FAIRWINDS

2021 Annual Report

Financial Freedom happens here.

Vision

Members financially secure
and economically successful
and responsible

Mission

Improve members'
financial well-being

Core Values

Advocacy
Good Stewardship
Caring Environment
Honesty and Integrity
Cooperative Principles
Community Commitment
Exceptional Service and Value

Table of Contents

"It's difficult to find the words to express how good it feels to be debt-free."

Joe,

FAIRWINDS Member

Lisa Snead
Chair

Larry F. Tobin
President/CEO

Message from the Chair & President

Over the past several years, we have been resolute in our commitment to spread the message of achieving Financial Freedom not only to *FAIRWINDS* members, but to all like-minded Financial Freedom seekers around the world.

Our perseverance and passion to be the financial institution that doesn't want you to have debt is inspiring thousands of members and future members every day.

In 2021, our members made Financial Freedom a priority by:

Saving More

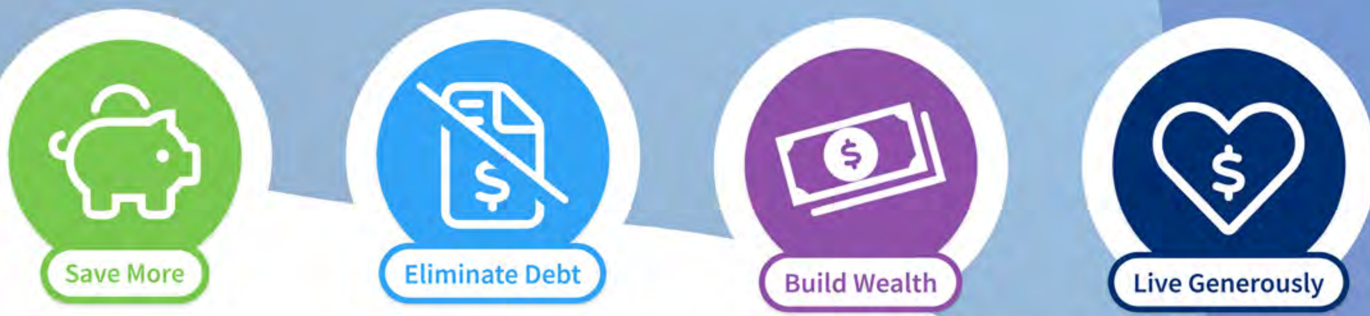
- Total assets under management crossed the $4 billion mark and continue to grow at a record pace.
- The number of *FAIRWINDS* Emergency Savings Accounts grew 145% from 2020, with balances totaling close to $50 million. Having an established, healthy emergency savings fund is critical for a successful journey.

Eliminating Debt

- ¢hange it up, our popular debit card round-up program, now offers the option to automatically grow your savings or pay down your *FAIRWINDS* loan. More than $10 million has been rounded up – and counting!
- Shorter term loans are becoming the top choice to help pay off debt as quickly as possible. Thirty percent of members are selecting auto loan terms of 48 months or less, with 58% of members opting for mortgage loans of 20 years or less.

Building Wealth

- Members understand the importance of connecting and investing with a trusted advisor. Wealth Management assets exceeded $752 million, an increase of 26% from 2020.



Living Generously

- *The Orlando Business Journal* recognized *FAIRWINDS* as the #8 “Most Philanthropic Company in Central Florida” in 2021. We are proud to be able to directly make an impact to help improve the financial health and well-being of the communities we live and serve in.

In 2020, we introduced the nine ***FAIRWINDS Money Milestones***, a prescribed path to help you achieve Financial Freedom. To further guide you, in 2021 we launched the ***FAIRWINDS Money Milestone Assessment***. A free tool for members, this brief assessment lets you know where you currently are, while providing you tips and guidance to help you move to the next Money Milestone. More than 37% of members are currently in Money Milestone 3: Pay Off All Debt, Except Your House. *FAIRWINDS* members know that a debt-free life is achievable!

We will welcome thousands of new members to *FAIRWINDS* in 2022 as part of our merger with Citizens Bank of Florida. As an organization with deep roots in the community, Citizens Bank of Florida shares that same commitment and has proudly served its commercial and personal banking customers for more than 75 years. After the merger, our market share will increase to 10.25% in Seminole County, FL, and our commercial portfolio will move from $387 million to over $600 million. We are excited and honored to serve our newest members.

As our commercial portfolio continues to reach new levels, business members will be able to experience the ***FAIRWINDS Business Money Milestones*** in 2022. Tailored around key goals and accomplishments throughout their business life cycle, *FAIRWINDS'* business members and their employees will be prepared and feel secure with the resources to help them also set a course toward a debt-free life. Every person and every business can achieve Financial Freedom.

Which *FAIRWINDS* Money Milestone will you achieve in 2022? You can be certain that no matter where you are in the journey, no matter what your income, no matter what your bottom line, *FAIRWINDS* will be by your side, to serve you and celebrate with you, just as we have since 1949. At *FAIRWINDS*…

Financial Freedom happens here.

Treasurer's Report

At *FAIRWINDS*, Financial Freedom happens here. Our members trust us to help them save more, eliminate debt, build wealth, and live generously. This is evident in our 2021 performance, another year of growth and new records.

B. Daniel McNutt, Jr.

Treasurer

Here are the financial highlights we achieved, together, in 2021:

Assets and Deposits

Total assets crossed over the $4.0 billion mark by year-end and continue to grow.

Retail deposits grew 17.2% to $3.2 billion and commercial deposits increased 26.9% to $443.0 million. *FAIRWINDS* members make saving more and building wealth a priority on their journey to Financial Freedom.

Total Wealth Management assets under management exceeded $752.0 million, up 26% from 2020 and 46% from 2019. *FAIRWINDS* was recognized as one of the top 30 credit union wealth management programs in the country across multiple broker-dealers.

Return on Assets and Net Income

Return on Assets finished strong at 1.29%, far exceeding the targeted budget. Net income reached a new record of $54.2 million.

Net Worth Ratio

FAIRWINDS' Net Worth Ratio remained strong at 9.10%, well-above the National Credit Union Administration's standard of 7.00%.

