



Your community credit union

2025 Annual Report





“Ken Savoie was great to work with and provided excellent assistance to my first time home buying clients. Communication was clear throughout the process—he was always available to answer questions and provide updates. My buyers felt confident and supported every step of the way.”

—Brenda Menard, Choice Real Estate & Property Management

REPORT OF THE CEO AND BOARD CHAIR

As we reflect on the past year, we are proud of NorthCountry's ongoing proven commitment to its members, communities, and mission. In a year shaped by change and continued economic uncertainty, we remained focused on our significant impact in helping people achieve goals—**whether that dream is a home, reliable transportation, starting a business, or peace of mind about their financial future.** We do this by coming to the table from a place of “yes,” supporting people wherever they are in their financial journey, staying true to our purpose, and offering solutions.

Our work focuses on helping people move forward financially by removing obstacles and offering solutions that are easy to access and right for their lives. Our mission—**to make dreams come true for all by offering personal financial solutions**—means we are here to support our members throughout their personal financial journeys and meet them wherever they are: just starting out, rebuilding after a life event, saving for a future goal, or managing their money during retirement.

**Make dreams come true
for all by offering personal
financial solutions**

From expanding access to safe and responsible mortgage options to advancing innovative tools that encourage savings and asset building, our goal has been clear: to provide practical and inclusive pathways to financial stability and independence. We are especially proud of the progress made in mission-aligned products like Pathways Checking and other niche offerings for marginalized groups often overlooked by other financial institutions.

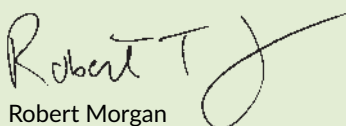
By offering interest rates that are consistently among the best in our market, we provide a high-value banking experience that translates into more money in people's budgets, and the ability to reach a financial goal faster. NorthCountry's members saved nearly \$5 million in 2025 by moving higher-interest rate loans to the credit union, and also benefitted from high-value checking and savings vehicles.

We dedicated resources to building powerful community relationships, working alongside local partners like the United Way of Northwest Vermont and Green Mountain United Way to better connect people with the support they need. These efforts reflect our belief that strong communities are built through trust, collaboration, and consistent engagement. Programs like Financial Reality Fairs and the continued growth of Indy Accounts—which empower foster youth—exemplify how education, combined with opportunity, can create lasting impact.

None of this work would be possible without the dedication of our leadership team, staff, volunteers, and partners. Their passion, creativity, and resilience continue to drive our mission forward. We are equally grateful to our members for their trust and engagement, which guide our priorities and inspire continuous improvement.

As we look ahead, we remain focused on innovation, inclusion, and impact. Together, we will keep building a future where financial opportunity is not a privilege for a few, but a possibility for all.

Thank you for your continued support and belief in our mission.



Robert Morgan
CEO



Bethany Chenette
Board Chair

2025 VOLUNTEER OFFICIALS

Board of Directors

Bethany Chenette, *Chair*
Charles Roumas, *Vice Chair*
Kevin Mead, *Treasurer*
Frank Thompson, *Secretary*
Karen McGrath
Floyd Nease

Michael Peterson
Michael Poczobut
Tracey Shamberger
Sergey Shpaner
Paul Simon

Supervisory Committee

Eric Gagnon, *Chair*
William Kennedy
Eric Lafayette
Gregory Pedrick
Al Viscido

Nominating Committee

Floyd Nease
Paul Simon
Frank Thompson

“NorthCountry allowed our organization to increase the number of geographic locations in Vermont we can provide services to youth. In addition to the increase of locations, we have been able to increase the number of youth served through direct services and preventative social emotional skills education.”
 –Jen Colman, Green Mountain Mobile Therapy

**CHARITABLE
 GIVING TOTAL**

\$634,652



■ Social Responsibility	\$194,170
■ Health	\$171,593
■ Human Services	\$153,926
■ Arts & Leisure	\$54,313
■ Education	\$60,650

We're so grateful for NorthCountry's support of both the Community Health & Access Fund and now BOOST. Thank you for believing in this work and being part of building a more inclusive Vermont.

– All Brains Belong

Thank you for the generous grant of \$10,000 in support of Vermont Foodbank's youth programs, Backpack, VeggieVanGo Schools, and VeggieVanGo Plus. Our staff, volunteers, and community members are so grateful for your ongoing commitment to supporting children and families in Vermont who experience hunger. Your support means so much.

– Vermont Foodbank

Cares Committee

Morgan Salter, *Chair*
 Chelsye Brooks
 Brooke Devine
 Scott Driver
 Lynn Lantz
 Meaghan Lopes

Richard Mayberry
 Caitlyn Moody
 Karrie Nelson
 Kim Novark
 Ashley Roberge
 Samantha Schrack



Universal Loan Support Specialist Olivia Schmitt helps greet the crowd with Marvin the Moose at the Champlain Valley Fair.



Board of Directors member Tracey Shamberger and VP of Creative and Branding Julie Longfellow at the AgeWell Chittenden County volunteer luncheon



NorthCountry employees take a break from volunteering at the Champlain Valley Fair.

\$5 million

ESTIMATED MEMBER SAVINGS

Income Advance Loans

1,251 Loans for 50 Employers and their Employees

Financial Reality Fairs

**7 Fairs, 5 Schools
Total Students Impacted: 205**





NorthCountry employees volunteer at Big Beautiful Life Run, Walk & Roll which raises funds to support children with chronic medical conditions.

\$250k

GRANT FUNDING ALLOCATED TO HOMEBUYERS (FHLB GRANTS)

51 Loans to First Time Homebuyers

I have been a member with NorthCountry since 2012. I have never been happier with banking services anywhere else. Every representative I have ever encountered has always been helpful, polite and professional. NorthCountry makes banking easy.

—JJ's Exteriors

Thanks to NorthCountry's guidance, we have been able to further develop our business vision. They have played a crucial role in helping us achieve our business project goals.

—Aero Drone Solutions LLC





Nik Khosla, Chief Information Technology Officer and Tinotenda Rutanhira, Executive Director, Business Development of The Vermont Professionals of Color Network

A MESSAGE FROM THE SUPERVISORY COMMITTEE

The charter of NorthCountry Federal Credit Union's Supervisory Committee is to safeguard the assets of the credit union and protect the interests of its members. The committee met those obligations by collaborating with the Board of Directors, Executive Management, the Lead Internal Auditor, external auditors, and the National Credit Union Administration (NCUA) to ensure fulfillment of our fiduciary and control responsibilities, and to advocate for our members.

The Supervisory Committee continued to safeguard member assets in 2025 by providing for:

- The annual audit and opinion of the credit union's financial condition in conjunction with the accounting firm, Clifton Larson Allen, LLP, Certified Public Accountants
- The audit and verification of members' accounts as required by the NCUA
- Internal audits and monthly reviews of credit union compliance with established policies, federal and state regulations, and sound financial practices
- Special audits requiring external technical assistance, such as in the area of information technology and other emerging issues
- Representation at the Board of Directors meetings, conveying any committee concerns or recommendations
- The thorough and impartial research, analysis, and resolution of member complaints in coordination with the NCUA

NorthCountry's operations were consistently healthy and well managed with an emphasis on member services, strong investment strategies, new products, and strategic growth. With the assistance of the Lead Internal Auditor, Director of Risk Management, and Executive Management we have provided due diligence on issues such as cyber-attacks, fraud, and a host of new regulations. A review of these areas by the Supervisory Committee coupled with the external audit and NCUA audit indicate a healthy, vibrant, and growing credit union.

