mortgage-backed securities, mortgage-backed securities, and collateral mortgaged obligations. These securities have no contractual maturity and return principal based on payments received on the underlying mortgages. These securities have expected weighted average lives of one to five years. However, return of principal may differ from expectation based on fluctuations in market interest rates, delinquency, foreclosures, and the underlying collateral values.

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

	Continuing Unrealized Losses for Less than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale						
CMBS	$ -	$ -	$23,960,580	$(3,617,492)	$ 23,960,580	$(3,617,492)
Mortgage-backed securities	-	-	23,074,415	(3,228,224)	23,074,415	(3,228,224)
U.S. Treasury notes	-	-	-	-	-	-
CMOs	-	-	10,804,134	(701,133)	10,804,134	(701,133)
Total	$ -	$ -	$57,839,129	$(7,546,849)	$ 57,839,129	$(7,546,849)

Information pertaining to investments with gross unrealized losses as of December 31, 2023, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

	Continuing Unrealized Losses for Less than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale						
CMBS	$ -	$ -	$35,799,101	$(5,001,429)	$35,799,101	$(5,001,429)
Mortgage-backed securities	-	-	27,334,960	(3,291,841)	27,334,960	(3,291,841)
U.S. Treasury notes	-	-	6,992,896	(6,625)	6,992,896	(6,625)
CMOs	89,643	(2,134)	6,051,073	(295,465)	6,140,716	(297,599)
Total	$ 89,643	$ (2,134)	$76,178,030	$(8,595,360)	$76,267,673	$(8,597,494)

The Credit Union's debt securities are issued by the U.S. Government and its Agencies. Therefore, unrealized losses on securities, if any, have not been recognized in income because of the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the ability and intent to hold these securities through to recovery of fair value, which may be maturity. Unrealized losses on commercial mortgage-backed securities are reviewed quarterly for indicators of credit impairment.

Note 3 – Loans to Members

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

	2024	2023
Consumer		
Vehicle	$ 210,649,700	$ 207,732,902
Unsecured	191,984,386	239,579,757
Other secured	2,740,833	2,256,182
Total consumer	405,374,919	449,568,841
Real estate		
First mortgage	260,554,804	279,662,019
Second mortgage	341,722,916	303,942,010
Total real estate	602,277,720	583,604,029
Commercial		
Real estate	130,649,232	123,791,707
Other	4,955,879	4,109,146
Total commercial	135,605,111	127,900,853
Total loans	1,143,257,750	1,161,073,723
Less: Allowance for credit losses	(11,033,734)	(12,112,446)
Loans to members, net	$ 1,132,224,016	$ 1,148,961,277

As of December 31, 2024 and 2023, the net deferred loan origination fees, costs and premiums paid on loans acquired included in the principal balances of loans above, approximated $9,591,000 and $9,519,000, respectively.

Allowance for Credit Losses

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2024:

	Consumer	Real Estate	Commercial	Total
Allowance				
Beginning allowance	$ 9,273,195	$ 2,499,601	$ 339,650	$ 12,112,446
Charge-offs	(21,545,744)	(467,746)	-	(22,013,490)
Recoveries	2,070,723	606,531	-	2,677,254
Provision for credit losses	19,141,545	(1,293,674)	409,653	18,257,524
Ending allowance	$ 8,939,719	$ 1,344,712	$ 749,303	$ 11,033,734

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2023:

	Consumer	Real Estate	Commercial	Total
Allowance				
Beginning allowance prior to adoption of ASC 326	$ 6,963,757	$ 614,594	$ 339,649	$ 7,918,000
Impact of adoption ASC 326	1,729,122	-	-	1,729,122
Beginning balance, restated	8,692,879	614,594	339,649	9,647,122
Charge-offs	(11,027,725)	(617,238)	(16,781)	(11,661,744)
Recoveries	1,720,730	339,611	13,050	2,073,391
Provision for credit losses	9,887,311	2,162,634	3,732	12,053,677
Ending allowance	$ 9,273,195	$ 2,499,601	$ 339,650	$ 12,112,446