Delinquency and Charge-Offs

Asset quality improved from record performance in 2020, with delinquency at 0.15% and charge-offs at 0.05%.

Retail and Commercial Lending

As the financial partner that doesn't want you to have debt, Financial Freedom seekers turn to *FAIRWINDS* for shorter-term loan options, helping them to eliminate their loan as quickly as possible.

Bolstered by the low-rate mortgage environment, $598.4 million in new mortgages were disbursed in 2021. Approximately 58% of members have selected mortgage terms of 20 years or less. When it comes to vehicle financing, more than 30% of members have a loan term of 48 months or less.

FAIRWINDS' commercial and small business lending division disbursed $172.4 million in 2021. Commercial and small business owners continue to turn to *FAIRWINDS* for support and guidance with their most valued assets.

Thank you for choosing *FAIRWINDS* to be your partner on the journey to achieving Financial Freedom. It is an honor and privilege to serve you and we look forward to another prosperous year in 2022.

Audit Committee Report

We are honored that members continue to choose *FAIRWINDS* to help them achieve Financial Freedom. While providing guidance and solutions throughout the journey, we ensure that *FAIRWINDS* operates at the highest levels of safety, security, and soundness. Protecting our members' money and financial information is our priority.

Elizabeth Krahmer

Audit Committee Chair

The *FAIRWINDS* Audit Committee, serving independently from the credit union, ensures annual and ongoing audits are performed, including but not limited to, financial statement audit, information systems and security reviews, and operational and compliance reviews. For the review of *FAIRWINDS*' financial condition, each year the Audit Committee secures a third-party accounting firm to conduct an unbiased audit. Doeren Mayhew, CPA, an independent audit firm, rendered an unmodified opinion in its report to the Audit Committee for the credit union's financial statements as of September 30, 2021. Results of the audit report state that the credit union's financial statements are sound and free from material misstatements.

On behalf of the Audit Committee, based upon these independent external audits and ongoing internal audits conducted by our Internal Audit department, *FAIRWINDS*' operations continue to be well-managed.

Members can continue to trust and turn to *FAIRWINDS* as they have for more than 70 years.

Financial Freedom happens here.

We are proud to be the financial partner that doesn't want you to have debt. Financial Freedom is possible, no matter your age, no matter your income, when you: **save more, eliminate debt, build wealth, and live generously.**

Save More

"I have learned how to build my first ever emergency fund! I can now rest assured that if there are emergencies in the future, I will have a financial safety net to help me out!"

Edwin, Orlando, FL

- Over 15,000 members have opened an Emergency Savings Account with balances totaling more than $48.2 million.
- Members continue to save automatically through ¢hange it up, our debit card round-up program. More than $10 million has been rounded up to date.
- Thirty-three percent of members are on ***FAIRWINDS*** **Money Milestone 1: Save for Emergencies**. Members know that having at least $1,000 saved for emergencies is the most important Money Milestone to complete on the journey.

Eliminate Debt

"My financial win is not having a car payment in 10 years. I keep fixing my old van if it needs it, but that's way cheaper than making a monthly car payment."

Wade B., Buffalo, NY

- More than 37% of members are currently in ***FAIRWINDS*** **Money Milestone 3: Pay Off All Debt, Except Your House.**
- Thirty percent of *FAIRWINDS* auto loans are for 48 months or less.
- Fifty-eight percent selected a mortgage term of 20 years or less in 2021.

"I invest 15% of my income and my work matches 6%. I also only have 6 years left on my mortgage. I am only 37, so I am hopeful that I can retire early."

Megan, Lincoln, NE

Build Wealth

- Wealth Management assets exceeded $752.0 million, an increase of 26% from 2020. Members understand the importance of connecting and investing with a trusted advisor on their journey.
- Recognized as one of the top 30 credit union wealth management programs in the country.
- Easy Vest, an automated investment management tool providing tailored plans to members newer to investing, launched in 2021.

"I look for ways I can contribute my time and energy for family, friends, and others. I appreciate every single day I have and am able to choose how I spend my time. I look forward to many years of Financial Freedom ahead!"

Kristen, Orlando, FL

Live Generously

- Recognized as the "8th Most Philanthropic Company in Central Florida" by the *Orlando Business Journal*.
- *FAIRWINDS* Crewmembers raised more than $50,000 through the annual Give Generously campaign to help: *FAIRWINDS* Foundation, Heart of Florida United Way, and United Arts.
- More than $250,000 in grant funds were awarded to eight organizations who are committed to financial literacy.
- Awarded the "Golden Brick Award" for Community Contribution by the Downtown Orlando Partnership.

CONSOLIDATED FINANCIAL HIGHLIGHTS

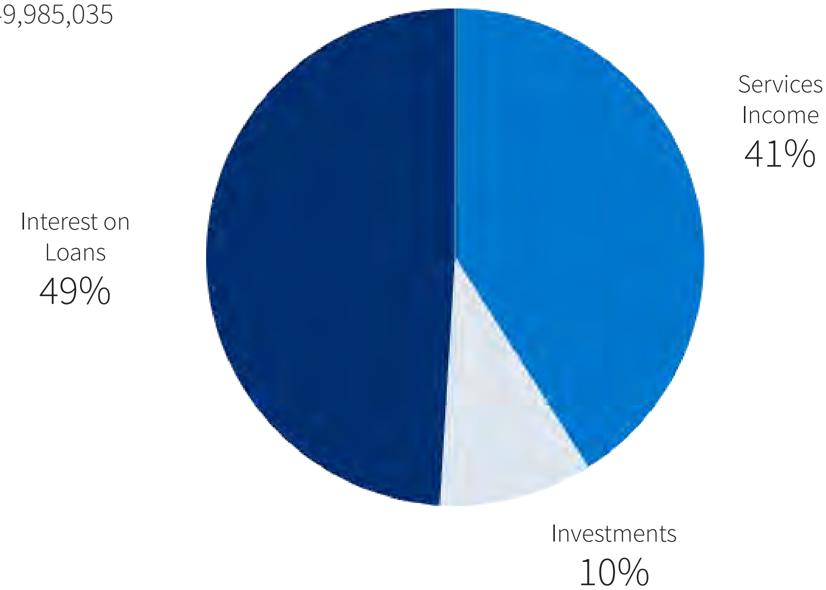
Assets	As of December 31, 2021	As of December 31, 2020
Net Loans to Members	$2,103,616,722	$2,038,147,211
Cash & Due from Banks	$649,058,047	$412,818,012
Government & Agency Securities	$1,050,257,842	$797,896,031
Other Investments	$78,761,199	$44,299,116
Fixed Assets	$94,578,317	$98,747,055
All Other Assets	$66,776,791	$62,289,666
Total Assets	$4,043,048,917	$3,454,197,091

