

TRUPARTNER CREDIT UNION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

WITH

INDEPENDENT AUDITOR'S REPORT

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Condition	3
Statements of Income	4
Statements of Comprehensive Income	5
Statements of Changes in Members' Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	9

Whitmer

& Company CPAs, LLP

One Gateway
615 Elsinore Place, Suite 625
Cincinnati, Ohio 45202-1427
Phone: (513) 381-8010
Fax: (513) 381-2601

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
TruPartner Credit Union, Inc.

Opinion

We have audited the accompanying financial statements of TruPartner Credit Union, Inc., which comprise the statements of financial condition as of December 31, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of TruPartner Credit Union, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TruPartner Credit Union, Inc. 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 TruPartner Credit Union, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the 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 TruPartner Credit Union, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TruPartner Credit Union, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Whitmer & Company CPAs, LLP
Whitmer & Company CPAs, LLP
Cincinnati, Ohio

February 22, 2023

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents (Note B)	\$ 37,509,835	\$ 47,967,699
Deposits at a Corporate Credit Union (Note C)	1,185,196	1,185,196
Time Deposits (Note D)	26,876,000	27,853,809
Debt Securities Held-to-Maturity (Note E)	22,000,000	19,500,000
Debt Securities Available-for-Sale (Note F)	91,927	106,452
Other Investments (Note G)	4,715,938	4,461,055
Loans to Members, Net of Allowance for Loan Losses (Note H)	91,365,708	89,110,058
Loans in Process of Foreclosure (Note H)	56,469	-
Loans in Process of Liquidation (Note H)	11,233	22,160
Accrued Interest Receivable	702,371	635,117
Premises and Equipment, Net (Note I)	4,208,221	4,437,436
American Share Insurance Deposit	2,332,856	2,113,286
Foreclosed Assets (Note J)	48,726	56,465
Prepaid Expenses and Other Assets	<u>504,263</u>	<u>336,288</u>
Total Assets	<u><u>\$ 191,608,743</u></u>	<u><u>\$ 197,785,021</u></u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities		
Members' share and savings accounts (Note L)	\$ 171,971,624	\$ 179,450,465
Lines of credit (Note K)	-	-
Accrued expenses and other liabilities	<u>1,355,361</u>	<u>870,203</u>
Total Liabilities	<u>173,326,985</u>	<u>180,320,668</u>
Commitments and Contingent Liabilities (Note O and P)	<u>-</u>	<u>-</u>
Members' Equity, Substantially Restricted		
Regular reserves	3,379,315	3,379,315
Undivided earnings	8,428,349	7,596,419
Equity acquired in acquisition	6,482,924	6,482,924
Accumulated other comprehensive income (loss)	<u>(8,830)</u>	<u>5,695</u>
Total Members' Equity	<u>18,281,758</u>	<u>17,464,353</u>
Total Liabilities and Members' Equity	<u><u>\$ 191,608,743</u></u>	<u><u>\$ 197,785,021</u></u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Interest Income		
Interest and fees on loans to members	\$ 5,154,553	\$ 5,563,041
Interest on investment debt securities and cash equivalents	<u>1,558,629</u>	<u>835,965</u>
Total Interest Income	<u>6,713,182</u>	<u>6,399,006</u>
Interest Expense		
Dividends on members' share and savings accounts	372,246	499,491
Interest on borrowed funds	<u>95</u>	<u>65</u>
Total Interest Expense	<u>372,341</u>	<u>499,556</u>
Net Interest Income	6,340,841	5,899,450
Provision for Loan Losses	<u>272,091</u>	<u>345,626</u>
Net Interest Income after Provision for Loan Losses	<u>6,068,750</u>	<u>5,553,824</u>
Non-Interest Income		
Income from fees and charges	712,020	631,666
Insurance commissions	92,162	92,031
Income on rental of foreclosed assets	3,229	3,623
Other non-interest income	<u>320,272</u>	<u>20,175</u>
Total Non-Interest Income	<u>1,127,683</u>	<u>747,495</u>
Non-Interest Expense		
Compensation and benefits	2,807,496	2,465,032
Operations	2,308,222	2,195,179
Occupancy	520,913	485,901
American Share Insurance premium	72,717	21,917
Education and promotion	250,979	212,412
Professional and outside services	402,992	176,874
Foreclosed assets expense	<u>1,184</u>	<u>1,960</u>
Total Non-Interest Expense	<u>6,364,503</u>	<u>5,559,275</u>
Net Income	<u>\$ 831,930</u>	<u>\$ 742,044</u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Net Income	\$ 831,930	\$ 742,044
Changes in net unrealized gain (loss) on debt securities available-for-sale	<u>(14,525)</u>	<u>(3,249)</u>
Total Comprehensive Income	<u>\$ 817,405</u>	<u>\$ 738,795</u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Regular Reserves</u>	<u>Undivided Earnings</u>	<u>Equity Acquired in Acquisition</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Equity</u>
Balances, December 31, 2020	\$3,379,315	\$ 6,854,375	\$ 6,482,924	\$ 8,944	\$ 16,725,558
Comprehensive Income (Loss)	<u>-</u>	<u>742,044</u>	<u>-</u>	<u>(3,249)</u>	<u>738,795</u>
Balances, December 31, 2021	3,379,315	7,596,419	6,482,924	5,695	17,464,353
Comprehensive Income (Loss)	<u>-</u>	<u>831,930</u>	<u>-</u>	<u>(14,525)</u>	<u>817,405</u>
Balances, December 31, 2022	<u>\$3,379,315</u>	<u>\$ 8,428,349</u>	<u>\$ 6,482,924</u>	<u>\$ (8,830)</u>	<u>\$ 18,281,758</u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Net income	\$ 831,930	\$ 742,044
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	291,983	259,798
Amortization of premiums and discounts on debt securities held-to-maturity	-	(1,070)
Provision for loan losses	272,091	345,626
(Increase) decrease in accrued interest receivable	(67,254)	99,504
(Increase) decrease in prepaid expenses and other assets	(167,975)	53,333
Increase (decrease) in accrued expenses and other liabilities	485,158	23,400
Total adjustments	<u>814,003</u>	<u>780,591</u>
Net Cash Provided by (Used in) Operating Activities	<u>1,645,933</u>	<u>1,522,635</u>
Cash Flows from Investing Activities		
Proceeds from maturing of time deposits	6,921,882	3,991,000
Acquisition of time deposits	(5,944,073)	(2,991,351)
Proceeds from maturing debt securities held-to-maturity	-	3,500,000
Acquisition of debt securities held-to-maturity	(2,500,000)	(8,000,000)
(Increase) decrease in other investments	(254,883)	(432,577)
(Increase) decrease in American Share Insurance deposit	(219,570)	(334,453)
Net (increase) decrease in loans to members, net of principal collections	(2,573,283)	11,487,528
Net (increase) decrease in value of foreclosed assets	7,739	7,345
Acquisition of premises and equipment	(62,768)	(125,441)
Net Cash Provided by (Used in) Investing Activities	<u>(4,624,956)</u>	<u>7,102,051</u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	483,519	562,841
Principal payments on line of credit	(483,519)	(562,841)
Net increase (decrease) in members' share and savings accounts	<u>(7,478,841)</u>	<u>16,890,028</u>
Net Cash Provided by (Used in) Financing Activities	<u>(7,478,841)</u>	<u>16,890,028</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(10,457,864)</u>	<u>25,514,714</u>
Cash and Cash Equivalents, Beginning of Year	<u>47,967,699</u>	<u>22,452,985</u>
Cash and Cash Equivalents, End of Year	<u>\$ 37,509,835</u>	<u>\$ 47,967,699</u>
Supplemental Cash Flow Disclosure		
Cash paid for interest expense	\$ 372,341	\$ 499,556
Capitalized interest income on investments	\$ 202,540	\$ 213,520
Increase (decrease) in unrealized gain on securities available-for-sale	\$ (14,525)	\$ (3,249)

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through February 22, 2023, the date which the financial statements were available to be issued.