As we move into 2026, Balance Sheet Management – Interest Rate Risk, Liquidity Risk, Credit Risk, Capital risk, Payment Systems, Fraud Prevention and Detection, Information Security (Cybersecurity), and Bank Secrecy Act will represent areas of continued focus that NorthCountry is well positioned to successfully address. The Supervisory Committee will continue to work closely with the management team and Board of Directors on strategic planning efforts and the delivery of quality credit union member services.



Eric Gagnon
Supervisory Committee Chair

FINANCIALS

	2025	2024
Assets	\$1,084,957,857	\$995,706,441
Loans to Members (Net of ACL)	\$883,957,652	\$803,105,943
Shares, Checking, MMAs	\$573,207,029	\$548,508,152
Share Certificates & IRAs	\$381,703,236	\$346,420,641
Members	77,854	74,091
Reserves	\$103,429,567	\$94,595,920
Dividends	\$17,883,751	\$17,872,035

NORTHCOUNTRY FEDERAL CREDIT UNION FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

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INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
NorthCountry Federal Credit Union
South Burlington, Vermont

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NorthCountry Federal Credit Union, which comprise the statements of financial condition as of December 31, 2025 and 2024, and the related statements of income, 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 accompanying financial statements present fairly, in all material respects, the financial position of NorthCountry Federal Credit Union as of December 31, 2025 and 2024, 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NorthCountry 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 NorthCountry Federal Credit Union ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

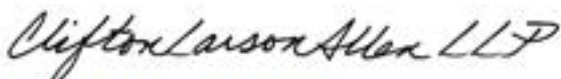
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 NorthCountry 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 NorthCountry 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises a Report of the CEO and Board Chair, a message from the Supervisory Committee, and other financial and nonfinancial information but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



CliftonLarsonAllen LLP

Bellevue, Washington
March 20, 2026

NORTHCOUNTRY FEDERAL CREDIT UNION STATEMENTS OF FINANCIAL CONDITION

December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 46,581,422	\$ 53,197,950
Equity Securities	9,877,658	8,854,662
Securities - Available-for-Sale	103,147,092	91,725,656
Other Investments	1,598,177	975,500
Loans, Net	883,957,652	803,105,943
Loans Held for Sale	647,000	-
Accrued Interest Receivable	3,377,485	3,153,823
Premises and Equipment, Net	14,403,633	14,263,151
NCUSIF Deposit	9,025,878	8,484,772
Other Assets	<u>12,341,860</u>	<u>11,944,984</u>
Total Assets	<u>\$ 1,084,957,857</u>	<u>\$ 995,706,441</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	\$ 954,910,265	\$ 894,928,793
Borrowed Funds	20,000,000	-
Accrued Expenses and Other Liabilities	<u>6,618,025</u>	<u>6,181,728</u>
Total Liabilities	981,528,290	901,110,521
MEMBERS' EQUITY		
Undivided Earnings	105,788,773	98,746,708
Accumulated Other Comprehensive Loss	<u>(2,359,206)</u>	<u>(4,150,788)</u>
Total Members' Equity	<u>103,429,567</u>	<u>94,595,920</u>
Total Liabilities and Members' Equity	<u>\$ 1,084,957,857</u>	<u>\$ 995,706,441</u>

See accompanying Notes to Financial Statements

NORTHCOUNTRY FEDERAL CREDIT UNION STATEMENTS OF INCOME

Years ended December 31, 2025 and 2024

	2025	2024
INTEREST INCOME		
Loans	\$ 51,446,862	\$ 45,805,151
Securities, Interest Bearing Deposits, and Cash Equivalents	<u>7,033,262</u>	<u>7,465,035</u>
Total Interest Income	58,480,124	53,270,186
INTEREST EXPENSE		
Members' Share and Savings Accounts	17,883,751	17,872,035
Borrowed Funds	<u>362,228</u>	<u>653,476</u>
Total Interest Expense	<u>18,245,979</u>	<u>18,525,511</u>
NET INTEREST INCOME	40,234,145	34,744,675
PROVISION FOR CREDIT LOSSES	<u>5,401,840</u>	<u>3,580,945</u>
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	34,832,305	31,163,730
NONINTEREST INCOME		
Service Charges and Fees	3,476,506	3,135,992
Other Noninterest Income	2,913,124	2,856,380
Unrealized Gain on Equity Securities	767,899	827,077
Net Gain on Sales of Equity Securities	307,931	385,418
Net Gain (Loss) on Sales of Debt Securities Available-for-Sale	20,938	(10,003)
Interchange Income	<u>6,520,434</u>	<u>5,879,742</u>
Total Noninterest Income	14,006,832	13,074,606
NONINTEREST EXPENSE		
Employee Compensation and Benefits	21,710,863	20,126,518
Office Occupancy and Operations	3,906,237	3,537,228
Other Operating Expenses	<u>16,179,972</u>	<u>14,179,260</u>
Total Noninterest Expense	<u>41,797,072</u>	<u>37,843,006</u>
NET INCOME	<u>\$ 7,042,065</u>	<u>\$ 6,395,330</u>

See accompanying Notes to Financial Statements

NORTHCOUNTRY FEDERAL CREDIT UNION STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2025 and 2024

	2025	2024
NET INCOME	\$ 7,042,065	\$ 6,395,330
OTHER COMPREHENSIVE INCOME		
Debt Securities - Available For Sale:		
Unrealized Holding Gain Arising During the Period	1,922,338	1,632,475
Reclassification for (Gains) Losses Included in Net Income	<u>(20,938)</u>	<u>10,003</u>
Subtotal	1,901,400	1,642,478
Derivatives		
Unrealized Loss on Cash Flow Hedge	<u>(109,818)</u>	<u>-</u>
Total Other Comprehensive Income	<u>1,791,582</u>	<u>1,642,478</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 8,833,647</u>	<u>\$ 8,037,808</u>

NORTHCOUNTRY FEDERAL CREDIT UNION STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31, 2025 and 2024

	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE - DECEMBER 31, 2023	\$ 92,351,378	\$ (5,793,266)	\$ 86,558,112
Net Income	6,395,330	-	6,395,330
Other Comprehensive Income	<u>-</u>	<u>1,642,478</u>	<u>1,642,478</u>
BALANCE - DECEMBER 31, 2024	98,746,708	(4,150,788)	94,595,920
Net Income	7,042,065	-	7,042,065
Other Comprehensive Income	<u>-</u>	<u>1,791,582</u>	<u>1,791,582</u>
BALANCE - DECEMBER 31, 2025	<u>\$ 105,788,773</u>	<u>\$ (2,359,206)</u>	<u>\$ 103,429,567</u>

