UNITED NATIONS FEDERAL CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022
With Independent Auditor's Report Thereon

DoerenMayhew

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
United Nations Federal Credit Union and Subsidiaries

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of United Nations Federal Credit Union and Subsidiaries, which comprise the consolidated statement of financial condition as of December 31, 2023, and the related consolidated statements of income, comprehensive income (loss), changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of United Nations Federal Credit Union and Subsidiaries as of December 31, 2023, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The consolidated financial statements of United Nations Federal Credit Union and Subsidiaries for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on March 23, 2023.

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 United Nations Federal Credit Union and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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

Doeren Mayhew

Troy, Michigan
March 25, 2024

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

31 December 2023 and 2022

ASSETS	2023	2022
Cash and cash equivalents	**$ 419,121,217**	$ 121,188,724
Investments		
Equity	**20,872,285**	21,555,453
Available-for-sale	**1,200,929,862**	1,061,364,130
Held-to-maturity, net	**1,430,650,501**	1,395,317,723
Other	**8,599,339**	7,924,958
Loans held for sale	**6,699,180**	2,043,739
Loans receivable, net of allowance for credit losses of $27,769,413 and $15,248,766 as of December 31, 2023 and 2022, respectively	**5,516,629,669**	5,089,268,197
Mortgage servicing rights	**4,891,471**	4,939,811
Accrued interest receivable	**27,634,511**	22,598,463
Property and equipment, net	**96,618,031**	100,002,367
National Credit Union Share Insurance Fund deposit	**67,572,115**	62,149,605
Intangible assets, net of amortization	**713,759**	850,632
Goodwill	**5,522,886**	5,522,886
Other assets	**89,979,719**	71,568,713
Receivable from Northstar, net	**13,827,662**	5,423,880
Total assets	**$ 8,910,262,207**	$ 7,971,719,281
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	**$ 8,170,415,782**	$ 7,331,826,988
Accrued expenses and other liabilities	**70,352,282**	54,653,072
Total liabilities	**8,240,768,064**	7,386,480,060
Commitments and contingencies (see Note 11 and 12)		
Members' equity		
Retained earnings	**786,353,951**	745,485,097
Accumulated other comprehensive loss	**(116,859,808)**	(160,245,876)
Total members' equity	**669,494,143**	585,239,221
Total liabilities and members' equity	**$ 8,910,262,207**	$ 7,971,719,281

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,

	2023	2022
Interest income		
Interest on loans	**$ 229,331,927**	$ 179,858,935
Interest on investments and cash equivalents	**52,048,429**	35,007,123
Total interest income	**281,380,356**	214,866,058
Interest expense		
Dividends on members' shares	**98,030,992**	26,806,772
Interest on borrowed funds	**578,212**	2,589,895
Total interest expense	**98,609,204**	29,396,667
Net interest income	**182,771,152**	185,469,391
Provision for (recapture of) credit losses	**9,090,000**	(410,000)
Net interest income after provision for (recapture of) credit losses	**173,681,152**	185,879,391
Non-interest income		
Service charges and other fees	**53,941,865**	50,273,890
Loan servicing fees	**1,515,922**	1,557,119
Loss on sale of mortgage loans	**(108,878)**	(1,381,599)
Gain (loss) on equity investments	**2,878,563**	(7,005,317)
Gain on defined benefit pension	**2,450,818**	5,591,217
Other non-interest income	**4,060,294**	7,196,893
Total non-interest income	**64,738,584**	56,232,203
Non-interest expense		
Salaries and benefits	**115,159,552**	104,036,073
Operations	**62,176,378**	55,748,491
Occupancy	**8,180,686**	8,381,446
Provision for Northstar loss	**-**	28,972,354
Total non-interest expense	**185,516,616**	197,138,364
Net Income	**$ 52,903,120**	$ 44,973,230

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

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended 31 December,

	2023	2022
Net income	**$ 52,903,120**	$ 44,973,230
Other comprehensive income (loss)		
Change in pension obligation		
Net gain (loss)	**1,912,369**	(4,220,764)
Amortization of net loss	**1,517,381**	1,065,354
Change in pension obligation	**3,429,750**	(3,155,410)
Change in unrealized holding gains (losses) on investments classified as available-for-sale	**39,681,846**	(111,341,732)
Adjustment for realized (gains) losses on investment securities included in income	**274,472**	(27,160)
Change in available-for-sale investment	**39,956,318**	(111,368,892)
Total Other comprehensive gain (loss), net of reclassification adjustments:	**43,386,068**	(114,524,302)
Comprehensive income (loss)	**$ 96,289,188**	$ (69,551,072)

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, 2023 and 2022

	Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance, 31 December 2021	$ 700,506,581	$ (45,721,574)	$ 654,785,007
Net income	44,973,230	-	44,973,230
Adoption of Lease Accounting (ASC 842)	5,286	-	5,286
Other comprehensive loss, net of reclassification adjustments	-	(114,524,302)	(114,524,302)
Balance, 31 December 2022	745,485,097	(160,245,876)	585,239,221
Cumulative change in accounting principle (Note 1)	(12,034,266)	-	(12,034,266)
Balance, 01 January 2023 (as adjusted for change in accounting principle)	733,450,831	(160,245,876)	573,204,955
Net income	52,903,120	-	52,903,120
Other comprehensive gain, net of reclassification adjustments	-	43,386,068	43,386,068
Balance, 31 December 2023	$ 786,353,951	$ (116,859,808)	$ 669,494,143

