Aneca Federal Credit Union

Shreveport, Louisiana

December 31, 2022 and 2021

HMV CERTIFIED PUBLIC ACCOUNTANTS

ANECA FEDERAL CREDIT UNION

SHREVEPORT, LOUISIANA

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To the Supervisory Committee
ANECA Federal Credit Union
Shreveport, Louisiana

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of ANECA Federal Credit Union, which comprise the statements of financial condition as of December 31, 2022 and 2021, and the related statements of income, other comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ANECA Federal Credit Union as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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

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

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

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

Heard, McElroy & Vestal LLC

Shreveport, Louisiana
April 24, 2023

ANECA FEDERAL CREDIT UNION

STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2022 AND 2021

ASSETS	2022	2021
Cash and cash equivalents	$ 12,741,684	$ 13,395,227
Investments:		
Debt securities held-to-maturity, at amortized cost	17,630,132	6,267,242
Certificates of deposit	1,241,000	2,479,000
Corporate credit unions	245,146	245,146
Other investments	5,750,636	4,862,992
Loans receivable, net of allowance for loan losses of $1,264,629 and $983,636	152,410,330	137,430,105
Accrued interest receivable	750,902	604,497
Prepaid and deferred expenses	396,389	342,839
Property and equipment, net	8,923,115	6,657,392
NCUA Share Insurance Fund deposit	1,178,329	1,090,567
Cash surrender value of life insurance	3,193,936	3,108,085
Pension asset	151,306	174,550
Other assets	278,687	805,636
Total assets	$ 204,891,592	$ 177,463,278

LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' share draft, share savings, and share certificates accounts	$ 115,977,759	$ 104,183,070
Non-member deposits, net of unamortized deposit placement premium of $53,003 and $72,269	30,383,268	18,741,731
Processing liabilities	227,898	210,809
Accrued expenses	167,989	193,851
Accrued dividends on non-member deposits	34,831	43,429
Other liabilities	653,165	2,520,221
FHLB line of credit	25,828,564	29,450,000
NCUA line of credit	500,000	-
Subordinated debt	7,375,000	-
Total liabilities	181,148,474	155,343,111
Members' equity	23,743,118	22,120,167
Total liabilities and members' equity	$ 204,891,592	$ 177,463,278

The accompanying notes are an integral part of the financial statements.

ANECA FEDERAL CREDIT UNION

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Interest income:		
Loans	$ 6,543,016	$ 5,398,803
Investments and interest-bearing deposits	644,784	238,129
Total interest income	7,187,800	5,636,932
Interest expense:		
Members' share draft, share savings, and share certificates account	811,437	607,650
Non-member deposits	469,684	381,035
Interest on borrowed funds	365,246	36,407
Total interest expense	1,646,367	1,025,092
Net interest income	5,541,433	4,611,840
Provision for loan and overdraft losses	833,800	(363,677)
Net interest income after provision for loan losses	4,707,633	4,975,517
Non-interest income:		
Service charges and fees	1,164,101	2,177,162
Miscellaneous operating income	2,443,368	1,363,777
Gain on disposition of assets	-	52,360
Total non-interest income	3,607,469	3,593,299
Non-interest expense:		
Compensation	2,836,097	2,377,416
Payroll taxes	202,393	160,299
Employee benefits	341,539	312,429
Travel and conference expense	107,658	49,187
Association dues	59,917	63,694
Office occupancy expense	250,062	220,956
Office operations expense	293,234	280,897
Depreciation	221,514	251,735
Technology expense	415,776	387,086
Marketing	443,007	247,242
Loan servicing expense	548,707	466,004
Legal and audit fees	99,973	109,888
Outside services	756,509	701,006
Federal supervision and examination expenses	22,663	28,166
Cash over and short	1,142	2,407
Other operating losses	24,641	13,247
Miscellaneous expense	-	(155)
Loss on sale of loans	-	288,005
Total non-interest expense	6,624,832	5,959,509
Net income	$ 1,690,270	$ 2,609,307

The accompanying notes are an integral part of the financial statements.

ANECA FEDERAL CREDIT UNION

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Net income	$ 1,690,270	$ 2,609,307
Other comprehensive income (loss):		
Pension plan:		
Net gain/(loss)	(74,737)	172,887
Amortization	7,418	19,975
Total other comprehensive income (loss)	(67,319)	192,862
Comprehensive income	$ 1,622,951	$ 2,802,169

The accompanying notes are an integral part of the financial statements.

ANECA FEDERAL CREDIT UNION

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Statutory Reserve	Undivided Earnings	Accumulated Other Comprehensive (Loss)	Total
Balance, December 31, 2020	$ 12,665,332	$ 7,054,082	$ (401,416)	$ 19,317,998
Other comprehensive loss	-	-	192,862	192,862
Net income	-	2,609,307	-	2,609,307
Balance, December 31, 2021	12,665,332	9,663,389	(208,554)	22,120,167
Other comprehensive income	-	-	(67,319)	(67,319)
Net income	-	1,690,270	-	1,690,270
Balance, December 31, 2022	$ 12,665,332	$ 11,353,659	$ (275,873)	$ 23,743,118

