CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

UNITED NATIONS FEDERAL CREDIT UNION AND SUBSIDIARIES

31 DECEMBER 2021 AND 2020

WEALTH ADVISORY | OUTSOURCING
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C O N T E N T S

INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
United Nations Federal Credit Union and Subsidiaries
Long Island City, New York

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of United Nations Federal Credit Union and Subsidiaries (the Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Nations Federal Credit Union and Subsidiaries as of December 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the 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 control. Accordingly, no such opinion is expressed.

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

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

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises reports from management and governance, financial information, and non-financial information but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
Baltimore, Maryland
March 25, 2022

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

31 December 2021 and 2020

ASSETS	2021	2020
Cash and cash equivalents	**$ 183,510,915**	$ 201,900,368
Investments		
Equity	**33,389,776**	24,293,537
Available-for-sale	**1,133,579,631**	986,683,129
Held-to-maturity	**1,720,658,910**	1,558,325,128
Other	**7,916,258**	8,401,498
Loans held for sale	**7,319,830**	3,915,105
Loans receivable, net	**4,177,725,222**	3,801,091,315
Mortgage servicing rights	**4,294,780**	2,229,907
Accrued interest receivable	**19,784,779**	18,869,829
Property and equipment, net	**104,195,041**	108,801,076
National Credit Union Share Insurance Fund deposit	**57,710,952**	51,177,491
Intangible assets, net of amortization	**1,001,192**	1,165,439
Goodwill	**5,522,886**	5,522,886
Other assets	**75,096,702**	52,899,511
Receivable from Northstar, net	**10,019,250**	7,080,979
Total assets	**$ 7,541,726,124**	$ 6,832,357,198
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	**$ 6,839,246,053**	$ 6,179,751,156
Accrued expenses and other liabilities	**47,695,064**	39,899,966
Total liabilities	**6,886,941,117**	6,219,651,122
Members' equity		
Retained earnings	**700,506,581**	641,295,143
Accumulated other comprehensive loss	**(45,721,574)**	(28,589,067)
Total members' equity	**654,785,007**	612,706,076
Total liabilities and members' equity	**$ 7,541,726,124**	$ 6,832,357,198

The accompanying notes are an integral part of these consolidated financial statements.

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended 31 December,

	2021	2020
Interest income		
Interest on loans	$ 154,369,449	$ 155,154,700
Interest on investments and cash equivalents	28,962,400	35,594,659
Total interest income	183,331,849	190,749,359
Interest expense		
Dividends on members' shares	22,543,538	34,057,892
Interest on borrowed funds	85	12
Total interest expense	22,543,623	34,057,904
Net interest income	160,788,226	156,691,455
Provision for loan losses	4,258,692	16,275,000
Net interest income after provision for loan losses	156,529,534	140,416,455
Non-interest income		
Service charges and other fees	43,163,143	33,395,669
Loan servicing fees	2,101,021	1,753,206
Gain on sale of mortgage loans	683,987	2,911,561
Gain/(loss) on equity investments	3,802,802	(7,383)
Gain on defined benefit pension	3,447,773	1,964,159
Other non-interest income	11,479,621	5,427,917
Total non-interest income	64,678,347	45,445,129
Non-interest expense		
Salaries and benefits	97,093,646	89,578,724
Operations	48,689,201	44,669,573
Occupancy	7,850,056	7,788,651
Provision for Northstar loss	8,363,540	20,153,557
Total non-interest expense	161,996,443	162,190,505
Net Income	$ 59,211,438	$ 23,671,079

The accompanying notes are an integral part of these consolidated financial statements.

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended 31 December,

		2021		2020
Net income	**$**	**59,211,438**	$	23,671,079
Other comprehensive (loss) income				
Change in pension obligation:				
Net (loss) gain		**4,951,204**		(6,797,514)
Amortization of net loss		**1,828,503**		1,591,815
Change in pension obligation		**6,779,707**		(5,205,699)
Change in unrealized holding (losses) gains on investments classified as available-for-sale		**(23,519,397)**		4,153,077
Adjustment for realized (gains) losses on investment securities included in income		**(392,817)**		(985,616)
Change in available-for -sale Investment		**(23,912,214)**		3,167,461
Total Other comprehensive (loss) income, net of of reclassification adjustments:		**(17,132,507)**		(2,038,238)
Comprehensive income	**$**	**42,078,931**	$	21,632,841

The accompanying notes are an integral part of these consolidated financial statements.

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended 31 December, 2021 and 2020

	Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance, 31 December 2019	$ 617,624,064	$ (26,550,829)	$ 591,073,235
Net income	23,671,079	-	23,671,079
Other comprehensive loss, net of reclassification adjustments	-	(2,038,238)	(2,038,238)
Balance, 31 December 2020	641,295,143	(28,589,067)	612,706,076
Net income	59,211,438	-	59,211,438
Other comprehensive loss, net of reclassification adjustments	-	(17,132,507)	(17,132,507)
Balance, 31 December 2021	$ 700,506,581	$ (45,721,574)	$ 654,785,007

The accompanying notes are an integral part of these consolidated financial statements.

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended 31 December,

	2021	2020
Operating activities:		
Net income	**$ 59,211,438**	$ 23,671,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amort of premiums and accretion of discounts on investments	**13,325,690**	9,605,518
Provision for Northstar	**8,363,540**	20,153,557
Realized gain on disposition of available for sale investments	**(392,817)**	(985,616)
Proceeds from sale of loans held for sale	**(71,274,045)**	(150,560,526)
Origination of loans held for sale	**67,869,320**	150,164,582
Net gains on sales of loans held-for-sale	**(650,193)**	(2,911,561)
Net gains on sales of participation loans	**(33,794)**	-
Provision for loan losses	**4,258,692**	16,275,000
Amortization of deferred loan costs	**3,601,119**	3,090,462
Depreciation and amortization	**7,265,718**	7,065,677
Net change in:		
Mortgage servicing rights	**(2,064,873)**	209,840
Equity Securities	**(9,096,239)**	(4,383,826)
Accrued interest receivable	**(914,950)**	(798,001)
Other assets	**(22,197,191)**	(8,986,627)
Receivable from NorthStar	**(11,301,811)**	(27,234,536)
Accrued expenses and other liabilities	**14,574,805**	(9,238,413)
Net cash provided by operating activities	**60,544,409**	25,136,609
Investing activities:		
Purchases of available-for-sale investments	**(574,629,040)**	(1,496,488,386)
Proceeds from maturities of available-for-sale investments	**105,000,000**	118,646,052
Proceeds from prepayments of available-for-sale investments	**289,183,189**	1,173,200,150
Proceeds from sale of available-for-sale investments	**11,859,060**	12,983,253
Purchases of held-to-maturity investments	**(837,811,444)**	(1,098,568,238)
Proceeds from maturities of held-to-maturity investments	**77,450,077**	58,200,000
Proceeds from prepayments of held-to-maturity investments	**582,872,786**	659,836,027
Net change in other investments	**485,240**	494,421
Loan principal collections (originations), net	**(439,212,118)**	(247,489,959)
Whole loans purchased	**(41,245,662)**	(25,747,361)
Participation loans purchased	**(4,776,879)**	(17,712,773)
Proceeds from sale of participation loans	**97,634,929**	-
Proceeds from sale of taxi medallions	**3,790,000**	-
Increase in the National Credit Union Share Insurance Fund deposit	**(6,533,461)**	(5,751,183)
Purchases of property and equipment	**(2,495,436)**	(5,208,358)
Net cash used in investing activities	**$ (738,428,759)**	$ (873,606,355)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

Years ended 31 December,

	2021	2020
Financing activities:		
Net increase in members' shares	**$ 659,494,897**	$ 834,082,102
Proceeds from borrowings	**275,000**	400,002
Repayments of borrowings	**(275,000)**	(400,002)
Net cash provided by financing activity	**$ 659,494,897**	$ 834,082,102
Decrease in cash and cash equivalents	**$ (18,389,453)**	$ (14,387,644)
Cash and cash equivalents at beginning of year	**201,900,368**	216,288,012
Cash and cash equivalents at end of year	**$ 183,510,915**	$ 201,900,368
Supplemental cash flow information:		
Interest paid	**$ 22,543,623**	$ 34,057,904

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the United Nations Federal Credit Union and its wholly owned subsidiaries, UNFCU Advisors LLC and UNFCU Financial Services LLC (collectively, "UNFCU"). The subsidiaries are primarily engaged in investments, insurance products, and financial planning service activities. All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

UNFCU is a cooperative association holding a charter under the provisions of the Federal Credit Union Act. Participation in UNFCU is limited to those individuals who qualify for membership, including but not limited to employees of the United Nations and its affiliated agencies, employees of many permanent missions to the United Nations, members of the United Nations Association of the United States of America ("UNA-USA"), members of Kilimanjaro Initiative USA ("KI USA") as well as their immediate family members. The field of membership is more specifically defined in UNFCU's Charter and Bylaws.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include the valuation of securities, mortgage servicing rights, and the determination of the allowance for loan losses. In March 2020, the World Health Organization (WHO) declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. This global pandemic brings additional uncertainties and susceptibility to significant change in the near term to the Credit Union's determination of allowance for loan losses.