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		2023		2022
Operating activities:				
Net income	**$**	**52,903,120**	$	44,973,230
Adjustments to reconcile net income to net cash provided by operating activities:				
Net amort of premiums and accretion of discounts on investments		**7,172,990**		10,990,049
Provision for Northstar		**-**		28,972,354
Realized loss (gain) on disposition of available-for-sale investments		**274,472**		(27,160)
Proceeds from sale of loans held-for-sale		**13,927,652**		12,044,269
Origination of loans held-for-sale		**(18,583,093)**		(6,768,178)
Net loss on sales of loans held-for-sale		**154,442**		936,568
Net loss on sales of participation loans		-		445,031
Provision for (recapture of) credit losses		**9,090,000**		(410,000)
Amortization of deferred loan costs		**2,685,235**		2,796,858
Depreciation and amortization		**6,561,571**		6,739,267
Net (gain) loss on Equity Securities		**(2,878,563)**		7,005,317
Net change in:				
Mortgage servicing rights		**48,340**		(645,031)
Equity Securities		**3,561,731**		4,829,006
Accrued interest receivable		**(5,036,048)**		(2,813,684)
Other assets		**(30,445,272)**		3,533,005
Receivable from NorthStar		**(8,403,782)**		(24,376,714)
Accrued expenses and other liabilities		**19,128,959**		3,802,597
Net cash provided by operating activities	**$**	**50,161,754**	$	92,026,784
Investing activities:				
Purchases of available-for-sale investments	**$**	**(116,855,696)**	$	(59,100,000)
Proceeds from maturities and prepayments of available-for-sale investments		**16,758,902**		15,304,454
Proceeds from sale of available-for-sale investments		**934,465**		4,803,448
Purchases of held-to-maturity investments, net		**(227,950,323)**		(59,314,212)
Proceeds from maturities and prepayments of held-to-maturity investments		**184,722,998**		373,531,218
Net change in other investments		**(674,381)**		(8,700)
Net change in loans		**(439,291,148)**		(915,311,431)
Increase in the National Credit Union Share Insurance Fund deposit		**(5,422,510)**		(4,438,653)
Purchases of property and equipment		**(3,040,362)**		(2,396,033)
Net cash used in investing activities	**$**	**(590,818,055)**	$	(646,929,909)
Financing activities:				
Net increase in members' shares	**$**	**838,588,794**	$	492,580,935
Net cash provided by financing activites	**$**	**838,588,794**	$	492,580,935
Increase (decrease) in cash and cash equivalents	**$**	**297,932,493**	$	(62,322,190)
Cash and cash equivalents at beginning of year		**121,188,724**		183,510,915
Cash and cash equivalents at end of year	**$**	**419,121,217**	$	121,188,724
Supplemental cash flow information:				
Interest paid	**$**	**98,609,204**	$	29,396,667

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 and the determination of the allowance for credit 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 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.

Allowance for Credit Losses – Investments

Held-to-maturity (HTM) Securities - The allowance for held-to-maturity debt securities is estimated using a CECL methodology. Any expected credit loss is provided through the allowance for credit loss on HTM securities and is deducted from the amortized cost basis of the security so that the balance sheet reflects the net amount UNFCU expects to collect. Nearly all of the Credit Union's HTM debt securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, there is a zero credit loss expectation on these securities. UNFCU's HTM debt securities do contain securities issued by municipal and state governments as well as debts of banking institutions. Those investments are assessed for impairment through reviews of credit data for the issuing entity. An allowance for credit loss is recorded for HTM securities that do not have an explicit or implicit U.S. government guarantee.

Available for sale (AFS) Securities - UNFCU evaluates its available-for-sale investment securities portfolio on a quarterly basis for indicators of impairment. UNFCU assesses whether an impairment has occurred when the fair value of a debt security is less than the amortized cost at the balance sheet date. Management reviews the amount of unrealized loss, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. For those debt securities that UNFCU intends to sell or is more likely than not required to sell, before the recovery of their amortized cost basis, the difference between fair value and amortized cost is considered to be impaired and is recognized in provision for credit losses. For those debt securities that UNFCU does not intend to sell or is not more likely than not required to sell, prior to expected recovery of amortized cost basis, the credit portion of the impairment is recognized through an allowance in provision for credit losses while the noncredit portion is recognized in OCI. In determining the credit portion, UNFCU uses a discounted cash flow analysis, which includes evaluating the timing and amount of the expected cash flows. Non-credit-related impairment results from other factors, including increased liquidity spreads and higher interest rates.

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 2023 and 2022.

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 2023 and 2022, the stock was not impaired. UNFCU's FHLB stock is included in Other Investments in the accompanying consolidated statements of financial position.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

NOTE 1 (continued)

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 credit losses on loans. 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.

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 Credit Losses on Loans

The Credit Union's January 1, 2023, adoption of ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments," resulted in a significant change to the methodology for estimating the allowance. ASU No. 2016-13 replaced the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance sheet exposures. The Credit Union adopted ASC Topic 326 using the modified retrospective method for all financial assets in scope of the standard. Upon adoption, the Credit Union recorded an increase to Allowance for Credit Losses for loans for $11,600,000 and to Allowance for Credit Losses for held-to-maturity investments for $400,000. A corresponding decrease to retained earnings was recorded in the amount of $12,000,000.

The allowance for credit losses on loans is deducted from the amortized cost basis of a group of financial assets so that the balance sheet reflects the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net income as a credit loss expense or a recapture of credit loss expense. Management estimates the allowance by utilizing models dependent upon loan risk characteristics and economic parameters. Commercial loan risk characteristics include but are not limited to risk ratings, collateral type and maturity type. Consumer loan risk characteristics include but are not limited to FICO scores, LTV, and delinquency status. The economic parameters are developed using available information relating to past events, current conditions, and reasonable and supportable forecasts. The Credit Union's reasonable and supportable forecast period reverts to a historical norm based on inputs within approximately two years. Historical credit experience provides the basis for the estimation of expected credit losses, with adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in the micro and macroeconomic environments. The contractual terms of financial assets are adjusted for expected prepayments.

NOTE 1 (continued)

Loans that do not share risk characteristics are evaluated on an individual basis. These include loans that are in nonaccrual status with balances above management determined materiality thresholds depending on loan class. If a loan is determined to be collateral-dependent, or meets the criteria to apply the collateral-dependent practical expedient, expected credit losses are determined based on the fair value of the collateral at the reporting date, less costs to sell as appropriate. As noted above, consumer collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union maintains an allowance for credit losses on off-balance sheet credit exposures. The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life. The allowance for credit losses on off-balance sheet credit exposures was deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union has elected to exclude accrued interest receivable from the measurement of its allowance for credit loss given the well-defined non-accrual policies in place for all loan portfolios which results in timely reversal of outstanding interest through interest income.