ANECA FEDERAL CREDIT UNION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Net income	$ 1,690,270	$ 2,609,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	221,514	251,735
Gain on disposition of assets	-	(52,360)
Amortization of premiums for non-member deposits	31,466	34,143
Provision for loan losses and overdrafts	833,800	(363,677)
(Gain) Loss on repossessions	-	(42,750)
(Increase) decrease in:		
Accrued interest receivable	(146,405)	(93,390)
NCUSIF deposit	(87,762)	7,988
Cash surrender value of life insurance	(85,851)	(79,334)
Pension asset	23,244	(174,550)
Prepaid expenses and other assets	155,257	435,702
Increase (decrease) in:		
Processing liabilities	17,089	74,366
Accrued expenses	(34,460)	63,275
Pension liability	-	(38,463)
Other current liabilities	(1,498,813)	1,292,324
Total adjustments	(570,921)	1,315,009
Net cash provided by operating activities	1,119,349	3,924,316
Cash flows from investing activities:		
Net change in interest-bearing deposits	1,170,681	2,938,867
Proceeds from the sale of property and equipment	-	21,500
Purchases of property and equipment, net	(2,527,338)	(1,605,613)
Net change in other real estate owned	(10,000)	187,817
Premiums paid on split dollar life insurance policies	(481,632)	(481,633)
Purchases of life insurance policies	-	(907,565)
Increase in cash surrender value of life insurance	(85,851)	-
Purchases of held-to-maturity investments	(12,007,752)	(5,490,803)
Proceeds from sales, calls, maturities and return of principal of securities held-to-maturity	658,501	248,690
Purchase of FHLB stock	(33,800)	(1,830,500)
Purchases of other investments	(300,000)	(86,985)
Net increase (decrease) in non-member deposits	6,657,000	(3,031,000)
Net increase in loans	(15,814,025)	(26,845,239)
Net cash (used in) investing activities	(22,774,216)	(36,882,464)

(continued)

ANECA FEDERAL CREDIT UNION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from financing activities:		
Net increase in members' share draft, share savings and share certificates accounts	16,747,760	11,366,731
Advances from NCUA line of credit	500,000	-
Net (repayments to) advances from FHLB line of credit	(3,621,436)	29,450,000
Advances from ECIP	7,375,000	-
Net cash provided by financing activities	21,001,324	40,816,731
Net (decrease) increase in cash and cash equivalents	(653,543)	7,858,583
Cash and cash equivalents - beginning of year	13,395,227	5,536,644
Cash and cash equivalents - end of year	$ 12,741,684	$ 13,395,227
Interest paid during the year	$ 1,654,732	$ 1,038,143

1. Summary of Significant Accounting Policies

a) *Nature of Operations*

ANECA Federal Credit Union (the Credit Union) is a cooperative association holding a charter under the provisions of the Federal Credit Union Act. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's Charter and By-laws.

The Credit Union operates in Northwest Louisiana. Membership is open to people who live, work, worship, attend schools or are a business or other legal entity in Bossier, Caddo or DeSoto Parishes. The Credit Union's primary sources of revenue are providing automobile, business, consumer and real estate loans to members and income received from service charges or member fees. The Credit Union is subject to competition from other financial institutions, is subject to the regulations of certain governmental agencies and undergoes periodic examinations by those regulatory authorities.

b) *Use of Estimates*

The preparation of 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 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 relate to the determination of the allowance for losses on loans. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Credit Union's allowance for losses on loans. Such agencies may require the Credit Union to recognize changes to the allowance based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowance for losses on loans may change materially in the near future.

c) *Revenue Recognition*

The Credit Union’s interest income is derived from loans and investments. The Credit Union recognizes interest income in accordance with the applicable guidance in U.S. GAAP for these assets. Non-interest income is primarily composed of service charges and fees on deposits. This income consists primarily of monthly service charges on deposit accounts, transactions-based fees (such as overdraft fees and ATM transfer fees), and other deposit account-related charges. The Credit Union’s performance obligations for consumer deposit account service charges are typically satisfied over time while performance obligations for transaction-based fees are typically satisfied at a point in time. Revenues are recognized as the services are provided to the member.

Payments are typically collected from the member directly from the related deposit account at the time the transaction is processed and/or at the end of the customer's statement cycle (typically monthly) or when the transactions generating the fees are completed.

d) Cash Equivalents

For purposes of the statement of cash flows, the Credit Union considers all cash on hand, demand deposits with other banks and short-term interest-bearing cash instruments with original maturities of three months or less to be cash equivalents. Amounts due from financial institutions may, at times, exceed federally insured limits.

e) Loans Receivable and Allowance for Loan Losses

Loans receivable are stated at unpaid principal balances, reduced by an allowance for loan losses. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on daily balances of the principal amount outstanding.

The accrual of interest income on loans is discontinued after it is 90 days or more past due and when management believes, after considering economic and business conditions and collection efforts, that the borrowers' financial condition is such that collection of interest is unlikely. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if the collection of principal and interest is considered doubtful.

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

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

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

f) NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Association (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% 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.

g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Expenditures for improvements of property and equipment that extend the useful life of the asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

h) Leases

The Credit Union's lease portfolio is composed of property and equipment leases that are classified as operating leases. Property and equipment leases, which primarily include office locations and office equipment, typically have original lease terms ranging from 1 year to 5 years, some of which may also include an option to extend the lease beyond the original lease term. In some circumstances, the Credit Union may also have an option to terminate the lease early with advanced notice. The Credit Union includes renewal and termination options within the lease term if deemed reasonably certain of exercise. As most leases do not state an implicit rate, the Credit Union utilizes the incremental borrowing rate based on information available at the lease commencement date to determine the present value of lease payments. Leases with a term of 12 months or less are not recorded on the statement of financial condition. The Credit Union continues to recognize lease payments as an expense over the lease term as appropriate.

These leases vary in term and, from time to time, include incentives and/or rent escalations. Examples of incentives include period of "free" rent and leasehold improvement incentives. The Credit Union recognizes incentives and escalations on a straight-line basis over the lease term as a reduction of or increase to rent expense, as applicable, within office occupancy expense within the statements of income.

i) Credit Union Owned Life Insurance

The Credit Union holds life insurance policies purchased on the lives of key members of management, including certain executives. Such policies are recorded at their cash surrender value or the amount that can be currently realized as of the balance sheet date. The change in cash surrender value is an adjustment of premiums paid in determining the net income recognized under the contracts for the year and is included in other income in the statements of income. Income earned on policies purchased is used to offset deferred compensation plans covering certain management employees and other employee benefits.

j) Members' Share Draft, Share Savings, and Share Certificates Accounts

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

k) Income Taxes

As a federal credit union, the Credit Union is exempt, by statute, from federal and state income taxes under the provisions of the Internal Revenue Code.

l) Advertising Costs

The Credit Union expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2022 and 2021, were $245,838 and $151,741, respectively.

m) Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

n) Fair Value Measurements

When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Credit Union considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Credit Union looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Credit Union looks to market observable data for similar assets and liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Credit Union may use alternative valuation techniques to derive a fair value measurement. The Credit Union does not currently hold any assets or liabilities that require alternative valuation techniques to measure the fair value.