Nature of Business

The TruPartner Credit Union, Inc.'s operations are principally related to holding deposits for and making loans to members of the Credit Union who are employees of selected groups in southwest Ohio. The Credit Union's primary source of revenue is from credit card, automobile, and real estate loans to members.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management has made estimates based on assumptions for fair value of financial instruments and the assessment of other-than-temporary impairment on investments. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of statement of financial condition classification and the statement of cash flows, the Credit Union considers all highly liquid debt instruments purchased with a maturity of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalent.

Time Deposits

Time deposits in other financial institutions include certificates of deposit. These are stated at cost. The certificates of deposit all mature within five years.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Fair Value Measurements

The Credit Union follows the guidance of FASB ASC 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurement*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Credit Union's investments in debt securities are classified and accounted for as follows:

Held-to-Maturity: Government and government agency bonds, notes, and certificates which the Credit Union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the straight-line method over the period to maturity.

Available-for-Sale: Government and government agency bonds are classified available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on debt securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the straight-line method over the terms of the securities. However, the premiums on callable debt securities are amortized over the period to the earliest call date. Declines in the fair value of held-to-maturity securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment (OTTI) losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

The Credit Union does not maintain a trading portfolio. Other investments are classified separately, stated at cost and subject to impairment.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Loans Held for Sale

The Credit Union had no loans held for sale at December 31, 2022 and 2021.

Loans to Members

Loans are reported at their recorded investment, which is the outstanding principal balance net of any unearned income, such as deferred fees or costs, charge-offs and unamortized premiums or discounts on originated loans. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. When principal or interest is delinquent for 61 days or more, the Credit Union evaluates the loan for nonaccrual status.

After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

Loan fees and certain direct loan origination costs are deferred, and the net cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience. The Credit Union does not charge commitment fees.

Allowance for Loan Losses

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio. The Credit Union uses a disciplined process and methodology to establish the allowance for loan losses each month. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to: (i) the new automobile portfolio, (ii) the used automobile portfolio, (iii) the first mortgage portfolio, (iv) the home equity portfolio, (v) the non-participation business portfolio, (vi) the consumer secured portfolio, (vii) the unsecured portfolio, (viii) the credit card portfolio, and (ix) the loan participation portfolio.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment. The Credit Union uses the historical twelve-month rolling average and specific identification for this process. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the allowance are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices and end-user controls are appropriate and properly documented.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, member behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses. The Credit Union's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends driving statistically modeled reserves. Individual loan risk ratings are evaluated based on each situation by experienced senior credit officers.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Loan Charge-offs

For consumer loans, the Credit Union generally fully or partially charges down to the fair value of collateral securing the asset when:

- management judges the asset to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the asset has been classified as a loss by either the Credit Union's internal loan review process or external examiners;
- the member has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 180 days past due unless well secured and/or in the process of collection.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The Credit Union's charge-off policies by segment of the loan portfolio are as follows:

- *New Automobile* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *Used Automobile* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *First Mortgage* - The Credit Union generally writes down to the net realizable value when the loan is 180 days past due.
- *Home Equity* - The Credit Union generally writes down to the net realizable value when the loan is 180 days past due.
- *Non-Participation Business* - The Credit Union generally writes down to the net realizable value when the loan is 180 days past due.
- *Consumer Secured* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *Unsecured* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *Credit Cards* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *Loan Participations* - The Credit Union fully charges off when the primary source determines that a loss has been incurred.

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession for other than an insignificant period of time to the member that the Credit Union would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Credit Union grants the member new terms that provide for a reduction of either interest or principal, the Credit Union measures any impairment on the restructuring as previously noted for impaired loans.

In addition to the allowance for the pooled portfolios, the Credit Union develops a separate allowance for loans that are identified as impaired through a TDR.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Premises and Equipment

Land is carried at cost. Buildings, improvements, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation, and amortization. The building, 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.

Leases

Management evaluates the contracts at inception to determine if an arrangement is/or contains a lease. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities in our statements of financial condition. The Credit Union had no operating leases at December 31, 2022 or December 31, 2021. The Credit Union has no finance leases. Short-term leases (i.e., leases with an initial term of twelve months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the statements of financial condition.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

American Share Insurance Deposit

The deposit in American Share Insurance is in accordance with the insurance company's 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 insurance company.

American Share Insurance Premiums

A credit union is required to pay an annual insurance premium based on a percent of its total insured shares unless the payment is waived or reduced by the insurance company.

During 2022 and 2021, American Share Insurance charged a special premium assessment of \$72,717 and \$35,018, respectively.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Foreclosed Assets

Real estate properties acquired through or in lieu of loan foreclosure is initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value.

Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Members' Share and Savings Accounts

Members' share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share and savings accounts is based on available earnings at the end of an interest period and is 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 members' equity consists of regular reserves, undivided earnings and accumulated other comprehensive income (loss).

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss) that includes unrealized gains and losses on debt securities available-for-sale.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Revenue Recognition

In the ordinary course of business, the Credit Union recognizes income from various revenue generating activities. Certain revenues are generated from contracts with members where such revenues are recognized when, or as, services or products are transferred to members for amounts to which the Credit Union expects to be entitled. Certain specific policies related to revenue recognition from contracts with members include:

- *Service Fees:* Include charges related to depository accounts under standard service agreements. Fees are generally recognized as services are delivered to or consumed by the customer or as penalties are assessed.
- *Credit and Debit Card Revenue:* Includes interchange fees from credit and debit cards processed through card association networks, annual fees, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Credit Union records interchange fees as services are provided. Transaction and account management fees are recognized as services are provided, except for annual fees which are recognized over the applicable period. The cost of related loyalty rewards programs is netted against interchange revenue as a direct cost of the revenue generating activity.

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes except for certain products and services which have been deemed by the Internal Revenue Service (IRS) to be unrelated to the specific entity's exempt purpose. The net taxable income from these products and services is subject to income taxes under Unrelated Business Income Tax (UBIT) regulations.

The Credit Union adopted FASB Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes* and has evaluated its tax positions taken for all open tax years. Currently 2022, 2021, 2020 and 2019 tax years are open and subject to examination by the Internal Revenue Service. However, the Credit Union is not currently under audit nor has the Organization been contacted by the Internal Revenue Service.