Effective January 1, 2023, the Credit Union adopted ASU 2022-02 Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings (TDR) and Vintage Disclosures, which removed the existing measurement and disclosure requirements for TDR loans and added additional disclosure requirements related to modifications provided to borrowers experiencing financial difficulty. Prior to adoption a change in contractual terms of a loan where a borrower was experiencing financial difficulty and received a concession not available through other sources the loans was required to be disclosed as a TDR, whereas now a borrower that is experiencing financial difficulty and receives a modification in the form of principal forgiveness, interest rate reduction, an other-than-insignificant payment delay or a term extension in the current period needs to be disclosed. The Credit Union may modify loans to borrowers experiencing financial difficulty as a way of managing risk and mitigating credit loss from the borrower. The Credit Union may make various types of modifications and may in certain circumstances use a combination of modification types in order to mitigate future loss. The amount of defined modifications given to borrowers experiencing financial difficulty was insignificant and intentionally omitted from disclosure for the year ended December 31, 2023.

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.

NOTE 1 (continued)

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 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.

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, 2023 and 2022.

NOTE 1 (continued)

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. UNFCU sells mortgage loans to the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Home Loan Bank of New York (FHLB) and financial institutions.

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.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842). This standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Credit Union adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. As such, a ROU asset of $2,184,314 and a lease liability of $2,179,028 was recorded as of January 1, 2022.

The Credit Union has elected to adopt the practical expedient to use hindsight in determining the lease term and in assessing impairment of the Credit Union's ROU assets.

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

ROU assets represent the Credit Union's right to use an underlying asset for the lease term and lease liabilities represent the Credit Union's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to

NOTE 1 (continued)

extend or terminate the lease when it is reasonably certain that the Credit Union will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Credit Union has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

The Credit Union has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

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.

NCUSIF Insurance Premium

When assessed, NCUSIF insurance premiums are included in non-interest expense operations. There were no premiums assessed in 2023 or 2022.

UNFCU received $1,188,000 and $419,800 in 2022 and 2023, respectively, from the NCUSIF as a full 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.

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 2023 and 2022 amounted to $1,126,674 and $1,104,159 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 $4,743,439 and $3,634,642 as of December 31, 2023 and 2022, respectively. There were no deferred compensation expenses for the years ended December 31, 2023 and 2022.

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, 2023 and 2022, deferred compensation investments totaled $3,199,036 and $3,424,343 respectively, and are invested in mutual funds, bonds, etc. Deferred compensation expenses were $308,270 and $157,511 for the years ended December 31, 2023 and 2022 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 2023 and 2022, other comprehensive income included adjustments for available-for-sale securities in the amounts of $274,472 and $(27,160) respectively. Pension related amortization of net loss in the amounts of $1,517,381 and $1,065,354 for 2023 and 2022, respectively, are reflected in non-interest income on the consolidated statements of income.

Revenue from Contracts with Customers

The Credit Union recognizes revenue in accordance with Revenue from Contracts with Customers (Topic 606) which 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.

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.

NOTE 1 (continued)

Investment Commissions and Fees: UNFCU receives revenue from a third party for providing advisory service on personal wealth management services. 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.

Reclassification

Certain amounts reported in the 2022 financial statements have been reclassified to conform with the 2023 presentation. There were no changes to total equity or net earnings as a result of the aforementioned.

NOTE 2 - INVESTMENTS

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

	31 December	
	2023	2022
Equity Securities	**$ 20,872,285**	$ 21,555,453

Equity security holdings had an unrealized gain (loss) of $2,455,917 and ($2,212,364) for 2023 and 2022, respectively.

Equity gains (losses) are included as part of Other Non-Interest Income in the Consolidated Statements of Income. The net gains (losses) on Equity securities were as follows:

	31 December	
	2023	2022
Unrealized gains (losses)	**$ 4,397,169**	$ (9,121,039)
Realized (losses) gains	**(1,518,606)**	2,115,722
Net gains (losses) on Equity Securities	**$ 2,878,563**	$ (7,005,317)

Investments classified as available-for-sale consist of the following:

31-December 2023	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
US government obligations	**$ 52,815,875**	**$ 139,116**	**$ (2,032,115)**	**$ 50,922,876**
Agency/GSE debt	**1,148,381,821**	**69,215**	**(87,315,343)**	**1,061,135,693**
Mortgage-backed securities	**4,016,004**	**45,926**	**(436)**	**4,061,494**
Corporate Obligations	**88,031,117**	**213,961**	**(3,435,279)**	**84,809,799**
	$ 1,293,244,817	**$ 468,218**	**$ (92,783,173)**	**$ 1,200,929,862**

As of 31 December 2023, there was no indication of impairment for available-for-sale investment securities.

31-December 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
US government obligations	$ 37,681,428	$ -	$ (3,102,214)	$ 34,579,214
Agency/GSE debt	1,079,336,405	-	(122,877,033)	956,459,372
Mortgage-backed securities	63,871	113	-	63,984
Corporate obligations	76,553,699	-	(6,292,139)	70,261,560
	$ 1,193,635,403	$ 113	$ (132,271,386)	$ 1,061,364,130

NOTE 2 (continued)

Investments classified as held-to-maturity, excluding allowance for credit losses of $331,398 for 2023, consist of the following:

31-December 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bank obligations	**$ 34,117,249**	**$ -**	**$ (1,515,569)**	**$ 32,601,680**
Municipal bonds	**362,206,461**	**534,371**	**(22,437,716)**	**340,303,116**
Mortgage-backed securities	**880,092,626**	**1,530,838**	**(67,740,166)**	**813,883,298**
Small Business Administration	**154,565,563**	**21,473**	**(6,722,521)**	**147,864,515**
	$ 1,430,981,899	**$ 2,086,682**	**$ (98,415,972)**	**$ 1,334,652,609**

31-December 2022	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bank obligations	$ 37,821,607	$ -	$ (2,478,525)	$ 35,343,082
Municipal bonds	365,592,676	-	(34,693,536)	330,899,140
Mortgage-backed securities	799,619,165	26,340	(78,932,291)	720,713,214
Small Business Administration	192,284,275	105,356	(8,147,992)	184,241,639
	$ 1,395,317,723	$ 131,696	$ (124,252,344)	$ 1,271,197,075

Investments by maturity as of 31 December 2023 are summarized as follows:

	Available-for-Sale		**Held-to-Maturity**	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Less than 1 year maturity	**$ 82,496,026**	**$ 82,284,453**	**$ 67,314,245**	**$ 66,339,223**
1 - 5 years maturity	**1,197,969,137**	**1,107,053,189**	**321,954,347**	**299,225,768**
5 - 10 years maturity	**5,263,650**	**4,497,146**	**7,055,118**	**7,339,805**
Over 10 years maturity	**3,500,000**	**3,033,580**	**-**	**-**
Mortgage-backed securities	**4,016,004**	**4,061,494**	**880,092,626**	**813,883,298**
Small Business Administration	**-**	**-**	**154,565,563**	**147,864,515**
	$ 1,293,244,817	**$ 1,200,929,862**	**$ 1,430,981,899**	**$ 1,334,652,609**

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 2023, there were 777 securities in an unrealized loss position of which 292 have unrealized losses for a period of 12 months or longer and 485 for a period of less than 12 months. At 31 December 2022, the investment portfolio included 828 securities in an unrealized loss position of which 423 had current unrealized losses for a period of 12 months or longer and 405 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, no impairment was identified.