The Credit Union records certain assets at fair value on a non-recurring basis. These items are typically the result of lower cost or fair value accounting or write-downs for assets such as other real estate owned or foreclosed assets. Fair values of these properties are based on appraisals made by either third parties or the Credit Union at the date acquired. They are reevaluated for changes in market conditions on a non-recurring basis.

o) Foreclosed Assets

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset’s fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvement are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its fair value less cost to sell.

Automobiles that are repossessed are carried at estimated fair values less estimated selling costs. The amount, if any, by which the recorded amount of the related loan exceeds the fair value of the repossessed asset is a loss which is charged to the allowance for loan losses at the time of repossession.

The Credit Union held $60,000 and $50,000 in foreclosed assets as of December 31, 2022 and 2021, respectively. These amounts are included in other assets on the Statement of Financial Condition.

p) Paycheck Protection Program (PPP) Loans

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), a stimulus package intended to provide relief to businesses and consumers in the United States struggling as a result of the pandemic, was signed into law. A provision in the CARES Act included a $349 billion fund for the creation of the Paycheck Protection Program (PPP) through the Small Business Administration (SBA) and Treasury Department.

The PPP is intended to provide loans to small businesses to pay their employees, rent, mortgage interest and utilities. PPP loans are forgivable, in whole or in part, if the proceeds are used for payroll and other permitted purposes in accordance with the requirements of the PPP. If not forgiven, in whole or in part, these loans carry a fixed rate of 1.00% per annum with payments deferred until the date the SBA remits the borrower's loan forgiveness amount to the lender (or, if the borrower does not apply for loan forgiveness, ten months after the end of the borrower's loan forgiveness covered period). Originally, the loans carried a term of two years under SBA rules implemented by the CARES Act, but a June 5, 2020 amendment to the CARES Act provided for a five-year minimum loan term for loans made beginning as of such date, and permitted lenders and borrowers to mutually agree to amend existing two-year loans to have terms of five years. The loans are 100% guaranteed by the SBA. The SBA pays the originating bank a processing fee ranging from 1.0% to 5.0%, based on the size of the loan. The SBA stopped accepting applications for PPP loans on August 8, 2020. Total origination fees earned by the Credit Union for these loans in 2021 was approximately $933,331 and is included in service charges and fee income on the consolidated statement of income.

On December 27, 2020 the Consolidated Appropriations Act of 2021 was signed into law and, among other things, allows a second PPP loan to small businesses which meet certain qualifications.

At December 31, 2022, the Credit Union had outstanding 4 PPP loans totaling $1,108,765. These loans are included in the Commercial loan category of the Credit Union's loan portfolio. The PPP loans are fully guaranteed by the SBA; therefore, no additional allowance for credit losses was estimated for these loans.

q) New Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Under current U.S. GAAP, companies generally recognize credit losses when it is probable that the loss has been incurred. The amendments in this ASU replace the incurred loss model for recognition of credit losses with a methodology that reflects expected credit losses over the life of the loan and requires consideration based on the historical experience, current conditions, and reasonable and supportable forecasts. The new standard also requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Credit Union is currently evaluating the potential impact of ASU 2016-13 on its financial statements.

2. Investments

Investments consist of debt securities, certificates of deposit, membership capital shares in various corporate and local credit unions, and split dollar loans related to life insurance policies for three of the Credit Union's officers. Management intends to hold such investments to maturity. Gains and losses on the sale of investment securities are recognized using the specific identification method.

Debt securities held to maturity

Debt securities held-to-maturity consist of the following at December 31, 2022 and 2021:

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$ 5,447,610	$ -	$ (190,324)	$ 5,257,286
U.S. Government agencies	500,000	-	(32,131)	467,869
Mortgage backed securities	9,518,407	-	(1,347,752)	8,170,655
State and municipal bonds	2,164,115	-	(89,983)	2,074,132
Total	$ 17,630,132	$ -	$ (1,660,190)	$ 15,969,942

	2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage backed securities	$ 6,267,242	$ -	$ (202,913)	$ 6,064,329

The amortized cost and estimated fair value of investment securities at December 31, 2022, by contractual maturity, are shown below. 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.

	Held to Maturity	
	Amortized Cost	Fair Value
One year or less	$ 277,888	$ 270,790
After 1 year through 5 years	7,833,837	7,547,767
After 5 years through 10 years	486,468	458,105
After 10 years	9,031,939	7,693,280
	$ 17,630,132	$ 15,969,942

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (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, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2022, the Credit Union held 32 debt securities with unrealized losses. These securities have depreciated 10.28% from the Credit Union's amortized cost basis. Approximately $7,818,000 of these securities is held by the U.S. government or other governments. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, no declines are deemed to be other-than-temporary.

Information pertaining to securities with gross unrealized losses at December 31, 2022 and 2021, aggregated by length of time that individual securities have been in a continuous loss position follows:

	Less than Twelve Months		Twelve Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2022						
U.S. Treasury securities	$ 5,257,286	$ 190,324	$ -	$ -	$ 5,257,286	$ 190,324
U.S. Government agencies	487,140	12,860	-	-	487,140	12,860
Mortgage backed securities	3,125,434	32,362	5,025,951	1,315,389	8,151,385	1,347,751
State and municipal bonds	2,074,132	89,983	-	-	2,074,132	89,983
	$ 10,943,992	$ 325,529	$ 5,025,951	$ 1,315,389	$ 15,969,943	$ 1,640,918
December 31, 2021						
Mortgage backed securities	$ 5,157,656	$ 159,438	$ 906,673	$ 43,475	$ 6,064,329	$ 202,913

Certificates of deposit

The certificates of deposit are invested in increments of not more than $250,000, at varying interest rates and mature during the years ending December 31, 2023 through 2026.