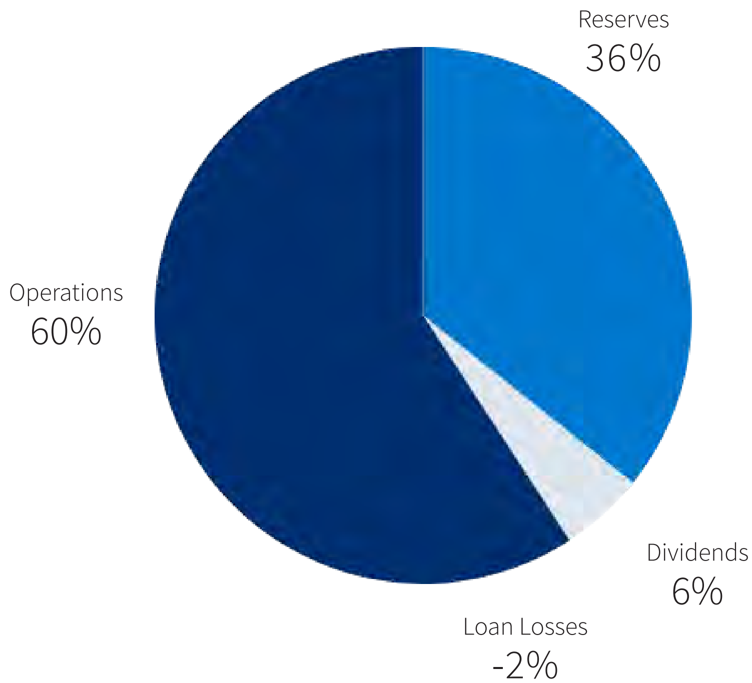
Liabilities & Members' Equity	As of December 31, 2021	As of December 31, 2020
Accounts Payable & Liabilities	$30,772,220	$34,488,474
Members' Shares & Deposits	$3,665,324,303	$3,098,200,064
Reserves & Undivided Earnings	$346,952,394	$321,508,553
Total Liability and Members' Equity	$4,043,048,917	$3,454,197,091

Statement of Income	As of December 31, 2021	As of December 31, 2020
Interest on Loans	$74,208,078	$78,024,114
Investment Income	$14,462,611	$10,257,957
Other Income	$61,314,346	$59,025,184
NCUSIF Distribution (Dividend)	$0	$0
Total Income	$149,985,035	$147,307,255
Operating Expenses	($105,255,881)	($105,513,576)
Provision for Loan Losses	$3,593,624	($15,828,769)
Non-Operating Gains	$14,479,159	$3,652,389
Dividends	($8,608,794)	($13,600,368)
Total Expenses	($95,791,893)	($131,290,324)
Reserves	$54,193,142	$16,016,931

Vital Statistics	As of December 31, 2021	As of December 31, 2020
Number of Members	210,807	201,437
Number of Loans Granted	14,448	13,171
$$$ of Loans Granted	$1,319,328,765	$1,212,979,461
Number of Loans Granted Since Organized	1,116,014	1,101,566
$$$ of Loans Granted Since Organized	$15,363,398,208	$14,044,069,444

Sources of Income	
Interest on Loans	$74,208,078
Investments	$14,462,611
Services Income	$61,314,346
Total	$149,985,035





Distribution of Income	
Loan Losses	-$3,593,624
Reserves	$54,193,142
Dividends	$8,608,794
Operations	$90,776,723
Total	$149,985,035

BOARD OF DIRECTORS

Lisa Snead
Chair

Carol F. Denton
Vice Chair

B. Daniel McNutt, Jr.
Treasurer

Elizabeth Krahmer
Secretary

Jason Albu
Director

Richard Leigh
Director

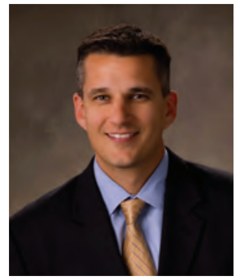
Mack R. Perry
Director

MANAGEMENT TEAM

Larry F. Tobin
President/CEO

Kathy A. Chonody
Senior Executive VP/CFO

Phillip C. Tischer
Senior Executive VP/COO



James D. Adamczyk
Senior Executive VP/CLO

Cathy M. Hertz
Executive VP -
Human Resources

Mathy M. Hogan
Executive VP - Payments
and Digital Banking

Charles S. Lai
Executive VP/CIO

Dianne K. Owen
Executive VP - Marketing

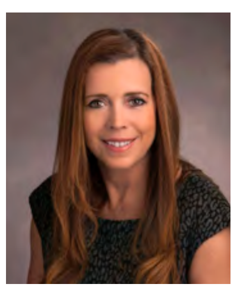
Tom Baldwin
Senior VP - Retail Banking
& Wealth Management

Derek V. Drake
Senior VP -
Risk Management

Jorge M. Font
Senior VP -
Business Services

Bryan S. Meizinger
Senior VP - Retail Lending

James M. Thornberry
Senior VP - Operations



Kim B. Wightman
Senior VP -
Accounting/Controller

Independent Auditor's Report

To the Board of Directors and Audit Committee of
***FAIRWINDS* Credit Union and Subsidiaries**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of *FAIRWINDS* Credit Union and Subsidiaries, which comprise the consolidated statements of financial condition as of September 30, 2021 and 2020, and the related consolidated statements of earnings, comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

Auditor's Responsibility (Continued)

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of *FAIRWINDS* Credit Union and Subsidiaries as of September 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Doeren Mayhew