NOTE 2 (continued)

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 2023 and 2022 are as follows:

31-December 2023	**Fair Value of Securities with Unrealized loss**	**Fair Value of Securities with Unrealized loss**	**Continuous Unrealized Losses Existing for**		
Available-for-Sale	**Less than 12 Months**	**12 Months or Longer**	**Less than 12 Months**	**12 Months or Longer**	**Total Unrealized Losses**
US government obligations	**$ 3,157,076**	**$ 47,765,800**	**$ (42,751)**	**$ (1,989,364)**	**$ (2,032,115)**
Federal agencies	**945,496,955**	**115,638,737**	**(81,379,251)**	**(5,936,092)**	**(87,315,343)**
Mortgage-backed securities	**4,061,494**	**-**	**(436)**	**-**	**(436)**
Corporate Obligations	**46,852,777**	**37,957,023**	**(851,794)**	**(2,583,485)**	**(3,435,279)**
	$ 999,568,302	**$ 201,361,560**	**$ (82,274,232)**	**$ (10,508,941)**	**$ (92,783,173)**
Held-to-Maturity					
Bank Obligations	**$ 8,349,130**	**$ 24,252,550**	**$ (162,722)**	**$ (1,352,847)**	**$ (1,515,569)**
Municipal bonds	**73,778,336**	**266,524,780**	**(3,232,406)**	**(19,205,310)**	**(22,437,716)**
Mortgage-backed securities	**265,356,870**	**548,526,428**	**(16,761,531)**	**(50,978,635)**	**(67,740,166)**
Small Business Administration	**55,176,331**	**92,688,184**	**(712,769)**	**(6,009,752)**	**(6,722,521)**
	$ 402,660,667	**$ 931,991,942**	**$ (20,869,428)**	**$ (77,546,544)**	**$ (98,415,972)**

31-December 2022	Fair Value of Securities with Unrealized Loss	Fair Value of Securities with Unrealized Loss	Continuous Unrealized Losses Existing for		
Available-for-Sale	Less than 12 Months	12 Months or Longer	Less than 12 Months	12 Months or Longer	Total Unrealized Losses
US government obligations	$ 2,951,214	$ 31,628,000	$ (80,047)	$ (3,022,167)	$ (3,102,214)
Federal agencies	36,823,460	919,635,912	(2,673,575)	(120,203,458)	(122,877,033)
Mortgage-backed securities	-	-	-	-	-
Corporate Obligations	39,545,837	30,715,723	(3,269,667)	(3,022,472)	(6,292,139)
	$ 79,320,511	$ 981,979,635	$ (6,023,289)	$ (126,248,097)	$ (132,271,386)
Held-to-Maturity					
Bank Obligations	$ 8,202,945	$ 27,140,138	$ (374,230)	$ (2,104,295)	$ (2,478,525)
Municipal bonds	102,456,911	226,142,229	(5,085,453)	(29,608,083)	(34,693,536)
Mortgage-backed securities	277,057,189	441,331,550	(15,984,148)	(62,948,143)	(78,932,291)
Small Business Administration	61,519,175	103,553,287	(1,540,765)	(6,607,227)	(8,147,992)
	$ 449,236,220	$ 798,167,204	$ (22,984,596)	$ (101,267,748)	$ (124,252,344)

NOTE 2 (continued)

Other investments consist of the following:

	31 December	
	2023	2022
Federal Home Loan Bank Stock	**$ 8,088,500**	$ 7,414,200
Community Money Market Investment Fund -NCB	**250,000**	250,000
Certificates of deposits in credit unions	**260,839**	260,758
	$ 8,599,339	$ 7,924,958

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	
	2023	2022
Fixed rate	**$ 6,699,180**	$ 2,043,739
Loans held for sale	**$ 6,699,180**	$ 2,043,739

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

	31 December	
	2023	2022
Mortgage loans		
Fixed rate	**$ 1,240,868,646**	$ 1,301,885,373
Variable rate	**3,364,973,229**	2,893,434,700
Hybrid/Balloon	**411,261**	424,790
Home equity line of credit, variable rate	**63,372,822**	57,693,396
Loan participations	**4,622,527**	4,769,609
	4,674,248,485	4,258,207,868
Consumer loans		
Auto loans	**17,332,913**	12,591,630
Home improvement	**67,272,144**	62,174,006
Share secured	**18,188,282**	16,525,409
Credit card loans, unsecured	**167,936,708**	160,808,797
Loan participations	**26,290,460**	43,158,077
Consumer loans, primarily unsecured	**497,750,373**	473,811,736
	$ 794,770,880	$ 769,069,655

NOTE 3 (continued)

	31 December 2023	31 December 2022
Commercial loans		
Commercial real estate	**$ 46,488,300**	$ 47,639,068
Real estate participations	**28,891,417**	29,600,372
	75,379,717	77,239,440
Loans, gross	**5,544,399,082**	5,104,516,963
Allowance for loan losses	**(27,769,413)**	(15,248,766)
Loans receivable, net	**$ 5,516,629,669**	$ 5,089,268,197

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.

As of December 31, 2023, the Allowance for Credit Loss (ACL) totaled $27,800,000, up $12,600,000 compared to December 31, 2022. The day one impact of the adoption of CECL was an increase of $11,600,000 to the ACL for loans. The remaining net increase of $1,000,000 was driven by changes in the macroeconomic forecasts, specifically the inflationary pressures leading to sharp increases in interest rates and a slow-down of prepayment activity leading to longer weighted average lives on the balance sheet. In addition, the increase reflects unfavorable market conditions in the used auto market as values have gone down driving up losses upon default.

