AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2024 AND 2023

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
TABLE OF CONTENTS
YEARS ENDED MARCH 31, 2024 AND 2023

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, 2024 and 2023, and the related consolidated statements of income, comprehensive income, 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, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of 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.

Change in Accounting Principle

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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
June 28, 2024

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
MARCH 31, 2024 AND 2023

	2024	2023
ASSETS		
Cash and Cash Equivalents	$ 99,156,429	$ 42,892,483
Interest-Bearing Deposits in Other Financial Institutions	2,734,000	5,967,000
Securities - Available-for-Sale	54,928,143	61,211,653
Other Investments	3,395,590	3,078,203
Loans, Net	471,130,838	458,426,788
Accrued Interest Receivable	2,779,124	2,297,044
Premises and Equipment, Net	13,043,336	13,664,926
Share Insurance Deposits	4,163,625	4,066,529
Life Insurance Policies	18,547,299	17,950,885
Split Dollar Life Insurance	2,389,782	5,054,337
Other Assets	6,141,338	5,945,863
Total Assets	$ 678,409,504	$ 620,555,711
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	$ 600,201,531	$ 550,620,371
Borrowed Funds	27,000,000	20,000,000
Accrued Expenses and Other Liabilities	3,224,862	3,260,728
Total Liabilities	630,426,393	573,881,099
MEMBERS' EQUITY		
Undivided Earnings	61,024,086	59,599,128
Accumulated Other Comprehensive Loss	(13,040,975)	(12,924,516)
Total Members' Equity	47,983,111	46,674,612
Total Liabilities and Members' Equity	$ 678,409,504	$ 620,555,711

See accompanying Notes to Consolidated Financial Statements.

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
INTEREST INCOME		
Loans	$ 25,054,297	$ 18,925,730
Securities, Interest Bearing Deposits and Cash Equivalents	4,066,809	2,394,508
Total Interest Income	29,121,106	21,320,238
INTEREST EXPENSE		
Members' Share and Savings Accounts	9,713,569	3,903,987
Borrowed Funds	1,187,597	558,782
Total Interest Expense	10,901,166	4,462,769
Net Interest Income	18,219,940	16,857,469
PROVISION (CREDIT) FOR CREDIT LOSSES	737,043	(1,121,468)
Net Interest Income After Provision (Credit) for Credit Losses	17,482,897	17,978,937
NONINTEREST INCOME		
Deposit Service Charges and Fees	2,620,373	3,155,140
Interchange Income, Net of Rewards Costs	656,486	696,436
Rental Income	1,052,113	1,028,978
Other Noninterest Income	2,486,964	2,461,782
Total Noninterest Income	6,815,936	7,342,336
NONINTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	11,684,841	10,565,031
Occupancy	1,507,130	1,380,657
Operations	1,517,346	1,328,167
Professional and Outside Services	3,001,533	2,671,780
Educational and Promotional	1,748,444	1,662,727
Loan Servicing	477,308	590,154
Other Operating Expenses	1,481,611	1,102,655
Total Noninterest Expense	21,418,213	19,301,171
NET INCOME	$ 2,880,620	$ 6,020,102

See accompanying Notes to Consolidated Financial Statements.

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
NET INCOME	$ 2,880,620	$ 6,020,102
OTHER COMPREHENSIVE LOSS:		
Securities - Available-for-Sale		
Unrealized Holding Loss Arising During the Period	(116,459)	(5,617,375)
TOTAL COMPREHENSIVE INCOME	$ 2,764,161	$ 402,727

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, 2024 AND 2023

	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
BALANCES AT 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
Cumulative Effect of Change in Accounting Principle - (See New Accounting Pronouncements in Note 1)	(1,455,662)	-	(1,455,662)
Net Income	2,880,620	-	2,880,620
Other Comprehensive Loss	-	(116,459)	(116,459)
BALANCE - MARCH 31, 2024	$ 61,024,086	$ (13,040,975)	$ 47,983,111

See accompanying Notes to Consolidated Financial Statements.