Concentrations of Credit Risk

The loan portfolio has a significant concentration in collateralized real estate loans, which present a lower credit risk due to the collateral. The remainder of the loan portfolio is well diversified and UNFCU does not have any significant concentrations of credit risk.

Cash and Cash Equivalents

For the purpose of the consolidated statements of financial position and the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from financial institutions, federal funds sold and highly liquid debt instruments classified as cash which were purchased with maturities of three months or less. Amounts due from financial institutions may exceed federally insured limits. Some of UNFCU's cash and cash equivalents are denominated in a foreign currency, which may expose UNFCU to foreign currency risk.

Investments

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Equity securities, consisting of common stock, exchange traded funds, options and preferred stock, and trading debt securities are recorded at fair value with changes in fair value included in earnings.

NOTE 1 (continued)

Securities not classified as "held-to-maturity" or equity are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Realized gains and losses on securities available-for-sale are included in Other non-interest income or expense and, when applicable, are reported as a reclassification adjustment in Other Comprehensive Income (Loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the life of the asset or to the call date.

Declines in the fair value of individual available-for-sale and held-to-maturity securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In determining whether other-than-temporary impairment exists, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of UNFCU to retain its investment in the issue 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 are determined using the specific identification method.

Federal Home Loan Bank Stock

UNFCU is required to hold Federal Home Loan Bank of New York ("FHLB") stock equal to the sum of 0.2% of mortgage-related assets and 4.5% of outstanding FHLB borrowings. UNFCU has met these requirements for both 2021 and 2020.

No ready market exists for the FHLB stock, and it has no quoted market value. Therefore, UNFCU's investment in FHLB stock is carried at cost and tested for impairment. At 31 December 2021 and 2020, management did not believe the stock was impaired. UNFCU's FHLB stock is included in Other Investments in the accompanying consolidated statements of financial position.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at fair value.

Loans Receivable

UNFCU grants commercial, mortgage and consumer loans to members. In addition, UNFCU has purchased consumer, real estate, and commercial loan participations originated by various other credit unions. All of these loan participations were purchased without recourse.

Loans that UNFCU has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at their outstanding unpaid principal balances, net of deferred fees (costs), less an allowance for loan losses. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

The accrual of interest income on loans is discontinued at the time the loan is 90 days past due, unless the credit is well secured and in the process of collection. Other personal loans are typically charged off no later than 180 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if the collection of principal and interest is considered doubtful.

NOTE 1 (continued)

All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income in the period in which the loan goes non-accrual. Interest income on these loans is recognized on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually past due are brought current and future payments are reasonably assured.

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 methods approximating the interest method over the estimated life of the loans. The Credit Union does not charge commitment fees.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes that it is likely that a loan balance will not be collected. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, regulatory agencies, as an integral part of their examination process, periodically review UNFCU's allowance for loan losses, and may require UNFCU to make adjustments to the allowance based on their judgment about information available to them at the time of their examinations.

Specific allowances for loan losses are established for impaired loans on an individual basis. A loan is considered impaired when, based on current information and events, it is probable that UNFCU will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement or when the loan is classified as a trouble debt restructuring. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral, if collateral dependent.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. As of 31 December 2021 and 2020, the total of loans that met the U.S. GAAP impaired loan definition amounted to $ 15,605,445 and $ 33,322,020 , respectively.

Large groups of smaller balance homogeneous loans are collectively evaluated for potential loan loss allowances. Accordingly, UNFCU establishes general allowances for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience, and environmental factors. These general allowance factors are developed and applied to the portfolio by loan type. The environmental factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, relative levels of prevailing economic uncertainty, losses that may have been incurred from recent events, and lagging economic data such as housing values and unemployment rates. The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio_segments and their risk characteristics are described as follows:

NOTE 1 (continued)

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than consumer portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating. UNFCU will repossess collateral when all other collection efforts have been exhausted and UNFCU has full and complete access to repossess the collateral.

Commercial: Commercial loans are collateralized by commercial real estate property. UNFCU owns varying percentage of each loan. UNFCU has not experienced any losses on the commercial loan portfolio.

Taxi Medallion: Taxi medallion participation loans are collateralized by taxi medallions, primarily in the cities of New York, Chicago, and Boston. UNFCU owns a percentage of each loan, primarily 90%. The introduction of application-based mobile ride services, such as Uber and Lyft, have generated increased competition in the ride hailing service sector, resulting in a reduction in taxi utilization and, as a result, a reduction in the collateral value and credit quality of taxi medallion loans. In 2021, UNFCU sold its entire taxi medallion portfolio that resulted in a decrease of $17,758,412 to the allowance for loan losses and a recovery of $2,346,976 on prior loan losses.

In March 2020, the WHO declared the spread of COVID-19 a worldwide pandemic. The effect of the pandemic and the related efforts to stem the spread of the virus on the Credit Union and its members is difficult to assess as of the date of these financial statements due to the recent occurrence of the event. However, based on the scope and nature of the Credit Union's members and other factors, management does not believe there will be a significant effect on the level of loan losses due to the pandemic itself or to the related operational challenges the Credit Union is facing.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a Trouble Debt Restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

The Credit Union has concluded that the impairment impact of TDRs on its consumer loans (generally lower balance loans having original maturities of 60 months or less and average lives less than 36 months) is insignificant to the consolidated financial statements. As such these impairments are not individually tracked but rather are adequately included in the loss allowance provided on a pooled basis for the consumer loan portfolio.

On March 27, 2020, United States Congress passed into law the Coronavirus Aid, Relief, and Economies Security (CARES) Act. The CARES Act provided relief from accounting requirements under U.S GAAP when modifying loans from borrowers impacted by COVID-19. In order to qualify, the modification must be related to COVID-19, the loan must have been of current payment status as of December 31, 2019, and the modification must be granted prior to the earlier of December 31, 2021 or 60 days after the end of the declared national emergency. Under the CARES Act, these loan modifications would not be considered to be TDRs.

NOTE 1 (continued)

The Credit Union assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Pass: Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management's close attention.

Special Mention: Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

Substandard: Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as Loss are considered uncollectable and anticipated to be charged off.

Loan Servicing and Mortgage Servicing Rights

U.S. GAAP requires UNFCU to recognize as a separate asset the right to service mortgage loans for others. An institution that acquires mortgage servicing rights through either the purchase or the origination of mortgage loans and sells those loans with servicing rights retained must allocate a portion of the cost of the loans to the mortgage servicing rights. UNFCU could elect to either amortize the mortgage servicing rights over the life of the loan or carry the mortgage servicing rights at fair value. Under both methodologies, the mortgage servicing rights would be tested for impairment. UNFCU has elected to initially and subsequently measure the mortgage servicing rights for the consumer mortgage loans using the fair value method. Under the fair value method, the servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

NOTE 1 (continued)

Property and Equipment, net

Land is carried at cost. Leasehold improvements, buildings, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Building, furniture 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.

Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations. Intangible assets with finite useful lives are amortized and goodwill and intangible assets with indefinite lives are not amortized, but rather tested at least annually for impairment.

UNFCU tests goodwill for impairment annually and evaluates changes in circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying amount. No impairment charge were recorded for the years ended December 31, 2021 and 2020.

Long-Lived Assets

U.S. GAAP requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. UNFCU periodically reevaluates the original assumptions and rationale utilized in the establishment of the carrying value and estimated lives of its long-lived assets. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate income from operations and positive cash flow in future periods as well as the strategic significance of the asset in UNFCU's business objectives.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from UNFCU, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) UNFCU does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

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

National Credit Union Share Insurance Fund Deposit

The deposit in the National Credit Union Share Insurance Fund ("NCUSIF") is in accordance with National Credit Union Administration ("NCUA") regulations, which require the maintenance of a deposit by each federally insured credit union in an amount equal to 1% of its insured member's shares. The deposit would be refunded to UNFCU if its insurance coverage is terminated, if it converts its insurance coverage to another source, or if management of the fund is transferred from the NCUA Board.

NOTE 1 (continued)

NCUSIF Insurance Premium

When assessed, NCUSIF insurance premiums are included in non-interest expense operations. There were no premiums assessed in 2021 or 2020.

In 2021, UNFCU recieved $4,812,000 from the NCUSIF as a partial recovery for UNFCU's investment in Members United Corporate Credit Union, which were placed into conservation in September 2010.

Members' Shares

Members' shares are the savings deposit accounts of the owners of UNFCU. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of UNFCU upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by UNFCU. Dividend rates are set by UNFCU's Board of Directors.

Non-interest income

UNFCU primarily earns non-interest income from members' share service charges and fees, fees earned for servicing mortgage loans for others, and gains from the sale of mortgage loans. One additional form of non-interest income is commission revenue from insurance brokerage services. Commission revenues are recognized at the latter of the billing or the effective date of the related insurance policies, net of an allowance for estimated policy cancellations. Commission revenues related to installment premiums are recognized periodically as billed. Contingent commissions and commissions on premiums directly billed by insurance carriers are recognized as revenue when the data necessary to reasonably determine such amounts has been obtained. A contingent commission is a commission paid by an insurance carrier that is based on the overall profit and/or volume of the business placed with that insurance carrier. Commissions on premiums billed directly by insurance carriers relate to a large number of small premium transactions, whereby the billing and policy issuance process is controlled entirely by the insurance carrier. Typically, these types of commission revenues cannot be reasonably determined until the cash or the related policy detail is received from the insurance carriers. The income effects of subsequent premium adjustments are recorded when the adjustments become known.