The following table shows the activity in the allowance for credit losses on loans for the year ended 31 December 2023:

	Mortgage Loans	**Commercial Loans**	**Consumer Loans**	**Off Balance Sheet**	**Total**
Balance, beginning of the year	**$ 4,726,694**	**$ 873,077**	**$ 9,648,995**	**$ -**	**$ 15,248,766**
CECL Implementation	**(1,861,777)**	**57,917**	**13,096,729**	**300,000**	**11,592,869**
Provision for credit losses	**(244,992)**	**309,074**	**9,135,918**	**-**	**9,200,000**
Loans charged-off	**-**	**-**	**(9,470,788)**	**-**	**(9,470,788)**
Recoveries	**-**	**-**	**1,198,566**	**-**	**1,198,566**
Balance at end of year	**$ 2,619,925**	**$ 1,240,068**	**$ 23,609,420**	**$ 300,000**	**$ 27,769,413**

NOTE 3 (continued)

The following table shows the activity in the allowance for credit losses on loans for the year ended 31 December 2022:

	Mortgage Loans	Commercial Loans	Consumer Loans	Off Balance Sheet	Total
Balance, beginning of the year	$ 7,914,870	$ 337,307	$ 11,546,338	$ -	$ 19,798,515
Provision (credit) for loan losses	(3,188,176)	535,770	2,242,406	-	(410,000)
Loans charged-off	-	-	(5,223,302)	-	(5,223,302)
Recoveries	-	-	1,083,553	-	1,083,553
Balance at end of year	$ 4,726,694	$ 873,077	$ 9,648,995	$ -	$ 15,248,766

As of 31 December 2023, there was one identified impaired collateral dependent loan. The fair market value and net realizable loss were assessed at $4,759,000 and $151,000, respectively. The allowance for this loan, recognized at the net realizable value, is included within the commercial loan provision for loan losses, separate from the pool used for non-impaired loans. No additional pool allowance was applied specificially to this loan.

The following table shows an age analysis of loans at 31 December 2023:

	Current	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**Greater than 90 Days**	**Total Loans**
Mortgage loans	**$4,656,314,333**	**$ 14,652,663**	**$ 1,943,973**	**$ 1,337,516**	**$4,674,248,485**
Consumer loans	**776,387,138**	**10,335,909**	**3,377,220**	**4,670,613**	**794,770,880**
Commercial loans	**75,379,717**	**-**	**-**	**-**	**75,379,717**
Total	**$5,508,081,188**	**$ 24,988,572**	**$ 5,321,193**	**$ 6,008,129**	**$5,544,399,082**

The following table shows an age analysis of loans at 31 December 2022:

	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Loans
Mortgage loans	$4,243,047,045	$ 13,403,921	$ 583,911	$ 1,172,991	$ 4,258,207,868
Consumer loans	751,478,749	9,569,303	3,259,388	4,762,215	769,069,655
Commercial loans	77,239,440	-	-	-	77,239,440
Total	$5,071,765,234	$ 22,973,224	$ 3,843,299	$ 5,935,206	$ 5,104,516,963

NOTE 3 (continued)

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:

	2023	2022
Loans 90 days or more past due and still accruing:		
Consumer loans	**$ 1,107,409**	$ 1,032,590
Total	**1,107,409**	1,032,590
Non-accrual loans:		
Mortgage loans	**1,337,516**	1,172,991
Consumer loans	**3,563,204**	3,729,625
Total	**4,900,720**	4,902,616
Total past due loans	**$ 6,008,129**	$ 5,935,206

Mortgage loans secured by residential real estate properties of which formal proceedings are in process of foreclosure for the years ending 31 December 2023 and 2022 were $1,337,516 and $961,015, respectively.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. Historical loss information provides the basis for the estimation of expected credit losses, with adjustments made for differences in loan risk characteristics and economic parameters.

An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. The effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, therefore a change to the allowance for credit losses is generally not recorded upon modification.

Typically, the type of concessions granted include term extensions, principal forgiveness, interest rate reduction, or a combination of modifications. In 2023, UNFCU only granted term extensions and combined attribute loan modifications.

UNFCU monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Loans that are over 30 days delinquent are considered in default.

The following table depicts the performance of loans that have been modified in the last 12 months:

	31 December 2023		
	Current	30-89 Days Past Due	90+Days Past Due
Mortgage Loans	$ -	$ -	$ -
Commerical Loans	-	-	-
Consumer Loans	738,633	201,419	-
	$ 738,633	$ 201,419	$ -

NOTE 3 (continued)

Commercial risk rating by risk profile as of 31 December 2023 are summarized as follows:

Risk Rating:	**Real Estate Originated**	**Real Estate Participation**	**Total**
Pass	**$ 46,488,300**	**$ 23,801,881**	**$ 70,290,181**
Special Mention	**-**	**-**	**-**
Substandard	**-**	**5,089,536**	**5,089,536**
Doubtful	**-**	**-**	**-**
Loss	**-**	**-**	**-**
Total	**$ 46,488,300**	**$ 28,891,417**	**$ 75,379,717**

Commercial risk rating by risk profile as of 31 December 2022 are summarized as follows:

Risk Rating:	Real Estate Originated	Real Estate Participation	Total
Pass	$ 47,639,068	$ 24,411,493	$ 72,050,561
Special Mention	-	5,188,879	5,188,879
Substandard	-	-	-
Doubtful	-	-	-
Loss	-	-	-
Total	$ 47,639,068	$ 29,600,372	$ 77,239,440

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 2023 and 2022 were approximately $375,735,185 and $386,219,796 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:

	2023	2022
Prepayment rate	**5.05%**	4.57%
Discount rate	**8.03%**	7.57%

NOTE 4 (continued)

The changes in fair value of MSRs during 2023 and 2022 were as follows:

	2023	2022
Balance, beginning of period	**$ 4,939,811**	$ 4,294,780
Originations	**573,830**	926,378
Loss on changes in fair value	**(622,170)**	(281,347)
Balance, end of period	**$ 4,891,471**	$ 4,939,811

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	
	2023	**2022**
Land	**$ 12,159,400**	$ 12,159,400
Building	**105,712,811**	105,175,821
Furniture and equipment	**46,986,488**	45,122,922
Leasehold improvements	**8,400,967**	10,432,842
Property and equipment, gross	**173,259,666**	172,890,985
Accumulated depreciation and amortization	**(76,641,635)**	(72,888,618)
Property and equipment, net	**$ 96,618,031**	$ 100,002,367

Assets that have not yet been placed in-service but included in property and equipment for 2023 and 2022 amounted to $722,994 and $985,809 respectively.

