Lillie
& Company

TruPartner Credit Union

Annual Financial Reports
December 31, 2023

Adding insight... Not just numbers.

TruPartner Credit Union
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Lillie & Company

CPAs for Credit Unions

Independent Auditor's Report

To the Board of Directors of
TruPartner Credit Union

Opinion

We have audited the financial statements of TruPartner Credit Union, which comprise the statement of financial condition as of December 31, 2023, and the related statements of operations and comprehensive loss, members' equity and cash flows for the year 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 as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TruPartner Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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's ability to continue as a going concern for 12 months beyond the issuance of the financial statements.

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 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.

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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 the Credit Union's internal controls. 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'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.

Lillie & Company LLC

Sunbury, Ohio
February 20, 2024

TruPartner Credit Union
Statement of Financial Condition
December 31, 2023

ASSETS

Cash and cash equivalents (Note 6)	$	17,363,683
Investments (Note 2)		
Available for sale		2,696,278
Held to maturity		44,369,000
Other investments		3,687,550
Equity securities		92,500
Loans to members - less allowance for credit losses (Note 3)		90,325,518
Property and equipment - net (Note 4)		4,169,508
Other assets		
Accrued interest receivable - loans		492,380
Accrued interest receivable - investments		142,803
Life insurance		4,189,719
Prepaid expenses and other assets		1,086,853
Share insurance deposit		2,235,631
Total other assets		8,147,386
Total assets	**$**	**170,851,423**

LIABILITIES AND MEMBERS' EQUITY

Share accounts (Note 5)	$	151,689,495
Accounts payable and accrued liabilities		746,300
Total liabilities		**152,435,795**
Members' equity - substantially restricted		
Statutory reserve		3,843,474
Undivided earnings		8,083,952
Accumulated other comprehensive income		5,278
Equity acquired in merger		6,482,924
Total members’ equity		**18,415,628**
Total liabilities and members’ equity	**$**	**170,851,423**

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

TruPartner Credit Union

Statement of Operations and Comprehensive Loss
For the Year Ended December 31, 2023

Interest income	
Interest on loans	$ 4,829,467
Interest on investments	2,111,170
Total interest income	6,940,637
Dividend and interest expense	
Dividend expense (Note 5)	635,725
Interest expense (Note 7)	1,651
Total dividend and interest expense	637,376
Net interest income	6,303,261
Provision for credit losses (Note 3)	1,649,515
Net interest income after provision for credit losses	4,653,746
Non-interest income (Note 11)	2,345,528
Non-interest expense (Note 11)	7,112,170
Net loss	**$ (112,896)**
Change in unrealized loss on investments	14,108
Comprehensive loss	**$ (98,788)**

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

TruPartner Credit Union
Statement of Members' Equity
For the Year Ended December 31, 2023

	Statutory Reserve	Undivided Earnings	Equity acquired in merger	Unrealized Gain (loss) on Investments	Total
Balance - December 31, 2022	**$ 3,379,316**	**$ 8,428,350**	**$ 6,482,924**	**$ (8,830)**	**$ 18,281,760**
Net loss - for the year ended December 31, 2023	0	(112,896)	0	0	(112,896)
Cumulative effect from adoption of new accounting standard (Note 1 & 3)	0	232,656	0	0	232,656
Change in unrealized loss on investments	0	0	0	14,108	14,108
Statutory Reserve Transfer	464,158	(464,158)	0	0	0
Balance - December 31, 2023	**$ 3,843,474**	**$ 8,083,952**	**$ 6,482,924**	**$ 5,278**	**$ 18,415,628**

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

TruPartner Credit Union
Statement of Cash Flows
For the Year Ended December 31, 2023

Cash flows from operating activities		
Net loss	$	(112,896)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		300,094
Provision for loan losses		1,649,515
Amortization of loan origination fees		79,693
Amortization of premiums on loan participations		234,093
Loss on valuation of equity securities		8,257
Change in cash surrender value of life insurance		(204,318)
Change in interest receivable		(62,202)
Change in prepaid expenses		14,507
Change in accounts payable and accrued liabilities		(74,368)
Total adjustments		1,945,271
Net cash provided by operating activities		1,832,375
Cash flows from investing activities		
Purchase of available for sale investments		(2,690,999)
Purchase of held to maturity investments		(4,196,000)
Proceeds from maturities of held to maturity investments		5,700,000
Proceeds from maturities of other investments		1,223,357
Purchase of fixed assets		(261,380)
Net repayments of participation loans		1,731,175
Loans made to members – net of loan repayments		(3,188,388)
Change in insurance deposit		97,225
Change in other assets		415,480
Net cash used by investing activities		(1,169,530)
Cash flows from financing activities		
Net change in shares		(20,282,131)
Net cash used by financing activities		(20,282,131)
Net decrease in cash and cash equivalents		(19,619,286)
Cash and cash equivalents		
Beginning of year		36,982,969
End of year	**$**	**17,363,683**
Supplemental cash flow information		
Dividends paid on shares and interest paid on borrowed funds	**$**	**637,376**