Troy, Michigan

December 1, 2021

FAIRWINDS CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

SEPTEMBER 30, 2021 AND 2020

Assets	2021	2020
Cash and cash equivalents	$ 539,059,612	$ 401,145,667
Investment securities (Note 2):		
Equity securities	57,892,512	41,589,388
Available-for-sale debt securities	1,068,617,352	645,021,923
Held-to-maturity debt securities	43,747	82,877
Federal Home Loan Bank (FHLB) stock	1,731,600	2,407,900
Loans to members, net of allowance for loan losses (Note 3)	2,062,581,296	2,039,050,704
Accrued interest receivable	7,512,268	8,738,742
Property, equipment and leasehold improvements (Note 4)	96,008,007	99,210,377
National Credit Union Share Insurance Fund (NCUSIF) deposit	28,777,557	22,122,021
Investments in life insurance contracts	24,491,185	22,806,848
Goodwill	9,227,073	9,227,073
Other assets	14,027,896	12,790,711
Total assets	$ 3,909,970,105	$ 3,304,194,231

Liabilities and Members' Equity		
Liabilities:		
Members' shares and savings accounts	$ 3,514,496,692	$ 2,954,643,026
Supplemental executive retirement plan liability	13,334,974	14,509,781
Accrued expenses and other liabilities	37,287,147	17,415,842
Total liabilities	$ 3,565,118,813	2,986,568,649
Commitments and contingent liabilities		
Members' equity:		
Regular reserves	14,459,893	14,459,893
Undivided earnings	342,482,348	294,442,483
Accumulated other comprehensive (loss) income	(12,090,949)	8,723,206
Total members' equity	344,851,292	317,625,582
Total liabilities and members' equity	$ 3,909,970,105	$ 3,304,194,231

FAIRWINDS CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Interest Income:		
Loans receivable	$ 74,608,310	$ 78,940,931
Investment securities	13,315,094	10,260,857
Total interest income	87,923,404	89,201,788
Interest Expense:		
Members' share and savings	8,706,940	15,269,358
Net interest income	79,216,464	73,932,430
Provision for loan losses	1,943,488	9,554,486
Net interest income after provision for loan losses	77,272,976	64,377,944
Non-interest income:		
Fees and charges	34,963,072	35,558,093
Interchange income	25,833,735	21,242,999
Net change in fair value for equity investments	10,955,966	139,970
Net change in fair value on investments in life insurance contracts	2,343,311	1,133,463
Gain on sale of Visa stock	-	7,505,486
Gain on sale of investments	56,374	2,449,360
Total non-interest income	74,152,458	68,029,371
Non-interest expenses:		
Compensation and benefits	$ 55,963,225	$ 56,560,064
Office Operations	23,044,787	23,529,723
Operating expenses	15,835,165	14,851,683
Occupancy	8,103,241	8,074,539
Mortgage servicing rights fairmarket value adjustment	439,151	2,676,243
Total non-interest expenses	103,385,569	105,692,252
Net earnings	$ 48,039,865	$ 26,715,063

See accompanying notes to consolidated financial statements.

FAIRWINDS CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Net earnings	$ 48,039,865	$ 26,715,063
Other comprehensive income:		
Net unrealized holding (losses)/gains on investments classified as available-for-sale	(20,814,155)	9,344,823
Reclassification adjustment for securities gains included in net earnings	-	(2,449,360)
Total other comprehensive income	(20,814,155)	6,895,463
Comprehensive income	$ 27,225,710	$ 33,610,526

See accompanying notes to consolidated financial statements.

FAIRWINDS CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Members' equity - October 1, 2019	$ 14,459,893	$ 267,727,420	$ 1,827,743	$ 284,015,056
Comprehensive income	-	26,715,063	6,895,463	33,610,526
Members' equity - September 30, 2020	14,459,893	294,442,483	8,723,206	317,625,582
Comprehensive income	-	48,039,865	(20,814,155)	27,225,710
Members' equity - September 30, 2021	$ 14,459,893	$ 342,482,348	$ (12,090,949)	$ 344,851,292

See accompanying notes to consolidated financial statements.

FAIRWINDS CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Net earnings	$ 48,039,865	$ 26,715,063
Adjustments to net cash provided from operating activities:		
Depreciation	5,755,506	7,055,442
Provision for loan losses	1,943,488	9,554,486
Net amortization of premiums on investment securities	1,766,864	438,011
Net change in fair value on investments in life insurance contracts	(2,343,311)	(1,133,463)
Increase in fair market value of equity investments	11,303,124	(8,523,156)
Gain on sale of Visa stock	-	(7,505,486)
Changes in assets and liabilities:		
Decrease (increase) in accrued interest receivable	1,226,474	(1,889,828)
(Increase) decrease in other assets	(1,237,185)	5,861,089
(Decrease) increase in supplemental executive retirement plan liability	1,174,807	3,229,560
Increase (decrease) in accrued expenses and other liabilities	19,871,305	(2,102,671)
Total adjustments	14,505,210	4,983,984
Net cash provided from operating activities	62,545,075	31,699,047

See accompanying notes to consolidated financial statements.

FAIRWINDS CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash flows from investing activities:		
Net increase in loans to members	$ (25,474,080)	$ (154,352,652)
Proceeds from sales, calls, maturities, and repayments of investment securities:		
Available-for-sale debt securities	224,917,988	244,843,693
Held-to-maturity debt securities	39,130	78,235
Proceeds from the sale of Visa stock	-	7,505,486
Purchases of investment securities - available-for-sale	(671,094,436)	(546,270,615)
Purchase of equity investments	(5,000,000)	(13,118,699)
Redemption (purchase) of FHLB stock	676,300	(229,600)
Purchases of property and equipment	(2,553,136)	(6,159,684)
Net increase in life insurance contracts	658,974	112,666
Stock purchase of Friends Bank	-	(19,957,057)
Cash acquired through merger	-	19,667,345
Net increase in NCUSIF deposit	(6,655,536)	(3,226,546)
Net cash used in investing activities	(484,484,796)	(471,107,428)
Cash flows from financing activities:		
Net increase in members' shares and savings accounts	559,853,666	689,554,472
Net increase in cash and cash equivalents	137,913,945	250,146,091
Cash and cash equivalents - beginning	401,145,667	150,999,576
Cash and cash equivalents - ending	$ 539,059,612	$ 401,145,667

The fair value of non-cash assets acquired and liabilities assumed in the business combination with Friends Bank, effective October 1, 2019, was approximately $108,091,000 and $88,134,000, respectively.