For the years ended 31 December 2023 and 2022, depreciation expense was $6,424,698 and $6,588,707 respectively.

NOTE 6 – LEASES

The cost components of the Credit Union’s operating leases were as follows for the year ending December 31, 2023:

	2023	2022
Operating Lease Cost	**$ 1,348,842**	$ 1,569,291
Short-Term Lease Cost	**453,530**	453,530
Total Lease Cost	**$ 1,802,372**	$ 2,022,821

NOTE 6 (continued)

The following table summarizes other information related to the Credit Union's operating leases for the year ending December 31, 2023:

		2023
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	**$**	**1,348,842**
Operating Cash Flows from Operating Leases		**3,044,000**
Initial Recognition of Right-of-Use Assets		**2,184,314**
Initial Recognition of Lease Liabilities		**2,179,028**
Weighted-Average Remaining Lease Term - Operating Leases, in Years		**3.1 years**
Weighted-Average Discount Rate - Operating Leases		**0.41%**

A maturity analysis of annual discounted cash flows for lease liabilities as of December 31, 2023, is as follows:

Year Ending December 31,		Operating Lease
2024	$	1,018,328
2025		872,829
2026		555,359
2027		490,649
2028		407,906
Thereafter		748,652
Total Lease Payments		4,093,723
Present Value Discount		(52,427)
Total	$	4,041,296

NOTE 7 – INTANGIBLE ASSETS

Intangible assets are comprised of the following at 31 December 2023 and 2022:

		2023		2022	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		**(2,258,402)**		(2,121,529)	
Intangible assets, net	**$**	**713,759**	$	850,632	

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

NOTE 7 (continued)

Amortization expense for the years ended 31 December 2023 and 2022 was $136,873 and $150,560, 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		
2024	$	123,186
2025		109,498
2026		95,811
2027		82,124
2028		68,436
Thereafter		136,872
	$	615,927

NOTE 8 - RENTAL INCOME

UNFCU leases office space to third parties. Rental income for the years ended December 2023 and 2022 from these operating leases was approximately $4,134,000 and $4,127,000, respectively, 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 2023 are as follows:

Year ending 31 December		
2024	$	4,593,250
2025		4,070,908
2026		4,023,422
2027		3,973,904
2028		3,429,202
Thereafter		12,268,312
	$	32,358,998

NOTE 9 - MEMBERS' SHARES

Members' shares are summarized as follows:

	31 December	
	2023	2022
Regular shares	**$ 2,837,651,317**	$ 3,240,115,137
Checking accounts	**1,262,536,542**	1,266,157,079
High Yield Savings	**1,509,981,529**	1,543,520,915
Individual retirement shares	**6,691,840**	7,702,735
Individual retirement certificates	**7,113,180**	5,122,225
Certificates	**2,531,413,772**	1,254,274,086
Other	**15,027,602**	14,934,811
	$ 8,170,415,782	$ 7,331,826,988

Shares by maturity as of 31 December 2023 are summarized as follows:

No contractual maturity	$ 5,631,888,831
0 - 1 year maturity	1,969,186,915
1 - 2 years maturity	282,363,310
2 - 3 years maturity	46,415,995
3 - 4 years maturity	177,974,657
4 - 5 years maturity	62,586,075
	$ 8,170,415,783

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.

The aggregate amount of certificates in denominations of $250,000 or more at 31 December 2023 and 2022 was $696,206,138 and $315,303,096, respectively.

NOTE 10 - 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. The amount pledged as collateral in FHLB in 2023 and 2022 was $902,204,000 and $621,619,000, respectively.

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. The amount pledged as collateral in FRB in 2023 and 2022 was $141,780,000 and $158,595,000, respectively.

There were no borrowings outstanding pursuant to either agreement at 31 December, 2023 and 2022.

NOTE 10 (continued)

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

		2023		2022
FRB	$	131,031,292	$	142,674,092
FHLB		770,306,918		505,740,234
	$	901,338,210	$	648,414,326

NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Other comprehensive loss is comprised of the following at 31 December, 2023 and 2022:

		2023		2022
Pension losses	$	24,544,853	$	27,974,603
Unrealized losses on available-for-sale securities		92,314,955		132,271,273
	$	116,859,808	$	160,245,876

NOTE 12 - 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.

Outstanding loan commitments at 31 December 2023 and 2022 total approximately $65,238,855 and $66,641,535, respectively.

Unfunded loan commitments under lines of credit are summarized as of 31 December 2023 and 2022 follows:

		2023		2022
Home Equity	$	51,652,000	$	43,547,000
Credit Card		501,228,000		491,275,000
Other Consumer		60,113,000		60,332,000
Home Renovation		2,610,000		3,436,000
International home build		4,803,000		5,180,000
Participation		-		183,000
	$	620,406,000	$	603,953,000

NOTE 12 (continued)

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 13 - 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 14 - 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	
	2023	2022
Benefit obligation	**$ 86,661,747**	$ 73,467,830
Fair value of plan assets	**133,554,878**	104,336,807
Funded status	**$ 46,893,131**	$ 30,868,977
Accumulated benefit obligation	**$ 69,833,105**	$ 61,022,458

	31 December	
	2023	2022
Net pension cost	**$ 2,405,596**	$ 315,148
Employer contribution	**15,000,000**	-
Benefit payment	**2,428,569**	1,435,170

Amounts recognized in the statement of financial condition consist of:

	31 December	
	2023	2022
Other Assets	**$ 46,893,131**	$ 30,868,977

NOTE 14 (continued)

Amounts recognized in accumulated other comprehensive loss consist of:

	31 December	
	2023	2022
Other losses	**$ 24,544,853**	$ 27,974,603
	$ 24,544,853	$ 27,974,603

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

	31 December	
	2023	2022
Net period benefit cost	**$ 2,405,596**	$ 315,148
Total recognized in other comprehensive income	**(3,429,750)**	3,155,410
Total recognized in net periodic benefit cost and other comprehensive income	**$ (1,024,154)**	$ 3,470,558

The following are the amounts in accumulated other comprehensive income recognized in the fiscal year ending 31 December 2023 and expected to be recognized as components of net periodic pension cost over the next fiscal year ending 31 December 2024:

	31 December	
	2023	2024
Other Losses	**$ 1,517,381**	$ 978,091

	31 December	
	2023	2022
Assumptions used to determine benefit obligation		
Discount rate	**5.00%**	5.25%
Rate of compensation increase	**3.75%**	3.75%

	2023	2022
Assumptions used to determine net pension cost		
Discount rate	**5.00%**	5.25%
Expected long-term return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**3.75%**	3.75%

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.