Advertising

Advertising and promotion costs, which totaled approximately \$200,129 and \$186,220 for the years ended December 31, 2022 and 2021, respectively, are expensed as incurred.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Off-Balance-Sheet Credit Related Financial Instruments

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

Accounting Standards Adopted in 2022

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which modifies the guidance used by lessors and lessees to account for leasing transactions. The ASU is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require lessees to recognize most leases on the balance sheet as right-of-use assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. It is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years beginning after December 15, 2022. The Credit Union adopted this standard in 2022. The adoption of this standard did not have a material effect on the Credit Union's operating results; as the Credit Union currently has no operating or financing leases.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The standard is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years beginning after December 15, 2023, with an option to early adopt. The Credit Union expects to recognize a one-time cumulative effect adjustment to the allowance for loan losses as of the beginning of the first reporting period in which the new standard is effective. The Credit Union expects the adoption will result in a material increase to the allowance for loan losses balance; however, at this time, the impact is being determined and evaluated.

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE B - CASH AND CASH EQUIVALENTS

For purposes of the statements of financial condition and the statements of cash flows, the Credit Union considers all highly liquid debt instruments purchased with a maturity of three months or less and any certificates of deposit that do not contain early withdrawal penalties to be cash equivalents.

The composition of these investments at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Cash Due from Financial Institutions	\$ 152,129	\$ 32,411
Cash Due from Corporate Credit Union	6,401,894	15,648,418
Cash Due from Federal Reserve	29,391,045	30,821,624
Change Fund	<u>1,564,767</u>	<u>1,465,246</u>
Total Cash and Cash Equivalents	<u>\$ 37,509,835</u>	<u>\$ 47,967,699</u>

NOTE C - DEPOSITS AT A CORPORATE CREDIT UNION

The Credit Union had a total of \$7,587,090 on deposit at a Corporate Credit Union at December 31, 2022 and \$16,833,614 at December 31, 2021. The Credit Union maintains a perpetual contributed capital account with Corporate One Credit Union that is uninsured.

These uninsured deposits are part of the corporate credit union's regulatory capital and is subject to impairment or loss in the event the corporate credit union is required to merge with another entity, is placed into conservatorship, incurs significant losses, or is liquidated.

A summary of funds reported on the accompanying financial statements at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Cash Due from Corporate Credit Union	\$ 6,401,894	\$ 15,648,418
Perpetual Capital Contributed	<u>1,185,196</u>	<u>1,185,196</u>
Total Deposits at a Corporate Credit Union	7,587,090	16,833,614
Cash Due from Corporate Credit Union	<u>(6,401,894)</u>	<u>(15,648,418)</u>
	<u>\$ 1,185,196</u>	<u>\$ 1,185,196</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The weighted average yield and carrying value of the deposits at a Corporate Credit Union at December 31 are as follows:

	<u>2022</u>		<u>2021</u>	
	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value
Deposits at a Corporate Credit Union	.05%	<u>\$ 1,185,196</u>	.05%	<u>\$ 1,185,196</u>

NOTE D - TIME DEPOSITS

The Credit Union has certificates at December 31, 2022 that bear interest ranging from 0.20% to 5.10% and have penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

The weighted average yields and carrying values of the time deposits at December 31 are as follows:

	<u>2022</u>		<u>2021</u>	
	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value
Time deposits	1.71%	<u>\$ 26,876,000</u>	1.49%	<u>\$ 27,853,809</u>

The carrying values of time deposits shown by contractual maturity are summarized below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	<u>2022</u>	<u>2021</u>
Maturity within One Year	\$ 6,715,000	\$ 6,696,809
Maturity after One through Five Years	<u>20,161,000</u>	<u>21,157,000</u>
	<u>\$ 26,876,000</u>	<u>\$ 27,853,809</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE E - DEBT SECURITIES HELD-TO-MATURITY

The weighted average yields, amortized cost and estimated fair values of debt securities held-to-maturity at December 31 are as follows:

December 31, 2022					
	Weighted Average Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
FHLB	0.82%	\$ 9,000,000	\$ -	\$ (950,838)	\$ 8,049,162
FHLMC	1.24%	2,500,000	-	(201,892)	2,298,108
FNMA	0.60%	2,500,000	-	(252,258)	2,247,742
FFCB	1.24%	7,000,000	-	(619,402)	6,380,598
FAMCA	0.65%	<u>1,000,000</u>	<u>-</u>	<u>(106,382)</u>	<u>893,618</u>
		<u>\$ 22,000,000</u>	<u>\$ -</u>	<u>\$ (2,130,772)</u>	<u>\$ 19,869,228</u>

December 31, 2021					
	Weighted Average Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
FHLB	0.68%	\$ 8,000,000	\$ -	\$ (134,430)	\$ 7,865,570
FHLMC	0.86%	2,500,000	325	(42,805)	2,457,520
FNMA	0.60%	2,500,000	-	(50,780)	2,449,220
FFCB	0.71%	5,500,000	30	(105,470)	5,394,560
FAMCA	0.65%	<u>1,000,000</u>	<u>-</u>	<u>(21,890)</u>	<u>978,110</u>
		<u>\$ 19,500,000</u>	<u>\$ 355</u>	<u>\$ (355,375)</u>	<u>\$ 19,144,980</u>

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

	2022		2021	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Maturity within One Year	\$ -	\$ -	\$ 500,000	\$ 500,325
Maturity after One through Five Years	<u>22,000,000</u>	<u>19,869,228</u>	<u>19,000,000</u>	<u>18,644,655</u>
	<u>\$ 22,000,000</u>	<u>\$ 19,869,228</u>	<u>\$ 19,500,000</u>	<u>\$ 19,144,980</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

December 31, 2022						
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Gains (Losses)	Fair Value	Gross Unrealized Gains (Losses)	Fair Value	Gross Unrealized Gains (Losses)
Mortgage-Backed Securities						
FHLB	\$ 905,032	\$ (94,968)	\$ 7,144,130	\$ (855,870)	\$ 8,049,162	\$ (950,838)
FHLMC	493,500	(6,500)	1,804,608	(195,392)	2,298,108	(201,892)
FNMA	-	-	2,247,742	(252,258)	2,247,742	(252,258)
FFCB	1,886,153	(113,847)	4,494,445	(505,555)	6,380,598	(619,402)
FAMCA	-	-	893,618	(106,382)	893,618	(106,382)
	<u>\$ 3,284,685</u>	<u>\$ (215,315)</u>	<u>\$16,584,543</u>	<u>\$(1,915,457)</u>	<u>\$ 19,869,228</u>	<u>\$(2,130,772)</u>

December 31, 2021						
	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Gains (Losses)	Fair Value	Gross Unrealized Gains (Losses)	Fair Value	Gross Unrealized Gains (Losses)
Mortgage-Backed Securities						
FHLB	\$ 7,375,155	\$ (124,845)	\$ 490,415	\$ (9,585)	\$ 7,865,570	\$ (134,430)
FHLMC	487,645	(12,355)	1,969,875	(30,125)	2,457,520	(42,480)
FNMA	1,470,380	(29,620)	978,840	(21,160)	2,449,220	(50,780)
FFCB	5,394,560	(105,440)	-	-	5,394,560	(105,440)
FAMCA	978,110	(21,890)	-	-	978,110	(21,890)
	<u>\$ 15,705,850</u>	<u>\$ (294,150)</u>	<u>\$ 3,439,130</u>	<u>\$(60,870)</u>	<u>\$ 19,144,980</u>	<u>\$ (355,020)</u>

The mortgage-backed securities in an unrealized gain (loss) position at December 31, 2022 and 2021 were temporarily impaired due to the current interest rate environment and not increased credit risk. In estimating other-than-temporary impairment losses, the Credit Union considers, among other things, the length of time and the extent to which the fair value has been less than cost, and the financial condition and near-term prospects of the issuer.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The Credit Union does not intend to sell these securities, and it is more likely than not that the Credit Union will not be required to sell before a period of time sufficient to allow for any anticipated recovery in cost. All securities owned by the Credit Union are payable at maturity.

Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market price of securities and the possibility of temporary unrealized gains and losses. These securities were purchased during 2020 through 2022 and the temporary gains and losses are due primarily to the rising and falling of market interest rates during that period. The Credit Union reviews all its securities for impairment at least quarterly. The Credit Union has determined that there were no additional other-than-temporary impairments associated with these securities at December 31, 2022 and 2021.

NOTE F - DEBT SECURITIES AVAILABLE-FOR-SALE

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

	December 31, 2022			
	Weighted Average <u>Yield</u>	Amortized <u>Cost</u>	Gross Unrealized <u>Loss</u>	Estimated Fair <u>Value</u>
United Government Securities A-Bond Fund	1.05%	<u>\$ 100,757</u>	<u>\$ (8,830)</u>	<u>\$ 91,927</u>
	December 31, 2021			
	Weighted Average <u>Yield</u>	Amortized <u>Cost</u>	Gross Unrealized <u>Gain</u>	Estimated Fair <u>Value</u>
United Government Securities A-Bond Fund	0.42%	<u>\$ 100,757</u>	<u>\$ 5,695</u>	<u>\$ 106,452</u>

There is no contractual maturity for this investment.

NOTE G - OTHER INVESTMENTS

The Credit Union has an investment at PSCU Financial Services which represents cumulative allocated equities at a value of \$85,467 and \$87,241 as of December 31, 2022 and 2021, respectively.

The Credit Union owns 1,917 shares of Federal Home Loan Bank of Cincinnati stock at December 31, 2022 and 2021. The carrying value of the stock was \$191,700 at December 31, 2022 and 2021. The investment is carried at cost.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The investment in the Central Liquidity Facility at December 31, 2022 and 2021 was \$453,370 and \$391,205, respectively.

The Credit Union has a whole life insurance policy issued by New York Life Insurance Company which is a funding mechanism used to offset employee benefit costs. The surrender value at December 31, 2022 and 2021 approximated \$3,985,401 and \$3,790,909, respectively.

	<u>2022</u>	<u>2021</u>
PSCU Financial Services	\$ 85,467	\$ 87,241
Federal Home Loan Bank Capital Stock	191,700	191,700
Central Liquidity Facility	453,370	391,205
New York Life Insurance	<u>3,985,401</u>	<u>3,790,909</u>
Total Other Investments	<u>\$ 4,715,938</u>	<u>\$ 4,461,055</u>

NOTE H - LOANS TO MEMBERS

The composition of recorded investment in loans by segment at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
New Automobiles	\$ 6,594,696	\$ 5,050,783
Used Automobiles	17,971,172	15,599,701
First Mortgages	14,020,171	17,669,443
Home Equity Loans	6,897,493	5,735,940
Member Business Loans	444,293	799,533
Other Secured	1,247,641	1,369,881
Other Unsecured	2,858,368	2,615,289
Credit Cards	4,320,506	4,273,772
MYCU Mortgage Portfolio	1,066,578	-
Signature Loan Participations	1,981,911	2,144,318
Automobile Loan Participations	14,043,090	14,686,997
Consumer Loan Participations	143,168	-
Commercial Business Loan Participations	15,657,910	16,091,924
Student Loan Participations	<u>4,995,270</u>	<u>3,948,531</u>
Total	92,242,267	89,986,112
Allowance for Loan Losses	(808,857)	(853,894)
Loans in Process of Foreclosure	(56,469)	-
Loans in Process of Liquidation	<u>(11,233)</u>	<u>(22,160)</u>
Loans to Members, Net	<u>\$ 91,365,708</u>	<u>\$ 89,110,058</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The Credit Union has purchased loan participations originated by various other credit unions that are secured by commercial real estate, automobiles, and student loans to members of other credit unions. All of these loan participations were purchased without recourse. Loan servicing functions on these loans were retained by the other credit unions.

Included in other unsecured loans to members are negative shares in the amount of \$90,903 and \$47,221 as of December 31, 2022 and 2021, respectively.

Loans in process of foreclosure at December 31, 2022 totaled \$56,469. The collateral securing the loans in process of foreclosure at December 31, 2022 was valued at \$101,547 by the Credit Union, no additional reserve is required. There were no loans in process of foreclosure at December 31, 2021.

Loans in process of liquidation at December 31, 2022 totaled \$11,233. The collateral securing the loans in process of liquidation at December 31, 2022 was valued at \$9,625 according to the NADA value. The Credit Union did not have a separate reserve for the anticipated loss on these loans at December 31, 2022.

Loans in process of liquidation at December 31, 2021 totaled \$22,160. The collateral securing the loans in process of liquidation at December 31, 2021 was valued at \$16,075 by subsequent sale of the collateral. The Credit Union did have a separate reserve in the amount of \$6,085 for the anticipated loss on these loans at December 31, 2021.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

ALLOWANCE FOR LOAN LOSSES

The Credit Union has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Credit Union's portfolio. For purposes of determining the allowance for loan losses, the Credit Union segments certain loans in its portfolio by product type. The Credit Union's loans are segmented into the following pools: new automobile, used automobile, consumer secured, first mortgage, home equity, unsecured, non-participation business, credit card, and loan participation portfolios. The Credit Union also sub-segments two of these segments into classes based on the associated risks within those segments. The consumer secured portfolio is divided into the following two classes: (a) other collateral and (b) share secured. The loan participation portfolio is divided into the following four classes: (a) signature loan participations, (b) automobile loan participations, (c) student loan participations and (d) commercial business loan participations. The Credit Union uses the historical twelve-month rolling average for this process. Management must use judgment in establishing additional input metrics for the modeling processes. The allowance includes automobile loan participations that are to be further segregated by new and used collateral. The allowance for these is based on the Credit Union's new and used loan allowance percentages as the Credit Union builds history and adjusts periodically. Each class of loan requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment.

The following are the factors the Credit Union uses to determine the balance of the allowance account for each segment or class of loans.

Secured by Personal Property

Secured by personal property loans are pooled by portfolio class and a historical loss percentage is applied to each class. The historical loss percentage time frame used is twelve months. This time frame is based on historical loss experience modeling and other quantitative and mathematical migration techniques over the loss emergence period.

Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional loss multipliers to loan balances.

Real Estate

Real estate loans are pooled by portfolio class and a historical loss percentage is applied to each class. The historical loss percentage time frame used is twelve months. This time frame is based on historical loss experience modeling and other quantitative and mathematical migration techniques over the loss emergence period.

Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional loss multipliers to loan balances.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Commercial Business

Commercial business loans include loans secured by commercial and industrial properties, office or mixed-use facilities, strip shopping centers or other commercial assets for use in normal course of a member's business. These loans are risk rated on an annual basis and reserved for based on the assigned risk ratings. These ratings reflect the estimated default probability and quality of the underlying collateral.

