SEVEN SEVENTEEN CREDIT UNION, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

(With Independent Auditor's Report Thereon)

DoerenMayhew
ASSURANCE

SEVEN SEVENTEEN CREDIT UNION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
Seven Seventeen Credit Union, Inc.

Opinion

We have audited the consolidated financial statements of Seven Seventeen Credit Union, Inc. which comprise the statement of financial condition as of December 31, 2024 and the related statements of income, comprehensive income (loss), members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Seven Seventeen Credit Union, Inc. and as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Other Matter

The consolidated financial statements of Seven Seventeen Credit Union, Inc. for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on March 18, 2024.

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 GAAP, 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 Seven Seventeen Credit Union, Inc.'s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

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

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Seven Seventeen Credit Union, Inc.'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 Seven Seventeen Credit Union, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Doeren Mayhew Assurance

Miami, Florida
March 25, 2025

SEVEN SEVENTEEN CREDIT UNION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2024 AND 2023

Assets

	2024	2023
Cash and cash equivalents	$ 93,983,694	$ 77,181,512
Interest bearing deposits	1,838,000	1,894,000
Investments: (Note 2)		
Available-for-sale debt securities	90,030,381	104,854,549
Held-to-maturity debt securities	5,428,000	6,376,000
Loans receivable, net of allowance for credit losses of $13,504,000 and $11,663,000 (Note 3)	1,458,132,669	1,333,268,993
Accrued interest receivable	6,014,827	5,608,913
Premises and equipment, net (Note 4)	20,473,963	22,854,931
National Credit Union Share Insurance Fund deposit	13,430,923	12,366,984
Split dollar life Insurance (Note 1)	27,814,821	27,537,257
Credit Union owned life Insurance (Note 1)	11,605,527	10,959,026
Prepaid and other assets	30,095,166	31,235,020
Total Assets	$ 1,758,847,971	$ 1,634,137,185

Liabilities and Members' Equity

	2024	2023
Liabilities:		
Share and savings accounts (Note 5)	$ 1,458,899,475	$ 1,313,971,099
Borrowed funds (Note 6)	51,500,000	91,500,000
Accrued expenses and other liabilities	23,790,401	20,847,357
Total liabilities	1,534,189,876	1,426,318,456
Commitments and contingent liabilities (Note 7)		
Members' Equity: (Note 8)		
Undivided earnings	229,256,961	214,066,024
Accumulated other comprehensive income (loss)	(12,124,578)	(13,773,007)
Equity acquired from business combinations	7,525,712	7,525,712
Total members' equity	224,658,095	207,818,729
Total Liabilities and Members' Equity	$ 1,758,847,971	$ 1,634,137,185

See accompanying notes to the consolidated financial statements

SEVEN SEVENTEEN CREDIT UNION, INC.

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Interest income:		
Interest on loans receivable	$ 88,433,102	$ 72,931,514
Interest on investments	6,261,606	3,675,084
Total interest income	94,694,708	76,606,598
Interest expense:		
Dividends on share and savings accounts	26,894,946	14,119,629
Interest on borrowed funds	3,202,840	4,052,823
Interest expense	30,097,786	18,172,452
Net interest income	64,596,922	58,434,146
Provision for credit losses	10,734,766	8,540,083
Net interest income after provision for credit losses	53,862,156	49,894,063
Non-interest income:		
Interchange income	9,062,468	8,840,570
Fees and charges	6,987,475	5,890,183
Gain (loss) on sale of loans	418,095	308,400
Other non-interest income	9,145,579	7,890,289
Total non-interest income	25,613,617	22,929,442
Non-interest expense:		
Compensation and employee benefits	37,904,788	35,479,385
Office operations	15,724,423	13,521,157
Occupancy	2,560,229	2,685,111
Operating expense	8,095,396	7,798,016
Total non-interest expenses	64,284,836	59,483,669
Net income	$ 15,190,937	$ 13,339,836

See accompanying notes to the consolidated financial statements

SEVEN SEVENTEEN CREDIT UNION, INC.

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

	2024	2023
Net income	$ 15,190,937	$ 13,339,836
Other comprehensive income (loss)		
Net unrealized holding (losses)/gains on securities arising during the year	1,649,553	3,463,374
Less reclassification adjustment for net losses/(gains) included in net income	(1,124)	(105)
	1,648,429	3,463,269
Comprehensive income	$ 16,839,366	$ 16,803,105

See accompanying notes to the consolidated financial statements

SEVEN SEVENTEEN CREDIT UNION, INC.