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

Note 1 - Summary of significant accounting policies

Basis of Presentation - The Credit Union is a state chartered credit union, tax-exempt under Section 501 of the Internal Revenue Code.

Recent Accounting Pronouncement - On June 1, 2023, the Credit Union adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposure not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Credit Union adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Credit Union recorded a net increase to undivided earnings of $232,656 as of June 1, 2023 for the cumulative effect of adopting ASC 326. The transition adjustment resulted from the decrease in the allowance valuation account on loan receivables following the adoption of the CECL methodology.

Investments - The investment securities portfolio was comprised of securities classified as **available for sale** and **held to maturity**. This results in **available for sale** investment securities being carried at market value and **held to maturity** investment securities being carried at cost, adjusted for amortization of premiums and accretions of discounts. In addition, non-negotiable certificates of deposit, Corporate capital shares and certain other investments are accounted for at cost, adjusted for amortization of premiums and accretion of discounts and categorized as **other investments**. The unrealized gain or loss on **available for sale** investments is carried as a separate component of members' equity. Declines in the fair value of investment 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 losses, management considers (1) the length of time and the extent to which 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. **Equity investments**, except those accounted for under the equity method of accounting or those that result in consolidation of the investee, are measured at fair value with changes in fair value recognized in earnings. 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. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

The Credit Union does not maintain a trading portfolio.

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).

Restrictions on Investments - The Credit Union is required to maintain balances with a corporate credit union as membership shares. The balance of the membership shares account is based upon .90 percent of the Credit Union's year-end total asset balance and is adjusted annually. These membership shares represent perpetual contributed capital (PCC). PCC is a perpetual capital instrument. It is not subject to share insurance coverage. The dividends are not guaranteed and are noncumulative. PCC is available to cover losses that exceed retained earnings and previous forms of Capital contributions. PCC is redeemable by the Credit Union only if certain conditions and restrictions are met.

Federal Home Loan Bank (FHLB) Stock - The Credit Union is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Because this stock is viewed as a long-term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans to Members and Allowance for Credit Losses - Loans are stated at the amount of unpaid principal, reduced by an allowance for credit losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Loan fees and certain direct loan-origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans.

The accrual of interest on loans is discontinued at the time the loan is sixty days delinquent unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that 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 the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

The allowance for credit loss is a valuation account that is netted against the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Credit card loans and other consumer loans are typically charged off no later than 180 days past due. Subsequent recoveries, if any, are credited to the allowance. The allowance is evaluated on a regular basis by management and is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality and current economic conditions that may affect the borrower's ability to pay.

Business Portfolio Segment Allowance for Credit Losses Methodology

Prior to adopting ASC 326, business loans were assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. The Credit Union applied historic grade-specific loss factors to the aggregation of each funded risk category. In the development of statistically derived loan grade factors, historical losses were observed over a relevant period for each loan grade. These loss estimates were adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data or other risks identified from current economic conditions and credit quality trends. The business allowance for loan losses also included an amount for the estimated losses on individually evaluated loans. This process has not changed due to the adoption of ASC 326.

Consumer and Real Estate Portfolio Segment Allowance for Credit Losses Methodology

Prior to adopting ASC 326, for consumer loans and real estate loans not identified as impaired, the Credit Union determined the allowance on a collective basis utilizing historical and forecasted losses to represent the best estimate of inherent loss at the measurement date. Loans were pooled, generally by loan types with similar risk characteristics, such as residential real estate mortgages or credit cards. The consumer allowance for loan loss model primarily used historic delinquency and default experience for each class of loan within the consumer segment. The consumer allowance also included an amount for the estimated losses on individually evaluated impaired loans.