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 2,880,620	$ 6,020,102
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	822,383	827,146
Amortization of Security Premiums and/or Discounts, Net	157,895	261,047
Provision (Credit) for Credit Losses	737,043	(1,121,468)
Accretion of Net Deferred Loan Origination Costs	(222,988)	(216,452)
Gain on Sale of Loan Participations	-	(133,078)
Increase in Cash Surrender Value of Life Insurance Policies	(596,414)	(572,738)
Decrease (Increase) in Split Dollar Life Insurance	184,595	(21,479)
Changes in:		
Accrued Interest Receivable	(482,080)	(388,084)
Other Assets	(195,475)	1,118,541
Accrued Expenses and Other Liabilities	(35,866)	(203,537)
Net Cash Provided by Operating Activities	3,249,713	5,570,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Decrease in Interest-Bearing Deposits in Other Financial Institutions	3,233,000	21,540,892
Proceeds from Maturities and Paydowns of Securities:		
Available-for-Sale	6,009,156	10,986,562
Increase in Other Investments	(317,387)	(740,100)
Loan Originations Net of Principal Collected on Loans to Members	(14,673,767)	(99,196,076)
Proceeds from Sale of Loan Participations	-	19,377,448
(Increase) Decrease in Share Insurance Deposits	(97,096)	153,623
Proceeds from Repayment of Split Dollar Life Insurance	2,479,960	-
Expenditures for Premises and Equipment	(200,793)	(380,546)
Net Cash Used by Investing Activities	(3,566,927)	(48,258,197)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Members' Share and Savings Accounts	49,581,160	21,994,563
Advances of Borrowed Funds	15,000,000	50,500,000
Repayments of Borrowed Funds	(8,000,000)	(38,500,000)
Net Cash Provided by Financing Activities	56,581,160	33,994,563
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,263,946	(8,693,634)
Cash and Cash Equivalents - Beginning of Year	42,892,483	51,586,117
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 99,156,429	$ 42,892,483

See accompanying Notes to Consolidated Financial Statements.

AMERICA'S CHRISTIAN CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED MARCH 31, 2024 AND 2023

	2024	2023
SUPPLEMENTARY DISCLOSURES OF NONCASH AND CASH FLOW INFORMATION		
Members' Share and Savings Accounts Cash Paid For Interest	$ 9,713,569	$ 3,903,987
Borrowed Funds Interest Paid	$ 1,187,597	$ 558,782

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 credit 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 that are stated at cost and all mature within three 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.

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

Other Investments

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

Loans, Net

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses on loans, any deferred fees or costs on originated loans, and premiums or discounts on purchased loans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and recognized as an adjustment of the related loan yield using the interest method over the estimated life of the related loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status. The Credit Union does not charge commitment fees.

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent. 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 and amortization of related deferred loan fees or costs is suspended. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. The cash-basis is used when a determination has been made that the principal and interest of the loan is collectible. If collectibility of the principal and interest is in doubt, payments are applied to loan principal. The determination of ultimate collectibility is supported by a current, well documented credit evaluation of the borrower’s financial condition and prospects for repayment, including consideration of the borrower’s sustained historical repayment performance and other relevant factors. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, the borrower has demonstrated a period of sustained performance, and future payments are reasonably assured. A sustained period of repayment performance generally would be a minimum of six months.

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

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

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (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)

Loans, Net (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.

Allowance for Credit Losses on Loans

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Loans (Continued)

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

The allowance for credit losses on loans estimate incorporates a reasonable and supportable economic forecast through the use of externally developed macroeconomic scenarios applied in the model. The model includes both current and forecasted unemployment rates. The length of the reasonable and supportable forecast period is evaluated at each reporting period and adjusted if deemed necessary. Currently, the Credit Union uses a 1-year reasonable and supportable forecast period in estimating the allowance for credit losses on loans. After the reasonable and supportable forecast period, the models effectively revert to long-term mean loss on a straight-line basis over 12 months.

Loans are charged off against the allowance for credit losses on loans in the period in which they are deemed uncollectible and recoveries are credited to the allowance for credit losses on loans when received. Expected recoveries on loans previously charged off and expected to be charged-off are included in the allowance for credit losses on loans estimate. Once loans are downgraded to substandard, an assessment of collateral value is made; any outstanding loan balance in excess of fair value less cost to sell is charged off at no later than 90 days delinquency. Additionally, any outstanding balance in excess of fair value of collateral less cost to sell is charged off when the asset is foreclosed by the Credit Union. Commercial and other consumer loans are charged off when, in management's judgment, they are considered to be uncollectible.

