AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
America's Christian Credit Union and Subsidiary
Glendora, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of America's Christian Credit Union and Subsidiary, which comprise the consolidated statements of financial condition as of March 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income (loss), changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of America's Christian Credit Union and Subsidiary as of March 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Tucson, Arizona
July 8, 2023

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
MARCH 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 42,892,483	$ 51,586,117
Interest-Bearing Deposits in Other Financial Institutions	5,967,000	27,507,892
Securities - Available-for-Sale	61,211,653	78,076,637
Other Investments	3,078,203	2,338,103
Loans, Net	458,426,788	377,270,240
Accrued Interest Receivable	2,297,044	1,908,960
Premises and Equipment, Net	13,664,926	14,111,526
Share Insurance Deposits	4,066,529	4,220,152
Life Insurance Policies	17,950,885	17,378,147
Split Dollar Life Insurance	5,054,337	5,032,858
Other Assets	5,945,863	6,931,326
Total Assets	$ 620,555,711	$ 586,361,958
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	$ 550,620,371	$ 528,625,808
Borrowed Funds	20,000,000	8,000,000
Accrued Expenses and Other Liabilities	3,260,728	3,464,265
Total Liabilities	573,881,099	540,090,073
MEMBERS' EQUITY		
Undivided Earnings	59,599,128	53,579,026
Accumulated Other Comprehensive Loss	(12,924,516)	(7,307,141)
Total Members' Equity	46,674,612	46,271,885
Total Liabilities and Members' Equity	$ 620,555,711	$ 586,361,958

See accompanying Notes to Consolidated Financial Statements.

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
INTEREST INCOME		
Loans	$ 18,925,730	$ 17,199,223
Securities, Interest Bearing Deposits and Cash Equivalents	2,394,508	1,305,962
Total Interest Income	21,320,238	18,505,185
INTEREST EXPENSE		
Members' Share and Savings Accounts	3,903,987	1,573,862
Borrowed Funds	558,782	209,234
Total Interest Expense	4,462,769	1,783,096
Net Interest Income	16,857,469	16,722,089
CREDIT FOR LOAN LOSSES	(1,121,468)	(40,764)
Net Interest Income After Credit for Loan Losses	17,978,937	16,762,853
NONINTEREST INCOME		
Deposit Service Charges and Fees	3,155,140	3,043,329
Interchange Income, Net of Rewards Costs	696,436	683,783
Rental Income	1,028,978	1,025,433
Other Noninterest Income	2,461,782	2,020,335
Total Noninterest Income	7,342,336	6,772,880
NONINTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	10,565,031	9,734,231
Occupancy	1,380,657	1,313,168
Operations	1,328,167	1,257,580
Professional and Outside Services	2,671,780	2,482,000
Educational and Promotional	1,662,727	1,361,140
Loan Servicing	590,154	467,132
Other Operating Expenses	1,102,655	955,706
Total Noninterest Expense	19,301,171	17,570,957
NET INCOME	$ 6,020,102	$ 5,964,776

See accompanying Notes to Consolidated Financial Statements.

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
NET INCOME	$ 6,020,102	$ 5,964,776
OTHER COMPREHENSIVE LOSS:		
Securities - Available-for-Sale		
Unrealized Holding Loss Arising During the Period	(5,617,375)	(6,378,983)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 402,727	$ (414,207)

See accompanying Notes to Consolidated Financial Statements.

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED MARCH 31, 2023 AND 2022

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
BALANCES AT MARCH 31, 2021	$ 7,558,165	$ 40,056,085	$ (928,158)	$ 46,686,092
Cumulative Effect of Change in Regulation (See Members' Equity in Note 1)	(7,558,165)	7,558,165	-	-
Net Income	-	5,964,776	-	5,964,776
Other Comprehensive Loss	-	-	(6,378,983)	(6,378,983)
BALANCE - MARCH 31, 2022	-	53,579,026	(7,307,141)	46,271,885
Net Income	-	6,020,102	-	6,020,102
Other Comprehensive Loss	-	-	(5,617,375)	(5,617,375)
BALANCE - MARCH 31, 2023	$ -	$ 59,599,128	$ (12,924,516)	$ 46,674,612

See accompanying Notes to Consolidated Financial Statements.