Following the adoption of ASC 326, expected loss estimates are developed primarily using an Advanced Vintage Loss method or Probability of Default method. Under the Advanced Vintage Loss methods, the process uses average annual charge-off rates. The average annual charge off rate contains loss content over several vintages and is used as a foundation for estimating the expected credit loss for the remaining balances of the loans receivable in a pool at the balance sheet date. The average annual charge off rate is calculated based on the estimated business cycle and is subject to management's estimation. The average annual charge-off rate is applied to the estimated average life to determine the unadjusted historical charge off rate for the remaining balance of the loan pool. The unadjusted historical charge off rate is then adjusted for current conditions and reasonable and supportable forecasts about the future. Under the Probability of Default methodology, a conditional monthly default probability over the remaining life of each loan is estimated using historical datasets in addition to current loan and borrower information. Amortization schedules are estimated for each loan integrating the probability of default factors, providing a forward-looking loss calculation over the remaining life of each individual loan. The loss severity calculation then estimates the expected loss amount for each loan if it were to default.

The contractual term of loans is adjusted for prepayments when appropriate. Furthermore, the contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension renewal options are included in the original or modified contract and are not unconditionally cancellable by the Credit Union.

<u>Allowance for Credit Losses on Off-Balance Sheet Credit Exposure</u> - The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet exposure is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. In evaluation of the loan portfolio, it was determined that off-balance sheet credit exposure is limited to home equity lines of credit. The Credit Union has not established an allowance for credit loss on off-balance sheet credit exposure for the home equity portfolio as of December 31, 2023.

<u>Property and Equipment</u> - Property and equipment are stated at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets.

<u>Valuation of Long-Lived Assets</u> - 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.

<u>Other Real Estate Owned</u> - Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value 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 cost to sell. Revenue and expenses from operations and changes in the valuations allowance are included in net expenses from foreclosed assets.

<u>Statutory Reserve</u> - State Insurance Regulations require reserves for losses to be established by appropriations of undivided earnings. The reserves are not related to amounts of losses actually anticipated and the appropriations have not been charged against income.

<u>Comprehensive Income</u> - Comprehensive income or loss consists of net income or loss and other comprehensive income or loss that includes items such as unrealized gains and losses on securities available for sale.

<u>Cash and Cash Equivalents</u> - Cash and cash equivalents include money market accounts, Federal funds or any highly liquid debt-instruments purchased with a maturity of three months or less.

From time to time, the Credit Union maintains deposit balances in financial institutions exceeding insured balances by the Federal Deposit Insurance Corporation or other insuring body up to $250,000 in aggregate. At December 31, 2023 there were deposits with Corporate One Federal Credit Union totaling $2,254,202, Financial Northeastern Companies totaling $1,285,228 and Federal Home Loan Bank totaling $281,729.

<u>Share Insurance Deposit</u> - The deposit in the American Share Insurance Fund (ASI) is in accordance with the insurer's requirements, which require the maintenance of a deposit by each insured Credit Union in an amount equal to 1.3% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, or it converts to insurance coverage from another source.

<u>Share Insurance Premiums</u> - The Credit Union is subject to a premium assessment from American Share Insurance. There was no special premium assessment in 2023.

<u>Income Taxes</u> - The Credit Union is exempt by statute from federal and state income taxes except for certain charges such as non-member ATM fees which have been deemed by the Internal Revenue Service (IRS), in technical advice memorandums released in March 2007, to be unrelated to the specific entity's exempt purpose. As presented in the technical advice memorandums, the net taxable income from these charges is subject to income taxes under the Unrelated Business Income Tax (UBIT) regulations.

Tax returns will be filed by May 15, 2024 or the extension date for the 2023 calendar year. An estimated liability has not been recognized in the financial statements because the taxes due are not expected to have a material effect on the Credit Union's financial condition or results of operations.

<u>Concentration of Credit Risk</u> - The Credit Union's business activity is primarily with members who live, work, worship, attend school, or do business in the following counties in Ohio: Butler, Clermont, Hamilton and Warren. This creates a concentration of credit risk from members with loans from the Credit Union, since they are primarily located within the same geographical area.

<u>Advertising Costs</u> - It is the policy of the Credit Union to expense all advertising costs as incurred. The total advertising cost is insignificant.

<u>Off-Balance-Sheet Credit Related Financial Instruments</u> - 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.

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
Services 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
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.