The Credit Union is utilizing a third-party model to tabulate its estimate of current expected credit losses, using an average charge off or loss rate methodology. In accordance with ASC 326, the Credit Union has segmented its loan portfolio based on similar risk characteristics which included call report categories as well as watch list and collateral-dependent loans. The Credit Union primarily utilizes historical loss rates for the CECL calculation based on peer loss history. For its reasonable and supportable forecasting of current expected credit losses, the Credit Union analyzes a simple regression using forecasted economic metrics and historical peer loss data. To further adjust the allowance for credit losses for expected losses not already included within the quantitative component of the calculation, the Credit Union may consider the following qualitative adjustment factors: economic conditions, concentrations of credit, interest rates, ability of staff, loan review, trends in loan quality, policy changes, and changes in nature and/or volume of loans. The Credit Union’s CECL implementation process was overseen by the Chief Financial Officer and included an assessment of data availability and gap analysis, data collection, consideration and analysis of multiple loss estimation methodologies, an assessment of relevant qualitative factors and correlation analysis of multiple potential loss drivers and their impact on the Credit Union’s historical loss experience.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Loans (Continued)

The Credit Union's expected loss estimate is anchored in the average charge-off method, with an emphasis on all available portfolio data. The Credit Union's historical look–back period includes March 2000 through the current period, on an annual basis. When historical credit loss experience is not sufficient for a specific portfolio, the Credit Union may supplement its own portfolio data with external models or data.

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

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

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

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

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit, including commitments under credit arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded. Expected credit losses related to off-consolidated statement of financial condition credit exposures are estimated over the contractual period for which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. Expected credit losses are estimated using similar methodologies employed to estimate expected credit losses on loans, taking into consideration the likelihood and extent of additional amounts expected to be funded over the terms of the commitments.

The liability for credit losses on off-consolidated statement of financial condition credit exposures was not considered material as of March 31, 2024.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share Insurance Deposits (Continued)

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.

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 $2,598,865 and $5,172,955 as of March 31, 2024 and 2023, respectively. The associated cash surrender value was $2,389,782 and $5,054,337 as of March 31, 2024 and 2023, 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

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

Comprehensive Income

Comprehensive income consists of net income and other comprehensive loss. Accumulated other comprehensive loss, also recognized as a separate component of members' equity, includes valuation adjustments for available-for-sale securities. 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, 2024 and 2023, 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 consolidated financial position or results of operations.

The Credit Union evaluated its tax positions and determined no uncertain tax positions exist as of March 31, 2024 and 2023.

The Credit Union’s 2020 through 2022 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 $205,000 and $198,000 for the years ended March 31, 2024 and 2023, respectively.

Advertising Costs

Advertising and promotion costs which totaled approximately $1,498,000 and $1,328,000 for the years ended March 31, 2024 and 2023, 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

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

The Credit Union adopted the standard using the modified retrospective method for all financial assets measured at amortized cost and for off-consolidated statement of consolidated financial condition credit exposures. Results for annual periods beginning after April 1, 2023 are presented under the new CECL model while prior reporting periods continue to be reported in accordance with previously applicable GAAP. The Credit Union recorded a net decrease to undivided earnings in the amount of $1,455,662 as of April 1, 2023 representing the cumulative effect of adopting this standard. The entire adjustment was posted to the allowance for credit losses on loans.

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

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through June 28, 2024, 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, 2024				
Federal Agency Mortgage-Backed Securities	$ 35,632,438	$ -	$ (5,309,288)	$ 30,323,150
Federal Agency Collateralized Mortgage Obligations	32,336,680	-	(7,731,687)	24,604,993
Total	$ 67,969,118	$ -	$ (13,040,975)	$ 54,928,143
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

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

At March 31, 2024 and 2023, respectively, securities carried at approximately $54,928,000 and $61,212,000 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.

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

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, 2024				
Federal Agency Mortgage-Backed Securities	$ -	$ -	$ (5,309,288)	$ 30,323,150
Federal Agency Collateralized Mortgage Obligations	-	-	(7,731,687)	24,604,993
Total Available-for-Sale	$ -	$ -	$ (13,040,975)	$ 54,928,143
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

The Credit Union does not believe that the available-for-sale securities that were in an unrealized loss position as of March 31, 2024, which were comprised of 39 individual securities, represent a credit loss impairment. The gross unrealized loss positions were primarily related to mortgage-backed securities issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Total gross unrealized losses were primarily attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the investment securities. The Credit Union does not intend to sell the investment securities that were in an unrealized loss position, and it is not more likely than not that the Credit Union will be required to sell the investment securities before recovery of their amortized cost basis, which may be at maturity.