Corporate credit unions

Credit Unions are required to maintain balances with Corporate Credit Unions as perpetual contributed capital accounts (“PCA”) that are uninsured, are transferrable, but may not be withdrawn. The amount of membership capital is determined by the type of membership. The Credit Union held $210,998 in PCA in Catalyst Corporate Credit Union for each of the years ended December 31, 2022 and 2021. The Credit Union held $34,148 in PCA in Louisiana Corporate Credit Union for each of the years ended December 31, 2022 and 2021.

Other investments

The Credit Union is a member of the NCUA Central Liquidity Fund (“CLF”), which was formed to assist member credit unions in meeting their short-term liquidity needs. Membership is obtained through investment in shares of the CLF as determined by a statutory formula. The Credit Union’s investment in CLF totaled $340,147 and $291,255 at December 31, 2022 and 2021, respectively.

The Credit Union is a member of the Federal Home Loan Bank of Dallas which requires an investment in its capital stock. The total balance invested in such stock was $1,913,900 and $1,880,100 at December 31, 2022 and 2021, respectively.

The Credit Union is a member of CU South, Inc. which requires an investment in its capital stock. The total balance invested in such stock was $385,000 at December 31, 2022 and 2021.

The Credit Union is a member of Business Alliance Financial Services, LLC which requires an investment in its capital stock. The total balance invested in such stock was $50,000 at December 31, 2022 and 2021.

The Credit Union is a member of C U Cooperative Branching, Inc. which requires an investment in its capital stock. The total balance invested in such stock was $100,000 at December 31, 2022 and 2021.

The Credit Union is a member of Card Services for Credit Unions, Inc. which requires an investment in its capital stock. The total balance invested in such stock was $1,174 at December 31, 2022 and 2021.

The Credit Union is a member of Extend, Inc. which requires an investment in its capital stock. The total balance invested in such stock was $53,000 at December 31, 2022 and 2021.

The Credit Union is a member of educe Innovations, Inc. which requires an investment in its capital stock. The total balance invested in such stock was $300,000 and $0 at December 31, 2022 and 2021, respectively.

The Credit Union entered into a collateral assignment split dollar agreement with its executives under Treasury Regulation 1.7872-15(e)(5)(ii). The agreement involves a method of paying for insurance coverage for the executive by splitting the elements of the life insurance policies. Under this agreement, the executive is the owner of the policy and makes a collateral assignment to the Credit Union in return for a loan equal to the total funding amount of the agreement plus accrued interest at a specified rate. The total balance of these loans totaled $1,676,530 and $1,194,898 at December 31, 2022 and 2021, respectively.

During 2021, the Credit Union entered into agreements for universal life insurance policies for one of its officers. The life insurance policies were placed in a Charitable Donation Account (CDA). A CDA is a designated account that is a hybrid charitable giving and investment vehicle. Federal credit unions may hold investments within a CDA that are not allowed otherwise, so long as the account is primarily charitable in nature and structured to preserve the safety and soundness of the credit union. The CDA account is subject to certain requirements under NCUA Rules and Regulations Parts 703 and 721. The total balance of the CDA account was $930,885 and $907,565 at December 31, 2022 and 2021, respectively.

3. Loans Receivable

Major classifications of loans at December 31, 2022 and 2021, are as follows:

	2022	2021
Consumer:		
Auto loans	$ 33,820,650	$ 26,616,390
Unsecured and credit card	6,710,264	6,009,611
Other secured	6,186,608	5,874,181
Real estate:		
First mortgage	52,651,110	32,858,917
Other real estate	16,863,895	9,334,431
Commercial:		
Real estate	27,171,059	22,624,986
Paycheck Protection Program	1,108,765	28,184,883
Other	9,162,608	6,910,342
	153,674,959	138,413,741
Less - allowance for loan losses	(1,264,629)	(983,636)
Loans receivable, net	$ 152,410,330	$ 137,430,105

The following tables detail loans individually and collectively evaluated for impairment at December 31, 2022 and 2021:

	2022		
	Loans Evaluated for Impairment		
	Individually	Collectively	Total
Consumer:			
Auto loans	$ 79,593	$ 33,741,057	$ 33,820,650
Unsecured and credit card	48,872	6,661,392	6,710,264
Other secured	-	6,186,608	6,186,608
Real estate:			
First mortgage	-	52,651,110	52,651,110
Other real estate	-	16,863,895	16,863,895
Commercial:			
Real estate	27,171,059	-	27,171,059
Paycheck protection program	-	1,108,765	1,108,765
Other	9,162,608	-	9,162,608
	$ 36,462,132	$ 117,212,827	$ 153,674,959

	2021		
	Loans Evaluated for Impairment		
	Individually	Collectively	Total
Consumer:			
Auto loans	$ -	$ 26,616,390	$ 26,616,390
Unsecured and credit card	63,668	5,945,943	6,009,611
Other secured	178,116	5,696,065	5,874,181
Real estate:			
First mortgage	125,620	32,733,297	32,858,917
Other real estate	-	9,334,431	9,334,431
Commercial:			
Real estate	22,624,986	-	22,624,986
Paycheck protection program	-	28,184,883	28,184,883
Other	6,910,342	-	6,910,342
	$ 29,902,732	$ 108,511,009	$ 138,413,741

Due to the nature of the Credit Union's loan portfolio, mainly small homogeneous loans, the Credit Union primarily evaluates loans by category and uses a twelve-month rolling average of net charge offs to specific loan classifications. Accordingly, the Credit Union does not assign credit quality indicators to specific consumer and real estate loans. The Credit Union evaluates commercial loans on an individual basis based upon information about specific borrower situations and estimated collateral values. The Credit Union also funds additional amounts for specific concentrations including delinquent loans greater than six months past due, troubled debt restructuring loans and other impaired loans. Consideration is given to changes in the external economy and business conditions which could have a positive or negative outcome on these concentrations.