Share Accounts - Members shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividend rates are set by the Board of Directors, based on an evaluation of current and future market conditions.

Use of Estimates - The preparation of financial statement in conformity with generally accepted accounting principles 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.

Subsequent Events - In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through February 20, 2024, the date the financial statements were available to be issued.

Note 2 - Investments

The Credit Union's equity securities consist of investments in mutual funds. The Credit Union recognized unrealized losses on these investments of $8,257 during the year ended December 31, 2023.

The amortized cost and fair values of investment securities at December 31, 2023 were:

Available for Sale

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Negotiable certificates	$ 2,691,000	$ 9,729	$ (4,451)	$ 2,696,278
Total	**$ 2,691,000**	**$ 9,729**	**$ (4,451)**	**$ 2,696,278**

Held to Maturity

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government sponsored bonds	$ 22,500,000	$ 0	$(1,405,940)	$ 21,094,060
Negotiable certificates	21,869,000	23,838	(893,934)	20,998,904
Total	**$ 44,369,000**	**$ 23,838**	**$ (2,299,874)**	**$ 42,092,964**

Other Investments

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Certificate of deposit	$ 1,763,000	$ 0	$ 0	$ 1,763,000
Corporate One PCC	1,185,196	0	0	1,185,196
CFL membership stock	463,529	0	0	463,529
FHLB stock	191,700	0	0	191,700
PSCU stock	84,125	0	0	84,125
Total	**$ 3,687,550**	**$ 0**	**$ 0**	**$ 3,687,550**

The amortized cost and estimated fair value of investment securities at December 31, 2023 by expected maturity are shown below. Contractual maturities will differ from expected maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale		**Held to Maturity**		**Other Investments**	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within 1 year	$ 1,707,000	$ 1,711,174	$ 4,745,000	$ 4,665,757	$ 994,000	$ 994,000
Due in 1-5 years	984,000	985,104	39,624,000	37,427,207	769,000	769,000
No specific maturity	0	0	0	0	1,924,550	1,924,550
Total	**$ 2,691,000**	**$ 2,696,278**	**$ 44,369,000**	**$ 42,092,964**	**$ 3,687,550**	**$ 3,687,550**

The gross unrealized losses on investment securities that have been in loss positions less than 12 months and longer than 12 months at December 31, 2023 are summarized as follows:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale						
CD-negotiable	$ 483,549	$ (4,451)	$ 0	$ 0	$ 483,549	$ (4,451)
Total	**$ 483,549**	**$ (4,451)**	**$ 0**	**$ 0**	**$ 483,549**	**$ (4,451)**
Held to Maturity						
GSEB	$ 499,025	$ (975)	$20,595,035	$(1,404,965)	$ 21,094,060	$ (1,405,940)
CD-negotiable	2,238,570	(9,430)	16,586,496	(884,504)	18,825,066	(893,934)
Total	**$ 2,737,595**	**$ (10,405)**	**$37,181,531**	**$ (2,289,469)**	**$ 39,919,126**	**$ (2,299,874)**

Fair values of assets and liabilities measured on a recurring basis at December 31, 2023 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale securities	$ 2,696,278	$ 0	$ 2,696,278	$ 0
Held to maturity	$ 42,092,964	$ 0	$ 42,092,964	$ 0

Note 3 - Loans to members

The loans to members at December 31, 2023 consist of the following:

Business	
Real estate - participation	$ 17,751,414
Real estate	2,033,799
Other secured	193,999
Other secured - participation	39,705
Total business	20,018,917
Real estate - residential	23,079,112
Consumer	
Vehicle	25,799,891
Vehicle - participation	7,483,547
Unsecured	7,079,906
Unsecured - participation	6,828,575
Other collateralized	964,799
Total consumer	48,156,718
Total loans	91,254,747
Deferred loan fees	281,349
Allowance for credit losses	(1,210,578)
Total loans - net	**$ 90,325,518**

The interest rates on the loans range from 1.9% to 18.99% at December 31, 2023.

Loans on which the accrual of interest has been discontinued amounted to $2,723,906 at December 31, 2023.