NOTE 14 (continued)

At 31 December 2023, and 2022, 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 2023 are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significnat Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2023
Cash Equivalents	**$ 1,811**	**$ -**	**$ -**	**$ 1,811**
Bond Funds	**46,773,538**	**-**	**-**	**46,773,538**
Mutual Funds	**86,779,529**	**-**	**-**	**86,779,529**
Total	**$ 133,554,878**	**$ -**	**$ -**	**$ 133,554,878**

Defined benefit pension plan assets measured at fair value on a recurring basis at of 31 December 2022 are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significnat Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2022
Cash Equivalents	$ 221,312	$ -	$ -	$ 221,312
Bond Funds	36,388,232	-	-	36,388,232
Mutual Funds	67,727,263	-	-	67,727,263
Total	$ 104,336,807	$ -	$ -	$ 104,336,807

UNFCU made pension contributions of $15,000,000 and $0 to the plan in 2023 and 2022, respectively. There are no contributions expected for 2024.

NOTE 14 (continued)

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

2024	$	-
2025		1,054,311
2026		1,395,828
2027		1,929,696
2028		2,364,907
5 Years Thereafter		17,173,215
	$	23,917,957

UNFCU has a 401(k) retirement plan that allows employees to defer a portion of their salary. UNFCU matches a portion of employees' wage deferment. Costs are accrued and funded on a current basis. UNFCU contributed $4,667,472 and $4,061,240 respectively, to the plan for the years ended 31 December 2023 and 2022.

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 15 - 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. As of 31 December 2023, the most recent call reporting period, the NCUA categorized the Credit Union initially as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets. In addition, the credit union, if complex, must maintain a minimum risk-based capital ratio of 10% or greater. There are no conditions or events since that notification that management believes have changed the institution's category.

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

Effective 1 January 2023, the date UNFCU adopted ASC Topic 326 (CECL), the CECL transition provision was implemented to soften the immediate impact on the Credit Union's net worth categorization. The 31 December 2023 provision of $8,062,959 was determined by applying an NCUA percentage to the total CECL transition amount. It is used to increase retained earnings and total assets over a 12 quarter period, from the time of adoption.

NOTE 15 (continued)

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

	Actual			To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio		Amount	Ratio	Amount	Ratio
31-Dec-23							
Net Worth	**$ 794,416,910**	**8.91%**	**$**	**535,099,510**	**6.00%**	**$ 624,282,762**	**7.00%**
Risk-Based Capital Ratio	**$ 740,646,002**	**16.29%**	**$**	**363,644,019**	**8.00%**	**$ 454,555,024**	**10.00%**
31-Dec-22							
Net Worth	$ 745,485,097	9.35%	$	478,303,157	6.00%	$ 558,020,350	7.00%
Risk-Based Capital Ratio	$ 692,210,740	16.58%	$	334,033,114	8.00%	$ 417,541,392	10.00%

The Credit Union's Risk-Based Assets per the Call report was $4,545,550,236 as of 31 December 2023.

NOTE 16 - 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 2023 and 2022 amounted to approximately $6,378,082 and $6,926,571, respectively. Deposits from related parties at 31 December 2023 and 2022 amounted to approximately $4,155,796 and $4,692,610, respectively.

NOTE 17 - 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.

NOTE 17 (continued)

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, preferred stocks and trading debt securities.

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.

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.

NOTE 17 (continued)

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 no outstanding call options as of December 31, 2023 or 2022.

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.

Assets measured at fair value on a recurring basis at 31 December 2023 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 2023
Mortgage Servicing Rights	$ -	$ -	$ 4,891,471	$ 4,891,471
Held For Sale Loans	-	6,699,180	-	6,699,180
Derivative Loan Commitments	-	19,262	-	19,262
Equity Securities:				
Common Stock	9,846,895	-	-	9,846,895
Exchange Traded Funds	622,776	-	-	622,776
Options	-	-	40,194	40,194
Preferred Stock	-	-	-	-
Preferred Equities	10,362,420	-	-	10,362,420
Total Equity Securities	20,832,091	-	40,194	20,872,285
Investment securities available-for-sale:				
US government obligations	50,922,876	-	-	50,922,876
Federal Agencies	-	1,061,135,692	-	1,061,135,692
Mortgage backed securities	-	4,061,494	-	4,061,494
Corporate Obligations	-	84,809,800	-	84,809,800
Total investment securities available-for-sale	$ 50,922,876	$ 1,150,006,986	$ -	$ 1,200,929,862

NOTE 17 (continued)

Assets measured at fair value on a recurring basis at 31 December 2022 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 2022
Mortgage Servicing Rights	$ -	$ -	$ 4,939,811	$ 4,939,811
Held For Sale Loans	-	2,043,739	-	2,043,739
Derivative Loan Commitments	-	10,714	-	10,714
Equity Securities:				
Common Stock	8,767,696	-	-	8,767,696
Exchange Traded Funds	1,123,056	-	-	1,123,056
Options	-	-	322,476	322,476
Preferred Stock	-	-	-	-
Preferred Equities	11,342,225	-	-	11,342,225
Total Equity Securities	21,232,977	-	322,476	21,555,453
Investment securities available-for-sale:				
US government obligations	34,579,214	-	-	34,579,214
Federal Agencies	-	956,459,372	-	956,459,372
Mortgage backed securities	-	63,984	-	63,984
Corporate Obligations	-	70,261,560	-	70,261,560
Total investment securities available for sale	$ 34,579,214	$ 1,026,784,916	$ -	$ 1,061,364,130

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.

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 are reviewed and evaluated on a quarterly basis for additional impairment and adjusted accordingly, based upon pertinent conditions.