The Credit Union evaluates all loans classified as troubled debt restructuring loans "TDRs" for impairment on an individual basis. The loan is then evaluated using one of the valuation criteria permitted under FASB ASC Topic 310. If, after review, a specific valuation allowance is not assigned to the loan and the loan is not considered to be impaired, the loan remains with a pool of similar loans and is evaluated collectively.

The following tables provide an aging analysis of past due loans and nonaccrual loans by class at December 31, 2022 and 2021:

	2022					
	Past Due	Past Due Over 90 Days				
	30-89 Days	and Accruing	Non-Accruing	Total Past Due	Current	Total
Consumer:						
Auto loans	$ 636,322	$ -	$ 262,198	$ 898,520	$ 32,922,130	$ 33,820,650
Unsecured and credit card	136,910	-	20,329	157,239	6,553,025	6,710,264
Other secured	180,974	-	70,791	251,765	5,934,843	6,186,608
Real estate:						
First mortgage	656,203	-	111,989	768,192	51,882,918	52,651,110
Other real estate	-	-	-	-	16,863,895	16,863,895
Commercial:						
Real estate	-	-	-	-	27,171,059	27,171,059
Paycheck protection program	-	55,570	-	55,570	1,053,195	1,108,765
Other	427,939	-	-	427,939	8,734,669	9,162,608
	$ 2,038,348	$ 55,570	$ 465,307	$ 2,559,225	$ 151,115,734	$ 153,674,959

	2021					
	Past Due	Past Due Over 90 Days				
	30-89 Days	and Accruing	Non-Accruing	Total Past Due	Current	Total
Consumer:						
Auto loans	$ 430,216	$ -	$ 173,958	$ 604,174	$ 26,012,216	$ 26,616,390
Unsecured and credit card	119,461	-	13,842	133,303	5,876,308	6,009,611
Other secured	134,878	-	217,754	352,632	5,521,549	5,874,181
Real estate:						
First mortgage	327,209	-	-	327,209	32,531,708	32,858,917
Other real estate	-	-	-	-	9,334,431	9,334,431
Commercial:						
Real estate	571,557	-	2,359,157	2,930,714	19,694,272	22,624,986
Paycheck protection program	-	-	-	-	28,184,883	28,184,883
Other	574,282	-	-	574,282	6,336,060	6,910,342
	$ 2,157,603	$ -	$ 2,764,711	$ 4,922,314	$ 133,491,427	$ 138,413,741

Loans on which the accrual of interest has been discontinued or reduced approximated $465,307 and $2,764,711 at December 31, 2022 and 2021, respectively. If interest on those loans had been accrued at contractual rates, such income would have approximated $9,813 and $103,227 during the years ending December 31, 2022 and 2021, respectively.

Loan origination fees and certain origination costs are recognized as incurred. They are not capitalized as the effect on income each year is immaterial.

4. Allowance for Loan Losses

The following tables detail the balance in the allowance for loan losses by portfolio segment at December 31, 2022 and 2021:

	Balance January 1, 2022	Provision for Loan Losses	Loans Charged Off	Recoveries	Balance December 31, 2022
Consumer:					
Auto loans	$ 245,939	$ 158,193	$ (112,742)	$ 44,127	$ 335,517
Unsecured and credit card	154,209	181,314	(199,744)	65,023	200,802
Other secured	148,430	505,993	(342,405)	17,343	329,361
Real estate:					
First mortgage	86,736	(13,164)	(23,217)	-	50,355
Other real estate	9,984	11,083	-	-	21,067
Commercial:					
Real estate	205,859	11,230	-	-	217,089
Other	132,479	(20,850)	(2,816)	1,625	110,438
Total	$ 983,636	$ 833,799	$ (680,924)	$ 128,118	$ 1,264,629

	Balance January 1, 2021	Provision for Loan Losses	Loans Charged Off	Recoveries	Balance December 31, 2021
Consumer:					
Auto loans	$ 290,184	$ 135,597	$ (242,101)	$ 62,259	$ 245,939
Unsecured and credit card	168,166	(39,295)	(102,085)	127,423	154,209
Other secured	115,104	129,051	(110,000)	14,275	148,430
Real estate:					
First mortgage	172,929	(99,357)	(674)	13,838	86,736
Other real estate	21,216	(11,232)	-	-	9,984
Commercial:					
Real estate	872,415	(494,285)	(178,119)	5,848	205,859
Other	113,835	15,844	(203)	3,003	132,479
Total	$ 1,753,849	$ (363,677)	$ (633,182)	$ 226,646	$ 983,636

The following tables disaggregate the allowance for loan losses by impairment methodology at December 31, 2022 and 2021:

	Allowance for Loan Losses Disaggregated by Impairment Method		
	Individually	Collectively	Total
December 31, 2022			
Consumer:			
Auto loans	$ 79,593	$ 255,924	$ 335,517
Unsecured and credit card	48,872	151,930	200,802
Other secured	-	329,361	329,361
Real estate:			
First mortgage	-	50,355	50,355
Other real estate	-	21,067	21,067
Commercial:			
Real estate	217,089	-	217,089
Other	93,448	16,990	110,438
Total	$ 439,002	$ 825,627	$ 1,264,629

	Allowance for Loan Losses Disaggregated by Impairment Method		
	Individually	Collectively	Total
December 31, 2021			
Consumer:			
Auto loans	$ -	$ 245,939	$ 245,939
Unsecured and credit card	24,456	129,753	154,209
Other secured	58,116	90,314	148,430
Real estate:			
First mortgage	23,620	63,116	86,736
Other real estate	-	9,984	9,984
Commercial:			
Real estate	205,859	-	205,859
Other	132,479	-	132,479
Total	$ 444,530	$ 539,106	$ 983,636

Troubled debt restructuring (“TDRs”) are loans for which the contractual terms on the loan have been modified and both of the following conditions exist: (i) the borrower is experiencing financial difficulty and (ii) the restructuring constitutes a concession. The Credit Union assesses all loan modifications to determine whether they constitute a TDR. Restructurings resulting in an insignificant delay in payment are not considered to be TDRs. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length and the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Restructured loans were $2,165,732 and $6,105,187 net of participations sold of $1,832,157 and $1,466,988 as of December 31, 2022 and 2021, respectively.