Age of Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2024:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Consumer						
Vehicle	$ 586,717	$ 322,094	$ 318,137	$ 1,226,948	$ 209,422,752	$ 210,649,700
Unsecured	2,342,025	861,461	1,447,779	4,651,265	187,333,121	191,984,386
Other secured	-	-	-	-	2,740,833	2,740,833
	2,928,742	1,183,555	1,765,916	5,878,213	399,496,706	405,374,919
Real estate						
First mortgage	1,957,569	164,577	462,106	2,584,252	257,970,552	260,554,804
Second mortgage	2,350,534	410,377	3,335,183	6,096,094	335,626,822	341,722,916
	4,308,103	574,954	3,797,289	8,680,346	593,597,374	602,277,720
Commercial						
Real estate	-	-	-	-	130,649,232	130,649,232
Other	-	-	352,063	352,063	4,603,816	4,955,879
	-	-	352,063	352,063	135,253,048	135,605,111
Total	$ 7,236,845	$ 1,758,509	$ 5,915,268	$ 14,910,622	$ 1,128,347,128	$ 1,143,257,750

Loans on which the accrual of interest has been discontinued or reduced approximated $5,915,000 as of December 31, 2024. There were no loans 90 days or more past due and still accruing interest as of December 31, 2024.

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2023:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Consumer						
Vehicle	$ 538,216	$ 241,510	$ 103,998	$ 883,724	$ 206,849,178	$ 207,732,902
Unsecured	2,616,059	1,931,969	1,552,319	6,100,347	233,479,410	239,579,757
Other secured	-	-	-	-	2,256,182	2,256,182
	3,154,275	2,173,479	1,656,317	6,984,071	442,584,770	449,568,841
Real estate						
First mortgage	409,830	1,500,199	516,203	2,426,232	277,235,787	279,662,019
Second mortgage	1,594,285	806,288	1,654,178	4,054,751	299,887,259	303,942,010
	2,004,115	2,306,487	2,170,381	6,480,983	577,123,046	583,604,029
Commercial						
Real estate	-	-	47,098	47,098	123,744,609	123,791,707
Other	-	-	-	-	4,109,146	4,109,146
	-	-	47,098	47,098	127,853,755	127,900,853
Total	$ 5,158,390	$ 4,479,966	$ 3,873,796	$ 13,512,152	$ 1,147,561,571	$ 1,161,073,723

Loans on which the accrual of interest has been discontinued or reduced approximated $3,874,000 as of December 31, 2023. There were no loans 90 days or more past due and still accruing interest as of December 31, 2023.

Consumer and Real Estate Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance. For consumer and real estate loan classes, the Credit Union evaluates credit quality based on the aging status of the loan and payment activity. Accordingly, non-accrual loans are considered to be in a non-performing status for purposes of credit quality evaluation.

The following tables present the consumer and real estate loan balances based on performance indication as of December 31, 2024 and 2023:

	As of December 31, 2024		As of December 31, 2023	
	Performing Loans	Non-Performing Loans	Performing Loans	Non-Performing Loans
Consumer				
Vehicle	$ 210,331,563	$ 318,137	$ 207,628,904	$ 103,998
Unsecured	190,536,607	1,447,779	238,027,438	1,552,319
Other secured	2,740,833	-	2,256,182	-
Total consumer	403,609,003	1,765,916	447,912,524	1,656,317
Real estate				
First mortgage	260,092,698	462,106	279,145,816	516,203
Second mortgage	338,387,733	3,335,183	302,287,832	1,654,178
Total real estate	598,480,431	3,797,289	581,433,648	2,170,381
Total	$ 1,002,089,434	$ 5,563,205	$ 1,029,346,172	$ 3,826,698

Commercial Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance. For commercial loan classes, the Credit Union evaluates credit quality based on risk ratings assigned to each loan as described in Note 1.