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

	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Equity acquired from business combinations	Total
Balance, December 31, 2022	$ 205,122,520	$ (17,236,276)	$ 4,666,531	$ 192,552,775
CECL Cumulative Effect Adjustment	(4,396,332)	-	-	(4,396,332)
Balance, January 1, 2023 as restated	200,726,188	(17,236,276)	4,666,531	188,156,443
Comprehensive Income	13,339,836	3,463,269	-	16,803,105
Equity acquired in business combinations	-	-	2,859,181	2,859,181
Balance, December 31, 2023	214,066,024	(13,773,007)	7,525,712	207,818,729
Comprehensive Income	15,190,937	1,648,429	-	16,839,366
Balance, December 31, 2024	$ 229,256,961	$ (12,124,578)	$ 7,525,712	$ 224,658,095

See accompanying notes to the consolidated financial statements

SEVEN SEVENTEEN CREDIT UNION, INC.

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

	2024	2023
Cash Flows From Operating Activities:		
Net income	$ 15,190,937	$ 13,339,836
Adjustments to reconcile net income to net cash:		
Provision for credit losses	10,734,766	8,540,083
Depreciation and amortization of premises and equipment	3,192,148	3,155,557
(Gains) losses on sale of debt securities	1,124	(105)
Loss (gain) on sale of mortgage loans, net	(418,095)	(308,400)
Amortization of investment premiums/discounts	357,839	405,673
Changes in operating assets and liabilities:		
Accrued interest receivable	(405,914)	(2,997,605)
Prepaid and other assets	1,139,854	(21,488,750)
Accrued expenses and other liabilities	2,073,855	1,652,875
Net cash provided by operating activities	31,866,514	2,299,164
Cash Flows From Investing Activities:		
Purchases of:		
Held-to-maturity debt securities	(2,962,000)	-
Premises and equipment	(811,180)	(1,219,804)
Proceeds from:		
Maturities, paydowns and sales of available-for-sale debt securities	16,114,758	19,035,610
Maturities and paydowns of held-to-maturity debt securities	3,910,000	3,223,000
Sale of FHLB stock	-	1,440,800
Sale of mortgage loans	12,613,415	24,410,446
Net change in:		
Loans receivable, net of charge-offs	(147,793,762)	(97,721,444)
NCUSIF deposit	(1,063,939)	(788,267)
Acquisition activity (Note 11)	-	2,859,181
Net cash used in investing activities	(119,992,708)	(48,760,478)
Cash Flows From Financing Activities:		
Net change in share and savings accounts	144,928,376	72,163,489
Proceeds from borrowings	-	104,500,000
Repayments of borrowings	(40,000,000)	(100,000,000)
Net cash provided by financing activities	104,928,376	76,663,489
Net Change in Cash and Cash Equivalents	16,802,182	30,202,175
Cash and Cash Equivalents at Beginning of Year	77,181,512	46,979,337
Cash and Cash Equivalents at End of Year	$ 93,983,694	$ 77,181,512
Supplemental Cash Flow Disclosure:		
Dividends and interest paid	$ 30,097,786	$ 18,172,452
Adjustment to allowance for credit losses arising from ASC 326	$ -	$ 4,396,332

See accompanying notes to the consolidated financial statements

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Business

Seven Seventeen Credit Union, Inc. (the Credit Union) is a cooperative association incorporated in the State of Ohio for the purposes of promoting thrift among, and creating a source of credit for its members. Participation in the Credit Union is limited to those individuals that qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

The Credit Union's wholly-owned credit union service organization (CUSO) subsidiary, Sound Financial Services, Inc. is engaged in providing maintenance and security services.

Principles of Consolidation

The consolidated financial statements (financial statements) include the accounts of Seven Seventeen Credit Union, Inc. and its wholly owned CUSO subsidiary. All significant intercompany accounts and transactions have been eliminated.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (U.S. GAAP) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly subject to change in the near term include the determination of the allowance for credit/loan losses (ACL) and valuation of securities. Specifically, Management has made estimates based on assumptions for fair value of assets and liabilities.

Concentrations of Credit Risk

Participation in the Credit Union is limited to those who qualify for membership as defined in the Credit Union’s bylaws. A significant amount of the Credit Union’s business activity is with members who work or reside in and around the area of Northeast Ohio. Therefore, the borrowers’ ability to repay loans may be affected by the economic climate of the overall geographical region where borrowers reside. However, the loan portfolio is well diversified, and the Credit Union does not have any significant concentration of credit risk, except unsecured loans, which by their nature, increase the risk of loss compared to those loans that are collateralized.

Comprehensive Income/(Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) (OCI) relates to the change in the unrealized gain/(loss) on available-for-sale debt securities. When available-for-sale debt securities are sold, the gain or loss realized on the sale is reclassified from accumulated other comprehensive income/(loss) (AOCI) to the gain/loss on sale of investment securities reported in the consolidated statements of income.

Continued

Accounting Standard Adopted January 1, 2023

Financial Instruments - Credit Losses (CECL)

The adoption of this guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This framework requires that management's estimate reflects credit losses over the instrument’s remaining expected life and considers expected future changes in macroeconomic conditions. The adoption of CECL on January 1, 2023, resulted in a $4,396,332 decrease to retained earnings.