On March 27, 2020, the CARES Act, a stimulus package intended to provide relief to businesses and consumers in the United States struggling as a result of the pandemic, was signed into law. Section 4013 of the CARES Act also addressed COVID-19 related modifications and specified that COVID-19 related modifications executed between March 1, 2020 and the earlier of (i) 60 days after the date of termination of the national emergency declared by the President and (ii) December 31, 2020, on loans that were current as of December 31, 2019 are not TDRs. Additionally, under guidance from the federal banking agencies, other short-term modifications made on a good faith basis in response to COVID-19 to borrowers that were current prior to any relief are not TDRs under ASC Subtopic 310-40, “Troubled Debt Restructuring by Creditors.” These modifications included short-term (e.g., up to six months) modifications such as payment deferrals, fee waivers, extensions or repayment terms, or delays in payment that are insignificant. Borrowers considered current are those that are less than 30 days past due on their contractual payments at the time a modification program is implemented.

On December 27, 2020, the Consolidated Appropriations Act of 2021 was signed into law and, among other things, extended the relief of classifying COVID-19 modifications to the earlier of January 1, 2022 or 60 days after the national emergency terminates. Concessions were primarily either interest only for 90 days or full payment deferrals for 90 days. As of December 31, 2021, there was one loan remaining under these modification terms with a balance due of $1,643,742. There were no loans remaining under these modification terms at December 31, 2022.

5. Property and Equipment

Property and equipment at December 31, 2022 and 2021, are summarized as follows:

	2022	2021
Land	$ 2,989,543	$ 2,989,543
Buildings	3,226,501	3,226,501
Furniture, fixtures and equipment	1,821,350	1,762,845
Lease right of use assets	69,727	109,828
Construction in progress	3,214,728	745,601
	11,321,849	8,834,318
Less - accumulated depreciation	(2,398,734)	(2,176,926)
	$ 8,923,115	$ 6,657,392

Depreciation expense for the years ended December 31, 2022 and 2021, was $221,514 and $251,735, respectively.

6. Members' Share Draft, Share Savings, and Share Certificates Accounts

Members' shares and savings accounts at December 31, 2022 and 2021 are summarized as follows:

	2022	2021
Share draft accounts	$ 40,472,609	$ 36,726,136
Share savings accounts	33,940,715	33,120,077
Share certificate accounts	38,279,479	30,546,563
Share IRA accounts	3,284,956	3,790,294
Total members' share accounts	$ 115,977,759	$ 104,183,070

The aggregate amount of members' accounts over $250,000 was approximately $15,513,497 and $13,728,505 as of December 31, 2022 and 2021, respectively.

At December 31, 2022, scheduled maturities of share certificates are as follows:

2023	$ 22,824,968
2024	14,086,214
2025	1,368,297
	$ 38,279,479

Interest expense on members' share and savings accounts at December 31, 2022 and 2021, is summarized as follows:

	2022	2021
Share draft and savings	$ 274,441	$ 152,612
Share certificates	536,996	455,038
	$ 811,437	$ 607,650

7. Non-Member Deposits

The Credit Union is designated as a low-income credit union by the NCUA. This designation affords certain benefits that are not available to other credit unions. One such benefit is the ability to accept non-member deposits from any source up to the greater of $3 million or 50% of the net amount of paid-in and unimpaired capital and surplus less any public unit and non-member shares. Non-member deposits consist of brokered certificates of deposits. The certificates terms range from 24-months to 120-months with interest rates ranging from 0.70% to 3.20%. The Credit Union paid a brokerage fee on these certificates. That fee is being amortized over the life of the related certificate.

The amount of non-member certificates at December 31, 2022 and 2021 was:

	2022	2021
Non-member deposits	$ 30,436,271	$ 18,814,000
Amortized deposit placement premium	(53,003)	(72,269)
	$ 30,383,268	$ 18,741,731

8. Borrowed Funds

The Credit Union has a line of credit of $8,000,000 with Catalyst Corporate Federal Credit Union; the interest rate is a varying rate per annum that will be equal to the lesser of (a) the maximum rate (18%) or (b) the sum of the federal funds rate in effect plus 50 basis points. This line of credit is secured by the Credit Union's loans, share accounts, all chattel paper, all repossessed collateral, all securities, and all earnings. There were no outstanding borrowings on this line of credit as of December 31, 2022 and 2021.

The Credit Union has a line of credit of $500,000 with the National Credit Union Administration (NCUA); the interest rate is 1.50%. This line of credit is secured by the Credit Union's loans, share accounts, all chattel paper, all repossessed collateral, all securities, and all earnings. The balance owed on this line of credit as of December 31, 2022 and 2021 was $500,000 and $0, respectively.

The Credit Union became a member of the Federal Home Loan Bank of Dallas in 2020 and had available credit secured by its consumer real estate loan portfolio totaling $37,993,826 as of December 31, 2022. The balance owed on this line of credit as of December 31, 2022 and 2021 was $25,828,564 and $29,450,000, respectively. Interest rates on these advances range from 3.136% to 5.038%.

9. Emergency Capital Investment Program

On June 14, 2022, the Credit Union entered into an agreement with the U.S. Treasury under the Emergency Capital Investment Program (“ECIP”), which has provided funding to Minority Depository Institutions and Community Development Financial Institutions to increase access to capital for underserved communities that may have been disproportionately impacted by the economic effects of the COVID-19 pandemic. The Credit Union issued and sold $7,375,000 worth of senior subordinated securities to the Treasury. The subordinated debt has a maturity of 30 years and no interest accrues, nor will any interest be due for the first 24 months after issuance, and thereafter the floor rate is 0.50%, and ceiling rate is 2.00%. The interest rate is based on the annual change in actual qualified lending relative to a baseline level of qualified lending.