See accompanying Notes to Financial Statements

NORTHCOUNTRY FEDERAL CREDIT UNION STATEMENTS OF CASH FLOWS

Years ended December 31, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 7,042,065	\$ 6,395,330
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	1,681,042	1,219,220
Amortization of Debt Security Premiums, Net	290,701	626,055
Provision for Credit Losses	5,401,840	3,580,945
Gain on Sale of Equity Securities	(307,931)	(385,418)
(Gain) Loss on Sale of Debt Securities Available for Sale	(20,938)	10,003
Unrealized Gain on Equity Securities	(767,899)	(827,077)
Changes in:		
Loans Held for Sale	(647,000)	-
NCUSIF Deposit	(541,106)	(574,982)
Accrued Interest Receivable	(223,662)	(80,068)
Other Assets	(396,876)	(3,707,502)
Accrued Expenses and Other Liabilities	<u>326,479</u>	<u>2,489,026</u>
Net Cash Provided by Operating Activities	11,836,715	8,745,532
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equity Securities	(1,119,397)	(1,837,184)
Purchase of Debt Securities Available-for-Sale	(53,732,626)	(10,451,363)
Purchase of Other Investments	(822,070)	(12,530)
Proceeds from Sales of Equity Securities	1,172,231	1,899,680
Proceeds from Sales/Maturities of Debt Securities		
Available-for-Sale	43,942,827	12,681,708
Proceeds from Sales of Other Investments	199,393	885,792
Net Increase in Loans to Members	(86,253,549)	(38,182,923)
Expenditures for Premises and Equipment	<u>(1,821,524)</u>	<u>(1,817,141)</u>
Net Cash Used by Investing Activities	(98,434,715)	(36,833,961)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Members' Share and Savings Accounts	59,981,472	64,718,839
Advances on Term Borrowings	20,000,000	-
Repayments on Term Borrowings	<u>-</u>	<u>(30,000,000)</u>
Net Cash Provided by Financing Activities	<u>79,981,472</u>	<u>34,718,839</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(6,616,528)	6,630,410
Cash and Cash Equivalents - Beginning of Year	<u>53,197,950</u>	<u>46,567,540</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		
	<u>\$ 46,581,422</u>	<u>\$ 53,197,950</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Borrowed Funds Interest Paid	\$ 362,228	\$ 653,476
Members' Share and Savings Accounts Interest Paid	<u>\$ 17,883,751</u>	<u>\$ 17,872,035</u>
Recognition of Right-of-Use Asset and Lease Liability	<u>\$ -</u>	<u>\$ 971,847</u>

See accompanying Notes to Financial Statements

NORTHCOUNTRY FEDERAL CREDIT UNION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 Summary Of Significant Accounting Policies

Nature of Operations

NorthCountry Federal Credit Union (the Credit Union) is a federal chartered cooperative association headquartered in South Burlington, Vermont, organized in accordance with the provisions of the Federal Credit Union Act of 1934 for the purpose of promoting thrift among and creating a source of credit for its members.

Membership

Participation in this Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws. This generally consists of employees, or former employees of participating employer groups, or those who live, work, worship, or go to school in the Credit Union's designated service areas. In addition to a regularly qualified member, the spouse of a member, the blood, or adoptive relatives of either of them, and their spouses may be members.

Uses 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 in the near term include the valuation of debt securities, the valuation of derivative financial instruments, and the determination of the allowance for credit losses.

Financial Instruments with Concentrations of Risk

The Credit Union is exposed to credit risk from a regional economic standpoint because significant concentrations of its borrowers work or reside within a limited geographical field of membership.

Cash and Cash Equivalents

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

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

Equity Securities

Equity securities with readily determinable fair values are reported at fair value with changes in fair value included in noninterest income.

Debt Securities

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

For available-for-sale debt securities in an unrealized loss position, the Credit Union first assesses whether it intends to sell or is more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis. If either of these criteria are met, the debt security's amortized costs basis is written down to fair value through income. If these criteria are not met, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized costs, any changes in the underlying credit rating of the debt security, and adverse conditions specifically related to the debt security, among other factors. If it is determined that a credit loss exists, the present value of cash flows expected to be collected from the debt security are compared to the amortized cost basis of the debt security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, which is limited by the amount that the fair value is less than the amortized costs basis. Any impairment

that has not been recorded through an allowance for credit losses is recognized as a component of other comprehensive income. Changes in the allowance for credit losses are recorded as a provision for credit loss.

Other Investments

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

Loans Held-for-Sale

Loans originated and intended for sale in the secondary market are carried at cost. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made without recourse.

Loans, Net

The Credit Union grants consumer, residential real estate, and commercial loans to members and purchases loan participations. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Union's field of membership.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, adjusted for an allowance for credit losses on loans and net deferred loan origination fees and costs. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding, except mortgage loans, which are calculated on a conventional 30/360 amortization schedule.

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful.

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

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

- **Consumer:** The consumer portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic factors are closely correlated to the credit quality of these loans.
- **Residential Real Estate:** The degree of risk in residential mortgage lending depends primarily on the loans amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than commercial real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

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

- **Commercial Real Estate:** Commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments. Adverse economic developments, or an overbuilt market, impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.
- **Commercial Other:** Commercial other loans are generally underwritten to existing cash flows or inventories of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

The Credit Union assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectibility of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators.

During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate, and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

- **Pass (Ratings 1-4):** Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management's close attention.
- **Special Mention (Ratings 5-5.50):** Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Loans, Net (Continued)

- **Substandard (Ratings 5.51–6.5):** Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.
- **Doubtful:** Loans classified as Doubtful/Loss have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- **Loss:** Loans classified as Loss are considered uncollectible and anticipated to be charged off.

Allowance for Credit Losses on Loans

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

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

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

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

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

Loans are charged off against the allowance for credit losses on loans in the period in which they are deemed uncollectible and recoveries are credited to the allowance for credit losses on loans when received. Expected recoveries on loans previously charged off and expected to be charged-off are included in the allowance for credit losses on loans estimate. For Real Estate loans, any outstanding balance in excess of fair value of collateral less cost to sell is charged off when the asset is foreclosed by the Credit Union. For other collateral dependent loans, any outstanding balance in excess of any recoveries/sale of collateral less costs to sell is charged off no later than 60 days from disposition of the collateral. Non collateral dependent commercial and other consumer loans are charged off when, in management's judgment, they are considered to be uncollectible.

The Credit Union utilized the Probability of Default method in determining expected future credit losses for all categories except as noted in the following paragraphs. This method uses loan and economic factors to produce a monthly projection of credit loss. This is a loan-level method, which incorporates loan quality and macroeconomic factors into the loss estimate.

The Credit Union utilized the weighted average remaining maturity (WARM) method for Commercial Real Estate Lines of Credit and Other Unsecured for the year ended December 31, 2024. For the year ended December 31, 2025,

Commercial Real Estate Lines of Credit is the only loan segment utilizing the WARM method. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

Additionally, the Credit Union utilized a 0% loss rate method in determining expected future credit losses for Business Secured Lines of Credit, Business Share Secured, Share Secured Commercial Second Mortgages, SBA Lines of Credit, and SBA Non-Lines of Credit the year ended December 31, 2025. During 2024, Business Secured also utilized the 0% loss rate methodology. These loans are either fully secured or there was not enough data to apply another methodology, in which case management determined other qualitative and economic factors to apply an estimated loss rate to the category.