Activity in the allowance for credit losses and recorded investment in loans, by portfolio segment, as of and for the year ended December 31, 2023 is as follows:

	Business	Real Estate	Consumer	Total
Allowance for credit losses				
Beginning balance	$ 402,340	$ 0	$ 406,516	$ 808,856
CECL Adoption	(136,058)	2,107	(98,705)	(232,656)
Charge-offs	0	(239)	(1,056,183)	(1,056,422)
Recoveries	0	8,951	32,334	41,285
Provision	115,962	(8,952)	1,542,505	1,649,515
Ending balance	$ 382,244	$ 1,867	$ 826,467	$ 1,210,578
Ending balance, individually evaluated for impairment	$ 382,244	$ 0	$ 0	$ 382,244
Ending balance, collectively evaluated for impairment	$ 0	$ 1,867	$ 826,467	$ 828,334
Loan balances				
Ending balance	$ 20,018,917	$ 23,079,112	$ 48,156,718	$ 91,254,747
Ending balance, individually evaluated for impairment	$ 20,018,917	$ 0	$ 0	$ 20,018,917
Ending balance, collectively evaluated for impairment	$ 0	$ 23,079,112	$ 48,156,718	$ 71,235,830

The Credit Union has several classes of consumer loans which carry distinct credit risks. Loan delinquency, FICO credit scores and loan-to-value (LTV) ratios for loan classes are common credit quality indicators that the Credit Union monitors and utilizes in the evaluation of the adequacy of the allowance for loan losses for the consumer portfolio segment.

A significant variable in the loss estimation of the consumer allowance for loan losses are delinquency levels. The following table presents the outstanding balances from each class within the consumer portfolio by delinquency status as of December 31, 2023:

	Days Past Due				
	Current or 0-29	30-59	60-89	90+	Total
Business					
Real estate – part.	$ 16,660,958	$ 0	$ 0	$ 1,090,456	$ 17,751,414
Real estate	2,033,799	0	0	0	2,033,799
Other secured	193,999	0	0	0	193,999
Other secured – part.	39,705	0	0	0	39,705
Business subtotal	18,928,461	0	0	1,090,456	20,018,917
Real estate - residential	22,398,175	507,635	36,514	136,788	23,079,112
Consumer					
Vehicle	23,708,037	787,204	429,983	874,667	25,799,891
Vehicle – part.	7,350,372	83,319	9,453	40,403	7,483,547
Unsecured	6,994,890	45,633	24,068	15,315	7,079,906
Unsecured – part.	6,737,928	31,565	25,534	33,548	6,828,575
Other collateralized	957,622	0	0	7,177	964,799
Consumer subtotal	$ 45,748,849	$ 947,721	$ 489,038	$ 971,110	$ 48,156,718
Total loans	$ 87,075,485	$ 1,455,356	$ 525,552	$ 2,198,354	$ 91,254,747

Business loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. Common risks factors include the debt service coverage ratio and collateral values. The risk ratings can be grouped into the following major categories, defined as follows:

Minimal Risk
Loans in this category have virtually no chance of resulting in a loss and possess many of the following characteristics:

- The borrower has been with the Credit Union for many years and has an excellent credit history.
- Business has an excellent credit/payment history.
- Cash flow is steady and well in excess of required debt repayment.
- The borrower has excellent access to alternative sources of finance at favorable terms.
- Management is of high quality and has unquestioned character.
- The collateral (if required) is cash or cash equivalent and is equal to or exceeds the value of the loan.
- Surrounding region has a strong, diversified business community.

Low Risk
Loans in this category are very unlikely to result in a loss and possess many of the following characteristics:

- The borrower is well-known by the Credit Union, will establish a substantial relationship with the Credit Union, if not already a member, and has an excellent credit history.
- Business has an excellent credit/payment history.
- Cash flow is steady and comfortably exceeds the required debt repayments plus other fixed charges.
- The borrower has good access to alternative sources of finance at favorable terms.
- Management is of high quality and character.
- The collateral (if required) is sufficiently liquid and has a large enough margin to make very likely the recovery of the full amount of the loan in the event of default.
- Surrounding region has a good business community which will continue to support a business of this type.

Moderate Risk
Loans in this category have an average chance of resulting in a loss. This category should include the average loan under average economic conditions. Loans in this category would possess many of the following characteristics:

- The borrower will establish a business relationship with the Credit Union, if not already a member, and has a good credit history.
- Business has a good credit/payment history.
- Cash flow may be subject to cyclical conditions, but is adequate to meet required debt repayments plus other fixed charges even after a limited period of losses or in the event of a somewhat lower trend in earnings.
- The borrower has some access to alternative sources of finance at reasonable terms.
- Management has experienced people in important positions.
- Collateral (typically required) is sufficiently liquid and has a large enough margin to make likely the recovery of the value of the loan in the event of default.
- Surrounding region has a business community which may be dependent upon a few key businesses but will try to support a business of this type.