Income Taxes

UNFCU, as a credit union, is exempt, by statute, from federal and state income taxes and the credit union's wholly owned subsidiaries are single member limited liability companies and, as such, are not subject to income tax.

Marketing Costs

Marketing costs are included as part of Operations in the Consolidated Statement of Income and are expensed as incurred. Marketing expenses for 2021 and 2020 amounted to $1,017,463 and $762,993 respectively.

Pension Plan

UNFCU has a qualified, noncontributory defined-benefit pension plan covering substantially all of its employees. UNFCU's policy is to fund an amount in excess of the minimum amount required under the Employee Retirement Income Security Act of 1974 ("ERISA").

NOTE 1 (continued)

Other Retirement Plans

Deferred Compensation Plan [Section 457(b)] – The Credit Union has a non-qualified deferred compensation plan for members of management. The Credit Union may make discretionary contributions to the plan and employees are allowed to contribute to the plan. The deferred compensation accounts are shown as both assets and liabilities on the Credit Union's consolidated financial statements and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation arrangement was $4,791,478 and $4,019,996 as of December 31, 2021 and 2020, respectively. There were no deferred compensation expenses for the years ended December 31, 2021 and 2020 respectively.

Deferred Compensation Plan [Section 457(f)] – The Credit Union has non-qualified deferred compensation plans for members of management. Under the terms of the plans, the participants are entitled to the earnings and appreciation on the deferred compensation plan benchmarking investments. The deferred compensation benchmarking investments are shown as assets on the Credit Union's consolidated financial statements and are available to creditors in the event of the Credit Union's liquidation. At December 31, 2021 and 2020, deferred compensation investments totalled $4,057,770 and $4,463,241 respectively, and are invested in mutual funds, bonds, etc. Deferred compensation expenses (revenues) were $218,402 and $(114,243) for the years ended December 31, 2021 and 2020 respectively.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and pension related adjustments, are reported as a separate component of the members' equity section of the statements of financial condition. For 2021 and 2020, other comprehensive income included adjustments for available-for-sale securities in the amounts of $(392,817) and $(985,616) respectively. Pension related amortization of net loss in the amounts of $1,828,503 and $1,591,815 for 2021 and 2020 respectively.

Revenue from Contracts with Customers

The Credit Union recognizes revenue in accordance with Revenue from Contracts with Customers (Topic 606) and does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as gain or loss associated with mortgage servicing rights, investment transactions, derivatives, and insurance are also not within the scope of the new guidance. Topic 606 is applicable to noninterest income such as trust and asset management income, deposit related fees, interchange fees, merchant related income, and annuity and insurance commissions. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Noninterest income considered to be within the scope of Topic 606 is discussed below.

Service Charges and Deposit Account Fees: UNFCU earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, wire processing, and ACH fees, are recognized at the time the transaction is executed as that is the point in time

UNFCU fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which UNFCU satisfies the performance obligation.

Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

NOTE 1 (continued)

Bankcard Fees: When customers use their debit cards or credit cards to pay merchants for goods or services, UNFCU receives interchange revenue from VISA for UNFCU's processing of each transaction. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network.

Investment Commissions and Fees: UNFCU receives revenue from members for providing advisory service on personal wealth management services. acts as an agent for a third party vendor that provides investment services and products to customers. These fees are part of contractual agreements and the performance obligations are satisfied upon completion of services. The fees are generally a fixed flat annual rate or based on percentage of the account's market value per the contract with the customer and revenue is recognized over time as earned.

Insurance Commissions and Fees: UNFCU's insurance revenue has two distinct performance obligations. The first performance obligation is the selling of the policy as an agent for the carrier. This performance obligation is satisfied upon binding of the policy. The second performance obligation is the ongoing servicing of the policy which is satisfied over the life of the policy. For employee benefits, the payment is typically received monthly. For property and casualty, payments can vary, but are typically received at, or in advance, of the policy period.

Other income: UNFCU recognizes other miscellaneous income through a variety of other revenue streams, including late charges on loans, gains on sales of financial assets, rental income, and other fees related to transactions with depositors. These revenue streams are outside of the scope of ASC 606 and are recognized in accordance with the applicable U.S. generally accepted accounting principles. The performance obligations of these types of fees are satisfied as transactions are completed and revenue is recognized upon transaction execution according to established fee schedules with the customers.

Fair Value Measurement

In accordance with U.S. GAAP, assets and liabilities are classified at fair value in one of the three levels, based on the markets in which the assets are traded and the reliability of the most significant assumptions used to determine fair value. These levels are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that UNFCU has the ability to access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active for identical or similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity are developed using the reporting entities' estimates and assumptions, which are believed to reflect those that market participants would use.

Recent Accounting Pronouncements

In February 2016, the FASB approved ASU 2016-02, *Leases (Topic 842).* The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial condition and disclosing key information about leasing arrangements. In November 2021, the FASB approved ASU 2021-10, *Financial Instruments- Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842).* The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2021-10, ASU 2016-02 is effective for the Credit Union for the fiscal year beginning after December 15, 2021 and all interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.

NOTE 1 (continued)

The Credit Union determined the impact of ASU 2016-02 will be immaterial on the consolidated financial statements.

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In November 2020, the FASB approved ASU 2020-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

In November 2021, the FASB approved ASU 2020-19, *Financial Instruments- Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2020-19, ASU 2016-13 is effective for the UNFCU for the fiscal year and all interim periods beginning after December 15, 2022. Early adoption is permitted for the fiscal year beginning after December 15, 2020, including interim periods within this fiscal year. The Credit Union is currently evaluating the impact of ASU 2016-13 and ASU 2020-19 on the consolidated financial statements.

NOTE 2 - INVESTMENTS

Investments classified as Equity, at fair value, consist of the following:

	31 December	
	2021	2020
Equity Securities	**$ 33,389,776**	$ 24,293,537

Equity gains (losses) are included as part of Other non-interest income in the Consolidated Statements of Income. For the years ended December 31, 2021 and 2020 respectively, the net gains (losses) on Equity securities were $ 3,802,802 and $ (7,384).

In 2021 and 2020, corporate obligations consisted of the exchange traded debt and corporate bonds. Investments classified as available-for-sale consist of the following:

31-December 2021	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
US government obligations	**$ 37,067,305**	**$ 138,069**	**$ (526,991)**	**$ 36,678,383**
Agency/GSE debt	**1,057,177,508**	**92,865**	**(20,594,092)**	**1,036,676,281**
Mortgage-backed securities	**68,326**	**617**	**-**	**68,943**
Corporate Obligations	**60,168,873**	**332,960**	**(345,809)**	**60,156,024**
	$ 1,154,482,012	**$ 564,511**	**$ (21,466,892)**	**$ 1,133,579,631**

NOTE 2 (continued)

31-December 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
US government obligations	$ 37,383,498	$ 355,106	$ -	$ 37,738,604
Agency/GSE debt	902,328,200	1,558,455	(265,429)	903,621,226
Mortgage-backed securities	72,943	691	-	73,634
Corporate obligations	43,888,655	1,365,775	(4,765)	45,249,665
	$ 983,673,296	$ 3,280,027	$ (270,194)	$ 986,683,129

Investments classified as held-to-maturity consist of the following:

31-December 2021	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Bank obligations	**$ 58,266,350**	**$ 353,650**	**$ (385,593)**	**$ 58,234,407**
Municipal bonds	**428,699,980**	**2,742,375**	**(4,738,756)**	**426,703,599**
Mortgage-backed securities	**1,002,047,073**	**4,195,478**	**(10,505,233)**	**995,737,318**
Small Business Administration	**231,645,507**	**1,685,814**	**(1,989,587)**	**231,341,734**
	$ 1,720,658,910	**$ 8,977,317**	**$ (17,619,169)**	**$ 1,712,017,058**

31-December 2020	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bank obligations	$ 63,510,504	$ 1,340,194	$ -	$ 64,850,698
Municipal bonds	322,518,151	7,326,863	(22,390)	329,822,624
Mortgage-backed securities	1,021,918,405	8,755,065	(2,133,692)	1,028,539,778
Small Business Administration	150,378,068	2,946,052	(1,115,855)	152,208,265
	$ 1,558,325,128	$ 20,368,174	$ (3,271,937)	$ 1,575,421,365

Investments by maturity as of 31 December 2021 are summarized as follows:

	Available-for-Sale		**Held-to-Maturity**	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Less than 1 year maturity	**$ 9,991,804**	**$ 10,081,200**	**$ 95,897,575**	**$ 99,897,332**
1 - 5 years maturity	**797,985,373**	**784,226,775**	**320,864,316**	**316,160,860**
5 - 10 years maturity	**342,936,509**	**335,743,463**	**70,204,439**	**68,879,814**
Over 10 years maturity	**3,500,000**	**3,459,250**	**-**	**-**
Mortgage-backed securities	**68,326**	**68,943**	**1,002,047,073**	**995,737,318**
Small Business Administratior	**-**	**-**	**231,645,507**	**231,341,734**
	$ 1,154,482,012	**$ 1,133,579,631**	**$ 1,720,658,910**	**$ 1,712,017,058**

NOTE 2 (continued)

Investments by maturity as of 31 December 2020 are summarized as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 1 year maturity	$ 104,432,435	$ 105,371,980	$ 96,681,101	$ 97,234,648
1 - 5 years maturity	498,624,432	500,233,574	221,408,849	228,363,357
5 - 10 years maturity	376,027,518	376,280,848	67,938,705	69,075,317
Over 10 years maturity	4,515,968	4,723,093	-	-
Mortgage-backed securities	72,943	73,634	1,021,918,405	1,028,539,778
Small Business Administration	-	-	150,378,068	152,208,265
	$ 983,673,296	$ 986,683,129	$ 1,558,325,128	$ 1,575,421,365

Expected maturities of mortgage-backed securities and Small Business Administration securities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations and are, therefore, classified separately with no specific maturity date.