Consumer Secured

Consumer secured loans include loans secured by shares and other collateral. These loans are not assessed at an underlying class level. A historical loss percentage is applied to the segment. The historical loss period for 2022 was twelve months.

Consumer Unsecured and Credit Card

Unsecured consumer loans are pooled by portfolio class and a historical loss percentage is applied to each class. The historical loss percentage time frame used is twelve months. This time frame is based on historical loss experience modeling and other quantitative and mathematical migration techniques over the loss emergence period.

Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional loss multipliers to loan balances.

Signature Loan Participations

A historical loss percentage is applied to the segment as well as other qualitative and environmental factors.

Automobile Loan Participations

Automobile loan participation offerings are reviewed by the loan department to ensure proper underwriting standards required by the Credit Union. These loans will be segregated by new and used autos within the portfolio. The portfolios report historical loss percentages based on the type of loan. These percentages are applied on a monthly basis and adjusted as needed.

Commercial Loan Participations

Commercial participation offerings are reviewed and selected if the loan meets the Credit Union's criteria. These loans are risk rated under criteria established by CBS. The risk ratings are reviewed periodically and modified when necessary. The Credit Union adjusts the allowance on a monthly basis as a result of the ratings.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Student Loan Participations

A historical loss percentage is applied to the segment as well as other qualitative and environmental factors.

The Credit Union's Estimation Process

The Credit Union estimates loan losses under multiple economic scenarios to establish a range of potential outcomes for each criterion the Credit Union applies to the allowance calculation. Management applies judgment to develop its own view of loss probability within that range, using external and internal parameters with the objective of establishing an allowance for the losses inherent within these portfolios as of the reporting date.

Substantially all of the Credit Union's consumer loans are secured by collateral. In order to track and measure the risk of nonperformance for this segment, the Credit Union uses loan-to-value (LTV) estimations based on the MSA where the collateral is located. The Credit Union determines loss multipliers based on the LTV percentage. There is an inverse relationship between the LTV percentage and the loss multiplier. The higher the LTV percentage, the higher the risk of the Credit Union not receiving all contractual amounts of the loan.

Reflected in the portions of the allowance previously described is an amount for imprecision or uncertainty that incorporates the range of probable outcomes inherent in estimates used for the allowance, which may change from period to period. This amount is the result of the management's judgment of risks inherent in the portfolios, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect the Credit Union's view of risk in each loan portfolio. No single statistic or measurement determines the adequacy of the allowance for loan loss. Changes in the allowance for loan loss and the related provision expense can materially affect net income.

Loans by Segment

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Credit Union considers the allowance for loan losses of \$808,857 adequate to cover loan losses inherent in the loan portfolio at December 31, 2022.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The following table presents the changes in the allowance for loan losses.

	<u>2022</u>	<u>2021</u>
Balance, Beginning of Year	\$ 853,894	\$ 827,688
Provision Charged to Operations (including negative shares)	272,091	345,626
Loans Charged Off	(446,280)	(439,888)
Recoveries	<u>129,152</u>	<u>120,468</u>
Balance, End of Year	<u>\$ 808,857</u>	<u>\$ 853,894</u>

The following table presents the net losses and required allowance by portfolio segment for the year ended December 31:

	<u>2022</u>		<u>2021</u>	
	12 Month Net Losses (Recoveries)	Required Allowance	12 Month Net Losses (Recoveries)	Allowance
Allowance for Loan Losses				
New Vehicle Loans	\$ 8,386	\$ 8,582	\$ -	\$ -
Used Vehicle Loans	42,665	41,436	12,622	13,088
First Mortgages	(3,600)	-	(4,150)	-
Home Equity Loans	(7,700)	-	(30,929)	-
Other Secured	(2,750)	-	-	-
Other Unsecured	147,446	174,293	61,726	71,862
Credit Cards	41,314	42,968	38,108	38,779
Indirect Loans	(444)	25,557	-	-
Signature Loan Participations	78,894	80,015	200,279	129,979
Automobile Loan Participations	6,894	5,561	7,034	5,628
Commercial Business				
Loan Participations	(8,097)	402,341	19,379	556,874
Student Loan Participations	<u>14,120</u>	<u>15,694</u>	<u>15,351</u>	<u>15,234</u>
Subtotal	<u>\$ 317,128</u>	796,447	<u>\$ 319,420</u>	831,444
Management Adjustment		<u>12,410</u>		<u>22,450</u>
Total Required Allowance		<u>\$ 808,857</u>		<u>\$ 853,894</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

CREDIT QUALITY INFORMATION

The following tables represent credit exposures by creditworthiness category for the year ended December 31, 2022 and 2021. The use of creditworthiness categories to grade loans permits management's use of migration analysis to estimate a portion of credit risk. The Credit Union's internal creditworthiness grading system is based on experiences with similarly graded loans. Category ratings are reviewed periodically, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track the migration of loan performance. Loans that trend upward toward higher levels generally have a lower risk factor associated; whereas loans that migrate toward lower ratings generally will result in a higher risk factor being applied to those related loan balances.

The Credit Union's internal risk ratings are based on Beacon Scores.

A+ 720 and above	Member poses little to no additional risk.
A 680 to 719	Member poses a nominal risk of loss.
B 640 to 679	Member poses more than a nominal risk but is not showing signs of financial stress. The additional risk-based migration analysis of this part of the portfolio based on whether the migration of the portfolio is remaining constant or moving higher or lower.
C 600 to 639	Members are experiencing some degree of stress. Additional risk factors are based on migration analysis of this portfolio.
D 550 to 599	Members are showing above average risk. Additional risk factors are based on migration analysis of portfolio.
E 549 and below	Members are high risk. Additional risk factors are based on migration analysis of portfolio.

Credit Quality Indicators
As of December 31, 2022
Consumer Credit Exposure
Credit Risk Profile by Creditworthiness Category by Class of Loan

	<u>New</u>	<u>Used</u>	<u>Other</u>	Credit Cards and Other
	<u>Automobile</u>	<u>Automobile</u>	<u>Secured</u>	<u>Unsecured</u>
720 and above	\$ 3,993,541	\$ 7,528,437	\$ 743,916	\$ 1,204,798
680 to 719	713,026	2,270,807	235,992	691,655
640 to 679	646,638	2,519,783	144,696	696,413
600 to 639	292,455	1,886,424	46,408	494,889
550 to 599	49,316	658,374	25,655	181,672
549 and below	<u>-</u>	<u>194,851</u>	<u>13,401</u>	<u>37,110</u>
Total	<u>\$ 5,694,976</u>	<u>\$ 15,058,676</u>	<u>\$ 1,210,068</u>	<u>\$ 3,306,537</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Credit Quality Indicators
As of December 31, 2021
Consumer Credit Exposure
Credit Risk Profile by Creditworthiness Category by Class of Loan

	<u>New Automobile</u>	<u>Used Automobile</u>	<u>Other Secured</u>	<u>Credit Cards and Other Unsecured</u>
720 and above	\$ 3,717,433	\$ 7,609,397	\$ 749,050	\$ 1,090,812
680 to 719	552,824	2,615,788	297,496	694,082
640 to 679	459,729	2,446,137	162,758	664,636
600 to 639	157,509	1,456,663	78,626	496,191
550 to 599	73,689	715,430	58,596	212,627
549 and below	<u>-</u>	<u>243,098</u>	<u>4,835</u>	<u>22,269</u>
Total	<u>\$ 4,961,184</u>	<u>\$ 15,086,513</u>	<u>\$ 1,351,361</u>	<u>\$ 3,180,617</u>

The above tables are not inclusive of the Credit Union's entire loan portfolio. Commercial loan participations, automobile loan participations, student loan participations and loans where the member does not have a credit score due to a lack of credit history are not tracked, and therefore, not included in the above tables.