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 6,020,102	$ 5,964,776
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	827,146	791,630
Amortization of Security Premiums and/or Discounts, Net	261,047	426,397
Credit for Loan Losses	(1,121,468)	(40,764)
Accretion of Net Deferred Loan Origination Costs	(216,452)	(1,092,998)
Gain on Sale of Loan Participations	(133,078)	(361,309)
Increase in Cash Surrender Value of Life Insurance Policies	(572,738)	(558,150)
Increase in Split Dollar Life Insurance	(21,479)	(7,858)
Changes in:		
Accrued Interest Receivable	(388,084)	(41,195)
Other Assets	1,118,541	(604,643)
Accrued Expenses and Other Liabilities	(203,537)	188,333
Net Cash Provided by Operating Activities	5,570,000	4,664,219
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Decrease (Increase) in Interest-Bearing Deposits in Other Financial I	21,540,892	(3,523,383)
Purchase of Securities:		
Available-for-Sale	-	(38,849,284)
Proceeds from Maturities and Paydowns of Securities:		
Available-for-Sale	10,986,562	16,804,085
Increase in Other Investments	(740,100)	(552,200)
Loan Originations Net of Principal Collected		
on Loans to Members	(99,196,076)	(41,526,221)
Proceeds from Sale of Loan Participations	19,377,448	53,191,988
Decrease (Increase) in Share Insurance Deposits	153,623	(882,767)
Expenditures for Premises and Equipment	(380,546)	(1,776,272)
Net Cash Used by Investing Activities	(48,258,197)	(17,114,054)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Members' Share and Savings Accounts	21,994,563	(13,239,767)
Advances on Term Borrowings	50,500,000	9,750,000
Repayments on Term Borrowings	(38,500,000)	(11,500,000)
Net Cash Provided (Used) by Financing Activities	33,994,563	(14,989,767)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,693,634)	(27,439,602)
Cash and Cash Equivalents - Beginning of Year	51,586,117	79,025,719
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 42,892,483	$ 51,586,117

See accompanying Notes to Consolidated Financial Statements.

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
SUPPLEMENTARY DISCLOSURES OF NONCASH AND CASH FLOW INFORMATION		
Members' Share and Savings Accounts Cash Paid For Interest	$ 3,903,987	$ 1,573,862
Borrowed Funds Interest Paid	$ 558,782	$ 209,234

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

America's Christian Credit Union is a state-chartered cooperative association headquartered in Glendora, California, organized in accordance with the provisions of the State of California Credit Union Act for the purpose of promoting thrift among and creating a source of credit for its members.

Principles of Consolidation

The consolidated financial statements include the accounts of America's Christian Credit Union (the Credit Union) and its wholly owned subsidiary, ACCU Financial, a holding company Credit Union Service Organization (CUSO). ACCU Financial is the parent for ShareTek, a CUSO that facilitates healthcare sharing financial services. All significant intercompany accounts and transactions have been eliminated.

Membership

Participation in this Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws. This generally consists of churches and church members, schools, organizations, and affiliates of all Wesleyan-based Christian denominations.

Uses of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Financial Instruments with Concentrations of Risk

Most of the Credit Union's business activity is represented by member business real estate loans granted to Christian organizations.

Cash and Cash Equivalents

For purposes of the consolidated statements of financial condition and consolidated statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from financial institutions, and highly liquid debt instruments classified as cash which were purchased with original maturities of three months or less.

The Credit Union maintains cash in deposit accounts at financial institutions approved by the Board of Directors. Accumulated deposits at these institutions, at times, may exceed federally insured limits.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest-Bearing Deposits in Other Financial Institutions

Interest-bearing deposits in other financial institutions include certificates of deposit. These are stated at cost. The certificates of deposit all mature within four years.

Securities

Debt securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses reported in other comprehensive loss. Realized gains and losses on securities available-for-sale are included in other noninterest income and, when applicable, are reported as a reclassification adjustment in other comprehensive loss. Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union’s intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more likely than not that the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in other noninterest income.

The Credit Union did not record any other than temporary impairment during the years ended March 31, 2023 and 2022.

Other Investments

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

Loans, Net

The Credit Union grants member business and consumer loans to members and purchases and sells loan participations. A substantial portion of the loan portfolio is represented by member business real estate loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Union’s field of membership.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent. Accrual of interest is also discontinued on troubled debt restructured (TDR) loans until they have completed six consecutive payments under their post-modification payment terms. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Union’s allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management’s evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss and the levels of nonperforming loans. Specific allowances for loan losses are established for impaired loans on an individual basis. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan’s expected future cash flow, the loan’s estimated market value, or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a TDR if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

On March 22, 2020, *Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus* (Interagency Release) was issued and later revised on April 7, 2020. The Interagency Release seeks to provide relief when structuring loan modifications with borrowers impacted by COVID-19. Under the guidance, financial institutions have a choice on accounting for loan modifications pursuant to Section 4013 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, or following the guidance in the Interagency Release. In order to qualify under the Interagency Release, the modification must be related to COVID-19, the loan was current at the time the modification program was implemented, and the modification period must be six months or less. In order to qualify under Section 4013 of the CARES Act, the modification must be related to COVID-19, the loan was current at December 31, 2019, and the modification occurred between March 1, 2020 and the earlier of (a) 60 days after the termination of the national emergency or (b) January 1, 2022. Under both the Interagency Release and Section 4013 of the CARES Act, these loan modifications are not considered to be TDRs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

The portfolio segments that are risk rated and their risk characteristics are described as follows:

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

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

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

Pass: Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management’s close attention.