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

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

OTHER INVESTMENTS:

Other investments are summarized as follows:

	March 31, 2024	March 31, 2023
Perpetual Contributed Capital Accounts	$ 632,990	$ 637,703
FHLB Stock	2,762,600	2,440,500
Total	$ 3,395,590	$ 3,078,203

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, 2024	March 31, 2023
Member Business:		
Real Estate	$ 303,304,157	$ 293,205,051
Other	3,349,903	156,837
Subtotal	306,654,060	293,361,888
Consumer:		
Automobile	57,873,850	69,016,583
Real Estate	81,003,072	72,105,004
Unsecured	20,282,754	16,964,171
Credit Card	4,812,730	4,685,358
Other Secured	4,734,566	4,272,027
Subtotal	168,706,972	167,043,143
Total Loans	475,361,032	460,405,031
Net Deferred Loan Origination (Fees) Costs	(610,331)	340,514
Allowance for Credit Losses	(3,619,863)	(2,318,757)
Loans, Net	$ 471,130,838	$ 458,426,788

NOTE 3 LOANS, NET (CONTINUED)

The Credit Union elected to exclude accrued interest receivable from the amortized cost basis of loans. As of March 31, 2024 and 2023, accrued interest receivable for loans totaled $2,615,282 and $2,141,296, respectively, and is included in accrued interest receivable on the consolidated statements of financial condition.

The Credit Union has purchased loan participations originated by various other credit unions, which are secured by 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, 2024	March 31, 2023
Member Business:		
Real Estate	$ 18,153,895	$ 18,068,082
Consumer:		
Automobile	16,676,674	27,239,853
Real Estate	47,459,472	37,049,525
Total	$ 82,290,041	$ 82,357,460

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 $109,385,873 and $120,373,638 at March 31, 2024 and 2023, respectively. Loan participations sold and excluded from the consumer automobile loan segment totaled $57,399 and $197,637 at March 31, 2024 and 2023, respectively. Servicing rights related to loan participations sold are included with other assets on the consolidated statements of financial condition and totaled $404,496 and $529,825 at March 31, 2024 and 2023, respectively.

A summary of the activity in the allowance for credit losses on loans for the years ended March 31, 2024 and 2023, are as follows. The Credit Union adopted CECL as of April 1, 2023. The prior year amounts presented are calculated under the prior accounting standard.

March 31, 2024	Member Business	Consumer	Total
Allowance for Credit Losses:			
Balance at Beginning of Year	$ 686,419	$ 1,632,338	$ 2,318,757
Adoption of CECL	1,339,242	116,420	1,455,662
Provision for Credit Losses	437,394	299,649	737,043
Loans Charged-Off	(36,321)	(1,038,690)	(1,075,011)
Recoveries of Loans Previously Charged-Off	100	183,312	183,412
Balance at End of Year	$ 2,426,834	$ 1,193,029	$ 3,619,863

NOTE 3 LOANS, NET (CONTINUED)

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

The provision for credit losses is determined by the Credit Union as the amount to be added to the allowance for credit losses for various types of financial instruments including loans, investment securities, and unfunded commitments after net charge-offs have been deducted to bring the allowance for credit losses to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments. The entire provision for credit losses was allocated to loans as of March 31, 2024.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the consolidated statement of financial condition date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral.

Collateral dependent residential and commercial real estate loans, both owner occupied and non-owner occupied, are valued by independent external appraisals. These external appraisals are prepared using the sales comparison approach and income approach valuation techniques. Estimated fair values are reduced to account for sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value.

Management may make subsequent unobservable adjustments to the collateral dependent loan appraisals. Collateral dependent loans were not considered material at March 31, 2024.

NOTE 3 LOANS, NET (CONTINUED)

The allowance for loan losses for loans evaluated individually and collectively for impairment by collateral class as of the year ended March 31, 2023 is as follows:

	Member Business	Consumer	Total
Allowance for Loan Losses:			
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

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

March 31, 2024	Member Business Risk Profile by Risk Rating		
Risk Rating:	Real Estate	Other	Total
Pass	$ 287,419,984	$ 3,349,903	$ 290,769,887
Special Mention	13,747,571	-	13,747,571
Substandard 1	2,136,602	-	2,136,602
Substandard 2	-	-	-
Doubtful	-	-	-
Loss	-	-	-
Total	$ 303,304,157	$ 3,349,903	$ 306,654,060

March 31, 2023			
Risk Rating:	Real Estate	Other	Total
Pass	$ 278,750,647	$ 156,837	$ 278,907,484
Special Mention	12,656,745	-	12,656,745
Substandard 1	1,515,612	-	1,515,612
Substandard 2	282,047	-	282,047
Doubtful	-	-	-
Loss	-	-	-
Total	$ 293,205,051	$ 156,837	$ 293,361,888

NOTE 3 LOANS, NET (CONTINUED)

The following tables shows 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.