Acceptable Risk
Loans in this category have an average chance of resulting in a loss and would possess many of the following characteristics:
- The borrower will establish a business relationship with the Credit Union and has a fair credit rating, but no recent credit problems.
- Business has a fair credit / payment history, but no recent credit problems.
- Cash flow is currently adequate to meet required debt repayments, but it may not be sufficient in the event of significant adverse developments.
- The borrower has some limited access to alternative sources of finance, possibly at unfavorable terms.
- Management weaknesses may exist.
- Collateral (generally required) is sufficient to make likely the recovery of the value of the loan in the event of default, but liquidating the collateral may be difficult or expensive.
- Surrounding region is a struggling business community dependent upon one or a few key businesses with moderate unemployment.

Concerning
Loans in this category have two or more inherent weaknesses that raise objective concern about the ability of the borrower to repay the debt as currently structured.

Substandard
A loan is substandard when it is inadequately protected by the current sound worth and paying capacity of the borrower, guarantor or collateral pledged. In this category, loans must have a well-defined weakness that jeopardizes the liquidation of debt.

Doubtful
A loan that is classified as doubtful has all the weaknesses inherent in one classified substandard, with the added characteristic that the weakness makes collection or liquidation in full highly questionable and improbable. In this category, the possibility of loss is extremely high, but its classification as an estimated loss is deferred until its more exact status may be determined.

Loss
Loss loans are considered uncollectable and of such little value that there is no justification to continuing them as loans. This does not mean that the loans have no recovery or salvage value, rather, that it is not practical to defer writing off the asset even though partial recovery may occur in the future.

The following table shows the outstanding business loan portfolio balances allocated by management's internal risk ratings at December 31, 2023:

Minimal	$ 0
Low	1,987,861
Moderate	9,489,290
Acceptable	6,470,388
Concerning	611,703
Substandard	483,469
Doubtful	486,474
Loss	0
No rating	489,732
Total	**$ 20,018,917**

In addition to delinquency levels, the Credit Union closely monitors the credit quality of its loan portfolio based on economic conditions, loan performance trends and certain risk attributes. The risks in the Credit Union's consumer loan portfolio correlate to broad economic trends, which are monitored in conjunction with borrowers' risk attributes. The risks that may affect the default experience on the Credit Union's real estate portfolio include changes in home prices, which are monitored in conjunction with various loan attributes such as product type and property type. FICO credit scores and loans-to-value (LTV) ratios for loan classes are common credit quality indicators that the Credit Union monitors and utilizes for both portfolios in the evaluation of the allowance for loan losses. The distribution of FICO credit scores on the consumer and real estate portfolios as of December 31, 2023 are as follows:

	600+	<600	No Score	Total
Real estate	$ 15,607,269	$ 289,387	$ 7,182,456	$ 23,079,112
Vehicle	20,852,848	959,599	3,987,444	25,799,891
Vehicle - participation	2,463,236	0	5,020,311	7,483,547
Unsecured	3,165,473	194,284	3,720,149	7,079,906
Unsecured - participation	905,669	0	5,922,906	6,828,575
Other collateralized	907,015	14,650	43,134	964,799
Total	**$ 43,901,510**	**$ 1,457,920**	**$ 25,876,400**	**$ 71,235,830**

On March 31, 2022, the FASB issued ASU 2022-02, "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures,". The amendments in this Update eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Specifically, rather than applying the recognition and measurement guidance for TDRs, an entity must apply the loan refinancing and restructuring guidance in paragraphs 310-20-35-9 through 35-11 to determine whether a modification results in a new loan or a continuation of an existing loan.

The following tables summarize the financial impact, by concession type, of loans that have been modified as of December 31, 2023.