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

Substandard 1: Loans classified as Substandard 1 are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard 1 have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected; however, because of circumstances (e.g., guarantor support) are not considered impaired because collection of principal and interest per the then in place contractual terms remains a possibility.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Substandard 2: Loans classified as Substandard 2 are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard 2 have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower’s lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected. Loans in this category are identified as impaired.

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

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

The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

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

Consumer Real Estate: The degree of risk in consumer mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower’s ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than member business real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers’ capacity to repay their obligations may be deteriorating.

Transfers of Financial Assets and Participating Interests

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets and Participating Interests (Continued)

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

Servicing Rights

Servicing assets are recognized separately when servicing rights are acquired through purchase or through sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method. Under the amortization method, mortgage servicing rights are amortized into noninterest income in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based upon the fair value at each reporting date.

Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as the market conditions and projected interest rates change, and may have an adverse impact on the value of the servicing right and may result in reduction to noninterest income.

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

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Premises and Equipment, Net

Land is carried at cost. Buildings and improvements and furniture and equipment are carried at cost, less accumulated depreciation. Buildings and improvements and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

Leases

On April 1, 2022, the Credit Union adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing right-of-use lease assets and lease liabilities on the consolidated statement of financial condition and disclosing key information about leasing arrangements. The only material lease agreements for the Credit Union are where the Credit Union is acting as lessor, therefore there was no impact of adoption on the consolidated financial statements.

Impairment of Long-Lived Assets

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

Share Insurance Deposits

Share insurance deposits are comprised of a National Credit Union Share Insurance Fund (NCUSIF) deposit and an American Share Insurance (ASI) 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 deposit maintained with ASI is to provide members' shares an additional $100,000 and $200,000 for organizations and individuals, respectively, for amounts above insurance provided by the NCUSIF. 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 ASI Board.

Life Insurance Policies

The Credit Union is the owner and substantial beneficiary of several life insurance policies. The policies are recorded at cash surrender value and increases or decreases in cash surrender values (CSV) are included in other noninterest income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split Dollar Life Insurance

The Credit Union has made loans for life insurance premium payments to certain members of top management. The loans are collateralized by the assignment of the policy death benefits and cash values, of each respective life insurance policy. The policies are owned by the executives and the executives have the right to name the beneficiaries for amounts not secured by the assignments. The loans are considered nonrecourse and as such, the Credit Union has recorded the balance as the lower of the outstanding loan balance, plus accrued interest, or the cash surrender value of the life insurance policies. The loan balance, including accrued interest, for the arrangements was $5,172,955 and $5,105,775 as of March 31, 2023 and 2022, respectively. The associated cash surrender value was $5,054,337 and $5,032,858 as of March 31, 2023 and 2022, respectively. The difference represents the costs to the Credit Union associated with entering into this arrangement.

Members’ Share and Savings Accounts

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

Members’ Equity

Prior to January 1, 2022, the Credit Union was required by regulation to maintain a statutory reserve (regular reserves). The regular reserves, which represented a regulatory restriction of members’ equity, were established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earnings. The regular reserves were not available for the payment of interest. Effective January 1, 2022, the regular reserves were no longer required by regulation and were transferred to undivided earnings.

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

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive loss. Accumulated other comprehensive loss, also recognized as a separate component of members’ equity, includes valuation adjustments for available-for-sale securities. Reclassifications from accumulated other comprehensive loss for securities – available-for-sale are posted through other noninterest income on the consolidated statements of income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Members

The Credit Union recognizes revenue in accordance with *Revenue from Contracts with Customers (Topic 606)*. The Credit Union has elected to use the following optional exemptions that are permitted under Topic 606, which have been applied consistently for all contracts within all reporting periods presented:

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

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. The Credit Union's services that fall within the scope of Topic 606 are presented within noninterest income and are recognized as revenue as the Credit Union satisfies its obligation to the member. Significant sources of noninterest income considered to be within the scope of Topic 606 are presented separately in the consolidated statements of income and are summarized as follows:

Deposit Service Charges and Fees

The Credit Union earns fees from its member deposit accounts for certain types of transactions, including ATM use fees and overdraft services, which are recognized at the time the transaction is executed, as that is when the Credit Union fulfills the member's request. Service charges on deposits are withdrawn from the member's account balance on the date of occurrence.