The Credit Union's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Credit Union's historical look-back period includes January 2015 through the current period, on an annual basis. When historical credit loss experience is not sufficient for a specific portfolio, the Credit Union may supplement its own portfolio data with external models or data.

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

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

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

Transfers of Financial Assets and Participating Interests

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

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

Off-Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit, including commitments under credit arrangements, commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded. Expected credit losses related to off-statement of financial condition credit exposures are estimated over the contractual period for which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. Expected credit losses are estimated using similar methodologies employed to estimate expected credit losses on loans, taking into consideration the likelihood and extent of additional amounts expected to be funded over the terms of the commitments. The liability for credit losses on off-statement of financial condition credit exposures is not significant for the years ended December 31, 2025 and 2024.

NOTE 1 Summary of Significant Accounting Policies *(Continued)*

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Foreclosed assets are included in other assets on the Credit Union's statements of financial condition and were not significant for the years ended December 31, 2025 and 2024.

Premises and Equipment, Net

Land is carried at cost. Buildings, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or estimated useful life, whichever is shorter.

Impairment of Long-Lived Assets

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

NCUSIF Deposit

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

Leases

The Credit Union determines if an arrangement is a lease at inception. Operating leases are included in other assets and accrued expenses and other liabilities in the statements of financial condition.

Right-of-use (ROU) assets represent the Credit Union's right to use an underlying asset for the lease term and lease liabilities represent the Credit Union's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Credit Union will exercise that option.

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Credit Union has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial condition.

Members' Share and Savings Accounts

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

Members' Equity

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

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Accumulated other comprehensive loss, also recognized as a separate component of members' equity, includes valuation adjustments for available-for-sale securities as well as unrealized gains and losses on the effective portion of the cash flow hedges.

The changes in accumulated other comprehensive loss included in members equity, by component are as follows:

	Debt Securities - Available for Sale	Derivatives Cash Flow Hedges	Total
BALANCE - DECEMBER 31, 2023	\$ (5,793,266)	\$ -	\$ (5,793,266)
Other Comprehensive Income Before Reclassifications	1,632,475	-	1,632,475
Amounts Reclassified from Accumulated Other Comprehensive Loss	<u>10,003</u>	<u>-</u>	<u>10,003</u>
Net Prior Period Other Comprehensive Income	<u>1,642,478</u>	<u>-</u>	<u>1,642,478</u>
BALANCE - DECEMBER 31, 2024	(4,150,788)	-	(4,150,788)
Other Comprehensive Income Before Reclassifications	1,922,338	(109,818)	1,812,520
Amounts Reclassified from Accumulated Other Comprehensive Loss	<u>(20,938)</u>	<u>-</u>	<u>(20,938)</u>
Net Prior Period Other Comprehensive Income	<u>1,901,400</u>	<u>(109,818)</u>	<u>1,791,582</u>
BALANCE - DECEMBER 31, 2025	<u>\$ (2,249,388)</u>	<u>\$ (109,818)</u>	<u>\$ (2,359,206)</u>

Reclassifications from accumulated other comprehensive loss for debt securities – available for sale are recorded through noninterest income on the statements of income. Reclassifications from accumulated other comprehensive loss for cash flow hedges are recorded through noninterest income on the statements of income.

Revenue from Contracts with Members

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

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

ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and debt and equity securities. The Credit Union's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Credit Union satisfies its obligation to the customer. Significant components of noninterest income considered to be within the scope of ASC 606 are discussed below.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Revenue from Contracts with Members (Continued)

Service Charges and Deposit Account Fees and Other Income

The Credit Union earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as stop payment charges 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 performance obligation is satisfied. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the member's account balance.

Interchange Income

When members use their debit and credit cards to pay merchants for goods or services, the Credit Union retains a fee from the funds collected from the related deposit or loan account and transfers the remaining funds to the payment network for remittance to the merchant. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network.

Debt Cancel Income

When members elect optional debt cancellation coverage in connection with certain loan products, the Credit Union receives a fee in exchange for providing a promise to cancel all or a portion of the member's outstanding loan balance upon the occurrence of specified qualifying events. The Credit Union's performance obligation is to stand ready to provide this cancellation protection over the term of the member's loan. Accordingly, the related fees are recognized as income over time, in proportion to the period during which the Credit Union provides the protection to the member.

The Credit Union does not typically enter long-term revenue contracts with members and, therefore, does not experience significant contract balances. As of December 31, 2025 and 2024, the Credit Union did not have any significant contract balances and the Credit Union did not capitalize any contract acquisition costs.

Income Taxes

As a federal instrumentality, the Credit Union is exempt from federal and state income taxes.

Retirement Plans

401(k) Plan – The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable Internal Revenue Service limitations of the participant's annual compensation. The Credit Union will match up to 5% of the participants' annual compensation. The Credit Union's contributions to the plan approximated \$551,410 and \$576,685 for the years ended December 31, 2025 and 2024, respectively. The Credit Union contributes an additional discretionary amount of 5% of the participants' compensation. The Credit Union's contributions to the plan approximated \$605,569 and \$631,388 for the years ended December 31, 2025 and 2024, respectively.

Deferred Compensation Plan [Section 457(f)] – The Credit Union has a nonqualified deferred compensation plan for executive management. The Credit Union contributed 100% of the funds to this plan. Under the terms of the plan, the participants are entitled to a specified amount if they remain employed by the Credit Union until a predetermined time. If these employees become fully disabled as defined in the agreement, accrued benefits are immediately payable. The benefits are subject to forfeiture if employment is terminated for cause as defined in the agreements. The deferred compensation payable is \$1,671,961 and \$1,698,295 as of December 31, 2025 and 2024, respectively. Deferred compensation expense related to the plan was \$246,918 and \$233,951 as of December 31, 2025 and 2024, respectively.

Split Dollar Life Insurance

The Credit Union has made a loan for the life insurance premium payments to a member of executive management. The loan is collateralized by the assignment of the cash surrender value of the respective life insurance policy. The policy is owned by the executive, and they have sole control over the listed beneficiaries. The loan is considered recourse. At the time of retirement, the loan becomes due and payable and can be paid with the cash value of the life insurance policies, or with other personal funds at the executive's discretion. The total value of the loan was \$1,903,914 and \$1,903,914 at December 31, 2025 and 2024, respectively. The cash surrender value amounted to \$1,922,695 and \$1,817,187 at December 31, 2025 and 2024, respectively.

Advertising and Promotion Costs

Advertising and promotion costs which totaled approximately \$1,079,761 and \$943,353 for the years ended December 31, 2025 and 2024, respectively, are expensed as incurred.

Fair Value Measurements

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

- **Level 1** – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.
- **Level 2** – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- **Level 3** – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

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

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

Derivatives

FASB ASC 815, *Derivatives and Hedging* ("ASC 815"), provides the accounting and disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the credit union's objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, the Credit Union records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Credit Union has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in fair value hedge of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. The Credit Union may enter into derivative contracts that are intended to economically hedge certain of its risk, even though hedge accounting does not apply, or the Credit Union elects not to apply hedge accounting.