At 31 December 2021, there were 419 securities in an unrealized loss position of which 77 have unrealized losses for a period of 12 months or longer and 342 for a period of less than 12 months. At 31 December 2020, the investment portfolio included 183 securities in an unrealized loss position of which 52 had current unrealized losses for a period of 12 months or longer and 131 for a period of less than 12 months. All of these securities are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes the decline in fair value for these securities is temporary. In addition, UNFCU has the intent and ability to hold these investment securities, and does not believe it will be required to sell for a period of time sufficient to allow for an anticipated recovery or maturity.

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position at 31 December 2021 and 2020 are as follows:

		Continuous Unrealized Losses Existing for		
Available-for-Sale	**Fair Value**	**Less than 12 Months**	**12 Months or Longer**	**Total Unrealized Losses**
US government obligations	**$ 39,368,926**	**$ (526,991)**	**$ -**	**$ (526,991)**
Federal agencies	**1,021,011,043**	**(17,773,837)**	**(2,820,255)**	**(20,594,092)**
Corporate Obligations	**34,532,614**	**(345,809)**	**-**	**(345,809)**
	$ 1,094,912,583	**$ (18,646,637)**	**$ (2,820,255)**	**$ (21,466,892)**
Held-to-Maturity				
Bank Obligations	**$ 58,234,407**	**$ (385,593)**	**$ -**	**$ (385,593)**
Municipal bonds	**426,703,599**	**(4,571,151)**	**(167,605)**	**(4,738,756)**
Mortgage-backed securities	**2,039,563**	**(10,012,282)**	**(492,951)**	**(10,505,233)**
Small Business Administration	**231,341,734**	**(1,173,955)**	**(815,632)**	**(1,989,587)**
	$ 718,319,303	**$ (16,142,981)**	**$ (1,476,188)**	**$ (17,619,169)**

NOTE 2 (continued)

		Continuous Unrealized Losses Existing for:		
Available-for-Sale	Fair Value	Less than 12 Months	12 Months or Longer	Total Unrealized Losses
US government obligations	$ -	$ -	$ -	$ -
Federal agencies	218,444,139	(265,429)	-	(265,429)
Corporate Obligations	3,487,035	(4,765)	-	(4,765)
	$ 221,931,174	$ (270,194)	$ -	$ (270,194)
Held-to-Maturity				
Bank Obligations	$ -	$ -	$ -	$ -
Municipal bonds	6,120,900	(22,390)	-	(22,390)
Mortgage-backed securities	362,707,048	(2,054,387)	(79,305)	(2,133,692)
Small Business Administration	72,410,000	(139,766)	(976,089)	(1,115,855)
	$ 441,237,948	$ (2,216,543)	$ (1,055,394)	$ (3,271,937)

Other investments consist of the following:

	31 December	
	2021	2020
Federal Home Loan Bank Stock	**$ 7,405,600**	$ 7,890,900
Community Money Market Investment Fund -NCB	**250,000**	250,000
Certificates of deposits in credit unions	**260,658**	260,598
	$ 7,916,258	$ 8,401,498

Certificates are generally non-negotiable and non-transferable, and may incur substantial penalties for withdrawal prior to maturity.

NOTE 3 - LOANS

Loans held for sale consist of the following:

	31 December	
	2021	2020
Fixed rate	**$ 7,319,830**	$ 3,915,105
Loans held for sale	**$ 7,319,830**	$ 3,915,105

NOTE 3 (continued)

Loans receivable, net of deferred loan fees (costs) consist of the following:

	31 December 2021	2020
Mortgage loans		
Fixed rate	**$ 1,296,790,347**	$ 905,505,228
Variable rate	**2,065,761,208**	2,041,006,076
Hybrid/Balloon	**437,554**	449,597
Home equity line of credit, variable rate	**50,663,536**	58,280,397
Loan participations	**6,599,860**	9,769,147
	3,420,252,505	3,015,010,445
Consumer loans		
Auto loans	**10,273,894**	9,443,947
Home improvement	**49,954,690**	47,549,688
Share secured	**14,863,927**	13,621,277
Credit card loans, unsecured	**146,308,052**	135,907,748
Loan participations	**63,892,444**	108,993,190
Consumer loans, primarily unsecured	**445,942,434**	429,710,418
	731,235,441	745,226,268
Commercial loans		
Commercial real estate	**8,404,929**	-
Real estate participations	**37,630,862**	56,752,241
Taxi Medallion participations	**-**	19,686,472
	46,035,791	76,438,713
Loans, gross	**4,197,523,737**	3,836,675,426
Allowance for loan losses	**(19,798,515)**	(35,584,111)
	$ 4,177,725,222	$ 3,801,091,315

UNFCU has purchased auto, student, home, home improvement and commercial loan participations from various credit unions. All of these loan participations were purchased without recourse. UNFCU has also purchased whole mortgages from credit unions and correspondent brokers. No loans were purchased with deteriorated credit quality.

UNFCU offers variable rate mortgages and balloon mortgages to its members. Variable rate mortgages have an initial introductory rate for either 1, 3, 5, 6, 7, or 10 years. After this period the annual percentage rate adjusts to the fully indexed rate (index plus margin). UNFCU variable rate mortgages have annual and lifetime rate caps to minimize payment shock to borrowers. UNFCU also offers balloon loans to members whereby payments are based on a 30 year amortization but the loan balance becomes due and payable at the end of a specified 7, 10 or 15 year period. Variable rate and balloon mortgages may have significantly different credit risk characteristics than traditional fixed rate mortgages. However, UNFCU believes it has established prudent underwriting standards as well as adequate risk management functions to monitor these additional risks.

NOTE 3 (continued)

In 2021, the credit union sold the entire taxi medallion portfolio that resulted in a decrease of $17,758,412 to the allowance for loan losses and a recovery of $2,346,976 on prior loan losses. The following table shows the activity in the allowance for loan losses for the year ended 31 December 2021:

	Mortgage Loans	Commercial Loans	Consumer Loans	Total
Balance, beginning of the year	**$ 7,317,823**	**$ 17,023,385**	**$ 11,242,903**	**$ 35,584,111**
Provision for loan losses	**597,047**	**(542,434)**	**4,204,079**	**4,258,692**
Loans charged-off	**-**	**(18,490,620)**	**(5,391,381)**	**(23,882,001)**
Recoveries	**-**	**2,346,976**	**1,490,737**	**3,837,713**
Balance at end of year	**$ 7,914,870**	**$ 337,307**	**$ 11,546,338**	**$ 19,798,515**

The following table shows the activity in the allowance for loan losses for the year ended 31 December 2020:

	Mortgage Loans	Commercial Loans	Consumer Loans	Total
Balance, beginning of the year	$ 5,055,282	$ 14,629,957	$ 7,413,208	$ 27,098,447
Provision for loan losses	2,564,126	3,522,474	10,188,400	16,275,000
Loans charged-off	(361,429)	(1,129,046)	(7,620,463)	(9,110,938)
Recoveries	59,844	-	1,261,758	1,321,602
Balance at end of year	$ 7,317,823	$ 17,023,385	$ 11,242,903	$ 35,584,111

The following table shows the ending balance of allowance for loan losses by loan type and the allowance for loan losses based on the impairment method used at 31 December 2021:

	Allowance for Credit Losses	
	Individually Evaluated for Impairment Ending Balance	**Collectively Evaluated for Impairment Ending Balance**
Mortgage loans	**$ 1,527,290**	**$ 6,387,580**
Consumer loans	**-**	**11,546,338**
Commercial loans	**-**	**337,307**
Total	**$ 1,527,290**	**$ 18,271,225**

NOTE 3 (continued)

The following table shows the ending balance of allowance for loan losses by loan type and the allowance for loan losses based on the impairment method used at 31 December 2020:

	Allowance for Credit Losses	
	Individually Evaluated for Impairment Ending Balance	Collectively Evaluated for Impairment Ending Balance
Mortgage loans	$ 1,047,979	$ 6,269,844
Consumer loans	-	11,242,903
Commercial loans	16,588,163	435,222
Total	$ 17,636,142	$ 17,947,969

The following table shows an age analysis of loans at 31 December 2021:

	Current	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**Greater than 90 Days**	**Total Loans**
Mortgage loans	**$3,403,286,499**	**$ 14,014,035**	**$ 1,115,433**	**$ 1,836,538**	**$3,420,252,505**
Consumer loans	**720,700,583**	**6,787,900**	**1,701,820**	**2,045,138**	**731,235,441**
Commercial loans	**46,035,791**	**-**	**-**	**-**	**46,035,791**
Total	**$4,170,022,873**	**$20,801,935**	**$ 2,817,253**	**$ 3,881,676**	**$4,197,523,737**