Interchange Income, Net of Rewards Costs

When members use their debit and credit cards to pay merchants for goods or services, the Credit Union retains a fee from the funds collected from the related deposit or loan account and transfers the remaining funds to the payment network for remittance to the merchant. The performance obligation to the merchant is satisfied and the fee is recognized when the funds are collected and transferred to the payment network. Any related rewards costs accrued by the member as a result of these transactions is netted with the related interchange income on a monthly basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Members (Continued)

The Credit Union does not typically enter into long-term revenue contracts with members and, therefore, does not experience significant contract balances. As of March 31, 2023 and 2022, the Credit Union did not have any significant contract balances or any contract acquisition costs.

Income Taxes

The Credit Union is exempt, under IRC 501(c)(14), from federal and state income taxes.

The Credit Union has filed tax returns in the past for activities it has deemed taxable.

The taxing authorities have the ability to assess taxes, penalties and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities potentially deemed to be unrelated to the Credit Union’s exempt purpose is not expected to have a material effect on the Credit Union’s financial position or results of operations.

The Credit Union evaluated its tax positions and determined no uncertain tax positions exist as of March 31, 2023 and 2022.

The Credit Union’s 2019 through 2021 tax years are open for examination by federal and state taxing authorities.

401(k) Retirement Plan

The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union’s employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable IRS limitations of the participant’s annual compensation. The Credit Union makes discretionary matching contributions as approved by the Board of Directors. The Credit Union’s contributions to the plan approximated $198,000 and $183,000 for the years ended March 31, 2023 and 2022, respectively.

Advertising Costs

Advertising and promotion costs which totaled approximately $1,328,000 and $1,165,000 for the years ended March 31, 2023 and 2022, respectively, are expensed as incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In November 2018, the FASB approved ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide consolidated financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASUs are effective for the Credit Union for the fiscal year beginning after December 15, 2022, including interim periods within the fiscal year. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Credit Union adopted the ASUs on April 1, 2023 by posting an increase to the allowance for loan losses.

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through July 8, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 SECURITIES AND OTHER INVESTMENTS

AVAILABLE-FOR-SALE:

The amortized cost and estimated fair value of securities available-for-sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
March 31, 2023				
Federal Agency Mortgage-Backed Securities	$ 38,683,459	$ -	$ (5,439,151)	$ 33,244,308
Federal Agency Collateralized Mortgage Obligations	35,452,710	-	(7,485,365)	27,967,345
Total	$ 74,136,169	$ -	$ (12,924,516)	$ 61,211,653
March 31, 2022				
Federal Agency Mortgage-Backed Securities	$ 44,102,692	$ -	$ (3,287,837)	$ 40,814,855
Federal Agency Collateralized Mortgage Obligations	41,281,086	-	(4,019,304)	37,261,782
Total	$ 85,383,778	$ -	$ (7,307,141)	$ 78,076,637

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

There were no sales of securities available-for-sale during the years ended March 31, 2023 and 2022.

At March 31, 2023 and 2022, respectively, securities carried at approximately $61,212,000 and $37,198,000 were pledged as collateral to secure a line of credit with Federal Home Loan Bank of San Francisco (FHLB).

The maturities of federal agency mortgage-backed securities and federal agency collateralized mortgage obligations are tied to the underlying loan principal payments. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Temporarily Impaired Securities

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

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
March 31, 2023				
Federal Agency Mortgage-Backed Securities	$ -	$ -	$ (5,439,151)	$ 33,244,308
Federal Agency Collateralized Mortgage Obligations	-	-	(7,485,365)	27,967,345
Total Available-for-Sale	$ -	$ -	$ (12,924,516)	$ 61,211,653
March 31, 2022				
Federal Agency Mortgage-Backed Securities	$ (1,649,780)	$ 23,416,294	$ (1,638,057)	$ 17,398,561
Federal Agency Collateralized Mortgage Obligations	(1,354,759)	12,812,126	(2,664,545)	24,449,656
Total Available-for-Sale	$ (3,004,539)	$ 36,228,420	$ (4,302,602)	$ 41,848,217

At March 31, 2023, the 39 securities with unrealized losses have depreciated 17.43% from the Credit Union’s amortized cost basis. All of these securities are secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer’s financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer’s financial condition. As management has the ability and intent to hold securities until maturity or for the foreseeable future for those classified as available-for-sale, no declines are deemed to be other than temporary.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

OTHER INVESTMENTS:

Other investments are summarized as follows:

	March 31,	
	2023	2022
Perpetual Contributed Capital Accounts	$ 637,703	$ 502,703
FHLB Stock	2,440,500	1,835,400
Total	$ 3,078,203	$ 2,338,103

Perpetual Contributed Capital Accounts

The Credit Union maintains perpetual contributed capital accounts with Alloya Corporate Federal Credit Union (Alloya) and Catalyst Corporate Federal Credit Union (Catalyst) that are uninsured. These uninsured deposits are part of the corporate credit unions' regulatory capital and are subject to impairment or loss in the event the corporate credit unions are required to merge, are placed into conservatorship, incur significant losses, or are liquidated.