Cash and Cash Equivalents

The statements of cash flows classify changes in cash or cash equivalents (short-term, highly liquid investments readily convertible into cash with an original maturity of three months or less) according to operating, investing or financing activities. Financial instruments which potentially subject the Credit Union to concentrations of credit risk consist principally of cash and temporary cash investments. At times, cash balances held at financial institutions were in excess of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insurance limits. The Credit Union places its temporary cash investments with high-credit, quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution.

Investment Securities

Available-for-Sale Securities

Securities available-for-sale consist of securities not otherwise classified as trading securities or as securities to be held-to-maturity and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income (loss).

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

Held-to-Maturity Securities

Securities classified as held-to-maturity consists of securities that management has the positive intent and ability to hold-to-maturity and are recorded at amortized cost.

Continued

Declines in the fair value of individual held to maturity debt investments below their cost that are deemed to be impaired are allocated to credit losses (which are reflected in earnings as realized losses). In determining whether impairment exists, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) the current liquidity and volatility of the market for each of the individual investment categories, (4) the projected cash flows from the specific investment, (5) the financial guarantee and financial rating of the issuer, (6) that the Credit Union does not intend to sell these securities, and (7) it is likely that the Credit Union will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value which may be the maturity date. The allowance for held-to-maturity debt securities is estimated using a CECL methodology. Any expected credit loss is provided through the allowance for credit loss on HTM securities and is deducted from the amortized cost basis of the security so that the balance sheet reflects the net amount The Credit Union expects to collect. All of the Credit Union's HTM debt securities (negotiable certificate of deposits) are insured by U.S. government entities. These certificates are either explicitly or implicitly guaranteed by the U.S. government, and have a long history of no credit losses. Accordingly, there is a zero credit loss expectation on these securities.

Gains and losses on sales of securities available-for-sale are determined using the specific-identification method. Purchase premiums are amortized and discounts are accreted using the interest method of accounting.

Loans Held for Investment

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

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date. A loan generally is classified as a "non-accrual" loan when it is 90 days or more past due or when it is deemed to be impaired because the Credit Union no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is current and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash.

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

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

Continued

As part of the ongoing monitoring of the credit quality of the Credit Union's loan portfolio, management tracks certain credit quality indicators. To assess the overall credit quality of large commercial loans, the Credit Union utilizes a risk grading of eight points. One to four being "pass" ratings; five being a "watch" list; six is "substandard"; seven is "doubtful"; eight is "loss. All large commercial credit grades are reviewed at a minimum of once a year for pass grade loans. Loans with grades below pass are reviewed more frequently depending on the grade. A description of the general characteristics of these grades is as follows:

1-4: Pass – Loans that are considered to be of acceptable credit quality.

5: Watch – Loans within this risk category demonstrate an acceptable level of risk, albeit with inadequate ability to sustain major setbacks. They are characterized by declining trends, strained cash flow, and increasing leverage. These members generally have limited additional debt capacity. Management weakness may exist. These members should be able to obtain similar financing with comparable terms, although that ability may diminish in difficult economic times. Extension of additional credit should be done with caution and prudence as continued deterioration in the member's financial position may put repayment at risk.

6: Substandard – A substandard loan is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged. Assets so classified have a well-defined weakness that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

7: Doubtful – Loans that have all of the weaknesses of those classified as Substandard. However, based on currently existing facts, conditions and values, these weaknesses make full collection of principal highly questionable and improbable.

8: Loss - Based on currently existing facts, conditions and values, these weaknesses make full collection of principal improbable. The Credit Union is likely to sustain a loss.

Automobile and other consumer loans are generally charged-off no later than 180-days past due. Residential mortgages and home equity loans are charged-off to the estimated fair value of the collateral at 180-days past due. Commercial loans are generally either charged-off or written down to net realizable value at 180-days past due.

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

Borrowers that are experiencing financial difficulty and receive a modification in the form of principal forgiveness, interest rate reduction, an other-than-insignificant payment delay or a term extension in the current period needs to be disclosed. The Credit Union may modify loans to borrowers experiencing financial difficulty as a way of managing risk and mitigating credit loss from the borrower. The Credit Union may make various types of modifications and may in certain circumstances use a combination of modification types to mitigate future loss. As of and for the years ended December 31, 2024 and 2023, modifications were deemed insignificant and intentionally omitted for disclosure purposes.

Continued

Allowance for Credit Losses on Loans
The allowance for credit losses on loans is deducted from the amortized cost basis of a group of financial assets so that the balance sheet reflects the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net earnings as a credit loss expense or a reversal of credit loss expense. Management estimates the allowance by utilizing models dependent upon loan risk characteristics and economic parameters. Consumer loan risk characteristics include but are not limited to FICO scores, LTV, and delinquency status. The economic parameters are developed using available information relating to past events, current conditions, and reasonable and supportable forecasts. The Credit Union's reasonable and supportable forecast period reverts to a historical norm based on inputs within approximately two years. Historical credit experience provides the basis for the estimation of expected credit losses, with adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in the micro- and macroeconomic environments. The contractual terms of financial assets are adjusted for expected prepayments.