Subsequent Events

In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through March 20, 2026, the date the financial statements were available to be issued.

NOTE 2 Debt And Equity Securities And Other Investments

Equity Securities

A summary of fair value of equity securities as of December 31 is as follows:

	2025	2024
Marketable Securities	\$ 7,942,370	\$ 6,951,879
Mutual Funds	<u>1,935,288</u>	<u>1,902,783</u>
Total	<u>\$ 9,877,658</u>	<u>\$ 8,854,662</u>

Gains (losses) on equity securities are included in noninterest income on the statements of income and are accounted for as follows:

	December 31,	
	2025	2024
Net Gain Recognized During the Year on Equity Securities	\$ 1,075,830	\$ 1,212,495
Less: Net (Gains) and Losses Recognized During the Year on Equity Securities Sold During the Year	<u>(307,931)</u>	<u>(385,418)</u>
Net Unrealized Gains Recognized During the Reporting Period on Equity Securities Still Held at December 31	<u>\$ 767,899</u>	<u>\$ 827,077</u>

Debt Securities Available for Sale

The amortized cost and fair value, with gross unrealized gains and losses, of debt securities available-for-sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
December 31, 2025				
U.S. Government and Federal Agency Securities	\$ 1,000,000	\$ -	\$ (13,282)	\$ 986,718
U.S. Treasury Notes	7,477,035	-	(237,657)	7,239,378
Municipal Bonds	15,185,888	-	(1,281,666)	13,904,222
Corporate Bonds	11,126,420	94,459	(650,351)	10,570,528
Federal Agency Mortgage-Backed Securities	17,536,544	102,280	(95,313)	17,543,511
Federal Agency Collateralized Mortgage-Obligations	<u>53,070,593</u>	<u>20,867</u>	<u>(188,725)</u>	<u>52,902,735</u>
Total	<u>\$105,396,480</u>	<u>\$ 217,606</u>	<u>\$ (2,466,994)</u>	<u>\$ 103,147,092</u>
December 31, 2024				
U.S. Government and Federal Agency Securities	\$ 1,000,000	\$ -	\$ (52,457)	\$ 947,543
U.S. Treasury Notes	7,456,040	-	(525,386)	6,930,654
Municipal Bonds	18,060,344	-	(2,340,478)	15,719,866
Corporate Bonds	10,883,882	9,487	(996,731)	9,896,638
Federal Agency Mortgage-Backed Securities	49,489,199	167,687	(366,993)	49,289,893
Federal Agency Collateralized Mortgage-Obligations	<u>8,986,979</u>	<u>-</u>	<u>(45,917)</u>	<u>8,941,062</u>
Total	<u>\$ 95,876,444</u>	<u>\$ 177,174</u>	<u>\$ (4,327,962)</u>	<u>\$ 91,725,656</u>

Sales of debt securities available-for-sale resulted in gross losses of approximately \$286,082 and \$36,193 during the years ended December 31, 2025 and 2024, respectively. Sales of debt securities available-for-sale resulted in gross gains of approximately \$307,020 and \$26,190 for the years ended December 31, 2025 and 2024, respectively. Proceeds of sales of debt securities available-for-sale amounted to \$35,871,980 and \$9,420,573 as of December 31, 2025 and 2024, respectively.

The amortized cost and fair value of debt securities at December 31, 2025, by contractual maturity, are shown below. Expected maturities will differ from contractual maturity because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Fair Value (Carrying Value)
U.S. Government and Federal Agency Securities, U.S. Treasury Notes, Municipal Bonds, Corporate Bond Securities, and Federal Agency Collateralized Mortgage Obligations:		
Less Than One Year	\$ 6,751,001	\$ 6,664,617
One to Five Years	19,035,623	18,072,684
Five to Ten Years	16,768,454	15,713,155
After Ten Years	<u>45,304,858</u>	<u>45,153,125</u>
Subtotal	87,859,936	85,603,581
Federal Agency Mortgage-Backed Securities	<u>17,536,544</u>	<u>17,543,511</u>
Total	<u>\$ 105,396,480</u>	<u>\$ 103,147,092</u>

The Credit Union elected to exclude accrued interest receivable from the reported balances of investments. As of December 31, 2025 and 2024, accrued interest receivable for investments totaled \$336,162 and \$462,382, respectively, and is included in Accrued Interest Receivable on the statements of financial condition.

Gross unrealized losses on debt securities available for sale and the fair value of the related debt securities, aggregated by investment category and length of time that individual debt securities have been in a continuous unrealized loss position, were as follows:

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2025				
U.S. Government and Federal Agency Securities	\$ -	\$ -	\$ (13,282)	\$ 986,718
U.S. Treasury Notes	-	-	(237,657)	7,239,378
Municipal Bonds	-	-	(1,281,666)	13,904,222
Corporate Bonds	(958)	542,018	(649,393)	4,805,929
Federal Agency Mortgage-Backed Securities	-	-	(95,313)	5,502,984
Federal Agency Collateralized Mortgage-Obligations	<u>(167,726)</u>	<u>44,113,512</u>	<u>(20,999)</u>	<u>5,071,956</u>
Total Available-for-Sale	<u>\$ (168,684)</u>	<u>\$ 44,655,530</u>	<u>\$ (2,298,310)</u>	<u>\$ 37,511,187</u>

NOTE 2 Debt And Equity Securities And Other Investments (Continued)

Debt Securities Available for Sale (Continued)

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2024				
U.S. Government and Federal Agency Securities	\$ -	\$ -	\$ (52,457)	\$ 947,543
U.S. Treasury Notes	-	-	(525,386)	6,930,654
Municipal Bonds	-	-	(2,340,478)	15,719,865
Corporate Bonds	(95,275)	3,618,948	(901,456)	5,069,638
Federal Agency Mortgage-Backed Securities	(78)	10,811	(366,915)	32,830,612
Federal Agency Collateralized Mortgage-Obligations	<u>(45,917)</u>	<u>8,941,062</u>	<u>-</u>	<u>-</u>
Total Available-for-Sale	<u>\$ (141,270)</u>	<u>\$ 12,570,821</u>	<u>\$ (4,186,692)</u>	<u>\$ 61,498,312</u>

The Credit Union does not believe that the available for sale debt securities that were in an unrealized loss position as of December 31, 2025, which were comprised of 109 individual debt securities, represent a credit loss impairment. All of these debt securities, except for municipal and corporate bonds, are either guaranteed by federal insurance, the U.S. government, and/or secured by mortgage loans, and have a long history of zero credit loss. Municipal and corporate bonds are reviewed for credit loss impairment on an annual basis. Total gross unrealized losses were primarily attributable to changes in interest rates, relative to when the debt securities were purchased, and not due to the credit quality of the debt securities. The Credit Union does not intend to sell the debt securities that were in an unrealized loss position and it is more likely than not that the Credit Union will not be required to sell the debt securities before recovery of their amortized cost basis, which may be at maturity.