The following table presents the loan balance for commercial loans based on risk rating as of December 31, 2024:

	Real Estate	Other	Total
Credit grade			
Pass	$ 117,297,792	$ 4,907,280	$ 122,205,072
Watch	7,139,940	48,599	7,188,539
Special Mention	2,770,590	-	2,770,590
Substandard	3,440,910	-	3,440,910
Total	$ 130,649,232	$ 4,955,879	$ 135,605,111

The following table presents the loan balance for commercial loans based on risk rating as of December 31, 2023:

	Real Estate	Other	Total
Credit grade			
Pass	$ 112,570,447	$ 4,109,146	$ 116,679,593
Watch	6,031,020	-	6,031,020
Special Mention	357,215	-	357,215
Substandard	4,833,025	-	4,833,025
Total	$ 123,791,707	$ 4,109,146	$ 127,900,853

Note 4 – Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization, and is summarized as of December 31, 2024 and 2023 by major classification as follows:

	2024	**2023**
Land	$ 2,422,532	$ 2,422,532
Buildings and building improvements	26,790,951	26,790,951
Furniture and equipment	14,620,733	12,946,647
Leasehold improvements	680,025	680,025
	44,514,241	42,840,155
Less accumulated depreciation and amortization	(17,760,409)	(16,093,120)
	$ 26,753,832	$ 26,747,035

Depreciation and amortization charged to office operations and office occupancy expense was approximately $1,725,000 and $1,597,000 for the years ended December 31, 2024 and 2023, respectively.

Note 5 – Members' Shares and Savings Accounts

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

	2024	**2023**
Share accounts	$ 180,917,052	$ 186,965,191
Share draft accounts	197,959,228	203,033,176
Money market accounts	209,121,643	217,288,291
Individual retirement accounts (IRAs)	8,807,233	9,297,165
Share, business and IRA certificates	811,431,989	718,321,037
	$ 1,408,237,145	$ 1,334,904,860

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

	2024
Within one year	$ 163,508,921
1 to 2 years	212,581,170
2 to 3 years	135,082,605
3 to 4 years	154,930,022
4 to 5 years	145,329,271
	$ 811,431,989

The aggregate amount of members' time deposit accounts in denominations of $250,000 or more as of December 31, 2024 was approximately $299,120,000.

Note 6 – Employee Benefits

401(k) Plan

All employees who have completed three consecutive months from their date of employment are eligible to participate in a 401(k) plan. Employee contributions to the plan are subject to certain limits established by the Internal Revenue Service and they are 100% vested in their own contributions. The Credit Union matches employee contributions dollar-for-dollar up to 3% of the employees' salary and matches $0.50 for every dollar of employee contribution above 3% up to 5% of the employees' salary. Employees are 100% vested in this contribution. Additional Credit Union contributions can be made at the discretion of the Board of Directors. Employees become 100% vested in these discretionary contributions after five years of service. The Credit Union's contributions to the 401(k) plan approximated $1,056,000 and $1,010,000 for the years ended December 31, 2024 and 2023, respectively.

Note 7 – Borrowed Funds

Federal Home Loan Bank (FHLB) of Atlanta

The Credit Union maintains a line-of-credit agreement with the FHLB of Atlanta. The terms of the agreement provide the Credit Union with the capacity to borrow up to a certain percentage of eligible first mortgage loans. Based on borrowing limitations, the Credit Union's available borrowing capacity was approximately $163,324,000 and $175,560,000 as of December 31, 2024 and 2023, respectively. There were no outstanding borrowings under this line-of-credit agreement as of December 31, 2024 and 2023.

Note 8 – Commitments and Contingent Liabilities

Off-Balance Sheet Risk

The Credit Union is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated statements of financial condition.

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. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2024, the total unfunded commitments under such lines of credit were approximately $203,908,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

Note 9 – Regulatory Capital

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 (PCA), 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 practices. 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.