FHLB Stock

The Credit Union has an investment in FHLB stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and as such is not subject to investment security accounting treatment and is, therefore, reported at cost, subject to impairment.

NOTE 3 LOANS, NET

The composition of loans is as follows:

	March 31, 2023	March 31, 2022
Member Business:		
Real Estate	$ 293,205,051	$ 244,410,202
Other	156,837	1,031,022
Subtotal	293,361,888	245,441,224
Consumer:		
Automobile	69,016,583	65,543,010
Real Estate	72,105,004	46,707,319
Unsecured	16,964,171	15,614,136
Credit Card	4,685,358	4,013,822
Other Secured	4,272,027	3,058,597
Subtotal	167,043,143	134,936,884
Total Loans	460,405,031	380,378,108
Net Deferred Loan Origination Costs	340,514	496,284
Allowance for Loan Losses	(2,318,757)	(3,604,152)
Loans, Net	$ 458,426,788	$ 377,270,240

The Credit Union has purchased loan participations originated by various other credit unions, which are secured by commercial real estate, consumer automobiles, and consumer real estate of members of other credit unions. These loan participations were purchased without recourse and the originating credit unions perform all loan servicing functions on these loans. A summary of loan participations purchased that are reflected in the preceding table is as follows:

	March 31, 2023	March 31, 2022
Member Business:		
Real Estate	$ 18,068,082	$ 11,884,250
Consumer:		
Automobile	27,239,853	28,539,037
Real Estate	37,049,525	15,805,934
Total	$ 82,357,460	$ 56,229,221

The Credit Union has sold loan participations to various other credit unions, which are secured by commercial property and consumer vehicles of the Credit Union's members. These loan participations were sold without recourse and the Credit Union performs all loan servicing functions on these loans. Loan participations sold and excluded from the member business real estate loan segment totaled $120,373,638 and $109,310,767 at March 31, 2023 and 2022, respectively. Loan participations sold and excluded from the consumer automobile loan segment totaled $197,637 and $429,147 at March 31, 2023 and 2022, respectively. Servicing rights related to loan participations sold are included with other assets on the consolidated statements of financial condition and totaled $529,825 and $488,981 at March 31, 2023 and 2022, respectively.

NOTE 3 LOANS, NET (CONTINUED)

The allowance for loan losses and recorded investment in loans is as follows:

March 31, 2023	Member Business	Consumer	Total
Allowance for Loan Losses:			
Balance at Beginning of Year	$ 1,798,870	$ 1,805,282	$ 3,604,152
Credit for Loan Losses	(1,108,768)	(12,700)	(1,121,468)
Loans Charged-Off	(3,708)	(349,455)	(353,163)
Recoveries of Loans Previously Charged-Off	25	189,211	189,236
Balance at End of Year	$ 686,419	$ 1,632,338	$ 2,318,757
Ending Balance: Individually Evaluated for Impairment	$ 60,621	$ -	$ 60,621
Ending Balance: Collectively Evaluated for Impairment	625,798	1,632,338	2,258,136
Total Allowance for Loan Losses	$ 686,419	$ 1,632,338	$ 2,318,757
Loans:			
Ending Balance: Individually Evaluated for Impairment	$ 7,139,289	$ -	$ 7,139,289
Ending Balance: Collectively Evaluated for Impairment	286,222,599	167,043,143	453,265,742
Total Loans	$ 293,361,888	$ 167,043,143	$ 460,405,031

March 31, 2022	Member Business	Consumer	Total
Allowance for Loan Losses:			
Balance at Beginning of Year	$ 2,123,574	$ 1,888,186	$ 4,011,760
(Credit) Provision for Loan Losses	(324,983)	284,219	(40,764)
Loans Charged-Off	-	(579,322)	(579,322)
Recoveries of Loans Previously Charged-Off	279	212,199	212,478
Balance at End of Year	$ 1,798,870	$ 1,805,282	$ 3,604,152
Ending Balance: Individually Evaluated for Impairment	$ 65,674	$ -	$ 65,674
Ending Balance: Collectively Evaluated for Impairment	1,733,196	1,805,282	3,538,478
Total Allowance for Loan Losses	$ 1,798,870	$ 1,805,282	$ 3,604,152
Loans:			
Ending Balance: Individually Evaluated for Impairment	$ 8,567,259	$ -	$ 8,567,259
Ending Balance: Collectively Evaluated for Impairment	236,873,965	134,936,884	371,810,849
Total Loans	$ 245,441,224	$ 134,936,884	$ 380,378,108

NOTE 3 LOANS, NET (CONTINUED)

The following tables show the member business loan portfolio segments allocated by management's internal risk ratings:

March 31, 2023	Member Business Risk Profile by Risk Rating		
Risk Rating:	Real Estate	Other	Total
Pass	$ 232,846,424	$ 156,837	$ 233,003,261
Special Mention	45,904,223	-	45,904,223
Substandard 1	12,656,745	-	12,656,745
Substandard 2	1,515,612	-	1,515,612
Doubtful	282,047	-	282,047
Loss	-	-	-
Total	$ 293,205,051	$ 156,837	$ 293,361,888

March 31, 2022			
Risk Rating:	Real Estate	Other	Total
Pass	$ 184,437,726	$ 1,031,022	$ 185,468,748
Special Mention	42,023,591	-	42,023,591
Substandard 1	10,560,782	-	10,560,782
Substandard 2	6,282,592	-	6,282,592
Doubtful	1,105,511	-	1,105,511
Loss	-	-	-
Total	$ 244,410,202	$ 1,031,022	$ 245,441,224

The following tables show the classes within the homogeneous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest or are TDRs that have had six consecutive payments from date of modification.

	Payment Activity		
March 31, 2023	Performing	Nonperforming	Total
Consumer:			
Automobile	$ 68,658,301	$ 358,282	$ 69,016,583
Real Estate	71,833,037	271,967	72,105,004
Unsecured	16,719,476	244,695	16,964,171
Credit Card	4,683,242	2,116	4,685,358
Other Secured	4,272,027	-	4,272,027
Total	$ 166,166,083	$ 877,060	$ 167,043,143

March 31, 2022			
Consumer:			
Automobile	$ 65,260,321	$ 282,689	$ 65,543,010
Real Estate	46,433,901	273,418	46,707,319
Unsecured	15,483,972	130,164	15,614,136
Credit Card	3,996,115	17,707	4,013,822
Other Secured	3,047,965	10,632	3,058,597
Total	$ 134,222,274	$ 714,610	$ 134,936,884

NOTE 3 LOANS, NET (CONTINUED)

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

March 31, 2023	Current	30-59 Days Past Due	60-89 Days or More Past Due	90 Days or More Past Due	Total Loans
Member Business:					
Real Estate	$ 291,466,498	$ 1,671,180	$ -	$ 67,373	$ 293,205,051
Other	156,837	-	-	-	156,837
Consumer:					
Automobile	67,977,420	578,237	138,391	322,535	69,016,583
Real Estate	72,050,123	54,881	-	-	72,105,004
Unsecured	16,676,468	39,773	5,570	242,360	16,964,171
Credit Card	4,605,725	28,095	49,422	2,116	4,685,358
Other Secured	4,236,586	34,185	1,256	-	4,272,027
Total	$ 457,169,657	$ 2,406,351	$ 194,639	$ 634,384	$ 460,405,031
March 31, 2022					
Member Business:					
Real Estate	$ 236,960,965	$ 7,449,237	$ -	$ -	$ 244,410,202
Other	1,031,022	-	-	-	1,031,022
Consumer:					
Automobile	64,458,610	491,108	346,813	246,479	65,543,010
Real Estate	46,649,501	49,626	8,192	-	46,707,319
Unsecured	15,269,379	179,835	43,677	121,245	15,614,136
Credit Card	3,969,372	26,743	-	17,707	4,013,822
Other Secured	3,047,965	-	-	10,632	3,058,597
Total	$ 371,386,814	$ 8,196,549	$ 398,682	$ 396,063	$ 380,378,108

Nonaccrual loans totaled approximately $1,090,000 and $5,144,000 at March 31, 2023 and 2022, respectively. Interest income foregone on nonaccrual loans was immaterial for the years ended March 31, 2023 and 2022.

NOTE 3 LOANS, NET (CONTINUED)

The following tables present information related to impaired loans:

March 31, 2023	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With No Related Allowance:			
Member Business:			
Real Estate	$ 6,789,869	$ -	$ 7,125,809
With An Allowance Recorded:			
Member Business:			
Real Estate	349,420	60,621	727,465
Total	$ 7,139,289	$ 60,621	$ 7,853,274

March 31, 2022	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With No Related Allowance:			
Member Business:			
Real Estate	$ 7,641,748	$ -	$ 5,881,738
With An Allowance Recorded:			
Member Business:			
Real Estate	1,105,511	65,674	1,328,846
Total	$ 8,747,259	$ 65,674	$ 7,210,584

The Credit Union does not have material commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings or whose loans are in nonaccrual.

Summaries of loans modified in TDRs and those related restructurings for which there was a payment default (90 days or more past due) during the years ended March 31, 2023 and 2022, are as follows. Post-modification balances approximate pre-modification balances. The aggregate amount of charge-offs as a result of a restructuring are not significant.