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

Other Investments

Other investments are summarized as follows:

	December 31,	
	2025	2024
FHLB Stock	\$1,300,000	\$477,930
Perpetual Contributed Capital Account	298,177	397,570
Certificate of Deposit	<u>-</u>	<u>100,000</u>
Total	<u>\$1,598,177</u>	<u>\$975,500</u>

FHLB Stock

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

Perpetual Contributed Capital Account

The Credit Union maintains a perpetual contributed capital account with TriCorp Federal Credit Union (TriCorp) that are uninsured. The uninsured deposits are part of TriCorp's regulatory capital and are subject to impairment.

Certificate of Deposit

The Credit Union had an insured certificate of deposit in one credit union.

NOTE 3 Loans, Net

Loans are summarized as follows:

	December 31,	
	2025	2024
Consumer:		
Auto	\$ 247,652,905	\$ 213,463,347
Credit Cards	44,726,876	42,503,485
Secured	50,920,705	48,596,352
Unsecured	<u>38,132,767</u>	<u>34,613,953</u>
Subtotal	381,433,253	339,177,137
Residential Real Estate:		
First Mortgages	300,566,873	288,231,946
Second Mortgages	<u>77,016,736</u>	<u>65,734,035</u>
Subtotal	377,583,609	353,965,981
Commercial:		
Real Estate	115,866,025	100,421,490
Other	<u>15,664,680</u>	<u>14,664,927</u>
Subtotal	<u>131,530,705</u>	<u>115,086,417</u>
Total Loans	890,547,567	808,229,535
Net Deferred Loan Origination Costs	1,985,304	1,662,317
Allowance for Credit Losses	<u>(8,575,219)</u>	<u>(6,785,909)</u>
Loans, Net	<u>\$ 883,957,652</u>	<u>\$ 803,105,943</u>

The Credit Union elected to exclude accrued interest receivable from the amortized cost basis of loans. As of December 31, 2025 and 2024, accrued interest receivable for loans totaled \$3,041,323 and \$2,691,441, respectively, and is included in accrued interest receivable on the balance sheets.

The Credit Union sold a loan participation to another credit union, which is secured by commercial property, of the Credit Union's member. This loan participation was sold without recourse, and the Credit Union performs all loan servicing functions on this loan. Loan participations included in the commercial real estate segments above totaled \$1,663,236 and \$1,713,709 as of December 31, 2025 and 2024, respectively.

A summary of the activity in the allowance for credit losses on loans for the years ended December 31, 2025 and 2024, respectively, are as follows:

	2025			
	Consumer	Residential Real Estate	Commercial	Total
Allowance for Credit Losses:				
Balance - Beginning of Year	\$ 5,739,092	\$ 600,141	\$ 446,676	\$ 6,785,909
Provision (Credit) for Credit Losses	5,112,249	(68,531)	358,122	5,401,840
Loans Charged-Off	(3,870,268)	(479)	(93,307)	(3,964,054)
Recoveries of Loans Previously Charged-Off	<u>305,997</u>	<u>45,515</u>	<u>12</u>	<u>351,524</u>
Balance - End of Year	<u>\$ 7,287,070</u>	<u>\$ 576,646</u>	<u>\$ 711,503</u>	<u>\$ 8,575,219</u>

NOTE 3 Loans, Net (Continued)

	2024			
	Consumer	Residential Real Estate	Commercial	Total
Allowance for Credit Losses:				
Balance - Beginning of Year	\$ 5,871,095	\$ 624,193	\$ 250,519	\$ 6,745,807
Provision (Credit) for Credit Losses	3,224,953	(17,453)	373,445	3,580,945
Loans Charged-Off	(3,669,425)	(7,153)	(179,255)	(3,855,833)
Recoveries of Loans Previously Charged-Off	<u>312,469</u>	<u>554</u>	<u>1,967</u>	<u>314,990</u>
Balance - End of Year	<u>\$ 5,739,092</u>	<u>\$ 600,141</u>	<u>\$ 446,676</u>	<u>\$ 6,785,909</u>

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The following tables present collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation.

The allowance for credit losses for loans considered to be collateral dependent as of December 31, 2025 and 2024, respectively, are as follows:

	2025			
	Consumer	Residential Real Estate	Commercial	Total
Allowance for Credit Losses:				
Ending Balance: Collateral Dependent	<u>\$ -</u>	<u>\$ 48,439</u>	<u>\$ 257,915</u>	<u>\$ 306,354</u>
Loans:				
Ending Balance: Collateral Dependent	<u>\$ -</u>	<u>\$ 293,395</u>	<u>\$ 530,450</u>	<u>\$ 823,845</u>
	2024			
	Consumer	Residential Real Estate	Commercial	Total
Allowance for Credit Losses:				
Ending Balance: Collateral Dependent	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ 12,724</u>	<u>\$ 47,724</u>
Loans:				
Ending Balance: Collateral Dependent	<u>\$ -</u>	<u>\$ 871,491</u>	<u>\$ 86,639</u>	<u>\$ 958,130</u>

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

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

Risk Rating:	2025		
	Commercial Credit Risk Profile by Risk Rating		
	Real Estate	Other	Total
Pass	\$ 115,127,040	\$ 15,115,860	\$ 130,242,900
Watched Assets	431,062	63,366	494,428
Substandard	<u>307,923</u>	<u>485,454</u>	<u>793,377</u>
Total	<u>\$ 115,866,025</u>	<u>\$ 15,664,680</u>	<u>\$ 131,530,705</u>

Risk Rating:	2024		
	Commercial Credit Risk Profile by Risk Rating		
	Real Estate	Other	Total
Pass	\$ 100,256,529	\$ 14,590,030	\$ 114,846,559
Watched Assets	<u>164,961</u>	<u>74,897</u>	<u>239,858</u>
Total	<u>\$ 100,421,490</u>	<u>\$ 14,664,927</u>	<u>\$ 115,086,417</u>

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

	2025				
	Accruing Interest			Nonaccrual 90 Days or More Past Due	Total Loans
	Current	30-89 Days Past Due	90 Days or More Past Due		
Auto	\$ 239,607,255	\$ 6,589,764	\$ -	\$ 1,455,886	\$ 247,652,905
Credit Cards	43,463,758	1,063,888	-	199,230	44,726,876
Secured	49,391,824	1,211,869	-	317,012	50,920,705
Unsecured	36,703,827	1,216,536	-	212,404	38,132,767
First Mortgages	289,675,330	7,692,111	-	3,199,432	300,566,873
Second Mortgages	75,605,985	1,118,032	-	292,719	77,016,736
Commercial Real Estate	113,802,026	2,063,999	-	-	115,866,025
Commercial Other	<u>15,496,189</u>	<u>168,491</u>	<u>-</u>	<u>-</u>	<u>15,664,680</u>
Total	<u>\$ 863,746,194</u>	<u>\$ 21,124,690</u>	<u>\$ -</u>	<u>\$ 5,676,683</u>	<u>\$ 890,547,567</u>

	2024				
	Accruing Interest			Nonaccrual 90 Days or More Past Due	Total Loans
	Current	30-89 Days Past Due	90 Days or More Past Due		
Auto	\$ 207,142,890	\$ 5,206,095	\$ -	\$ 1,114,362	\$ 213,463,347
Credit Cards	41,620,812	782,882	-	99,791	42,503,485
Secured	47,094,189	1,212,432	-	289,731	48,596,352
Unsecured	33,327,661	1,181,297	-	104,995	34,613,953
First Mortgages	279,351,107	6,896,845	-	1,983,994	288,231,946
Second Mortgages	64,794,167	865,616	-	74,252	65,734,035
Commercial Real Estate	100,199,758	221,732	-	-	100,421,490
Commercial Other	<u>14,375,506</u>	<u>177,040</u>	<u>-</u>	<u>112,381</u>	<u>14,664,927</u>
Total	<u>\$ 787,906,090</u>	<u>\$ 16,543,939</u>	<u>\$ -</u>	<u>\$ 3,779,506</u>	<u>\$ 808,229,535</u>

NOTE 3 Loans, Net (Continued)

The amortized cost basis of loans on nonaccrual status and loans past due 90 days or more and still accruing interest was not significant as of December 31, 2025 and 2024.

Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2025 and 2024.

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. Loan modifications made to borrowers experiencing financial difficulty was not significant for the years ended December 31, 2025 and 2024, respectively.

There were no loans that had a payment default during the years ended December 31, 2025 and 2024 and were modified as borrowers experiencing financial difficulty during the period.

NOTE 4 Premises And Equipment, Net

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

	December 31,	
	2025	2024
Land and Building	\$ 17,423,480	\$ 17,140,516
Furniture and Equipment	<u>11,295,211</u>	<u>15,759,213</u>
Subtotal	28,718,691	32,899,729
Less: Accumulated Depreciation and Amortization	<u>(14,315,058)</u>	<u>(18,636,578)</u>
Total	<u>\$ 14,403,633</u>	<u>\$ 14,263,151</u>

NOTE 5 Leases

The Credit Union leases four branch facilities under non-cancelable operating leases. The leases expire at various dates through 2043 and provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

The cost components of the Credit Union's operating leases were as follows for the years ended December 31:

	2025	2024
Operating Lease Cost	<u>\$ 232,889</u>	<u>\$ 217,210</u>

The following table summarizes other information related to the Credit Union's operating leases for the years ended December 31:

	2025	2024
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 193,125	\$ 176,376
Weighted-Average Remaining Lease Term - Operating Leases	17 Years	17.9 Years
Weighted-Average Discount Rate - Operating Leases	4.14%	4.14%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2025 is as follows:

Year Ending December 31,	Amount
2026	\$ 196,637
2027	200,235
2028	204,599
2029	209,763
2030	215,052
Thereafter	<u>3,019,216</u>
Total Lease Payments	4,045,502
Less: Interest	<u>(1,215,881)</u>
Present Value of Lease Liabilities	<u>\$ 2,829,621</u>

The balance of ROU assets was \$2,714,453 and \$2,828,414 as of December 31, 2025 and 2024, respectively.

NOTE 6 Members' Share And Savings Accounts

Members' share and savings accounts are as follows:

	December 31,	
	2025	2024
Share Savings	\$ 227,347,109	\$ 225,994,146
Share Drafts	181,427,917	169,050,241
Money Market	126,896,054	117,791,959
IRA Deposits	5,701,735	5,837,670
Other Deposits	31,834,214	29,834,136
Share and IRA Certificates	<u>381,703,236</u>	<u>346,420,641</u>
Total	<u>\$ 954,910,265</u>	<u>\$ 894,928,793</u>

The aggregate amounts of certificates of deposit in denominations of \$250,000 or more amounted to approximately \$69,229,751 and \$60,246,575 at December 31, 2025 and 2024, respectively.

As of December 31, 2025, scheduled maturities of share and IRA certificates are as follows:

Year Ending December 31,	Amount
2026	\$ 318,262,665
2027	46,759,971
2028	10,001,650
2029	2,790,065
2030	<u>3,888,885</u>
Total	<u>\$ 381,703,236</u>

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

NOTE 7 Borrowed Funds

The Credit Union has entered into an Advances, Pledge, and Security Agreement with the Federal Home Loan Bank of Boston (FHLB) whereby specific mortgage loans and debt securities of the Credit Union with advance equivalents of approximately \$131,380,143 and \$98,597,853 at December 31, 2025 and 2024, respectively, were pledged to the FHLB as collateral in the event the Credit Union requests any advances on the line. There were balances of \$20,000,000 and \$-0- outstanding on this line at December 31, 2025 and 2024, respectively. The borrowing matures on February 9, 2026.

At December 31, 2025 and 2024, the Credit Union has an available line of credit with TriCorp Federal Credit Union (TriCorp). The agreement provides for a credit limit of \$8,000,000 with interest charged at a rate determined by the lender on a periodic basis. At December 31, 2025 and 2024, there were no borrowings under this agreement.

The Credit Union has the ability to borrow through the Federal Reserve Bank's Discount Window. The terms of this agreement call for the pledging of certain investments as security for any and all obligations taken by the Credit Union under this agreement. The line has no expiration date but is subject to review and change by the issuing institution. There were no balances outstanding under this agreement at December 31, 2025 and 2024.

NOTE 8 Regulatory Net Worth Requirements

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

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation). Effective December 31, 2021, and earlier, credit unions were also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which established whether or not the Credit Union will be considered "complex" under the regulatory framework. The minimum ratio to be considered complex under the regulatory framework was 6.00%.

Effective March 2022, the NCUA adopted the risk-based capital calculation which applies only to federally-insured, natural person credit unions with quarter-end total assets exceeding \$500 million who do not qualify for, or opt into, the complex credit union leverage ratio (CCULR) framework described in §702.104(d).

As of December 31, 2025, the most recent call reporting period, the NCUA categorized the Credit Union initially as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets. In addition, the Credit Union, if complex, must maintain a minimum risk-based capital ratio of 10% or greater. There are no conditions or events since that notification that management believes have changed the institution's category.

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

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2025						
Net Worth	\$ 105,788,773	9.75%	\$ 65,097,471	6.00%	\$ 75,947,050	7.00%
Risk-Based Capital Ratio	\$ 105,338,111	14.89%	\$ 56,587,593	8.00%	\$ 70,734,492	10.00%
December 31, 2024						
Net Worth	\$ 98,826,464	9.93%	\$ 59,742,386	6.00%	\$ 69,699,451	7.00%
Risk-Based Capital Ratio	\$ 97,047,842	14.07%	\$ 55,161,865	8.00%	\$ 68,952,332	10.00%

Because the net worth and risk-based capital ratios exceed the well capitalized thresholds, the Credit Union retains its original category.

In performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

In accordance with the NCUA guidelines, the Credit Union has calculated and applied \$707,344,916 and \$689,523,315 at December 31, 2025 and 2024, respectively, as total risk-weighted assets for the calculation of the Risk-Based Capital ratio.

The Credit Union adopted ASC 326 during the year ended December 31, 2023 and applied the regulatory CECL transition provisions (12 CFR Part 702.703). The provision requires a three-year phase into regulatory net worth associated with the "day-one adjustment" required upon adoption of ASC 326. As of December 31, 2024, \$79,756 was added to the Credit Union's member's equity to determine the regulatory net worth ratio.