Supplemental Information

	2021	2020
Interest and dividends paid	$ 8,706,940	$ 15,269,358
Assets acquired in the settlement of loans	$ -	$ 1,528,178

See accompanying notes to consolidated financial statements.

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Business

FAIRWINDS Credit Union's (the Credit Union) operations are principally related to holding deposits for and making loans to individuals who qualify for membership. The field of membership is defined by the Credit Union's Charter and Bylaws.

FAIRWINDS Financial Services, L.L.C. is a wholly-owned subsidiary of the Credit Union. As of September 30, 2021 and 2020, *FAIRWINDS* Financial Services, L.L.C. was inactive. *FAIRWINDS* Insurance Services, L.L.C. is a wholly-owned subsidiary of *FAIRWINDS* Credit Union created to provide insurance products for members of the Credit Union. *FAIRWINDS* Insurance Services, L.L.C.'s operations represent less than 1% of the consolidated totals for 2021 and 2020.

During the year ended September 30, 2020, the Credit Union acquired Friends Bank. See Note 13.

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union and its wholly-owned subsidiaries, *FAIRWINDS* Financial Services, L.L.C. and *FAIRWINDS* Insurance Services, L.L.C. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

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

Business Combination

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805-10, Business Combinations, requires all business combinations be accounted for by applying the acquisition method. Accordingly, the Credit Union recognizes assets obtained and liabilities assumed in a business combination at fair value on the acquisition date and includes the results of operations of the acquired entity in its consolidated statements of earnings from the acquisition date. The Credit Union recognizes as goodwill the excess of acquisition price over the fair value of net assets acquired.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks (including cash items in the process of clearing) and interest bearing deposits in banks with an original maturity of 90 days or less including overnight deposits. Amounts due from banks and corporate credit unions may, at times, exceed federally insured limits.

Investment Securities

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

Equity Securities: Marketable equity securities have readily determinable fair values. Equity securities are measured at fair value as of the date of the statements of consolidated financial condition. Changes in fair value of equity securities are included in other income in the consolidated statements of earnings.

Held-to-Maturity Debt: Mortgage-backed securities, which the Credit Union has the positive intent and ability to hold to maturity, are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income over the terms of the securities.

Available-for-Sale Debt: Small Business Administration (SBA) asset-backed securities are classified as available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. Prior to the adoption of ASU 2016-01, marketable equity securities were classified as available-for-sale. These securities are reported at fair value.

Unrealized gains and losses on available-for-sale investments are reported as a separate component of members' equity. Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for the amortization of premiums and accretion of discounts as an adjustment to interest income on investments over the term of the investment.

Declines in the estimated fair value of individual investment securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of earnings. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things: (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near term prospects of the issuer, (iii) that the Credit Union does not intend to sell these securities, and (iv) it is more likely than not that the Credit Union will have the ability to hold the securities for a period of time sufficient to allow for any anticipated recovery in fair value.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Federal Home Loan Bank (FHLB) Stock

As a member of the FHLB, the Credit Union is required to invest in stock of the FHLB. The FHLB stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for this investment and it has no quoted market value.

Loans to Members

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and discounts. Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding.

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

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

Certain direct loan origination costs are deferred and recognized as an adjustment to interest income over the contractual life of the loans.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses

The allowance for loan losses (allowance) is an estimate of loan losses inherent in the Credit Union's loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Loan losses are charged off against the allowance when the Credit Union determines the loan balance to be uncollectible. Cash received on previously charged-off amounts is recorded as a recovery to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic assessment of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

For purposes of determining the allowance, the Credit Union has segmented certain loans in the portfolio by product type. Loans are divided into the following segments: commercial, real estate and consumer. The Credit Union further disaggregates these segments into classes based on the associated risks within those segments. Real estate loans are divided into first mortgages and home equity. Consumer loans are divided into secured and unsecured.

The allowance consists of specific and general components. The specific component covers impaired loans and specific allowances are established for these loans based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flows, the loan's estimated market value, or the estimated fair value of the underlying collateral. The general component covers non-impaired loans and is based on historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment or class of loans. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. These factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment. The Credit Union maintains a separate general valuation allowance for each portfolio segment.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

These portfolio segments include commercial, real estate and consumer with risk characteristics described as follows:

Commercial: Commercial loans not secured by real estate generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in decreased collateral values.

Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments.

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

Commercial Segment Methodology

For loans not individually evaluated for impairment, the Credit Union determines the allowance on a collective basis utilizing historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors based on the risks present for each class of loans. As of September 30, 2021 and 2020, the historical loss time frame for each class was 60 months.

Consumer and Real Estate Segment Methodology

For loans not individually evaluated for impairment, the Credit Union determines the allowance on a collective basis utilizing historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment or class of loans. As of September 30, 2021 and 2020, the historical loss time frame for real estate loans was 36 months. As of September 30, 2021 and 2020, the historical loss time frame for consumer loans was 12 months.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, less costs to sell, if the loan is collateral dependent. A loan is collateral dependent if its repayment is expected to be provided solely by the underlying collateral.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Troubled Debt Restructurings (TDRs)

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A loan restructuring represents a TDR if for economic or legal reasons related to the borrower's financial difficulties the Credit Union grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

Consumer and Real Estate Credit Quality Indicators

The majority of the Credit Union's consumer and real estate loan portfolio comprises secured loans that are evaluated at origination on a centralized basis against standardized underwriting criteria. The ongoing measurement of credit quality of the consumer and residential loan portfolios is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Credit Union's collections department for resolution, which generally occurs fairly rapidly and often through repossession and foreclosure. Credit quality for the entire consumer and real estate loan portfolio is measured by the periodic delinquency rate, nonaccrual amounts, and actual losses incurred.