	During The Year Ended March 31, 2023			
	TDRs		TDRs That Subsequently Defaulted	
	Number of Loans	Post-modification Outstanding Balance	Number of Loans	Post-modification Outstanding Balance
Member Business:				
Real Estate	1	$ 145,396	-	$ -

	During the Year Ended March 31, 2022			
	Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
	Number of Loans	Post-modification Outstanding Balance	Number of Loans	Post-modification Outstanding Balance
Member Business:				
Real Estate	2	$ 4,369,157	-	$ -
Consumer:				
Automobile	1	20,577	-	-
Real Estate	1	154,597	-	-
Total	4	$ 4,544,331	-	$ -

NOTE 3 LOANS, NET (CONTINUED)

At March 31, 2023 and 2022, the outstanding loan balance of loans that had been previously modified under either the Interagency Release or Section 4013 of the CARES Act totaled approximately $1,304,000 and $57,366,000, respectively. While these loan modifications are not considered to be TDRs for financial statement reporting purposes, they can be an early indicator of higher-risk or problem loans.

NOTE 4 PREMISES AND EQUIPMENT, NET

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

	March 31,	
	2023	2022
Land	$ 3,890,000	$ 3,890,000
Buildings and Improvements	15,685,864	15,538,150
Furniture and Equipment	4,007,078	4,432,175
Subtotal	23,582,942	23,860,325
Less: Accumulated Depreciation	(9,918,016)	(9,748,799)
Total	$ 13,664,926	$ 14,111,526

Lessor Agreements

The Credit Union leases certain office facilities to various tenants under noncancelable operating leases expiring in various years. Future minimum lease payments receivable under these leases are as follows:

Year Ending March 31,	Amount
2024	$ 1,104,904
2025	819,056
2026	659,591
2027	621,188
Total	$ 3,204,739

NOTE 5 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

	March 31, 2023	March 31, 2022
Share Savings	$ 73,728,784	$ 74,504,699
Share Drafts	235,373,761	257,085,014
Money Market	86,366,717	107,799,231
IRA Deposits	1,863,414	1,488,464
Share and IRA Certificates	153,287,695	87,748,400
Total	$ 550,620,371	$ 528,625,808

The aggregate amounts of certificates of deposit in denominations of $250,000 or more was approximately $75,144,000 and $31,859,000 at March 31, 2023 and 2022, respectively.

Nonmember certificates of deposit were approximately $26,369,000 and $-0- at March 31, 2023 and 2022, respectively.

Overdrawn share accounts reclassified to unsecured loans to members totaled $61,961 and $28,064 at March 31, 2023 and 2022, respectively.

As of March 31, 2023, scheduled maturities of share and IRA certificates are as follows:

Year Ending March 31,	Amount
2024	$ 118,813,881
2025	23,535,696
2026	5,113,583
2027	2,318,447
2028	3,255,463
Thereafter	250,625
Total	$ 153,287,695

Member accounts are insured to at least $250,000 by the NCUSIF. The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. government.

NOTE 6 BORROWED FUNDS

At March 31, 2023 and 2022, respectively, the Credit Union had an available line of credit of $30,000,000 and $20,000,000 with Alloya. The interest rates applied on any borrowing are determined on that date. Substantially all of the assets and earnings of the Credit Union are pledged as collateral on the line of credit, except those pledged on other lines. The line has no expiration date but is subject to review and change by the issuing institution. There were no balances outstanding on this line at March 31, 2023 and 2022.

NOTE 6 BORROWED FUNDS (CONTINUED)

The Credit Union also has access to the Federal Reserve Bank of San Francisco discount window for an amount of approximately and $4,550,000 and $4,514,000 at March 31, 2023 and 2022, respectively. The line is collateralized by unsecured consumer loans totaling approximately $6,978,000 and $6,312,000 at March 31, 2023 and 2022, respectively. There were no balances outstanding through the discount window at March 31, 2023 and 2022.

The Credit Union has entered into an Advances, Pledge, and Security Agreement with the FHLB whereby specific member business and consumer real estate loans of the Credit Union with advance equivalents of approximately $40,228,000 and $18,375,000 and investment securities with advance equivalents of $57,391,000 and $34,594,000 at March 31, 2023 and 2022, respectively, were pledged to the FHLB as collateral in the event the Credit Union requests any advances on the line. At March 31, 2023 and 2022, respectively, amounts outstanding on this line totaled $20,000,000 and $8,000,000 and are summarized as follows:

	March 31, 2023	March 31, 2022
Term Note from FHLB at interest rate of 1.82%, maturing December 23, 2022	$ -	$ 2,000,000
Term Note from FHLB at interest rate of 1.77%, maturing January 3, 2023	-	1,000,000
Term Note from FHLB at interest rate of 4.89%, maturing October 24, 2023	5,000,000	-
Term Note from FHLB at interest rate of 2.93%, maturing December 26, 2023	3,000,000	3,000,000
Term Note from FHLB at interest rate of 4.88%, maturing May 31, 2024	5,000,000	-
Term Note from FHLB at interest rate of 4.68%, maturing October 28, 2024	5,000,000	-
Term Note from FHLB at interest rate of 1.87%, maturing December 31, 2024	2,000,000	2,000,000
Total	$ 20,000,000	$ 8,000,000

The maturities of borrowed funds are as follows:

Year Ending March 31,	Amount
2024	$ 8,000,000
2025	12,000,000
Total	$ 20,000,000

NOTE 7 REGULATORY NET WORTH REQUIREMENTS

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

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation).