	Interest Rate Reduction and Term Extension	Interest Rate Reduction	Term Extension	Other	Total
Business					
Real estate - participations	$ 146,871	$ 0	$ 814,016	$ 0	$ 960,887
Consumer					
Vehicle	0	0	38,589	0	38,589
Total	**$ 146,871**	**$ 0**	**$ 852,605**	**$ 0**	**$ 999,476**

Note 4 - Property and equipment

Property and equipment at December 31, 2023 consists of the following:

Land	$ 988,992
Buildings	6,359,714
Furniture and fixtures	1,686,214
Total	9,034,920
Less accumulated depreciation	(4,865,412)
Total property – net	**$ 4,169,508**

Note 5 - Share accounts

Share accounts as of December 31, 2023 are as follows:

Shares – regular	$ 64,836,494
Share drafts	34,179,832
Money market	32,180,237
Shares – certificates	15,115,041
IRA shares	5,377,891
Total	**$ 151,689,495**

A summary of share certificates by maturity as of December 31, 2023 is as follows:

2024	$ 9,871,716
2025	3,119,887
2026	495,192
2027	447,280
2028	1,180,966
Total	**$ 15,115,041**

All remaining share accounts have no contractual maturity.

Dividend expense on share accounts is summarized as follows for the year ended December 31, 2023:

Money market	$ 351,464
Certificates	235,432
Shares – regular	35,103
Share drafts	7,770
IRA shares	5,956
Total	**$ 635,725**

There were $11,620,147 share balances which exceeded the share insurance limits by $4,870,147 as of December 31, 2023.

Note 6 - 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 equivalents. The composition of these investments is as follows:

Cash on hand	$ 1,508,594
Deposits in financial institutions – interest bearing	15,855,089
Total cash and cash equivalents	**$ 17,363,683**

Note 7 - Line of credit

The Credit Union maintains $5,000,000 notes payable – line of credit borrowing arrangement with Corporate One Federal Credit Union. The arrangement calls for advances to be made at variable or fixed rates of interest. Advances under these arrangements are secured by substantially all the Credit Union's assets. The arrangement has two borrowing options. One option is a settlement loan, which is automatically drawn upon when the balance in the Credit Union's settlement share account is not sufficient to cover the daily settlement activity. The second option is a demand loan, which is drawn upon when the Credit Union specifically requests a short-term loan. Under both arrangements, the effective interest rate is established based on the prevailing rate at the time of the borrowing. At December 31, 2023, there were no outstanding borrowings under either option.

An additional arrangement is in place with the Federal Home Loan Bank of Cincinnati for borrowing funds from time to time. All outstanding advances under this arrangement are collateralized by certain investments held by the Credit Union. Total borrowing capacity under this arrangement is $17,215,300. There were no outstanding borrowings under this arrangement at December 31, 2023.

Interest expense under these arrangements totaled $1,651 for the year ended December 31, 2023.

Note 8 - Related party transactions

The official family of the Credit Union includes employees and board members. The official loan and share totals as of December 31, 2023 are as follows:

Shares	$ 2,526,242
Loans	$ 700,797

Note 9 - Employee benefit plan

The Credit Union maintains a retirement savings 401(k) plan in which substantially all employees may participate. The Credit Union matches100% of the first 5% of employee contributions.

Additionally, the Credit Union may make non-matching contributions at the discretion of the Board of Directors as part of a profit-sharing program and are allocated on an integrated basis based on compensation. The Credit Union did not make a profit-sharing contribution for the year ended December 31, 2023.

The Credit Union's contribution expense was approximately $62,553 for the year ended December 31, 2023.

Note 10 - Commitments and contingent liabilities

The Credit Union is periodically a party to various 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.

Loan Commitments

The Credit Union has extended lines of credit to members which have not been entirely drawn at December 31, 2023. The available credit to members that has not been reflected in the financial statements is as follows:

	Available Credit
Credit card	$ 12,585,523
Home equity line of credit	2,443,233
Business	681,009
Courtesy pay	666,976
Unsecured	627,025
Total	**$ 17,003,766**

Note 11 - Other non-interest income and expense

Other non-interest income and expense amounts for the year ended December 31, 2023 is summarized as follows:

Non-interest income	
Fees and charges	$ 1,111,130
Credit card interchange and other income	904,107
Insurance income	204,908
Miscellaneous income	125,383
Total non-interest income	**$ 2,345,528**
Non-interest expenses	
Compensation and benefits	$ 3,301,859
Professional fees	903,040
Card processing	797,019
Occupancy	651,586
Office operations	561,839
Loan servicing	540,117
Promotional	190,687
Travel	58,033
Loss on valuation of equity investments	8,257
Director and employee training	4,193
Other	95,540
Total non-interest expense	**$ 7,112,170**