10. Community Development Financial Institution Liabilities

The Community Development Financial Institution Fund ("CDFI Fund") issues financial assistance grants to enable recipients to further serve low-income people and communities that lack access to affordable financial products and services.

In 2020, the Credit Union was awarded $887,500 in grant money to be received over three years. These funds can be used to finance capital, fund the loan loss reserve, increase capital reserves, or fund operations. Once the funds are received, the Credit Union recognizes revenue from the grant as expenditures are made or processed as the grant is considered a cost-reimbursement grant.

In 2021, the Credit Union was awarded, and received, $1,826,265 in grant money to be used to provide financial products and services and development services in the Credit Union's approved target market and to fund loan loss and capital reserves. To a limited extent, the grant funds may be used to supplement costs for compensation, training and education, travel, professional services, equipment and supplies. The Credit Union recognizes revenue from the grant as expenditures are made or processed as the grant is considered a cost-reimbursement grant.

During 2021 and 2020, the Credit Union recognized $1,874,389 and $357,731, respectively, in other income. As of December 31, 2021 and 2020, the Credit Union had recorded $413,376 and $2,287,765, respectively, as deferred revenue that relates to the remaining balance of the funds awarded that will be used in future periods and is included in other liabilities on the statements of financial condition. Additionally, the Credit Union has recorded $0 and $414,167 as a receivable for the remaining funds to be received from the 2020 award for the years ended December 31, 2022 and 2021, respectively, and is included in other assets on the statements of financial condition.

11. Related Party Transactions

All of the directors and officers of the Credit Union are members. As members, they have had transactions in the ordinary course of business with the Credit Union, including borrowings, all of which, in the opinion of management, were on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the Credit Union. At December 31, 2022 and 2021, the aggregate indebtedness of those individuals and their interests as a group to the Credit Union was approximately $2,546,980 and $1,556,477, respectively. During 2022 and 2021, new loans originated to such related parties amounted to approximately $1,065,143 and $948,202 and payments amounted to approximately $74,640 and $330,120, respectively. Deposits from related parties held by the Credit Union at December 31, 2021 and 2020, amounted to $92,284 and $433,427, respectively.

The Credit Union owns a minority interest in Business Alliance Financial Services (BAFS) which is a credit union service organization or (CUSO) that provides underwriting and other services related to commercial lending. The investment is carried in other investments at $50,000. During the years ended December 31, 2022 and 2021, the Credit Union paid fees to BAFS totaling $246,977 and $279,677, respectively.

The Credit Union owns a minority interest in Credit Union Cooperative Branching (CUCB) which is a CUSO that provides shared branching services for credit unions. The investment is carried in other investments at $100,000. The Credit Union received net shared branching service income for its member's utilization of the network totaling $6,430 and $6,833 for the years ended December 31, 2022 and 2021, respectively.

The Credit Union owns a minority interest in CU South which is a CUSO that provides data processing services. The investment is carried in other investments at $385,000. During the years ended December 31, 2022 and 2021, the Credit Union paid fees to CU South totaling $261,792 and $239,413, respectively.

The Credit Union owns a minority interest in Xtend, Inc. which is a CUSO that provides shared branching, communications, and data analytics services for credit unions. The investment is carried in other investments at $53,000. During the years ended December 31, 2022 and 2021, the Credit Union paid fees to Xtend, Inc. totaling $33,188 and $38,037, respectively.

The Credit Union owns a minority interest in educe Innovations, Inc. which is a CUSO that provides mobile enterprise digital transaction management services for credit unions. The investment is carried in other investments at $300,000. During the years ended December 31, 2022 and 2021, the Credit Union paid fees to educe Innovations, Inc. totaling $24,139 and $0, respectively.

12. Commitments and Contingent Liabilities

Loan Commitments

At December 31, 2022 and 2021, the Credit Union had outstanding commitments for unused lines of credit, credit cards, and for the origination of loans that are not reflected in the accompanying financial statements as follows:

	Loan Limit Authorized	Loan Balance Outstanding	Commitment Remaining
December 31, 2022			
Lines of credit	$ 3,753,316	$ 2,397,378	$ 1,355,938
Credit cards	12,126,347	4,112,830	8,013,517
Home equity line of credit	13,739,380	8,021,811	5,717,569
Interim construction loans	12,720,225	7,955,082	4,765,143
	$ 42,339,268	$ 22,487,101	$ 19,852,167
December 31, 2021			
Lines of credit	$ 1,458,516	$ 603,776	$ 854,740
Credit cards	11,901,272	3,737,494	8,163,778
Home equity line of credit	8,882,100	5,704,289	3,177,811
Interim construction loans	10,810,050	6,586,405	4,223,645
	$ 33,051,938	$ 16,631,964	$ 16,419,974

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. Since 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 counter party. Collateral held generally consists of certificates of deposit, share accounts, automobiles, and real estate.

Financial Instruments with Concentrations of Credit Risk

Significant financial instruments with concentrations of credit risk include loans secured by automobiles and other vehicles. They also include cash, cash equivalents and interest-bearing deposits in financial institutions that exceed NCUSIF-insured limits. The Credit Union's policy is to monitor the financial strength of institutions in which it holds such deposits.

Other

The Credit Union is a defendant in various legal actions normally associated with financial institutions, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial statements.

13. Pension Plan

The Credit Union maintains a Defined Benefit Pension Plan, administered by CUNA Mutual Group. The Board of Directors authorized the Plan to be frozen effective August 31, 2012. This means that accrued benefits were not increased after this date. Also, no new employees hired after August 31, 2012, were allowed to enter the Plan. Funding requirements are determined by an actuarial valuation performed by the CUNA Mutual Group.