The following table shows an age analysis of loans at 31 December 2020:

	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Loans
Mortgage loans	$ 2,984,940,144	$ 26,529,308	$ 834,298	$ 2,706,695	$ 3,015,010,445
Consumer loans	734,856,179	6,848,716	1,319,036	2,202,337	745,226,268
Commercial loans	58,760,148	5,736,904	884,921	11,056,740	76,438,713
Total	$ 3,778,556,471	$ 39,114,928	$ 3,038,255	$ 15,965,772	$ 3,836,675,426

The following table shows the recorded investment, unpaid principal balance, allocated allowance for loan losses and interest income recognized for loans that were considered impaired at 31 December 2021:

	Recorded Investment	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recongnized**
With no related allowance recorded:					
Mortgage loans	**$ 3,156,612**	**$ 2,951,971**	**$ -**	**$ 2,978,969**	**$ 27,853**
With an allowance recorded:					
Mortgage loans	**12,653,474**	**12,653,474**	**1,527,289**	**12,151,474**	**113,616**
Commercial loans	**-**	**-**	**-**	**9,623,266**	**89,978**
Total impaired loans	**$ 15,810,086**	**$15,605,445**	**$ 1,527,289**	**$ 24,753,709**	**$ 231,447**

NOTE 3 (continued)

The following table shows the recorded investment, unpaid principal balance, allocated allowance for loan losses and interest income recognized for loans that were considered impaired at 31 December 2020:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recongnized
With no related allowance recorded:					
Mortgage loans	$ 3,702,854	$ 3,540,993	$ -	$ 3,333,622	$ 32,669
With an allowance recorded:					
Mortgage loans	10,094,555	10,094,555	1,047,979	12,207,856	119,637
Commercial loans	19,686,472	19,686,472	16,588,163	19,981,649	195,820
Total impaired loans	$ 33,483,881	$ 33,322,020	$ 17,636,142	$ 35,523,127	$ 348,126

The following table shows our loans that are on non-accrual status and 90 days or more past due and still accruing interest as of 31 December:

	2021	2020
Loans 90 days or more past due and still accruing:		
Consumer loans	**$ 327,936**	$ 548,934
Total	**327,936**	548,934
Non-accrual loans:		
Mortgage loans	**1,836,538**	2,706,695
Consumer loans	**1,717,202**	1,653,403
Commercial loans	**-**	11,056,740
Total	**3,553,740**	15,416,838
Total pass due loans	**$ 3,881,676**	$ 15,965,772

Mortgage loans secured by residential real estate properties of which formal proceedings are in process of foreclosure for the years ending 31 December 2021 and 2020 were $0 and $2,170,031, respectively.

NOTE 3 (continued)

Section 4013 of the CARES Act allows institutions to provide COVID-19 loan modification program designed to give members in good standing more access to financial services and products during this difficult time. This includes allowing institutions to provide forbearance agreements, interest rate modifications, repayment plans and any other similar arrangements that defers or delays the payment of principal or interest while suspending the accounting requirements under ASC 310-40 Trouble Debt Restructuring. The following table summarizes such modifications during 2021 and 2020:

	Modifications classified under Section 4013 of the CARES Act completed in 2021		**Modifications classified under Section 4013 of the CARES Act outstanding as of December 31 2021**	
	Number of Loans	**Loan Balance**	**Number of Loans**	**Loan Balance**
Mortgage Loans	**72**	**$ 33,684,358**	**5**	**$ 1,200,725**
Commercial Loans	**-**	**-**	**-**	**-**
	72	**$ 33,684,358**	**5**	**$ 1,200,725**

	Modifications classified under Section 4013 of the CARES Act completed in 2020		Modifications classified under Section 4013 of the CARES Act outstanding as of December 31 2020	
	Number of Loans	Loan Balance	Number of Loans	Loan Balance
Mortgage Loans	278	$ 139,939,173	21	$ 8,667,001
Commercial Loans	30	11,150,007	30	11,150,007
	308	$ 151,089,180	51	$ 19,817,008

The following table summarizes the activity related to information on troubled debt restructuring that occurred during 2021 and 2020:

Modifications Approved During 2021

Troubled Debt Restructurings	**Number of Contracts**	**Pre-modification Outstanding Recorded**	**Post-modification Outstanding Recorded**	**Subsequent Number of TDR that Defaulted**	**Pre-modification Outstanding Recorded**	**Post-modification Outstanding Recorded**
Mortgage	**4**	**$ 5,068,664**	**$ 5,068,664**	**-**	**$ -**	**$ -**
Consumer	**9**	**$ 516,535**	**$ 516,535**	**5**	**$ 156,020**	**$ 156,020**
Commercial	**-**	**$ -**	**$ -**	**-**	**$ -**	**$ -**

Modifications Approved During 2020

Troubled Debt Restructurings	Number of Contracts	Pre-modification Outstanding Recorded	Post-modification Outstanding Recorded	Subsequent Number of TDR that Defaulted	Pre-modification Outstanding Recorded	Post-modification Outstanding Recorded
Mortgage	2	$ 518,605	$ 518,605	-	$ -	$ -
Consumer	13	$ 716,525	$ 716,525	3	$ 104,100	$ 104,100
Commercial	3	$ 1,375,662	$ 994,620	1	$ 521,103	$ 387,120

NOTE 3 (continued)

Commercial risk rating by risk profile as of 31 December 2021 are summarized as follows:

Risk Rating:	**Real Estate Originated**	**Real Estate Participation**	**Taxi Medallion Participation**	**Total**
Pass	**$ 8,404,929**	**$ 37,630,862**	**$ -**	**$ 46,035,791**
Special Mention	**-**	**-**	**-**	**-**
Substandard	**-**	**-**	**-**	**-**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**-**	**-**
Total	**$ 8,404,929**	**$ 37,630,862**	**$ -**	**$ 46,035,791**

Commercial risk rating by risk profile as of 31 December 2020 are summarized as follows:

Risk Rating:	Real Estate Originated	Real Estate Participation	Taxi Medallion Participation	Total
Pass	$ -	$ 53,191,820	$ -	$ 53,191,820
Special Mention	-	3,560,421	-	3,560,421
Substandard	-	-	-	-
Doubtful	-	-	19,686,472	19,686,472
Loss	-	-	-	-
Total	$ -	$ 56,752,241	$ 19,686,472	$ 76,438,713

NOTE 4 - LOAN SERVICING

Mortgage loans serviced for other institutions are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at 31 December 2021 and 2020 were approximately $388,028,319 and $300,860,632 respectively.

UNFCU records Mortgage Servicing Rights ("MSR") when mortgage loans are sold and UNFCU retains the right to service the loans. MSR's are recorded at fair value, with changes in fair value recorded in Non-interest income. MSR valuations are sensitive to interest rate and prepayment risk.

The assumptions used in determining the fair value of capitalized mortgage servicing rights were as follows:

	2021	2020
Prepayment rate	**5.73%**	10.38%
Discount rate	**7.50%**	7.50%

NOTE 4 (continued)

The changes in fair value of MSRs during 2021 and 2020 were as follows:

	2021	2020
Balance, beginning of period	**$ 2,229,907**	$ 2,439,747
Additions	**2,143,197**	994,138
Expirations	**-**	-
Loss on change in fair value	**(78,324)**	(1,203,978)
Balance, end of period	**$ 4,294,780**	$ 2,229,907

All changes in fair value are as a result of changes to valuation model inputs and assumptions.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows:

	31 December	
	2021	2020
Land	**$ 12,159,400**	$ 12,159,400
Building	**104,913,857**	104,798,987
Furniture and equipment	**43,001,402**	45,198,868
Leasehold improvements	**10,420,293**	10,397,155
Property and equipment, gross	**170,494,952**	172,554,410
Accumulated depreciation	**(66,299,911)**	(63,753,334)
Property and equipment, net	**$ 104,195,041**	$ 108,801,076

The fully depreciated assets removed from property and equipment for 2021 and 2020 amounted to $ 4,549,674 and $9,143,696 , respectively. Assets that have not yet been placed in-service but included in property and equipment for 2021 and 2020 amounted to $ 484,782 and $ 1,967,286 respectively.

For the years ended 31 December 2021 and 2020, depreciation expense was $ 7,101,471 and $ 6,871,773 , respectively.

Rental expense for the years ended 31 December 2021 and 2020 for all facilities leased under operating leases totaled $1,859,000 and $1,818,330 respectively. In addition, UNFCU has rental arrangements with the sponsor organization for New York and overseas locations. The rental expense for these locations for the years ended 31 December 2021 and 2020 totaled $1,026,000 and $1,012,000, respectively.

NOTE 5 (continued)

Future lease expense with remaining terms of one year or more at 31 December 2021 are as follows:

Year ending 31 December		
2022	$	1,013,000
2023		794,000
2024		264,000
2025		110,000
2026		-
Thereafter		-
	$	2,181,000

NOTE 6 – INTANGIBLE ASSETS

Intangible assets are comprised of the following at 31 December 2021 and 2020:

		2021		2020	Useful Life
Expirations	$	2,874,329	$	2,874,329	20 years
Tradenames		97,832		97,832	Indefinite
		2,972,161		2,972,161	
Accumulated amortization		(1,970,969)		(1,806,722)	
Intangible assets, net	$	1,001,192	$	1,165,439	

Expirations refer to the ownership of insurance policy renewal rights for individual clients that are placed with third party insurance carriers.