	Payment Activity		
March 31, 2024	Performing	Nonperforming	Total
Consumer:			
Automobile	$ 57,695,136	$ 178,714	$ 57,873,850
Real Estate	80,552,014	451,058	81,003,072
Unsecured	20,197,024	85,730	20,282,754
Credit Card	4,759,268	53,462	4,812,730
Other Secured	4,734,566	-	4,734,566
Total	$ 167,938,008	$ 768,964	$ 168,706,972
March 31, 2023			
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

NOTE 3 LOANS, NET (CONTINUED)

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

March 31, 2024	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	$ 301,553,223	$ 1,750,934	$ -	$ -	$ 303,304,157
Other	3,138,261	86,746	42,871	82,025	3,349,903
Consumer:					
Automobile	56,802,496	710,813	181,827	178,714	57,873,850
Real Estate	79,207,577	919,743	424,694	451,058	81,003,072
Unsecured	19,857,429	175,066	164,529	85,730	20,282,754
Credit Card	4,653,926	87,680	17,662	53,462	4,812,730
Other Secured	4,683,632	-	50,934	-	4,734,566
Total	$ 469,896,544	$ 3,730,982	$ 882,517	$ 850,989	$ 475,361,032

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

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

The Credit Union had no loans that were greater than 90 days past due for which the loans were accruing interest at March 31, 2024 and 2023.

The amortized cost basis for loans on nonaccrual status for which there is no related allowance for credit losses was immaterial for the years ended March 31, 2024 and 2023.

The following tables present information related to impaired loans as of March 31, 2023:

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

NOTE 3 LOANS, NET (CONTINUED)

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. The following table presents the amortized cost basis of loan modifications made to borrowers experiencing financial difficulty during the year ended March 31, 2024:

March 31, 2024	Payment Delay and/or Term Extension	% of Total Segment of Loans
Member Business:		
Real Estate	$ 1,213,624	0.40%
Consumer:		
Automobile	20,076	0.03%
Other Secured	2,872	0.06%
Total	$ 1,236,572	0.26%

For the year ended March 31, 2024, payment delays and/or term extensions made to borrowers experiencing financial difficulty included:

- Member Business – Interest only payments between 12 and 24 months.
- Consumer – Payment reduction for six months.

There were no material loan modifications made to borrowers experiencing financial difficulty that defaulted (within 12 months of granting the modification) during the year ended March 31, 2024.

A summary of loans modified in troubled debt restructurings (TDRs) and those related restructurings for which there was a payment default (90 days or more past due) during the year ended March 31, 2023 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			
	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	1	$ 145,396	-	$ -

NOTE 4 PREMISES AND EQUIPMENT, NET

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

	March 31, 2024	March 31, 2023
Land	$ 3,890,000	$ 3,890,000
Buildings and Improvements	15,772,330	15,685,864
Furniture and Equipment	3,769,060	4,007,078
Subtotal	23,431,390	23,582,942
Less: Accumulated Depreciation	(10,388,054)	(9,918,016)
Total	$ 13,043,336	$ 13,664,926

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
2025	$ 1,128,962
2026	659,591
2027	621,188
Total	$ 2,409,741

NOTE 5 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts are as follows:

	March 31, 2024	March 31, 2023
Share Savings	$ 86,018,436	$ 73,728,784
Share Drafts	228,738,213	235,373,761
Money Market	72,009,500	86,366,717
IRA Deposits	1,398,472	1,863,414
Share and IRA Certificates	212,036,910	153,287,695
Total	$ 600,201,531	$ 550,620,371

The aggregate amounts of certificates of deposit in denominations of $250,000 or more was approximately $97,442,000 and $75,144,000 at March 31, 2024 and 2023, respectively.

Nonmember certificates of deposit were approximately $24,403,000 and $26,369,000 at March 31, 2024 and 2023, respectively.