The following tables present performing and nonperforming real estate loans based on payment activity for the years ended December 31, 2022 and 2021. Payment activity is reviewed by management on a quarterly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent are greater than 60 days in the previous quarter.

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Credit Union's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions. Certain TDRs are classified as nonperforming at the time of the restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The performing and nonperforming real estate loans as of December 31, 2022 is as follows:

	<u>First Mortgages</u>	<u>Home Equity</u>	<u>Commercial Business</u>
Performing	\$ 15,086,749	\$ 6,762,087	\$ 15,679,704
Nonperforming	<u> -</u>	<u> 135,406</u>	<u> 422,499</u>
Total	<u>\$ 15,086,749</u>	<u>\$ 6,897,493</u>	<u>\$ 16,102,203</u>

The performing and nonperforming real estate loans as of December 31, 2021 is as follows:

	<u>First Mortgages</u>	<u>Home Equity</u>	<u>Commercial Business</u>
Performing	\$ 17,497,325	\$ 5,689,490	\$ 16,281,049
Nonperforming	<u> 172,118</u>	<u> 46,450</u>	<u> 610,408</u>
Total	<u>\$ 17,669,443</u>	<u>\$ 5,735,940</u>	<u>\$ 16,891,457</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

AGE ANALYSIS OF PAST DUE LOANS TO MEMBERS BY CLASS

Following are tables which include an aging analysis of the recorded investment of past due loans to members as of December 31, 2022 and 2021.

Credit Quality Information
Age Analysis of Past Due Loans to Members by Class of Loan to Member
As of December 31, 2022

	30-60 Days Past <u>Due</u>	61-180 Days Past <u>Due</u>	Greater than 181 Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	Total Loans to <u>Members</u>
New Automobiles	\$ 62,109	\$ 38,852	\$ 11,233	\$ 112,194	\$ 6,482,502	\$ 6,594,696
Used Automobiles	406,863	234,624	39,604	681,091	17,290,081	17,971,172
First Mortgages	86,617	-	-	86,617	15,000,132	15,086,749
Home Equity Loans	34,721	78,937	56,469	170,127	6,727,366	6,897,493
Member Business Loans	-	-	-	-	444,293	444,293
Other Secured	-	19,444	3,310	22,754	1,224,887	1,247,641
Other Unsecured	61,163	37,861	762	99,786	2,758,582	2,858,368
Credit Cards	10,459	39,907	-	50,366	4,270,140	4,320,506
Signature Loan Participations	37,758	104,898	16,505	159,161	1,822,750	1,981,911
Consumer Loan Participations	-	-	-	-	143,168	143,168
Automobile Loan Participations	55,673	4,087	16,986	76,746	13,966,344	14,043,090
Commercial Business Loan Participations	-	-	-	-	15,657,910	15,657,910
Student Loan Participations	<u>5,084</u>	<u>14,105</u>	<u>-</u>	<u>19,189</u>	<u>4,976,081</u>	<u>4,995,270</u>
Total	<u>\$ 760,447</u>	<u>\$ 572,715</u>	<u>\$ 144,869</u>	<u>\$ 1,478,031</u>	<u>\$ 90,764,236</u>	<u>\$ 92,242,267</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Credit Quality Information
Age Analysis of Past Due Loans to Members by Class of Loan to Member
As of December 31, 2021

	30-60 Days Past <u>Due</u>	61-180 Days Past <u>Due</u>	Greater than 181 Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	Total Loans to <u>Members</u>
New Automobiles	\$ 83,533	\$ 28,682	\$ -	\$ 112,215	\$ 4,938,568	\$ 5,050,783
Used Automobiles	98,287	87,688	47,130	233,105	15,366,596	15,599,701
First Mortgages	144,637	143,598	28,520	316,755	17,352,688	17,669,443
Home Equity Loans	79,631	23,946	22,504	126,081	5,609,859	5,735,940
Member Business Loans	-	-	-	-	799,533	799,533
Other Secured	-	-	5,617	5,617	1,364,264	1,369,881
Other Unsecured	18,519	14,520	6,858	39,897	2,575,392	2,615,289
Credit Cards	19,626	11,518	-	31,144	4,242,628	4,273,772
Signature Loan Participations	17,737	41,355	1,509	60,601	2,083,717	2,144,318
Automobile Loan Participations	138,192	-	-	138,192	14,548,805	14,686,997
Commercial Business Loan Participations	-	-	-	-	16,091,924	16,091,924
Student Loan Participations	<u>679</u>	<u>8,088</u>	<u>2,076</u>	<u>10,843</u>	<u>3,937,688</u>	<u>3,948,531</u>
 Total	 <u>\$ 600,841</u>	 <u>\$ 359,395</u>	 <u>\$ 114,214</u>	 <u>\$ 1,074,450</u>	 <u>\$ 88,911,662</u>	 <u>\$ 89,986,112</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

IMPAIRED LOANS

The Credit Union considers a loan to be impaired when, based on current information and events, the Credit Union determines that the Credit Union will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Credit Union identifies a loan as impaired, the Credit Union measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Credit Union uses the current fair value of the collateral, less estimated selling costs when foreclosure is probable, instead of discounted cash flows. If the Credit Union determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), the Credit Union recognizes impairment through an allowance estimate or a charge-off to the allowance. The Credit Union determines impairment based on a 61-day default period and all loans classified as TDRs.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

NONACCRUAL LOANS

The Credit Union generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach over 60 days past due.

When the Credit Union places a loan on nonaccrual status, the Credit Union reverses the accrued unpaid interest receivable against interest income and account for the loan on the cash or cost recovery method, until it qualifies for return to accrual status. Generally, the Credit Union returns a loan to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement, or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

The Credit Union has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the member's statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Loans on which the accrual of interest has been discontinued or reduced amounted to \$717,584 and \$473,609 at December 31, 2022 and 2021, respectively. If interest on those loans had been accrued at their original rates income would have been \$20,794 and \$13,746, respectively. All loans past due 61 days or more are on non-accrual status.

The following table presents the loans to members on nonaccrual status as of December 31, 2022 and 2021. The balances are presented by the portfolio segments.

	<u>2022</u>	<u>2021</u>
New Automobiles	\$ 50,085	\$ 28,682
Used Automobiles	274,228	134,818
First Mortgages	-	172,118
Home Equity Loans	135,406	46,450
Other Secured	22,754	5,617
Other Unsecured	38,623	21,378
Credit Cards	39,907	11,518
Signature Loan Participations	124,166	42,864
Automobile Loan Participations	18,310	-
Student Loan Participations	<u>14,105</u>	<u>10,164</u>
	<u>\$ 717,584</u>	<u>\$ 473,609</u>

Information on troubled debt restructurings is as follows:

There were no troubled debt restructuring loans for the year ended December 31, 2022 where the rates or terms have been modified.