NOTE 17 (continued)

Assets measured at fair value on a non-recurring basis at 31 December 2023 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 2023
Delinquent Collateral Dependent Loans	$ -	$ -	$ -	$ -
Impaired Collateral Dependent Loans	$ -	$ -	$ 4,759,000	$ 4,759,000
Collateral Dependent Loans	$ -	$ -	$ 4,759,000	$ 4,759,000

Assets measured at fair value on a non-recurring basis at 31 December 2022 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 2022
Delinquent Collateral Dependent Loans	$ -	$ -	$ 4,398,000	$ 4,398,000
Impaired Collateral Dependent Loans	$ -	$ -	$ 9,306,236	$ 9,306,236
Collateral Dependent Loans	$ -	$ -	$ 13,704,236	$ 13,704,236

NOTE 18 – 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, 2023 and 2022:

	2023	2022
In scope of ASC 606		
Services charges	$ 31,170,295	$ 28,631,986
Bankcard fees	17,510,882	16,276,655
Investment Commissions and Fees	257,581	507,869
Insurance Commissions and Fees	6,406,416	6,342,134
Total	55,345,174	51,758,644
Non-interest income not within the scope of ASC 606 (a)	9,393,410	4,473,559
	$ 64,738,584	$ 56,232,203

(a) 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 19 – CONTRACTS WITH NORTHSTAR FINANCIAL SERVICES (BERMUDA) LTD

From 2010-2019 certain members who were also clients of UNFCU Advisors LLC, UNFCU's wholly-owned 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 in its own affiliated companies. These investments 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 the 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 Holders' interests. On 26 March 2021 NFS was put into liquidation by the court.

As of 31 December 2021, UNFCU Advisors had accepted assignments of $38,536,617 of matured fixed contracts. Based upon asset values provided by the Joint Provisional Liquidators in Bermuda, the net value of the receivable was estimated to be $10,019,520. A reserve of $28,517,097 was recorded as of 31 December 2021. As of 31 December 2021, due to the unknown economic conditions and potential impact on operations from the pandemic, Management and the Board of Directors determined that it was reasonably possible that UNFCU would accept future assignments. Management did not recognize any future liability for assignments and related reserves as a result of that determination.

In 2022, UNFCU Advisors continued to take assignments of matured fixed contracts. In addition, UNFCU Advisors clients were reporting financial hardship caused by the protracted liquidation proceedings in Bermuda and requested that the Board fund assignments of matured variable contracts. In June of 2022, the UNFCU Board of Directors approved an increase in the line of credit to UNFCU Advisors, which provided UNFCU Advisors the ability to continue to take assignments of the receivables due under the redeemed fixed and variable contracts, and to advance funds to those members.

As of 31 December 2022, reserves of $41,052,136 were recorded for fixed and variable matured assigned contracts totaling $62,913,332. A total of $25,824,639 remained in additional contracts that were not yet matured or had not yet been assigned. As of 31 December 2022, Management and the Board of Directors determined that given the low percentage of assignments not yet funded, it was probable that UNFCU would continue to provide funding for UNFCU Advisors to take assignment of all contracts as they mature. Accordingly, an additional reserve of $16,437,315 on potential future payments was recorded.

Throughout 2023, UNFCU Advisors continued to take assignments of the receivables due under the redeemed fixed and variable contracts, and to advance funds to those members amounting to $8,403,782. In November of 2023, the UNFCU Board of Directors approved an increase in the line of credit to UNFCU Advisors, to facilitate continued assignments.

NOTE 19 (continued)

As of 31 December 2023, and 31 December 2022, the following reserves have been taken:

	2023			2022		
	Fixed	Variable	Total	Fixed	Variable	Total
Assigned	$ 59,678,488	$ 11,638,625	$ 71,317,113	$ 53,237,402	$ 9,675,930	$ 62,913,332
Value	17,157,565	7,885,168	25,042,733	15,305,753	6,555,443	21,861,196
Reserve	42,520,923	3,753,457	46,274,380	37,931,649	3,120,487	41,052,136
Unassigned	14,350,811	3,070,047	17,420,858	20,791,897	5,032,742	25,824,639
Value	4,125,858	2,079,929	6,205,787	5,977,670	3,409,654	9,387,324
Reserve	$ 10,224,953	$ 990,118	$ 11,215,071	$ 14,814,227	$ 1,623,088	$ 16,437,315
Total Contracts	74,029,299	14,708,672	88,737,971	74,029,299	14,708,672	88,737,971
Value	21,283,423	9,965,097	31,248,520	21,283,423	9,965,097	31,248,520
Reserve	$ 52,745,876	$ 4,743,575	$ 57,489,451	$ 52,745,876	$ 4,743,575	$ 57,489,451
	71.25%	32.25%	64.79%	71.25%	32.25%	64.79%

The above valuations and reserves are based on information received from the joint provisional liquidators. As of 31 December 2022, the value of the fixed contract receivable applied is $0.2875 cents per dollar and the value of the variable contract receivable applied is $0.6775 cents per dollar. The fixed and variable contracts are backed by different assets causing different valuations.

The value of the fixed contract receivable of $0.2875 cents per dollar is derived from the average of four scenarios ranging from $0.16 to $0.43. The value of the variable contract receivable of $0.6775 cents per dollar is derived from the average of four scenarios ranging from $0.31 to $1.00. The scenarios were provided by the joint provisional liquidators.

In May of 2023 a hearing was held in Bermuda to determine the segregation status of the various classes of Northstar investor classes. In July of 2023, the Supreme Court of Bermuda issued a judgment addressing the segregation matters but did not address other matters that would impact the various contract values. Until those matters are fully adjudicated, UNFCU will continue to rely on the valuations referenced above.

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.

While reserves have been recorded on the total amount of all contracts, funds will be paid out as contracts mature and assignments are assumed by UNFCU Advisors. As of 31 December 2023, the following are the known, but unassigned fixed and variable contracts with NFS:

Maturity	Unassigned Contracts - Estimated (millions)	
	Fixed	Variable
Past Maturity	$ 11.4	$ 2.7
2024	1.9	0.3
Unknown	1.1	-
Total	$ 14.4	$ 3.0

NOTE 20 – 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 $335,000 in both 2023 and 2022. The UNFCU Foundation is a separate legal entity operating as a public charity.

NOTE 21 - SUBSEQUENT EVENTS

In January of 2024, UNFCU Financial Services LLC, a wholly owned subsidiary of UNFCU, sold its insurance agency operations. The sale of the insurance operations does not have a material impact on the consolidated statement of financial position or the future operations of UNFCU. No other subsequent event was noted through 25 March 2024, the date the financial statements were available to be issued.