The pension fund is invested entirely in the CUNA mutual stable value fund. This money market fund seeks to provide stability of principal and a steady stream of interest income. This investment is considered very conservative and less volatile. This investment is considered a level 2 investment under ASC 820's fair value hierarchy.

The Credit Union adopted the recognition and disclosure provisions of ASC 715.30, "*Defined Benefit Plans-Pension*" in 2008. The adoption of ASC 715.30 requires recognition in the balance sheet of the funded status of defined benefit pension plan and the recognition in accumulated other comprehensive income of unrecognized gains or losses, prior service costs or credits and transition assets or obligations at the time of adoption. The funded status is measured as the difference between the fair value of the plan's assets and the projected benefit obligation of the plan. Additionally, ASC 715.30 requires the measurement date for plan assets and liabilities to coincide with the sponsor's year-end. The following tables set forth further information about the Credit Union's defined benefit pension plan as of and for the years ended December 31, 2022 and 2021:

Pension plan obligations and funded status:

	2022	2021
Fair value of plan assets	$ 733,542	$ 956,492
Projected benefit obligation	582,236	781,942
Funded status	$ 151,306	$ 174,550
Accumulated benefit obligation	$ 582,236	$ 781,942
Benefits paid	$ 40,931	$ 40,931

Amounts recognized in the statement of financial position consist of:

	2022	2021
Noncurrent assets	$ 151,306	$ 174,550
Noncurrent liabilities	-	-
Total amount recognized	$ 151,306	$ 174,550

Amounts recognized in accumulated other comprehensive income (loss) consist of:

	2022	2021
Net loss	$ 275,873	$ 208,554
Total amount recognized	$ 275,873	$ 208,554

Other changes in plan assets and benefit obligations previously recognized in changes in comprehensive income:

	2022	2021
Net gain (loss)	$ 74,737	$ (172,887)
Amortization of net loss	(7,418)	(19,975)
Total recognized in other comprehensive income	67,319	(192,862)
Net periodic benefit cost	(44,075)	(20,151)
Total recognized in net periodic benefit cost and other comprehensive income	$ 23,244	$ (213,013)

The following assumptions were used in accounting for the Pension Plan:

	2022	2021
Weighted average assumptions:		
Discount rate	5.25%	3.00%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	-	-

Plan assets:

The Credit Union's weighted average asset allocation of plan assets at fair value at the end of December 31, 2022, is as follows:

Equity securities	-
Debt securities	100%
Total	100%

The long term expected return on plan assets of 8.00% is determined by applying historical average investment returns from published indices relating to the current allocation of assets in the portfolio. Portfolio assets are invested entirely in fixed investments to safeguard the benefits promised to employees.

Other disclosures:

Expected employer contributions for next plan year	-
Measurement date used to determine pension benefit measurements	12/31/2022
Expected benefit payments from the plan:	
2022	$ 62,989
2023	41,181
2024	41,149
2025	41,096
2026	41,019
Five years thereafter	219,682

14. Defined Contribution Plan

The Credit Union has a 401(k) Plan that allows participants to contribute a portion of their compensation to the Plan. In addition, the Credit Union may also make discretionary profit-sharing contributions to the Plan on the participants' behalf. Employees become eligible to participate in the plan after one year of service. The expense for the years ended December 31, 2022 and 2021, related to the Plan was $100,036 and $83,643, respectively.

15. Regulatory Matters

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 financial statements. Under the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined in the regulations) to assets (as defined). Management believes, as of December 31, 2022, that the Credit Union meets all capital adequacy requirements to which it is subject. The Credit Union does not meet the definition of a complex credit union, as defined by the National Credit Union Administration, at December 31, 2022, and is therefore not subject to those capital requirements.

As of December 31, 2022, the most recent notification from the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Credit Union must maintain minimum net worth ratios as set forth in the table. The Credit Union's actual net worth amounts, and ratios are also presented in the table. There are no conditions or events since that notification that management believes have changed the Credit Union's classification.

	Actual		Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022						
Net worth (to Total Assets)	31,118,118	15.19%	12,293,496	6.00%	14,342,411	7.00%
December 31, 2021						
Net worth (to Total Assets)	22,120,167	12.46%	10,647,797	6.00%	12,422,429	7.00%

16. Leases

As of December 31, 2022, assets and liabilities recorded under operating leases for property and equipment were $69,727 and $72,040, respectively. The asset is recorded within property and equipment, and the lease liability is recorded within other liabilities on the statements of financial condition. Lease expense, which is operating lease costs recorded within office occupancy expense and office operations expense in the statements of income, was $42,720 and $23,814 for the years ended December 31, 2022 and 2021, respectively.

Other information related to operating leases is as follows:

Weighted-average remaining lease term (years)	1.78 Yrs
Weighted-average discount rate (%)	0.84%

Future, undiscounted minimum lease payments on operating leases are as follows:

2023	$ 42,720
2024	24,244
2025	1,872
2026	1,404
Total lease payments	70,240
Less: Imputed interest	1,800
Total present value of lease liabilities	$ 72,040

17. Subsequent Events

In May 2009, the FASB issued ASC 855, *Subsequent Events*, which establishes principles and requirements for subsequent events. This statement defines the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, and the circumstances under which an entity should recognize or disclose events or transactions occurring after the balance sheet date in its financial statements. The Credit Union evaluated such events and transactions through April 24, 2023, the date the financial statements were made available.

The Credit Union was awarded two grants by CDFI to be received in 2023. The first grant totals $797,900 and is to be used for lending capital, loan loss reserves, capital reserves, financial services, and/or development services to achieve an increase in volume of products or services, provide new products or services, expand operations into new geographic areas, and/or service new targeted populations. The second grant totals $3,718,258 and is to be used to support lending to small businesses, community facilities, affordable housing, commercial real estate and intermediary lending to non-profits. These funds can also be used for financial services, development services to support borrowers, and operational support for the Credit Union.