NOTE 5 MEMBERS' SHARE AND SAVINGS ACCOUNTS (CONTINUED)

Overdrawn share accounts reclassified to unsecured loans to members totaled $26,581 and $61,961 at March 31, 2024 and 2023, respectively.

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

Year Ending March 31,	Amount
2025	$ 159,565,826
2026	34,169,349
2027	13,621,483
2028	3,256,464
2029	1,423,788
Total	$ 212,036,910

Member accounts are insured to $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

The Credit Union had an available line of credit of $30,000,000 with Alloya at March 31, 2024 and 2023. 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, 2024 and 2023.

The Credit Union also has access to the Federal Reserve Bank of San Francisco discount window for an amount of approximately and $7,204,000 and $4,550,000 at March 31, 2024 and 2023, respectively. The line is collateralized by unsecured consumer loans totaling approximately $10,427,000 and $6,978,000 at March 31, 2024 and 2023, respectively. There were no balances outstanding through the discount window at March 31, 2024 and 2023.

NOTE 6 BORROWED FUNDS (CONTINUED)

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 $55,452,000 and $40,228,000 and investment securities with advance equivalents of $51,671,000 and $57,391,000 at March 31, 2024 and 2023, respectively, were pledged to the FHLB as collateral in the event the Credit Union requests any advances on the line. At March 31, 2024 and 2023, respectively, amounts outstanding on this line totaled $27,000,000 and $20,000,000 and are summarized as follows:

	March 31,	
	2024	2023
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
Term Note from FHLB at interest rate of 4.88%, maturing May 31, 2024	5,000,000	5,000,000
Term Note from FHLB at interest rate of 4.68%, maturing October 28, 2024	5,000,000	5,000,000
Term Note from FHLB at interest rate of 1.87%, maturing December 31, 2024	2,000,000	2,000,000
Term Note from FHLB at interest rate of 5.16%, maturing September 8, 2025	5,000,000	-
Term Note from FHLB at interest rate of 5.20%, maturing September 15, 2025	5,000,000	-
Term Note from FHLB at interest rate of 4.16%, maturing November 3, 2025	2,500,000	-
Term Note from FHLB at interest rate of 4.06%, maturing May 4, 2026	2,500,000	-
Total	$ 27,000,000	$ 20,000,000

The maturities of borrowed funds are as follows:

Year Ending March 31,	Amount
2025	$ 12,000,000
2026	12,500,000
2027	2,500,000
Total	$ 27,000,000

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, 2024, 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, 2024						
Net Worth	$ 61,999,379	9.64%	N/A	N/A	$ 57,862,818	9.00%
March 31, 2023						
Net Worth	$ 59,599,128	9.87%	N/A	N/A	$ 54,368,005	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, as permitted by regulation.

As a result of adopting CECL, the Credit Union adds a CECL transition provision to the net worth calculation that is phased-out over a three-year period under section §702.703(c) of the NCUA's regulations. The CECL transition provision added to the net worth calculation was $975,293 at March 31, 2024.

NOTE 8 RELATED PARTY TRANSACTIONS

Included in loans, net at March 31, 2024 and 2023, respectively, are loans to the Credit Union's Board of Directors, committee members, and senior executive staff of approximately $173,000 and $63,000. 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, 2024 and 2023, respectively, were approximately $1,528,000 and $895,000.

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 CONTINGENT LIABILITIES (CONTINUED)

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

	March 31, 2024	March 31, 2023
Unfunded Commitments For All Loan Types		
Member Business Loans	$ 15,162,530	$ 11,924,223
Home Equity Lines of Credit	26,552,201	35,973,927
Credit Card Lines	26,904,502	16,696,642
Unsecured Share Draft Lines of Credit	4,115,316	4,396,963
Other Unfunded Commitments	284,955	689,117
Total	$ 73,019,504	$ 69,680,872

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, 2024	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Securities:				
Federal Agency Mortgage-Backed Securities	$ -	$ 30,323,150	$ -	$ 30,323,150
Federal Agency Collateralized Mortgage Obligations	-	24,604,993	-	24,604,993
Total	$ -	$ 54,928,143	$ -	$ 54,928,143

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

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.

There were no assets measured at fair value on a nonrecurring basis at March 31, 2024. Nonrecurring fair value measurements of certain assets at March 31, 2023 consisted of the following:

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

The following table presents 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

Impaired Loans (year ended March 31, 2023)

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

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

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