The Credit Union evaluates the credit quality of loans in the consumer loan portfolio based primarily on the aging status of the loan and payment activity. Accordingly, nonaccrual loans and loans modified under TDRs that are past due in accordance with the loans' original contractual terms are considered to be in a non-performing status for purposes of credit quality evaluation.

Commercial Credit Quality Indicators

The Credit Union assigns a risk rating to all loans except pools of homogeneous 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 four major categories, defined as follows:

Pass: A pass loan is a credit with no existing or known potential weaknesses deserving of management's close attention.

Special Mention: Loans classified as special mention have potential weaknesses, such as negative financial trends, a limited financial history, a serious documentation flaw, or inadequate control on the part of the Credit Union. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset. However, a loan rated "special mention" is considered fully collectible.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Commercial Credit Quality Indicators

Substandard: A loan is "substandard" if there is the potential for loss. Such loans have well-defined weaknesses and are not fully protected either by the paying capacity of the borrower or the value of the secondary source of repayment. These loans are characterized by the distinct possibility that the Credit Union could sustain some loss if the deficiencies are not corrected.

Doubtful: Loans that have well defined weaknesses. Collection in full is highly improbable. Information exists that may strengthen the loan precluding determination of an exact loss amount.

Loss: Loans that should be charged-off, as collection possibilities are no longer existent. There is no value in the asset.

COVID-19

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. Section 4013 of the CARES Act, "Temporary Relief From Troubled Debt Restructurings," provided financial institutions the option to temporarily suspend certain requirements under GAAP related to TDRs until December 31, 2020 to account for the effects of COVID-19. On December 27, 2020, the 2021 Consolidated Appropriations Act was signed into law, extending this option until January 1, 2022.

On April 7, 2020, regulatory agencies issued a statement, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)" (Statement), to encourage financial institutions to work prudently with borrowers and to describe the agencies' interpretation of how accounting rules under ASC 310-40, "Troubled Debt Restructurings by Creditors," apply to certain COVID-19 related modifications. The regulatory agencies have confirmed with staff of the FASB that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not TDRs.

Under the guidance, modifications should be short term in nature (e.g., six months or less) and COVID-19 related. Subsequent modifications should be re-evaluated. The presumption is that the borrower would not be experiencing financial difficulty had it not been for COVID-19. Therefore, if the borrower is not current for reasons other than COVID-19 or is requesting a long-term modification, the traditional TDR designation may apply. Further, the agencies' examiners will exercise judgment in reviewing loan modifications, including TDRs, and will not automatically adversely risk rate credits that are affected by COVID-19, including those considered TDRs. The Statement also provides guidance on past due reporting, nonaccrual loans and charge-offs among other items.

Given the uncertainty in general related to the ultimate impact of COVID-19, the impact of loans modified under this guidance is unknown.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Loan Charge-off Policies

The Credit Union's quality control process includes preparing lists to monitor and track delinquent loans. Tracking the loans on these lists enables management to assess the performance of the loan portfolio and act to mitigate risk therein through necessary changes in policy and procedures. The quality control process also serves as a tool to assist the Credit Union in identifying loans for charge-off on a timely basis.

All loans will be charged-off once deemed uncollectible. Non-performing loans are charged-off in compliance with Section 655.044, Florida Statutes. Generally, non-performing loans are deemed to be a loss when they become six months delinquent unless it is determined prior that there is no collectability based on the established loan life collections process. This process includes well defined procedures and guidelines used to identify, monitor, and address non-performing loans and when they should be considered for charge-off.

In the overdraft program, deposit accounts that are negative for 60 consecutive days will be charged-off. All other negative balance deposit accounts will be written off as operational losses as appropriate.

Transfers of Financial Assets

The Credit Union accounts for transfers and servicing of financial assets in accordance with FASB ASC 860, Transfers and Servicing. Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participation 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 assets, (2) from the date of transfer, all cash flows received, except any cash flows allocated as compensation or 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.

Concentrations of Credit Risk

A significant amount of the Credit Union's business activity is with members who work or reside in the Orlando, Florida metropolitan area. Therefore, the Credit Union may be exposed to credit risk by the economic climate of the overall geographical region in which borrowers reside.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Property, Equipment and Leasehold Improvements

Land is carried at cost. Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are stated at cost, less accumulated amortization. Amortization is computed on the straight-line method over the length of the lease term. Assets classified as construction-in-process are not depreciated until the asset has been completed and placed into service. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized.

Goodwill

Goodwill is an intangible asset that arises through a merger when identifiable assets acquired are less than identifiable liabilities and equity acquired. Goodwill is not amortized, it is tested for impairment if events or circumstances, such as adverse changes in the business climate, indicate there may be impairment. The balance of goodwill resulted from the merger with Friends Bank on October 1, 2019.

Intangible Assets

Intangible assets consist of core deposit intangible assets acquired through the bank combination. The core deposit intangible asset is amortized using the straight-line method over the estimated economic life of the assets. Intangible assets are included within other assets in the consolidated statements of financial condition.

Mortgage Servicing Rights

Mortgage servicing assets are recognized as separate assets when rights are acquired through sale of financial assets and are measured at fair value at the date of transfer. Fair value 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.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Mortgage Servicing Rights (Continued)

Capitalized servicing rights are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Service fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

National Credit Union Share Insurance Fund (NCUSIF) Deposit

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

Assets Acquired in Liquidation of Loans

Assets acquired in liquidation of loans represent collateral used to secure members' loans that have been acquired by the Credit Union in an effort to settle the members' loans and are recorded at the lower of cost or market less costs of liquidation.

Upon acquisition, the assets are initially recorded at estimated fair value, less costs to sell, at the date of transfer, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of the carrying amount or estimated fair value less costs to sell.

Investments in Life Insurance Contracts

The Credit Union owns investments in various life insurance contracts for key executives. These investments are recorded at their cash surrender value. Gains and losses from changes in value are recorded in net earnings.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Members' Shares and Savings Accounts

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in annual elections of the Board of Directors. Irrespective of the number of shares owned, no member has more than one vote.