	<u>December 31, 2021</u>	
	<u>Pre-modification Outstanding Recorded Investment</u>	<u>Post-modification Outstanding Recorded Investment</u>
<u>Number of Contracts</u>		
Troubled Debt Restructurings:		
Signature	1	\$ -
Used Automobile	<u>2</u>	<u>16,923</u>
	<u>3</u>	<u>\$ 16,923</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The troubled debt restructuring loans shown in the table were modified for the year ended December 31, 2021 with three loans in the amount of \$19,475 where the rates or terms have been modified.

There were no loans that had been modified as troubled debt restructurings during the year ended December 31, 2022 and then subsequently redefaulted in the year.

The Credit Union has no commitments to loan additional funds to borrowers whose loans have been modified in a troubled debt restructuring.

NOTE I - PREMISES AND EQUIPMENT

Premises and equipment at December 31 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Land and Improvements	\$ 988,992	\$ 988,992
Building and Improvements	6,321,288	6,315,344
Furniture, Fixtures and Equipment	<u>1,463,259</u>	<u>1,406,435</u>
Total Premises and Equipment	8,773,539	8,710,771
Accumulated Depreciation	<u>(4,565,318)</u>	<u>(4,273,335)</u>
Premises and Equipment, Net	<u>\$ 4,208,221</u>	<u>\$ 4,437,436</u>

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to \$291,983 and \$259,798, respectively.

NOTE J - FORECLOSED ASSETS

The balances of real estate acquired through foreclosure (foreclosed assets) are stated separately on the statement of financial condition. At December 31, 2022 and 2021, the Credit Union had foreclosed assets with gross balances of \$48,726 and \$56,465, respectively, which approximated their estimated net realizable values.

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE K - LINES OF CREDIT

The Credit Union maintains a line of credit with Corporate One Credit Union, Inc. at a rate to be determined by the lender when funds are borrowed. The line of credit provides for short-term borrowings up to \$5,000,000. The line is collateralized by substantially all the Credit Union's assets except for Federal Home Loan Bank stock. There was no outstanding loan balance as of December 31, 2022 and 2021. Interest expense on borrowed funds as of December 31, 2022 and 2021 was \$95 and \$65, respectively. Interest accrues on the unpaid balance of the principal until paid. The line has no expiration date but is subjected to review and change by the issuing institution.

The Credit Union also has a line of credit with the Federal Home Loan Bank of Cincinnati. The Credit Union has an additional borrowing capacity of \$16,688,678 based on their investment at December 31, 2022. The line is collateralized by 100% of the Credit Union's one to four family mortgage portfolio. There was no outstanding balance as of December 31, 2022 or 2021. There was no interest expense recorded for 2022 or 2021. Interest on the line of credit is charged at prevailing rates.

NOTE L - MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts at December 31 are summarized as follows:

	<u>2022</u>	Weighted Average <u>Rates</u>	<u>2021</u>	Weighted Average <u>Rates</u>
Share Drafts	\$ 36,249,602	.02%	\$ 35,908,791	.02%
Share Accounts	74,311,070	.05%	76,734,367	.06%
IRA and Share Certificates	14,869,065	.92%	19,038,624	1.40%
Money Market Shares	40,188,825	.41%	39,852,563	.33%
IRA Shares	<u>6,353,062</u>	.09%	<u>7,916,120</u>	.42%
	<u>\$ 171,971,624</u>		<u>\$ 179,450,465</u>	

The aggregate amount of members' share and savings accounts over the insured limit of \$250,000 at December 31, 2022 and 2021 totaled \$8,037,120 and \$6,993,942, respectively.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

A summary of IRA and share certificates by interest rate at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
0.05% - 0.99%	\$ 11,359,558	\$ 14,091,363
1.00% - 1.49%	619,276	813,104
1.50% - 1.99%	378,565	575,722
2.00% - 2.49%	1,383,552	2,357,482
2.50% - 2.99%	512,701	605,090
3.00% - 3.49%	<u>615,413</u>	<u>595,863</u>
	<u>\$ 14,869,065</u>	<u>\$ 19,038,624</u>

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

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027 and thereafter</u>
0.05% - 0.99%	\$ 9,013,440	\$ 1,290,766	\$ 314,638	\$ 275,754	\$ 464,960
1.00% - 1.49%	524,477	53,942	17,927	501	22,429
1.50% - 1.99%	14,445	290,855	13,229	13,998	46,038
2.00% - 2.49%	585,805	245,353	552,394	-	-
2.50% - 2.99%	180,330	332,371	-	-	-
3.00% - 3.49%	<u>462,756</u>	<u>152,657</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,781,253</u>	<u>\$ 2,365,944</u>	<u>\$ 898,188</u>	<u>\$ 290,253</u>	<u>\$ 533,427</u>

At December 31, 2021, scheduled maturities of IRA and share certificates are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026 and thereafter</u>
0.05% - 0.99%	\$ 10,713,733	\$ 2,251,100	\$ 764,178	\$ 134,462	\$ 227,890
1.00% - 1.49%	501,758	54,797	28,723	41,357	186,469
1.50% - 1.99%	247,101	14,598	285,152	28,871	-
2.00% - 2.49%	980,523	573,018	240,043	563,898	-
2.50% - 2.99%	106,248	176,109	322,733	-	-
3.00% - 3.49%	<u>-</u>	<u>448,013</u>	<u>147,850</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,549,363</u>	<u>\$ 3,517,635</u>	<u>\$ 1,788,679</u>	<u>\$ 768,588</u>	<u>\$ 414,359</u>

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

Dividend expense on members' share and savings accounts at December 31 is summarized as follows:

	<u>2022</u>	<u>2021</u>
IRA and Share Certificates	\$ 155,887	\$ 302,083
IRA Shares	6,773	29,776
Money Market Shares	163,203	121,195
Share Accounts	<u>46,383</u>	<u>46,437</u>
	<u>\$ 372,246</u>	<u>\$ 499,491</u>

NOTE M - RELATED PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit to directors, executive officers, employees, and their immediate families. The aggregate loans at December 31, 2022 and 2021 are \$1,174,762 and \$1,132,233, respectively.

Deposits from related parties at December 31, 2022 and 2021 amounted to \$2,557,640 and \$2,898,310, respectively.

Deposits from the Credit Union's board of directors, executive officers, employees and their immediate families held by the Credit Union at December 31, 2022 and 2021 are not significant.

NOTE N - RETIREMENT PLANS

The Credit Union adopted an IRC 401(k) profit sharing plan for substantially all eligible employees as of January 1, 1997. The Credit Union matches a percentage of the employees' deferrals under the 401(k) provision of the plan. Effective January 1, 2006, the plan was amended to allow the Board to determine the amount of the employer base contribution (if any) that will be made each year for participants employed by the Credit Union at year end. For the years ended December 31 the Credit Union contributed the following amounts:

	<u>2022</u>	<u>2021</u>
401(k) match	<u>\$ 59,125</u>	<u>\$ 67,321</u>
Discretionary profit-sharing contribution	<u>\$ 61,595</u>	<u>\$ 38,088</u>

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE O - LEGAL CONTINGENCIES

The Credit Union is a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in the opinion of management and legal counsel, would not be material to the financial condition or results of operations of the Credit Union.