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

The Credit Union maintains an allowance for credit losses on off-balance sheet credit exposures. The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life. The allowance for credit losses on off-balance sheet credit exposures was deemed insignificant and intentionally omitted for disclosure purposes.

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

Premises and Equipment
Land is carried at cost. Buildings, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and leasehold amortization. Buildings, furniture, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the term of the respective leases. Maintenance and repairs are expensed, and major improvements and renovations are capitalized. Management reviews premises and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Gains and losses on disposals are included in current operations.

Federal Home Loan Bank Participation Stock
The Credit Union is a member in the Federal Home Loan Bank (FHLB) of Cincinnati. The Credit Union owned 36,333 and 35,867 shares worth $3,633,300 and $3,586,700 at December 31, 2024 and 2023, respectively, with quarterly stock and/or cash dividends. No ready market exists for the FHLB stock, and it has no quoted market value. This amount is included in prepaid and other assets.

Continued

Perpetual Contributed Capital (PCC)

As a requirement of membership, the Credit Union maintains PCC accounts with Corporate One Federal Credit Union totaling $1,426,992 and $1,203,495 as of December 31, 2024 and 2023, respectively. The PCC is not subject to share insurance coverage by the NCUSIF or other deposit insurer. The PCC is not releasable due to a merger, charter conversion or liquidation and is callable at the option of Corporate One Federal Credit Union. The PCC has a perpetual maturity and a non-cumulative dividend. The PCC is included within prepaid and other assets in the statements of financial condition.

Credit Union Owned Life Insurance (COLI)

The Credit Union holds life insurance policies on the lives of key members of management. In the event of death of the individuals, the Credit Union, as beneficiary of the policies, would receive a specified cash payment equal to the death benefit of the policies. The policies are recorded at cash surrender value, or the amount that can be currently realized as of the consolidated balance sheet date. The change in cash surrender value is an adjustment of premiums paid in determining the net expense or income recognized under the contract for the year and is included in non-interest income in the consolidated statements of income. The earnings from the policies are used to indirectly fund employee benefit obligations.

Split-Dollar Life Insurance Loans

The Credit Union has entered into split dollar insurance agreements which is a collateral assignment arrangement between the Credit Union and key employees. The agreement involves a method of paying for insurance coverage for the executives by splitting the elements of a life insurance policy. Under the agreement, the executives are the owner of the policies and make a collateral assignment to the Credit Union in return for a loan equal to the amount of premiums to be paid on behalf of the executives plus accrued interest at a specific rate. At the time of death, the Credit Union will be paid the loan amount plus accrued interest and the balance of the insurance benefits will be paid to the executives' designated beneficiaries. The loan note under this agreement approximated $27,815,000 and $27,537,000 as of December 31, 2024 and 2023, respectively.

Benefit Prefunding Plan

Pursuant to NCUA Rules and Regulations, section 701.19, credit unions accumulating assets to pay for an employee benefit obligation may purchase investments that would otherwise be impermissible. Credit Unions may pre-fund the following items through such investments; premiums paid for group health plans, 401(k) matching contributions, premiums paid for group life and disability.

NCUSIF Deposit

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

Share and Savings Accounts

Shares include savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. As a natural person credit union, deposits that exceed the $250,000 NCUA insurance limit (uninsured shares) are subordinated to all other liabilities of the Credit Union upon liquidation except subordinated debt. Dividends on share and savings accounts, except for interest on certificates of deposit which is set in advance, is based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates on share and savings accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Continued

Equity Acquired From Business Combinations
Equity acquired from business combinations represents equity accounted for in accordance with the acquisition method of accounting. Under this accounting method undivided earnings of the acquiree are combined on the acquirer's statement of financial condition as a component of equity called equity acquired from business combinations. This component of equity is considered part of net worth as defined by regulations established by the National Credit Union Administration.

Revenue from Contracts with Customers
A description of the Credit Union’s revenue streams accounted for under ASC 606 are as follows.

Fees and Charges
The Credit Union earns fees from its deposits for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member’s request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Credit Union satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. These charges on deposits are withdrawn from the member’s account balance.

Interchange Income
The Credit Union earns interchange fees from debit/credit cardholder transactions conducted through the payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Reclassification and Presentation
Certain balances in the 2023 presentation have been reclassified to conform to the 2024 presentation. There were no changes to total equity or net earnings as a result of the aforementioned.

Subsequent Events
The consolidated financial statements and related disclosures include evaluation of events up through and including March 25, 2025, which is the date the consolidated financial statements were available to be issued.