Amortization expense for the years ended 31 December 2021 and 2020 was $164,247 and $193,904 , respectively. All amortization was recorded in selling, general, and administrative expense in the Consolidated Statements of Income.

The annual estimated amortization expense for the UNFCU's acquired intangible assets for the next five years and thereafter is as follows:

Year ending 31 December		
2022	$	150,560
2023		136,873
2024		123,186
2025		109,498
2026		95,811
Thereafter		287,432
	$	903,360

NOTE 7 - RENTAL INCOME

UNFCU leases office space to third parties. Rental income for the years ended December 2021 and 2020 from these operating leases was approximately $4,127,000 and $4,163,000 for the years ended December 2021 and 2020, and is included in other non-interest income.

Future minimum rental payments under operating leases with initial or remaining terms of one year or more at 31 December 2021 are as follows:

Year ending 31 December		
2022	$	4,593,250
2023		4,593,250
2024		4,593,250
2025		4,070,908
2026		4,023,422
Thereafter		19,671,417
	$	41,545,497

NOTE 8 - MEMBERS' SHARES

Members' shares are summarized as follows:

	31 December			
	2021		2020	
Regular shares	$	3,276,103,389	$	3,006,194,538
Checking accounts		1,151,224,117		929,628,347
High yield savings		1,279,685,855		1,012,935,239
Individual retirement shares		8,079,835		8,020,831
Individual retirement certificates		5,100,940		4,936,678
Certificates		1,105,216,612		1,206,747,546
Other		13,835,305		11,287,977
	$	6,839,246,053	$	6,179,751,156

Shares by maturity as of 31 December 2021 are summarized as follows:

No contractual maturity	$	5,728,928,501
0 - 1 year maturity		583,831,723
1 - 2 years maturity		264,109,630
2 - 3 years maturity		197,457,314
3 - 4 years maturity		25,607,407
4 - 5 years maturity		39,311,478
	$	6,839,246,053

Regular shares, checking accounts, money market, individual retirement shares, and other account shares have no contractual maturity. Certificate accounts have maturities of five years or less.

NOTE 8 (continued)

The aggregate amount of uninsured shares at 31 December 2021 and 2020 is approximately $848,991,950 and $732,789,783 , respectively.

The aggregate amount of certificates in denominations of $250,000 or more at 31 December 2021 and 2020 is approximately $248,105,079 and $263,031,535 , respectively.

NOTE 9 - BORROWED FUNDS

UNFCU has a demand loan agreement with FHLB. This FHLB demand loan calls for the pledging of federal agency debentures as collateral for any advances. The approved limit of the FHLB demand loan is up to 30% of UNFCU's total assets. In the event that more would be needed, UNFCU must seek and obtain an exception approval from FHLB to a maximum of 50% of total assets, with interest charged at a rate determined by the lender on a periodic basis.

UNFCU also has a demand loan agreement with the Federal Reserve Bank ("FRB"). This FRB demand loan calls for the pledging of federal agency debentures to a maximum of 50% of the total assets, with interest charged at a rate determined by the lender on a periodic basis.

There were no borrowings outstanding pursuant to either agreement at December 31, 2021 and 2020.

Total credit lines available based on assets pledged as of December 31, 2021:

	2021	2020
FRB	$ 53,378,007	$ 44,430,920
FHLB	21,948,978	36,246,190
	$ 75,326,985	$ 80,677,110

NOTE 10 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Other comprehensive loss is comprised of the following at December 31, 2021 and 2020:

	2021	2020
Pension losses	**$ 24,819,193**	$ 31,598,900
Unrealized (gains)/losses on available-for-sale securities	**20,902,381**	(3,009,833)
	$ 45,721,574	$ 28,589,067

NOTE 11 - OFF-BALANCE SHEET ACTIVITIES

UNFCU is 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 amounts recognized in the consolidated financial statements.

UNFCU's exposure to credit loss is represented by the contractual amount of these commitments. UNFCU follows the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

NOTE 11 (continued)

Outstanding loan commitments at 31 of December 2021 and 2020 total approximately $134,987,152 and $101,436,981 , respectively.

Unfunded loan commitments under lines of credit are summarized as of 31 December 2021 and 2020 follows:

		2021		2020
Home Equity	$	**39,230,000**	$	38,933,000
Credit Card		**489,149,000**		498,649,000
Other Consumer		**60,765,000**		61,227,000
Home Renovation		**3,602,000**		2,892,000
International home build		**5,061,000**		4,940,000
Participation		**4,923,000**		1,429,000
	$	**602,730,000**	$	608,070,000

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. UNFCU evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained to secure borrowing on the lines of credit is based on management's credit evaluation of the member.

Unfunded commitments under home equity lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which UNFCU is committed.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

UNFCU is a party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of UNFCU.

NOTE 13 - EMPLOYEE BENEFIT PLANS

UNFCU sponsors a defined benefit pension plan for the benefit of its employees. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with UNFCU and compensation levels at retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be performed in the future. Plan assets consist primarily of investments in common/collective trust funds.

	31 December			
		2021		2020
Projected Benefit obligation	$	**90,910,588**	$	87,664,556
Fair value of plan assets		**125,250,123**		102,602,645
Funded status		**34,339,535**		14,938,089
Accumulated benefit obligation	$	**79,171,887**	$	77,630,573

NOTE 13 (continued)

	31 December 2021	2020
Net pension cost	$ **2,378,261**	$ 2,772,799
Employer contribution	**15,000,000**	15,000,000
Benefit payments	**4,357,284**	1,981,937

Amounts recognized in the statement of financial condition consist of:

	31 December 2021	2020
Other Assets	$ **34,339,535**	$ 14,938,089

Amounts recognized in accumulated other comprehensive loss consist of:

	31 December 2021	2020
Other losses	$ **24,819,193**	$ 31,598,900
Prior service cost	**-**	-
	$ **24,819,193**	$ 31,598,900

Amounts recognized in net periodic benefit cost and other comprehensive income:

	31 December 2021	2020
Net periodic benefit cost	$ **2,378,261**	$ 2,772,799
Total recognized in other comprehensive income	**(6,779,707)**	5,205,699
Total recognized in net periodic benefit cost and other comprehensive income	$ **(4,401,446)**	$ 7,978,498

The following are the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic pension cost over the next fiscal year ending 31 December 2021:

Other losses	$ **1,828,503**
Prior service cost	$ **-**

	31 December 2021	2020
Assumptions used to determine benefit obligation		
Discount rate	**3.00%**	2.75%
Rate of compensation increase	**2.50%**	2.25%

NOTE 13 (continued)

	31 December 2021	31 December 2020
Assumptions used to determine benefit obligation		
Discount rate	**3.00%**	2.75%
Expected long-term return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**2.50%**	2.25%

The expected long-term rate of return on plan assets was determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

At 31 December 2021, and 2020, the assets of UNFCU's pension plan were invested in the CUNA Mutual Retirement Pension Fund (the "Fund"). The Fund has an investment strategy of investing 65% of its assets in equity securities and 35% of its assets in debt securities.

UNFCU's pension investment strategies are targeted to produce a total return that, when combined with UNFCU's contributions to the plan, will maintain the fund's ability to meet all required benefit obligations. Risk is controlled through diversification of asset types and investments in domestic and international equities, fixed income securities and cash.

Defined benefit pension plan assets measured at fair value on a recurring basis at of 31 December 2021 are summarized below:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**31 December 2021**
Cash Equivalents	**$ 59,942**	**$ 713,031**	**$ -**	**$ 772,973**
Bond Funds	**43,595,428**	**-**	**-**	**43,595,428**
Mutual Funds	**80,881,722**	**-**	**-**	**80,881,722**
	$ 124,537,092	**$ 713,031**	**$ -**	**$ 125,250,123**

NOTE 13 (continued)

Defined benefit pension plan assets measured at fair value on a recurring basis at of 31 December 2020 are summarized below:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2020
Cash Equivalents	$ 48,989	$ 204,071	$ -	$ 253,060
Bond Funds	35,710,402	-	-	35,710,402
Mutual Funds	66,639,183	-	-	66,639,183
	$ 102,398,574	$ 204,071	$ -	$ 102,602,645

UNFCU made pension contributions of $15,000,000 and $15,000,000 to the plan in 2021 and 2020, respectively. There are no contributions expected for 2022.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year ending 31 December	
2022	**$ 438,694**
2023	**631,481**
2024	**807,551**
2025	**1,007,619**
2026	**1,323,168**
5 Years Thereafter	**12,874,499**
	$ 17,083,012

UNFCU has a 401(k) retirement plan that allows employees to defer a portion of their salary. UNFCU matches a portion of employees' wage reductions. Costs are accrued and funded on a current basis. UNFCU contributed $3,741,097 and $3,434,223 , respectively, to the plan for the years ended 31 December 2021 and 2020.

UNFCU has deferred compensation agreements with members of the management team that provides benefits payable to these employees if they remain employed by UNFCU until age 65 or age 55 with five years of service as defined by the agreements. The benefits are subject to forfeiture if employment is terminated on or before the third anniversary of the initial plan election as defined in the agreement.