Effective January 1, 2022, federally insured, natural-person credit unions defined as "complex" will have to comply with the NCUA's risk-based capital ("RBC") final rule which amends NCUA's Prompt Corrective Action ("PCA") regulations, part 702, or the newly created Complex Credit Union Leverage Ratio ("CCULR") rule. A credit union is defined as "complex" if the credit union's quarter-end total assets exceed $500,000,000, as reflected in its most recent Call Report. The rules require credit unions taking certain risks to hold capital commensurate with those risks. The RBC rule revises part 702 of NCUA's current regulations to establish an RBC ratio measure that is the percentage of a credit union's capital divided by the credit union's defined risk weighted asset base. This RBC rule more closely aligns NCUA's risk weights with those assigned by other Banking agencies.

Accordingly, the RBC rule adopts a 10 percent RBC ratio level for "well capitalized" credit unions, and an 8 percent RBC ratio level for "adequately capitalized" credit unions. The CCULR rule simplifies the RBC rule requirements for complex credit unions that meet certain eligibility criteria by allowing them to choose between implementing the RBC rule or the CCULR. Credit unions that select CCULR instead of the RBC rule would have a minimum 9 percent leverage ratio. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its net worth ratio under NCUA's PCA regulations, part 702. The Credit Union has not selected the CCULR alternative as of December 31, 2024, and therefore, must meet the RBC and net worth requirements of the RBC final rule. The Credit Union selected the CCULR alternative as of December 31, 2023.

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 PCA. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual and required net worth amounts and ratios are as follows:

	As of December 31, 2024					
	Actual		To be Classified as "Well Capitalized"		To be Classified as "Adequately Capitalized"	
	Amount	Ratio	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
Net worth - December 31, 2024	$ 114,898,775	7.53%	$ 106,716,623	7.00%	$ 91,471,391	6.00%
Risk-based capital	$ 112,360,895	10.60%	$ 106,000,844	10.00%	$ 84,800,675	8.00%

	As of December 31, 2023	
	Amount	Ratio/ Requirement
Actual net worth	$ 121,206,570	8.31%
Amount needed to be classified as "well capitalized" under PCA	$ 102,013,286	7.00%
Amount needed to be classified as "adequately capitalized" under PCA	$ 87,439,960	6.00%

Although the Credit Union fell below the 9% CCULR ratio as of December 31, 2023, the Credit Union is considered well capitalized for two calendar quarters subsequent to the reporting date of December 31, 2023. To calculate the net worth ratio as of December 31, 2024 and 2023, the Credit Union used the quarter end option, as permitted by regulation, in performing its calculation of total assets. Total risk-weighted assets used to calculate the Credit Union's RBC ratio as of December 31, 2024 was approximately $1,060,008,000. As of December 31, 2024 and 2023, total assets and net worth were increased by the CECL transition provision amount of approximately $571,000 and $489,000 respectively as required by regulation.

Management believes, as of December 31, 2024, and 2023, that the Credit Union meets all capital adequacy requirements to which it is subject.

Note 10 – Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under this guidance are described below:

Basis of Fair Value Measurements

Level 1 – Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized as follows:

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Available-for-sale debt securities				
CMBS	$ -	$ 27,630,369	$ -	$ 27,630,369
Mortgage-backed securities	-	23,395,397	-	23,395,397
CMOs	-	10,804,134	-	10,804,134
Total	$ -	$ 61,829,900	$ -	$ 61,829,900

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Available-for-sale debt securities				
CMBS	$ -	$ 35,799,101	$ -	$ 35,799,101
Mortgage-backed securities	-	27,529,033	-	27,529,033
U.S. Treasury notes	6,992,896	-	-	6,992,896
CMOs	-	6,140,716	-	6,140,716
Total	$ 6,992,896	$ 69,468,850	$ -	$ 76,461,746