Note 2 - Investment Securities

Available-for-Sale Debt Securities

The following tables present the amortized cost and estimated fair value of investments:

	As of December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	$ 2,000,000	$ -	$ (9,754)	$ 1,990,246
U.S. treasury securities	2,944,182	-	(248,870)	2,695,312
Collateralized mortgage obligations	36,072,649	1,486	(5,476,291)	30,597,844
Mortgage-backed securities	61,138,128	-	(6,391,149)	54,746,979
Total	$ 102,154,959	$ 1,486	$ (12,126,064)	$ 90,030,381

Continued

	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	$ 4,000,000	$ -	$ (62,134)	$ 3,937,866
U.S. treasury securities	5,925,902	-	(299,496)	5,626,406
Collateralized mortgage obligations	65,947,462	1,260	(8,283,460)	57,665,262
Mortgage-backed securities	42,754,193	-	(5,129,178)	37,625,015
Total	$ 118,627,557	$ 1,260	$ (13,774,268)	$ 104,854,549

The amortized cost and estimated market value of debt securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities on mortgage-backed securities, collateralized mortgage obligations and small business administration securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	$ 2,000,000	$ 1,990,246
Due in one year to less than five years	2,944,182	2,695,312
Collateralized mortgage obligations	36,072,649	30,597,844
Mortgage-backed securities	61,138,128	54,746,979
Total	$ 102,154,959	$ 90,030,381

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

	As of December 31, 2024					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency securities	$ -	$ -	$ 1,990,246	$ (9,754)	$ 1,990,246	$ (9,754)
U.S. treasury securities	-	-	2,695,312	(248,870)	2,695,312	(248,870)
Collateralized mortgage obligations	-	-	30,592,437	(5,476,291)	30,592,437	(5,476,291)
Mortgage-backed securities	-	-	54,746,979	(6,391,149)	54,746,979	(6,391,149)
Total	$ -	$ -	$ 90,024,974	$ (12,126,064)	$ 90,024,974	$ (12,126,064)

Continued

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

	As of December 31, 2023					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency securities	$ -	$ -	$ 5,626,406	$ (299,495)	$ 5,626,406	$ (299,495)
U.S. treasury securities	-	-	3,937,866	(62,135)	3,937,866	(62,135)
Collateralized mortgage obligations	61,782	(4,638)	34,735,430	(5,936,662)	34,797,212	(5,941,300)
Mortgage-backed securities	-	-	60,487,285	(7,471,338)	60,487,285	(7,471,338)
Total	$ 61,782	$ (4,638)	$ 104,786,987	$ (13,769,630)	$ 104,848,769	$ (13,774,268)

Held-to-Maturity Debt Securities

	As of December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit	$ 5,428,000	$ 19,190	$ (70,899)	$ 5,376,291

	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificates of deposit	$ 6,376,000	$ 430	$ (230,700)	$ 6,145,730

The amortized cost and estimated market value of debt securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities on mortgage-backed securities, collateralized mortgage obligations and small business administration securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	$ 1,716,000	$ 2,174,234
Due in one year to less than five years	3,712,000	3,202,057
Total	$ 5,428,000	$ 5,376,291

Continued

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

	As of December 31, 2024					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit	$ 665,970	$ (31,029)	$ 1,380,130	$ (39,870)	$ 2,046,100	$ (70,899)

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

	As of December 31, 2023					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit	$ 1,055,538	$ (67,462)	$ 4,989,761	$ (163,238)	$ 6,045,299	$ (230,700)

As of December 31, 2024, the investment portfolio included 71 securities, of which 71 had current unrealized losses which have existed for longer than one year. As of December 31, 2023, the investment portfolio included 73 securities, of which 72 had current unrealized losses which have existed for longer than one year. All of these securities are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings. Management believes the decline in fair value for these securities is temporary. In addition, the Credit Union does not have the intent to sell these investment securities and it is not more-likely-than-not that the Credit Union will be required to sell these investment securities prior to their anticipated recovery.

Continued

Note 3 - Loans to Members

The composition of loans to members are as follows:

	December 31, 2024	December 31, 2023
Real Estate:		
First Liens	$ 396,188,965	$ 366,553,456
Second Liens	154,110,794	132,355,670
	550,299,759	498,909,126
Consumer:		
New vehicle	104,946,773	86,809,133
Used vehicle	397,592,227	365,762,677
Credit cards	38,359,569	40,654,080
Unsecured	32,089,755	26,359,068
Other secured	141,401,637	143,544,517
	714,389,961	663,129,475
Commercial:		
Real Estate	199,785,973	176,354,484
Other	3,399,886	3,698,971
	203,185,859	180,053,455
	1,467,875,579	1,342,092,056
Net deferred (fees) and costs	3,784,377	2,871,984
Net premiums and (discounts)	(23,287)	(32,047)
	1,471,636,669	1,344,931,993
Less: Allowance for credit losses	(13,504,000)	(11,663,000)
Loans to members, net	$ 1,458,132,669	$ 1,333,268,993