NOTE P - OFF-BALANCE-SHEET ACTIVITIES

Geographical Concentration of Credit Risk

The Credit Union maintains four offices in the Greater Cincinnati area. The Credit Union is dependent upon the economy in the area.

Financial Instruments with Off-Balance-Sheet Risk

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 which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of the amount 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 loans recorded in the financial statements.

The following financial instruments were outstanding whose contract amounts represent credit risk at December 31:

	<u>2022</u>		
	<u>Variable</u>	<u>Fixed Rate</u>	<u>Total</u>
Lines of Credit	\$ 2,055,831	\$ 541,141	\$ 2,596,972
CBS Open-Ended Loans	-	314,944	314,944
Credit Cards	-	<u>12,800,341</u>	<u>12,800,341</u>
	<u>\$ 2,055,831</u>	<u>\$ 13,656,426</u>	<u>\$ 15,712,257</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

	2021		<u>Total</u>
	<u>Variable</u>	<u>Fixed Rate</u>	
Lines of Credit	\$ 1,886,955	\$ 536,026	\$ 2,422,981
CBS Open-Ended Loans	-	489,245	489,245
Credit Cards	-	<u>13,026,114</u>	<u>13,026,114</u>
	<u>\$ 1,886,955</u>	<u>\$ 14,051,385</u>	<u>\$ 15,938,340</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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counter party. Collateral held generally consists of certificates of deposit, share accounts, automobiles, and real estate.

Unfunded commitments under commercial lines-of-credit, 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.

Cash and Investments in Excess of Insured Limits

At December 31, 2022 and 2021, deposits at a Corporate Credit Union totaled \$8,037,583 and \$17,178,351, respectively, per the Corporate Credit Union's records. Funds are insured up to \$250,000 except the capital accounts, which are uninsured. At December 31, 2022 and 2021, the Credit Union had funds on deposit at a Corporate Credit Union in excess of insured limits in the amount of \$7,787,583 and \$16,928,351, respectively, which includes the Perpetual Capital Contributed in the amount of \$1,185,196.

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE Q - REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements administered by ODFI. 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-balance-sheet items as calculated under generally accepted accounting principles. The Credit Union’s capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined in the regulations) to total assets (as defined). Credit unions are also required to calculate a Risk-Based Net Worth (RBNW) Requirement which establishes 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 is 6%. Management believes, as of December 31, 2022 and 2021, that the Credit Union meets all capital adequacy requirements to which it is subjected.

As of December 31, 2022, the Credit Union is categorized 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 and meet any applicable RBNW Requirement. There are no conditions or events since the calculation date that management believes have changed the Credit Union’s category.

The Credit Union’s actual capital amounts and ratios at December 31, 2022 and 2021 are also presented in the table below:

	<u>Actual</u>		<u>To be Adequately Capitalized under the Prompt Corrective Action Provisions</u>		<u>To be Well Capitalized under the Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
December 31, 2022	\$18,281,759	9.54%	≥\$11,496,525	≥6.0%	≥\$13,412,612	≥7.0%
December 31, 2021	\$17,464,353	8.83%	≥\$11,867,101	≥6.0%	≥\$13,844,951	≥7.0%

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE R - FAIR VALUE MEASUREMENTS

FASB ASC 825, *Financial Instruments*, permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a Credit Union commitment. Subsequent changes must be recorded in earnings.

FASB ASC 820, *Fair Value Measurements*, provides framework for measuring fair value that requires an entity to determine fair value based on exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets and or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Fair Value of Assets and Liabilities Measured on a Recurring Basis

Fair values of assets and liabilities measured on a recurring basis are as follows:

	<u>Fair Value Measurements at December 31, 2022:</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Time deposits	\$ 26,876,000	\$ -	\$ 26,876,000	\$ -
Debt securities held-to-maturity	19,869,228	19,869,228	-	-
Debt securities available-for-sale	91,927	91,927	-	-
Other investments	4,715,938	-	3,985,401	730,537

	<u>Fair Value Measurements at December 31, 2021:</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Time deposits	\$ 27,853,809	\$ -	\$ 27,853,809	\$ -
Debt securities held-to-maturity	19,144,980	19,144,980	-	-
Debt securities available-for-sale	106,452	106,452	-	-
Other investments	4,461,055	-	3,790,909	670,146

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.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Investment Securities

When available, the Credit Union uses quoted market prices to determine the fair value of securities. Such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all 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.

Fair value measurements using significant unobservable inputs (Level 3):

December 31, 2020	\$ 450,665
Equity redeemed	(2,427)
Reinvested interest income included in earnings	425
Equity issued	<u>221,483</u>
December 31, 2021	670,146
Equity redeemed	(2,384)
Reinvested interest income included in earnings	7,974
Equity issued	<u>54,801</u>
December 31, 2022	<u>\$ 730,537</u>

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE S - NON-INTEREST INCOME

Following is a detail of non-interest income including a disaggregation of revenue from contracts with customers, gains (losses) on transfers of nonfinancial assets and other revenue for the years ended December 31:

<u>Non-Interest Income</u>	<u>2022</u>	<u>2021</u>
<i>In Scope of FASB ASC 606</i>		
Service fees	\$ 675,267	\$ 599,031
Debit and credit card interchange, net	36,753	32,635
Other	415,663	115,829
<i>Out of Scope of FASB ASC 606</i>		
Gain (loss) on sale of assets	-	-
Gain (loss) on sale of foreclosed assets	<u>-</u>	<u>-</u>
Total Non-Interest Income	<u>\$ 1,127,683</u>	<u>\$ 747,495</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE T - CIRCUMSTANCES AND DEVELOPMENTS RESULTING FROM COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States of America. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States declared states of emergency.

On March 22, 2020, the Governor of Ohio issued a “stay at home” order through April 6, 2020 and was subsequently extended through May 4, 2020, when a staggered re-opening of businesses began and extended over the following weeks. In addition to temporary closures of schools and certain businesses announced in weeks prior, the Ohio “stay at home” order required all nonessential businesses to close. As a financial institution, the Credit Union was deemed to be an essential business. However, pursuant to the government order for essential businesses, the Credit Union had made changes to its operations where possible by closing branch lobbies and maintaining drive-thru only operations for their members, and employees at this time were on a rotation of working at the Credit Union branches and from home. There were disruptions or restrictions on employees’ ability to work, lack of demand for new loans, or the borrower’s ability to pay the required monthly payments. The Credit Union experienced a decrease in consumer loan volume, an increase in real estate loan volume at historically low rates, and an increase in core member deposits due to the pandemic. The impact on loans and core deposits continued through 2022.

During 2022 and 2021, in addition to increase in real estate loans and core deposits, there has been an increase in consumer spending resulting in an increase in loans secured by personal property as well as an increase in interchange income. Interest rates have begun to increase slightly during 2022. The Credit Union has not seen a significant increase in delinquencies or charged-off loans as a result of the pandemic. The increases in overall members’ deposits and shares, however, could impact the liquidity of the Credit Union. The continued future impacts cannot be reasonably estimated by the Credit Union.