The NCUA adopted the optional complex credit union leverage ratio (CCULR) for credit unions with total consolidated assets greater than $500 million. The CCULR is designed to reduce regulatory burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying credit union organizations that opt into the framework. As defined by section §702-104(d) of the NCUA's regulations, a qualifying credit union organization must have a net worth ratio of 9% or greater, off-consolidated statement of financial condition exposures of 25% or less of its total consolidated assets, trading assets and trading liabilities of 5% or less of its total consolidated assets, and goodwill and other intangible assets of 2% or less of total consolidated assets. Management believes they have met the criteria and has elected to use the CCULR framework.

Qualifying credit union organizations that elect to use the CCULR framework and that maintain a net worth ratio of greater than 9% will generally be considered well-capitalized and have met the capital requirements in the applicable capital rule. A qualifying credit union may opt into and out of the CCULR framework by completing the associated election requirements on its quarterly call report.

As of March 31, 2023, the most recent call reporting period, the NCUA categorized the Credit Union initially as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 9% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

NOTE 7 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

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

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2023						
Net Worth	$ 59,599,128	9.87%	N/A	N/A	$ 54,368,005	9.00%
March 31, 2022						
Net Worth	$ 53,579,026	9.14%	N/A	N/A	$ 52,772,576	9.00%

In performing its calculation of total assets, the Credit Union used the average of the current and three preceding calendar quarter-end balance option for the year ended March 31, 2023 and the quarter-end balance option for the year ended March 31, 2022, as permitted by regulation.

NOTE 8 RELATED PARTY TRANSACTIONS

Included in loans, net at March 31, 2023 and 2022, respectively, are loans to the Credit Union's Board of Directors, committee members, and senior executive staff of approximately $63,000 and $356,000. The aggregate principal advances and principal repayments are not significant.

Deposits from the Credit Union's Board of Directors, committee members, and senior executive staff held by the Credit Union at March 31, 2023 and 2022, respectively, were approximately $895,000 and $482,000.

NOTE 9 COMMITMENTS AND CONTINGENT LIABILITIES

Off-Consolidated Statement of Financial Condition Activities

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

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

NOTE 9 COMMITMENTS AND OTHER CONTINGENCIES (CONTINUED)

Off-Consolidated Statement of Financial Condition Activities (Continued)

The following financial instruments were outstanding whose contract amounts represent credit risk:

	March 31, 2023	March 31, 2022
Unfunded Commitments For All Loan Types		
Member Business Loans	$ 11,924,223	$ 21,734,265
Home Equity Lines of Credit	35,973,927	21,545,626
Credit Card Lines	16,696,642	14,509,618
Unsecured Share Draft Lines of Credit	4,396,963	4,495,031
Other Unfunded Commitments	689,117	1,090,054
Total	$ 69,680,872	$ 63,374,594

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

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

Legal Contingencies

The Credit Union is a party to various collection related legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the financial condition of the Credit Union.

NOTE 10 FAIR VALUE

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value, refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis:

March 31, 2023	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Securities:				
Federal Agency Mortgage-Backed Securities	$ -	$ 33,244,308	$ -	$ 33,244,308
Federal Agency Collateralized Mortgage Obligations	-	27,967,345	-	27,967,345
Total	$ -	$ 61,211,653	$ -	$ 61,211,653

March 31, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Securities:				
Federal Agency Mortgage Backed Securities	$ -	$ 40,814,855	$ -	$ 40,814,855
Federal Agency Collateralized Mortgage Obligations	-	37,261,782	-	37,261,782
Total	$ -	$ 78,076,637	$ -	$ 78,076,637

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities

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

NOTE 10 FAIR VALUE (CONTINUED)

Nonrecurring Basis

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

Nonrecurring fair value measurements of certain assets consisted of the following:

	Fair Value at March 31, 2023			
	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans	$ -	$ -	$ 288,799	$ 60,621

	Fair Value at March 31, 2022			
	Level 1	Level 2	Level 3	Impairment Losses
Impaired Loans	$ -	$ -	$ 1,039,837	$ 65,674

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Credit Union has utilized Level 3 inputs to determine fair value:

	March 31, 2023			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	$ 288,799	Evaluation of Collateral	Estimation of Value	Not Meaningful

	March 31, 2022			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	$ 1,039,837	Evaluation of Collateral	Estimation of Value	Not Meaningful

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

NOTE 10 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

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