Allowance for Credit Losses

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment:

	For the year ended December 31, 2024			
	Commercial	Residential Real Estate	Consumer	Total
Allowance for credit losses:				
Beginning Balance, December 31, 2023	$ 358,141	$ 934,923	$ 10,369,936	$ 11,663,000
Provision for credit losses	1,094,703	(861,919)	10,501,982	10,734,766
Recoveries on previous credit losses	37,599	106,782	1,869,482	2,013,863
Loans receivable charged off	-	(53,177)	(10,854,452)	(10,907,629)
Ending Balance, December 31, 2024	$ 1,490,443	$ 126,609	$ 11,886,948	$ 13,504,000

Continued

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment:

	For the year ended December 31, 2023			
	Commercial	Residential Real Estate	Consumer	Total
Allowance for credit losses:				
Beginning Balance, December 31, 2022	$ 498,931	$ 151,514	$ 3,679,555	$ 4,330,000
Impact of adopting FASB ASU 2016-13	(205,606)	357,588	4,244,350	4,396,332
Balance, January 1, 2023 as restated	293,325	509,102	7,923,905	8,726,332
Provision for credit losses	57,724	342,162	8,140,197	8,540,083
Recoveries on previous credit losses	7,092	133,332	1,369,170	1,509,594
Loans receivable charged off	-	(49,673)	(7,063,336)	(7,113,009)
Ending Balance, December 31, 2023	$ 358,141	$ 934,923	$ 10,369,936	$ 11,663,000

As of December 31, 2023, the allowance for credit losses (ACL) totaled $11,663,000, up $7,333,000 compared to December 31, 2022. The day one impact of the adoption of CECL was an increase of $4,396,332 to the ACL. The remaining net change was due to nominal changes in portfolio size and mix.

Age Analysis of Past Due Loans

The following tables present the aging of the recorded investment in past due loans:

	As of the year ended December 31, 2024					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Real Estate:						
First Liens	$ 10,030,963	$1,423,920	$ 2,443,740	$ 13,898,623	$ 382,290,342	$ 396,188,965
Second Liens	1,435,110	282,998	896,686	2,614,794	151,496,000	154,110,794
Total	11,466,073	1,706,918	3,340,426	16,513,417	533,786,342	550,299,759
Consumer:						
New vehicle	1,193,550	250,570	147,590	1,591,710	103,355,063	104,946,773
Used vehicle	9,122,146	2,958,012	3,385,677	15,465,835	382,126,392	397,592,227
Credit cards	558,182	267,260	494,217	1,319,659	37,039,910	38,359,569
Unsecured	333,746	113,698	417,543	864,987	31,224,768	32,089,755
Other secured	1,712,886	671,834	665,502	3,050,222	138,351,415	141,401,637
Total	12,920,510	4,261,374	5,110,529	22,292,413	692,097,548	714,389,961
Commercial:						
Real Estate	8,612	-	16,995	25,607	199,760,366	199,785,973
Other	-	-	-	-	3,399,886	3,399,886
SBA guaranteed	-	-	-	-	-	-
Total	8,612	-	16,995	25,607	203,160,252	203,185,859
Grand Total	$ 24,395,195	$5,968,292	$ 8,467,950	$ 38,831,437	$ 1,429,044,142	$1,467,875,579

Continued

	As of the year ended December 31, 2023					
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Real Estate:						
First Liens	$ 9,593,306	$2,733,417	$ 1,706,173	$14,032,896	$ 352,520,560	$ 366,553,456
Second Liens	1,007,878	282,530	637,097	1,927,505	130,428,165	132,355,670
Total	10,601,184	3,015,947	2,343,270	15,960,401	482,948,725	498,909,126
Consumer:						
New vehicle	652,944	162,947	102,296	918,187	85,890,946	86,809,133
Used vehicle	8,046,301	2,090,627	2,005,525	12,142,453	353,620,224	365,762,677
Credit cards	432,370	244,471	398,171	1,075,012	39,579,068	40,654,080
Unsecured	362,426	116,338	187,796	666,560	25,692,508	26,359,068
Other secured	1,598,278	406,800	354,411	2,359,489	141,185,028	143,544,517
Total	11,092,319	3,021,183	3,048,199	17,161,701	645,967,774	663,129,475
Commercial:						
Real Estate	210,779	59,803	-	270,582	176,083,902	176,354,484
Other	-	-	-	-	3,698,971	3,698,971
SBA guaranteed	-	-	-	-	-	-
Total	210,779	59,803	-	270,582	179,782,873	180,053,455
Grand Total	$ 21,904,282	$6,096,933	$ 5,391,469	$ 33,392,684	$ 1,308,699,372	$1,342,092,056