NOTE 14 - CAPITAL REQUIREMENTS

UNFCU is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on UNFCU's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, UNFCU must meet specific capital guidelines that involve quantitative measures of UNFCU's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. UNFCU's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require UNFCU to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. Further, credit unions over $10,000,000 in assets are also required to calculate a Risk-Based Net Worth ("RBNW") requirement which establishes whether or not UNFCU will be considered "complex" under the regulatory framework. UNFCU's RBNW requirements as of 31 December 2021 and 2020 were 7.80% and 6.68%, respectively. The minimum requirement to be considered "complex" under the regulatory framework is 6%. Management believes, as of 31 December 2021 and 2020, that UNFCU meets all capital adequacy requirements to which it is subject.

As of 31 December 2021, the most recent call reporting period, the NCUA categorized UNFCU as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," UNFCU must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

UNFCU's actual capital amounts and ratios are presented in the following table:

	31 December 2021		31 December 2020	
	Amount	**Ratio/ Requirement**	Amount	Ratio/ Requirement
Amount needed to be classified as "adequately capitalized"	**$ 452,503,568**	**6.00%**	$ 409,941,432	6.00%
Amount needed to be classified as "well capitalized"	**$ 527,920,829**	**7.00%**	$ 478,265,004	7.00%
Actual net worth	**$ 700,506,581**	**9.29%**	$ 641,295,143	9.39%

As presented in the above table, UNFCU's net worth ratio was 9.29% and 9.39% in 2021 and 2020 respectively. Because the RBNW requirement is less than the net worth ratio, UNFCU retains its original category. Further, in performing its calculation of total assets, the NCUA allows credit unions to use the quarter end asset balance as the denominator in the calculation or an average asset balance. UNFCU used the quarter-end balance option.

NOTE 15 - RELATED PARTY TRANSACTIONS

In the normal course of business, UNFCU extends credit to directors, supervisory committee members and executive officers at UNFCU standard rates and terms. The aggregate loans to related parties at 31 December 2021 and 2020 amounted to approximately $ 7,415,287 and $ 7,314,404 , respectively. Deposits from related parties at 31 December 2021 and 2020 amounted to approximately $ 4,255,062 and $ 3,543,027 , respectively.

NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS

UNFCU generally holds its earning assets, other than securities available-for-sale, to maturity and settles it liabilities at maturity. However, fair value estimates are made at a specific point in time and are based on relevant market information. These estimates do not reflect any premium or discount that could result from offering for sale at one time the UNFCU's entire holdings of a particular instrument. Accordingly, as assumptions change, such as interest rates and prepayments, fair value estimates change and these amounts may not necessarily be realized in an immediate sale.

Disclosure of fair value does not require fair value information for items that do not meet the definition of a financial instrument or certain other financial instruments specifically excluded from its requirements. These items include property and equipment, leases, foreclosed properties, and equity.

Further, fair value disclosure does not attempt to value future income or business. These items may be material and accordingly, the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying "market" or franchise value of UNFCU.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

A description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the classification of the instruments pursuant to the valuation hierarchy, is as follows:

Equity: Securities classified as equity are reported using Level 1 inputs. Level 1 securities generally include equity securities valued based on quoted market prices in active markets. UNFCU equity securities include common stocks, exchange traded fund, options and preferred stocks and equities.

Available-for-sale: Securities classified as available-for-sale are reported using Level 1 and Level 2 inputs. UNFCU included US Treasuries in the Level 1 category. Level 2 instruments include U.S. government agency obligations, state and municipal bonds, mortgage-backed securities, collateralized mortgage obligations and corporate bonds. For these securities, UNFCU obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Mortgage servicing rights: The fair value of mortgage servicing rights is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Held for sale loans: Loans in this category are those that have been originated with the intent to be sold in the secondary market. These loans include those with and without sale commitment and are valuated based on end of day market price. The Credit Union uses an independent pricing source for continual pricing for best executed market data.

NOTE 16 (continued)

Derivative loan commitments: Mortgage loan commitments are considered derivative loan commitments if the loan that will result from the exercise of the commitment will be held for sale upon funding. The credit union enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Credit Union to lend funds to a potential borrower at a specified interest rate and within a specific period of time, generally up to 60 days after inception of the rate lock.

Outstanding derivative loan commitments expose the credit union to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases.

Forward loan sale commitments: To protect against the price risk inherent in derivative loan commitments, the credit union utilizes forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. With a forward loan sale contract, the Credit Union commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded.

Common call options: UNFCU sells call options on common equity positions within its equity portfolio. These call options are used to generate additional investment income and to mitigate the risk of price volatility in those securities.

With a common call option, the Credit Union commits to deliver common equity shares of a specified quantity if the strike price is reached. If the strike price is not reached, the option expires. UNFCU receives a premium for selling these options. There were outstanding call options as of December 31, 2021 or 2020.

Hedges: Hedges in this category consist of to-be-announced mortgage backed-securities (TBA), which are forward agreements to purchase or sell mortgage backed-securities with the settlement date being in the future and with the specific security unknown until settlement. The credit union purchased TBA to hedge against the price risk of its mortgages prior to sale. Fair value measurements for TBA are provided by an independent pricing service.

NOTE 16 (continued)

Assets measured at fair value on a recurring basis at 31 December 2021 are summarized below:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Others Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2021
Mortgage Servicing Rights	$ -	$ -	$ 4,294,780	$ 4,294,780
Held For Sale Loans	-	7,319,830	-	7,319,830
Forward Loan Sale Commitments	-	-	-	-
Derivative Loan Commitments	-	18,071	-	18,071
Hedges	-	-	-	-
Equity Securities:				
Common Stock	17,307,689	-	-	17,307,689
Exchange Traded Funds	1,469,952	-	-	1,469,952
Options	-	-	399,570	399,570
Preferred Stock	-	2,544,475	-	2,544,475
Preferred Equities	11,668,090	-	-	11,668,090
Total Equity Securities	30,445,731	2,544,475	399,570	33,389,776
Investment securities available-for-sale:				
US government obligations	36,678,383	-	-	36,678,383
Federal Agencies	-	1,036,676,281	-	1,036,676,281
Mortgage backed securities	-	68,943	-	68,943
Corporate Obligations	-	60,156,024	-	60,156,024
Total investment securities available-for-sale	$ 36,678,383	$ 1,096,901,248	$ -	$ 1,133,579,631

NOTE 16 (continued)

Assets measured at fair value on a recurring basis at 31 December 2020 are summarized below:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Others Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2020
Mortgage Servicing Rights	$ -	$ -	$ 2,229,907	$ 2,229,907
Held For Sale Loans	-	3,915,105	-	3,915,105
Forward Loan Sale Commitments	-	16,709	-	16,709
Derivative Loan Commitments	-	449,691	-	449,691
Hedges	-	(98,672)	-	(98,672)
Equity Securities:				
Common Stock	14,087,162	-	-	14,087,162
Exchange Traded Funds	1,586,640	-	-	1,586,640
Options	-	-	312,930	312,930
Preferred Stock	-	1,044,120	-	1,044,120
Preferred Equities	-	7,262,685	-	7,262,685
Total Equity Securities	15,673,802	8,306,805	312,930	24,293,537
Investment securities available-for-sale:				
US government obligations	37,738,604	-	-	37,738,604
Federal Agencies	-	903,621,226	-	903,621,226
Mortgage backed securities	-	73,634	-	73,634
Corporate Obligations	-	45,249,665	-	45,249,665
Total investment securities available for sale	$ 37,738,604	$ 948,944,525	$ -	$ 986,683,129

The above tables include $21,466,892 and $270,194 in net unrealized losses on UNFCU's available-for-sale securities for the year ended 31 December, 2021 and 2020, respectively. UNFCU has reviewed its investment portfolio at 31 December 2021, and has determined that the above unrealized losses are temporary. Such determination was based upon an evaluation of the creditworthiness of the issuers and/or guarantors, the underlying collateral, if applicable, as well as the continuing performance of the securities. Management also evaluates other facts and circumstances that may be indicative of an other-than-temporary impairment condition. This includes, but is not limited to, an evaluation of the type of security and length of time and extent to which the fair value has been less than cost, as well as certain collateral related characteristics. In addition, management considers UNFCU's intent and ability to hold such securities to maturity, if necessary, thereby recovering its investment.

NOTE 16 (continued)

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of the recorded investment in the loan or market value. The loans identified as impaired are real estate secured.

Other real estate owned ("OREO") and foreclosed taxi medallions are evaluated and valued at the time the ownership of the property is transferred from the member to the credit union.

Market value is determined by using the value of the collateral securing the loans and is therefore classified as a level 3 hierarchy. The value of the real estate is determined by qualified independent licensed appraisers contracted by UNFCU to perform the assessment. The appraised value is then discounted based upon management's experience, which includes estimated disposal costs, understanding of the customer and the customer's business as well as economic conditions. Impaired loans, OREO, and participated medallions are reviewed and evaluated on a quarterly basis for additional impairment and adjusted accordingly, based upon pertinent conditions.