NOTE 9 Related Party Transactions

Included in Loans, Net at December 31, 2025 and 2024, are loans to the Credit Union's board of directors, committee members, and senior executive staff of approximately \$2,374,868 and \$1,808,621, respectively. The aggregate principal advances and principal repayments are not significant.

Deposits from the Credit Union's board of directors, committee members, and senior executive staff held by the Credit Union at December 31, 2025 and 2024, amounted to \$2,797,078 and \$2,567,316, respectively.

NOTE 10 Commitments And Contingent Liabilities

Off-Statement of Financial Condition Activities

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

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

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

	December 31,	
	2025	2024
Commitments to Grant Collateralized Loans		
Home Equity	\$ 588,500	\$ 420,000
Commercial	984,500	1,871,600
Unfunded Commitments Under Lines of Credit		
Home Equity	53,932,016	49,873,865
Credit Card	85,520,868	78,344,793
Other Consumer	697,705	649,560
Commercial	4,089,292	3,039,433
Share Draft	4,099,797	4,116,123
Overdraft Protection	<u>35,048,081</u>	<u>35,632,397</u>
Total	<u>\$ 184,960,759</u>	<u>\$ 173,947,770</u>

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

NOTE 10 Commitments And Contingent Liabilities (Continued)

Off-Statement of Financial Condition Activities (Continued)

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

Legal Contingencies

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

NOTE 11 Fair Value

Recurring Basis

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

	2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Debt Securities - Available-for-Sale:				
U.S. Government and Federal Agency Securities	\$ -	\$ 986,718	\$ -	\$ 986,718
U.S. Treasury Notes	-	7,239,378	-	7,239,378
Municipal Bonds	-	13,904,222	-	13,904,222
Corporate Bonds	-	10,570,528	-	10,570,528
Federal Agency Mortgage- Backed Securities	-	17,543,511	-	17,543,511
Federal Agency Collateralized Mortgage-Obligations	-	52,902,735	-	52,902,735
Equity Securities:				
Common Stock and Real Estate Investment Trust Securities	7,133,818	-	-	7,133,818
Mutual Funds	1,935,288	-	-	1,935,288
Exchange-Traded Funds	808,552	-	-	808,552
Derivative Instruments	-	456	-	456
Total	<u>\$ 9,877,658</u>	<u>\$ 103,147,548</u>	<u>\$ -</u>	<u>\$ 113,025,206</u>
Liabilities:				
Derivative Instruments	<u>\$ -</u>	<u>\$ (109,818)</u>	<u>\$ -</u>	<u>\$ (109,818)</u>

	2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Debt Securities - Available-for-Sale:				
U.S. Government and Federal Agency Securities	\$ -	\$ 947,543	\$ -	\$ 947,543
U.S. Treasury Notes	-	6,930,654	-	6,930,654
Municipal Bonds	-	15,719,866	-	15,719,866
Corporate Bonds	-	9,896,638	-	9,896,638
Federal Agency Mortgage-Backed Securities	-	49,289,893	-	49,289,893
Federal Agency Collateralized Mortgage-Obligations	-	8,941,062	-	8,941,062
Equity Securities:				
Common Stock and Real Estate Investment Trust Securities	6,304,729	-	-	6,304,729
Mutual Funds	1,902,783	-	-	1,902,783
Exchange-Traded Funds	<u>647,150</u>	<u>-</u>	<u>-</u>	<u>647,150</u>
Total	<u>\$ 8,854,662</u>	<u>\$ 91,725,656</u>	<u>\$ -</u>	<u>\$ 100,580,318</u>

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

Debt Securities - Available-for-Sale and Equity Securities

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

Derivative Instruments

The Credit Union uses quoted prices of comparable derivative instruments to determine fair value; as such these are classified as Level 2.

NOTE 11 Fair Value (Continued)

Nonrecurring Basis

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

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended December 31, 2025 and 2024 consisted of the following:

	Fair Value at December 31, 2025			
	Level 1	Level 2	Level 3	Impairment Losses
Collateral Dependent Loans	\$ -	\$ -	\$ 517,491	\$ 306,354
	Fair Value at December 31, 2024			
	Level 1	Level 2	Level 3	Impairment Losses
Collateral Dependent Loans	\$ -	\$ -	\$ 910,406	\$ 47,724

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

	December 31, 2025			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Collateral Dependent Loans	\$ 517,491	Evaluation of Collateral	Estimation of Value	Not Meaningful
	December 31, 2024			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Collateral Dependent Loans	\$ 910,406	Evaluation of Collateral	Estimation of Value	Not Meaningful

Collateral Dependent Loans

Collateral dependent loans were individually evaluated under CECL for the years ended December 31, 2025 and 2024. Collateral dependent commercial and residential real estate loans, both owner occupied and non-owner occupied are valued by independent external appraisals. These external appraisals are prepared using the sales comparison approach and income approach valuation techniques. Estimated fair values are reduced to account for sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value. Management may make subsequent unobservable adjustments to the collateral dependent loan appraisals.

NOTE 12 Derivatives And Hedging Activities

Cash Flow Hedges of Interest Rate Risk

The Credit Union's objectives in using cash flow hedges are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Credit Union primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Credit Union making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During 2025, such derivatives were used to hedge the cash flows associated with anticipated rollovers of short-term fixed-rate debt, reported as borrowed funds on the statement of financial condition.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative, which represents the change in fair value of the derivative instruments, is recorded in accumulated other comprehensive loss.

As of December 31, 2025, the Credit Union had interest rate swaps with notional amounts of \$20,000,000. All derivatives used in cash flow hedges mature in 2028. The interest rate swap has a derivative liability of \$109,818 as of December 31, 2025.

Fair Value Hedges of Interest Rate Risk

The Credit Union is exposed to changes in the fair value of certain fixed-rate loans due to changes in benchmark interest rates. The Credit Union uses loans as the hedged items of their fair value hedges.

The Credit Union uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate, SOFR. Interest rate swaps designated as fair value hedges involve the payment of fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income.

The tables below presents the fair value of the Credit Union's derivative financial instruments as well as their classification on the statement of financial condition as of December 31:

Cash Flow Hedges			
December 31, 2025	Derivative Liability		
	Fair Value	Statement of Financial Condition Location	Notional Amount
Derivatives designated as cash flow hedges			
Interest Rate Swaps	<u>\$ (109,818)</u>	Borrowings	<u>\$ 20,000,000</u>
Fair Value Hedges			
December 31, 2025	Derivative Assets		
	Fair Value	Statement of Financial Condition Location	Notional Amount
Derivatives designated as fair value hedges			
Interest Rate Swaps	<u>\$ 456</u>	Loans	<u>\$ 5,000,000</u>

NOTE 13 Revenue From Contracts With Members

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31:

Noninterest Income	December 31,	
	2025	2024
<i>In Scope of Topic 606:</i>		
Service Charges and Deposit Account Fees	\$ 1,764,907	\$ 1,550,761
Interchange Income	6,520,434	5,879,742
Debt Cancel Income	1,703,650	1,719,065
Other	<u>1,694,192</u>	<u>1,560,611</u>
	11,683,183	10,710,179
<i>Out of Scope of Topic 606</i>	2,323,649	2,364,427
	<u>\$ 14,006,832</u>	<u>\$ 13,074,606</u>



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