Consumer and Real Estate Credit Quality

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

The following tables present the loan balance based on performance indication:

	As of December 31, 2024		As of December 31, 2023	
	Performing Loans	Non-performing Loans	Performing Loans	Non-performing Loans
Real Estate:				
First Liens	$ 393,745,225	$ 2,443,740	$ 364,847,283	$ 1,706,173
Second Liens	153,214,108	896,686	131,718,573	637,097
Total	$ 546,959,333	$ 3,340,426	$ 496,565,856	$ 2,343,270
Consumer:				
New vehicle	104,799,183	147,590	86,706,837	102,296
Used vehicle	394,206,550	3,385,677	363,757,152	2,005,525
Credit cards	37,865,352	494,217	40,255,909	398,171
Unsecured	31,672,212	417,543	26,171,272	187,796
Other secured	140,736,135	665,502	143,190,106	354,411
Total	$ 709,279,432	$ 5,110,529	$ 660,081,276	$ 3,048,199
Grand Total	$ 1,256,238,765	$ 8,450,955	$1,156,647,132	$ 5,391,469

Continued

Commercial Credit Quality

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

The following tables present the loan balance for commercial loans based on risk rating:

	As of the year ended December 31, 2024	
	Commercial Real Estate	Commercial Other
Credit Grade:		
No Rating	$ -	$ -
Pass	189,203,815	3,382,891
Watch	5,793,537	-
Substandard	4,788,621	16,995
Doubtful	-	-
Loss	-	-
Total	$ 199,785,973	$ 3,399,886

	As of the year ended December 31, 2023	
	Commercial Real Estate	Commercial Other
Credit Grade:		
No Rating	$ -	$ -
Pass	172,602,036	3,698,971
Watch	-	-
Substandard	3,752,448	-
Doubtful	-	-
Loss	-	-
Total	$ 176,354,484	$ 3,698,971

Non-accrual Loans

Loans on which the accrual of interest has been discontinued or reduced amounted to approximately $8,451,000 and $5,391,000 in consumer, real estate, and commercial loans as of December 31, 2024 and 2023, respectively.

Note 4 - Premises and Equipment

	December 31, 2024	December 31, 2023
Land	$ 3,007,339	$ 3,007,339
Buildings	34,414,503	34,239,813
Furniture and equipment	20,379,480	19,933,419
	57,801,322	57,180,571
Less accumulated depreciation and amortization	(37,327,359)	(34,325,640)
Premises and equipment, net	$ 20,473,963	$ 22,854,931

Continued

Note 5 - Share and Savings Accounts

	December 31, 2024	December 31, 2023
Share draft accounts	$ 251,176,950	$ 251,777,146
Money market accounts	345,922,674	283,089,943
Share accounts	399,487,128	436,150,807
IRA share accounts	17,233,870	18,955,673
Certificate accounts	445,078,853	323,997,530
Total	$ 1,458,899,475	$1,313,971,099

The scheduled maturities of certificate accounts are as follows:

Year Ending December 31,	Amount
2025	$ 385,004,322
2026	35,683,223
2027	15,418,373
2028	2,977,721
2029	5,995,214
Total	$ 445,078,853

	December 31, 2024	December 31, 2023
Certificate accounts in denominations of $250,000 or more	$ 63,182,066	$ 35,825,479

Note 6 - Borrowed Funds

Line-of-Credit

The Credit Union had an unused line-of-credit. The terms of the agreements require the pledging of equipment and all present and future loans, excluding loans and securities pledged for FHLB borrowings or with the Federal Reserve Bank of Cleveland as discussed below as collateral for obligations under this line-of-credit agreement. The interest rate under this line-of-credit agreement is variable.

	December 31, 2024		December 31, 2023	
	Credit Limit	Balance	Credit Limit	Balance
Corporate One Federal Credit Union	$ 25,000,000	$ -	$ 25,000,000	$ -

Federal Reserve Bank Discount Window

The Credit Union has a line-of-credit with the Federal Reserve Bank of Cleveland's Discount Window. The Credit Union has agreed to pledge certain auto loans to the Federal Reserve Bank as collateral under the Discount Window. The current outstanding balance of the auto loans were $463,552,543 and $438,878,497 as of December 31, 2024 and 2023, respectively. The lendable collateral value of the auto loans were $338,762,532 and $310,446,165 as of December 31, 2024 and 2023, respectively As part of the Discount Window program, the Federal Reserve will lend at an interest rate established at an interest rate determined on date of borrowing. There were no advances outstanding as of December 31, 2024 and 2023.

Continued

Federal Home Loan Bank

At December 31, 2024 and 2023, the Credit Union had outstanding borrowings with the FHLB at fixed interest rates ranging between 4.24% and 4.52% at December 31, 2024 and 2023, respectively. The repayment schedule of the advances as of December 31, 2024 is as follows.