Assets measured at fair value on a non-recurring basis at 31 December 2021 are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**31 December 2021**
Impaired Loans	**$ -**	**$ -**	**$ 11,126,185**	**$ 11,126,185**
OREO	**-**	**-**	**-**	**-**
Foreclosed Medallions	**-**	**-**	**-**	**-**
	$ -	**$ -**	**$ 11,126,185**	**$ 11,126,185**

Assets measured at fair value on a non-recurring basis at 31 December 2020 are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2020
Impaired Loans	$ -	$ -	$ 12,144,885	$ 12,144,885
OREO	-	-	220,271	220,271
Foreclosed Medallions	-	-	261,390	261,390
	$ -	$ -	$ 12,626,546	$ 12,626,546

NOTE 17 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2021 and 2020:

	31 December	
	2021	2020
In scope of ASC 606		
Service Charges on Deposits	**$ 22,571,203**	$ 17,330,814
Bankcard Fees	**13,119,334**	9,538,771
Investment Commissions and Fees	**2,380,376**	2,074,788
Insurance Commissions and Fees	**7,032,067**	6,101,390
	45,102,980	35,045,763
Non Interest in scope of ASC 606	**45,102,980**	35,045,763
Non-Interest income not within the scope of ASC 606 (a)	**19,575,367**	10,399,366
Total non-interest income	**$ 64,678,347**	$ 45,445,129

This revenue is not within the scope of ASC 606, and includes fees related to mortgage banking operations, gain on sale of loans, gains on sale of securities, revenue from investments, and various other transactions.

NOTE 18 – CONTRACTS WITH NORTHSTAR FINANCIAL SERVICES (BERMUDA) LTD

From 2010-2019 certain members who are also clients of UNFCU Advisors LLC, UNFCU's subsidiary, invested in trust contracts ("contract holders") from Northstar Financial Services (Bermuda) LTD ("NFS"). In August 2018 NFS was acquired by Eli Global, a North Carolina based conglomerate that shortly thereafter proceeded to restructure NFS's investment portfolio by making investments that were not market observable or liquid.

In September 2019, NFS ceased honoring redemption requests. Consequently, contract holders could not withdraw their funds from NFS. On 8 October 2019, NFS sent a letter to their contract holders notifying them of a temporary liquidity constraint. NFS made sporadic payments to contract holders after the liquidity constraints began. As liquidity constraints at NFS remained into June of 2020, members continued to be unable to redeem their investments in NFS. Given the hardship this posed and the unique circumstances surrounding the change in ownership, the UNFCU Board of Directors approved a line of credit to UNFCU Advisors in June 2020 which provided UNFCU Advisors the ability to take an assignment of the receivables due under the redeemed contracts and advance funds to those members.

Members who held matured fixed contracts were offered the opportunity to receive payment for the full value of their contract in exchange for assigning their contract to UNFCU Advisors.

On 25 September 2020, NFS was placed into provisional liquidation by petition of their regulator. Joint provisional liquidators were appointed to assess the financial condition of the company and safeguard contract holder's interests. On 26 March 2021 NFS was put into liquidation by the court.

As of 31 December 2021, UNFCU Advisors held $38,536,617 in assignments of matured fixed contracts with NFS. This amount was recorded as a receivable asset on UNFCU's Consolidated Statements of Financial Condition. Based on preliminary information received thus far, UNFCU believes the value of receivable is between $0.13-0.39 per dollar. To calculate a reserve for the $38,536,617 receivable, the repayment amount was estimated at $0.26 cents per dollar, which represents the average of $0.13 and $0.39. The net value of the receivable was therefore estimated at $10,019,520. As of year-end 2021 a reserve was recorded of $28,517,097. An additional reserve of $8,363,540 was recorded in 2021.

NOTE 18 (continued)

Members continue to hold investments in NFS that have not matured. The Credit Union is not committed to advancing funds for future assignments. Although it is reasonably possible that UNFCU will advance additional funds, there are currently numerous global economic uncertainties that UNFCU will evaluate before advancing funds to UNFCU Advisors to facilitate assignments.

Maturity	Contracts - Estimated Value
Past maturity	$8.9 million
2022	10.5 million
2023	6.8 million
2024	1.9 million
Unknown	6.9 million
Total	$35 million

UNFCU and UNFCU Advisors will continue to actively pursue all avenues to collect the full amount of the assigned contracts and future commitments, however there can be no guarantee of the amount ultimately collected.

NOTE 19 – ANNUAL CONTRIBUTION TO UNFCU FOUNDATION

The Credit Union makes contributions to the UNFCU Foundation annually from some of its investment portfolio earnings. These contributions were $543,000 in 2021 and $208,000 in 2020. The UNFCU Foundation is a separate legal entity operating as a public charity.

NOTE 20 - SUBSEQUENT EVENTS

UNFCU evaluated subsequent events through 25 March 2022, the date the financial statements were available to be issued.

United Nations Federal Credit Union and Subsidiaries

FINANCIAL DATA TEMPLATE

Balance Sheet - Assets

As of 31 December 2021

LINE ITEM #	ACCOUNT DESCRIPTION			AMOUNT
	Assets:			
100	-	Cash and Cash Equivalents	$	169,675,608
101	-	Escrow Deposit Cash		13,835,307
102	-	Restricted Cash/Compensating Balances		-
103	-	Equity Account Securities		33,389,776
104	-	Net Mortgaging Servicing Rights		4,294,780
105	-	Other Real Estate Owned at Net Realizable Value		-
106	-	Loans Held for Investment		4,197,523,737
	Unacceptable Assets:			
200	-	Pledged Assets		-
201	-	Assets Due from an Officer, Stockholder, or Related Entity		7,415,287
202	-	Personal Interest Investment		-
203	-	Investment in Related Entity, Greater than Equity As Adjusted		-
204	-	Intangible Assets, Net of Amortization		6,524,078
205	-	Value of Servicing Contract not in Accordance with ASC 948 and ASC860		-
206	-	Assets not Readily Marketable		-
207	-	Marketable Security in Excess of Cost or Market		564,511
208	-	Amount in Excess of Foreclosure Value		-
209	-	Assets used for Personal Enjoyment		-
210	-	Other Unacceptable Assets		67,700,918
211	-	Contributed Property in Excess of Appraised Value		-
212	-	Real Property		104,195,041
213	-	Prepaid Expenses		7,395,784
214	-	Deferred Tax Asset		-
215	Total Unacceptable Assets:		$	193,759,619

Balance Sheet – Total Assets as Reported

250	Total Assets as Reported	$	7,541,726,124

United Nations Federal Credit Union and Subsidiaries

FINANCIAL DATA TEMPLATE

Balance Sheet - Liability

As of 31 December 2021

LINE ITEM #		ACCOUNT DESCRIPTION		AMOUNT
Balance Sheet - Liability				
300	-	Escrows Payable	$	13,835,307

United Nations Federal Credit Union and Subsidiaries

FINANCIAL DATA TEMPLATE

Operations and Equity
As of 31 December 2021

Line Item #	Account Description	Amount
Revenues:		
409	Correspondent and Broker Fee Income	$ -
410	Other Retail Origination Income	-
412	Other Income (Loss) Not Related to Mortgage Lending Activities	248,010,196
Statement of Equity:		
500	Balance at Beginning of the Year, as Reported	612,706,076
501	Prior Period Adjustments	-
502	Balance at Beginning of the Year, Restated	612,706,076
503	Net Income	59,211,438
504	Dividend / Distribution	-
505	Contributions – from Cash Flow Statement	-
506	Contributions – non-cash	-
507	Other Equity	(17,132,507)
508	Ending Balance	$ 654,785,007

Line Item #	Account Description	Amount
700	Cash and Cash Equivalents	$ 169,675,608
701	Equity Account Securities	33,389,776
702	Total of Liquid assets per HUD Guidelines	203,065,384
703	Liquid Assets Required	$200,000
704	Liquid Assets Above/Below Required Amount	$ 202,865,384

United Nations Federal Credit Union and Subsidiaries

FINANCIAL DATA TEMPLATE

Title II Single Family Program Lenders' Adjusted Net Worth Computation

	As of December 31, 2021	
FHA servicing portfolio* at (end of fiscal year under audit) *HUD-FHA-insured single-family mortgages only. Include HECMs at maximum claim amount.	$ -	(a)
FHA originations – FHA-insured Title II loan originations during the fiscal year	-	(b)
FHA purchases – FHA-insured Title II third-party originator purchases during the fiscal year	-	(c)
Total FHA loan activity [(d) = (a)+(b)+(c)]	-	(d)
FHA-insured Title II loan originations retained at the fiscal yearend	-	(e)
FHA-insured Title II third-party originator purchases retained at the end of fiscal year	-	(f)
Adjustments [(g) = (e)+(f)]	-	(g)
Total adjusted FHA loan activity [(h) = (d)-(g)] __________ (h)	-	(h)
Net worth required If (h) ≤ $25 million, skip lines (j) and (k) and insert (i) on line (o).	$ 1,000,000	(i)
Additional net worth required If (h) > $25,000,000, then (j) = (h)-(25,000,000)*(1%).	-	(j)
Total net worth [(k)** = (i)+(j)] If line (k) < $2,500,000, insert line (k) on line (o). If line (k) > $2,500,000, insert $2,500,000 on line (o).	1,000,000	(k)
Stockholders' equity (net worth) per balance sheet	654,785,007	(l)
Less unacceptable assets	251,506,571	(m)
Adjusted net worth [(n) = (l)-(m)]	403,278,436	(n)
Minimum net worth required	1,000,000	(o)
Adjusted net worth above/(below) required minimum amount [(p) = (n) – (o)]	$ 402,278,436	(p)