Year Ending December 31,	Amount
2025	$ 12,000,000
2026	20,000,000
2027	15,000,000
2028	4,500,000
Total	$ 51,500,000

Note 7 - Commitments and Contingent Liabilities

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

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2024, the total unfunded commitments under such lines-of-credit was approximately $263,579,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

Note 8 - Capital 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 (PCA), the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

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

Accordingly, the RBC rule adopts a 10 percent RBC ratio level for “well capitalized” credit unions, and an 8 percent RBC ratio level for “adequately capitalized” credit unions. The CCULR rule simplifies the RBC rule requirements for complex credit unions that meet certain eligibility criteria by allowing them to choose between implementing the RBC rule or the CCULR. Credit unions that select CCULR instead of the RBC rule would have a minimum 9 percent leverage ratio. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its net worth ratio under NCUA’s PCA regulations, part 702.

The Credit Union has elected to use the Complex Credit Union Leverage Ratio as the determining net worth classification for regulatory purposes as of December 31, 2024 and 2023. The Credit Union has the option to change this election on a quarterly basis. There are no conditions or events since that notification that management believes have changed the institution's category.

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows:

	As of December 31, 2024		As of December 31, 2023	
	Amount	Ratio	Amount	Ratio
Regulatory Net Worth	$ 238,233,462	13.53%	$ 224,539,278	13.69%
Amounts needed to be classified				
as "well capitalized" per CULR	$ 158,462,235	9.00%	$ 147,660,885	9.00%
as "well capitalized" per PCA	$ 123,248,405	7.00%	$ 114,847,355	7.00%
as "adequately capitalized" per PCA	$ 105,641,490	6.00%	$ 98,440,590	6.00%

Note 9 - Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under this guidance are described below:

Basis of Fair Value Measurements

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

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

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Continued

Assets Measured at Fair Value on a Recurring Basis

	Assets at Fair Value as of December 31, 2024			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
Federal agency securities	$ 1,990,246	$ -	$ 1,990,246	$ -
U.S. treasury securities	2,695,312	2,695,312	-	-
Collateralized mortgage obligations	30,597,844	-	30,597,844	-
Mortgage-backed securities	54,746,979	-	54,746,979	-
Total	$ 90,030,381	$ 2,695,312	$ 87,335,069	$ -

	Assets at Fair Value as of December 31, 2023			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
Federal agency securities	$ 3,937,866	$ -	$ 3,937,866	$ -
U.S. treasury securities	5,626,406	5,626,406	-	-
Collateralized mortgage obligations	57,665,262	-	57,665,262	-
Mortgage-backed securities	37,625,015	-	37,625,015	-
Total	$ 104,854,549	$ 5,626,406	$ 99,228,143	$ -

Note 10 - Employee Benefits

401(k) Plan

The Credit Union has a qualified, contributory 401(k) plan (Plan) covering substantially all full-time employees. The Plan allows employees to defer a portion of their salary into the Plan. The Credit Union matches a portion of employees' wage reductions. Plan costs are accrued and funded on a current basis.

	Years Ended December 31,	
	2024	2023
Credit Union contributions	$ 3,217,175	$ 3,073,339

Note 11 - Business Combination

Effective December 1, 2023, the Credit Union completed the acquisition of Youngstown City Schools Credit Union, the acquiree in this business combination. Youngstown City Schools Credit Union was a state chartered credit union located in Youngstown, Ohio founded as a cooperative association for the purposes of promoting thrift among, and creating a source of credit for its members. The reason for the acquisition is to further promote thrift among its members consistent with purpose when founded. The acquisition is a business combination of two mutual entities accounted for in accordance with the provisions of acquisition method accounting. The application of acquisition method accounting requires that the acquiree credit union’s assets and liabilities be recorded at fair value. The difference between the fair value of assets and liabilities obtained during the acquisition are reflected in either a bargain purchase gain or goodwill. In addition, the acquirer in a combination of mutual entities recognizes the acquiree’s net assets as a direct addition to equity in its statement of financial position, not as an addition to retained earnings. Based on the asset size of Youngstown City Schools Credit Union, amortized cost is equivalent to its fair market value and is reflected in the attached audited financial statements. In addition, merged equity as a result of the acquisition approximated $2,859,000.

Continued

Supplemental Schedule of Noncash Investing and Financing Information:

Except for the cash received, the balances acquired in the business combinations are not included in the consolidated statement of cash flows because no cash was paid. Rather, only the transactions impacting cash flows after the date of acquisition are reflected in the corresponding sections (operating, investing, and financing) within the consolidated statement of cash flows.

The following schedule describes the Credit Union's noncash investing and financing activities relating to the business combination noted above:

Cash received in business combinations	$ 96,597
Acquired assets, net of cash received	6,682,946
Assumed liabilities	(3,920,362)
Equity acquired in business combinations	$ 2,859,181