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' shares and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Income Taxes

The Credit Union is exempt from most federal, state and local income taxes under the provisions of the Internal Revenue Code (IRC) and state tax laws. However, IRC Section 511 imposes a tax on the unrelated business income derived by state-chartered credit unions. Generally, these taxes are insignificant to the Credit Union.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized.

Subsequent Events

Management has evaluated subsequent events through December 1, 2021, the date the consolidated financial statements were available to be issued (see Note 14).

Note 2 - Investment Securities

The estimated fair values of equity securities held for trading are as follows:

	As of September 30, 2021	As of September 30, 2020
Equity securities	$ 57,892,512	$ 41,589,388

Equity securities held for trading purposes are marketable equity securities traded on organized exchanges which primarily consist of exchange traded funds.

The following table presents the amortized cost and estimated fair value of available-for-sale investments as of September 30, 2021:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available-for-sale debt:				
Federal agency securities	$ 312,673,612	$ 1,420	$ (6,524,601)	$ 306,150,431
Collateralized mortgage obligations	233,665,714	1,268,285	(4,451,671)	230,482,328
Mortgage-backed securities	456,965,813	2,059,469	(4,428,951)	453,596,331
Corporate bonds	58,274,333	79,285	(144,656)	58,208,962
Treasury bonds	20,128,829	77,670	(27,199)	20,179,300
Total securities available-for-sale debt:	$ 1,081,708,301	$ 3,486,129	$ (15,577,078)	$ 1,068,617,352
Securities to be held-to-maturity debt:				
Mortgage-backed securities	$ 43,747	$ 180	$ (29)	$ 43,898

Note 2 - Investment Securities (Continued)

The following table presents the amortized cost and estimated fair value of available-for-sale investments as of September 30, 2020:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available-for-sale debt:				
Federal agency securities	$ 287,443,367	$ 346,173	$ (584,599)	$ 287,204,941
Collateralized mortgage obligations	134,847,209	2,848,000	(2,461)	137,692,748
Mortgage-backed securities	174,025,335	5,608,049	-	179,633,384
Corporate bonds	39,982,806	508,044	-	40,490,850
Total securities available-for-sale debt:	$ 636,298,717	$ 9,310,266	$ (587,060)	$ 645,021,923
Securities to be held-to-maturity debt:				
Mortgage-backed securities	$ 82,877	$ 877	$ -	$ 83,754

The amortized cost and estimated market value of debt securities at September 30, 2021, by contractual maturity, are shown below. Expected maturities on mortgage-backed securities will differ from contractual maturities because the borrower may have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available-for-Sale		Securities to be Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year to less than five years	$ 78,700,960	$ 78,687,482	$ -	$ -
Due from five years to ten years	62,650,000	62,128,962	-	-
Due in greater than 10 years	249,725,814	243,722,249	-	-
Collaterized mortgage obligations	233,665,714	230,482,328	-	-
Mortgage-backed securities	456,965,813	453,596,331	$ 43,747	43,898
Total	$ 1,081,708,301	$ 1,068,617,352	$ 43,747	$ 43,898

Note 2 - Investment Securities (Continued)

Information pertaining to investments with gross unrealized losses as of September 30, 2021 aggregated by investment category and length of time that individual investments have been in a continuous loss position, follows:

	Continuing Unrealized Losses for Less Than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency securities	$ 183,547,212	$ (3,869,243)	$ 122,304,001	$ (2,655,358)	$ 305,851,213	$ (6,524,601)
Collateralized mortgage obligations	159,042,443	(4,451,671)	-	-	159,042,443	(4,451,671)
Mortgage-backed securities	369,990,940	(4,428,980)	-	-	369,990,940	(4,428,980)
Corporate bonds	38,917,276	(144,656)	-	-	38,917,276	(144,656)
Treasury bonds	10,615,560	(27,199)	-	-	10,615,560	(27,199)
Total	$ 762,113,431	$ (12,921,749)	$ 122,304,001	$ (2,655,358)	$ 884,417,432	$ (15,577,107)

Information pertaining to investments with gross unrealized losses as of September 30, 2020 aggregated by investment category and length of time that individual investments have been in a continuous loss position, follows:

	Continuing Unrealized Losses for Less Than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency securities	$ 137,020,490	$ (584,599)	$ -	$ -	$ 137,020,490	$ (584,599)
Collateralized mortgage obligations	3,186,090	(2,461)	-	-	3,186,090	(2,461)
Total	$ 140,206,580	$ (587,060)	$ -	$ -	$ 140,206,580	$ (587,060)

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because of the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the ability and intent to hold these securities through to recovery of fair value, which may be maturity. Corporate bonds were temporarily impaired as a result of changes in the interest rate environment and not due to increased credit risk. The corporate bonds were all rated investment grade securities by Moody's as of September 30, 2021 and 2020.

Note 2 - Investment Securities (Continued)

Proceeds from the sales of investments classified as available-for-sale approximated $45,013,000 during the year ended September 30, 2020. Gross gains of approximately $2,449,000 were realized for the year ended September 30, 2020. There were no sales of investments classified as available for sale during the year ended September 30, 2021.

Note 3 - Loans to Members

The composition of loans to members is as follows:

	2021	2020
Commercial loans	$ 381,344,128	$ 410,712,034
Real Estate:		
First mortgages	1,118,036,469	958,324,883
Home equity	50,760,143	72,577,917
Consumer:		
Secured	440,681,523	518,994,245
Unsecured	83,255,659	89,134,584
Net deferred loan origination fees/costs	7,882,303	7,970,319
Total	2,081,960,225	2,057,713,982
Less: allowance for loan losses	19,378,929	18,663,278
Total loans to members	$ 2,062,581,296	$ 2,039,050,704

Note 3 - Loans to Members (Continued)

Allowance for Loan Losses and Recorded Investment in Loans

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method at September 30, 2021:

	Commercial	Real Estate	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 5,348,673	$ 4,250,416	$ 9,064,189	$ 18,663,278
Charge-offs	(18,026)	82,693	(3,090,617)	(3,025,950)
Recoveries	4,689	1,142,387	651,037	1,798,113
Provision (recapture)	2,265,197	(2,609,374)	2,287,665	1,943,488
Ending balance	7,600,533	2,866,122	8,912,274	19,378,929
Ending balance individually evaluated for impairment	2,758	1,409,977	-	1,412,735
Ending balance collectively evaluated for impairment	$ 7,597,775	$ 1,456,145	$ 8,912,274	$ 17,966,194
Loans:				
Ending balance individually evaluated for impairment	$ 284,688	$ 17,856,618	$ -	$ 18,141,306
Ending balance collectively evaluated for impairment	382,284,613	1,153,648,520	527,885,786	2,063,818,919
Total recorded investment in loans	$ 382,569,301	$ 1,171,505,138	$ 527,885,786	$ 2,081,960,225

Note 3 - Loans to Members (Continued)

Allowance for Loan Losses and Recorded Investment in Loans (Continued)

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method at September 30, 2020:

	Commercial	Real Estate	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 2,411,651	$ 5,285,411	$ 4,366,436	$ 12,063,498
Charge-offs	-	(23,373)	(4,900,064)	(4,923,437)
Recoveries	-	1,122,649	846,082	1,968,731
Provision (recapture)	2,937,022	(2,134,271)	8,751,735	9,554,486
Ending balance	5,348,673	4,250,416	9,064,189	18,663,278
Ending balance individually evaluated for impairment	45,382	1,901,858	-	1,947,240
Ending balance collectively evaluated for impairment	$ 5,303,291	$ 2,348,558	$ 9,064,189	$ 16,716,038
Loans:				
Ending balance individually evaluated for impairment	$ 443,296	$ 22,987,886	$ -	$ 23,431,182
Ending balance collectively evaluated for impairment	399,604,528	1,011,380,656	623,297,616	2,034,282,800
Total recorded investment in loans	$ 400,047,824	$ 1,034,368,542	$ 623,297,616	$ 2,057,713,982

Note 3 - Loans to Members (Continued)

Impaired Loans

Loan impairment is measured by estimating the expected future cash flows or by valuing the underlying collateral. The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2021:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 205,615	$ 205,615	$ -	$ 111,882	$ -
Real estate:					
First mortgages	3,111,303	3,111,303	-	3,365,301	-
Home equity	629,652	629,652	-	546,830	-
With an allowance recorded:					
Commercial	$ 79,073	$ 79,073	$ 2,758	$ 252,111	$ -
Real estate:					
First mortgages	13,644,622	13,644,622	1,320,903	15,941,965	-
Home equity	471,041	471,041	89,074	568,157	-
Total					
Commercial	$ 284,688	$ 284,688	$ 2,758	$ 363,993	$ -
Real estate	$ 17,856,618	$ 17,856,618	$ 1,409,977	$ 20,422,253	$ -

Note 3 - Loans to Members (Continued)

Impaired Loans (Continued)

Loan impairment is measured by estimating the expected future cash flows or by valuing the underlying collateral. The following table presents loans individually evaluated for impairment by class of loans as of September 30, 2020:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial	$ 18,148	$ 18,148	$ -	$ 455,816	$ 1,320
Real estate:					
First mortgages	3,619,299	3,619,299	-	5,126,183	111,309
Home equity	464,007	464,007	-	531,442	18,581
With an allowance recorded:					
Commercial	$ 425,148	$ 425,148	$ 45,382	$ 442,900	$ 18,400
Real estate:					
First mortgages	18,239,307	18,239,307	1,809,884	20,492,129	619,778
Home equity	665,273	665,273	91,974	819,760	29,183
Total					
Commercial	$ 443,296	$ 443,296	$ 45,382	$ 898,716	$ 19,720
Real estate	$ 22,987,886	$ 22,987,886	$ 1,901,858	$ 26,969,514	$ 778,851

Note 3 - Loans to Members (Continued)

Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans at September 30, 2021:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Financing Receivable	Recorded Investment > 90 Days and Accruing
Commercial	$ 19,309	$ -	$ -	$ 19,309	$ 382,549,992	$ 382,569,301	$ -
Real estate:							
First mortgages	61,293	688,207	2,033,428	2,782,928	1,117,342,769	1,120,125,697	-
Home equity	278,989	142,117	8,350	429,456	50,949,985	51,379,441	-
Consumer:							
Secured	1,049,902	120,449	108,929	1,279,280	443,350,847	444,630,127	-
Unsecured	497,444	269,160	159,969	926,573	82,329,086	83,255,659	-
Total	$ 1,906,937	$ 1,219,933	$ 2,310,676	$ 5,437,546	$ 2,076,522,679	$ 2,081,960,225	$ -

Note 3 - Loans to Members (Continued)

Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans at September 30, 2020:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Financing Receivable	Recorded Investment > 90 Days and Accruing
Commercial	$ 74,711	$ 2,303	$ 21,490	$ 98,501	$ 399,949,323	$ 400,047,824	$ -
Real estate:							
First mortgages	-	210,926	1,833,287	2,044,213	954,381,262	956,425,475	-
Home equity	72,927	82,438	40,847	196,212	77,746,855	77,943,067	-
Consumer:							
Secured	897,039	146,069	83,686	1,126,794	532,952,642	534,079,436	-
Unsecured	643,687	248,692	333,029	1,225,408	87,992,772	89,218,180	-
Total	$ 1,688,364	$ 690,428	$ 2,312,339	$ 4,691,128	$ 2,053,022,854	$ 2,057,713,982	$ -

Note 3 - Loans to Members (Continued)

Commercial Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for loan losses. For commercial loan classes, the Credit Union evaluates credit quality based on risk ratings assigned to each loan as described in Note 1.

The following table presents the loan balance for commercial loans based on risk rating as of September 30, 2021:

Credit grade:	
Pass	$ 373,349,664
Special mention	8,934,950
Substandard	92,489
Doubtful	192,198
Loss	-
Total	$ 382,569,301

The following table presents the loan balance for commercial loans based on risk rating as of September 30, 2020:

Credit grade:	
Pass	$ 394,883,546
Special mention	4,739,008
Substandard	406,431
Doubtful	18,839
Loss	-
Total	$ 400,047,824

Note 3 - Loans to Members (Continued)

Consumer and Real Estate Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for loan losses. For consumer and real estate loan classes, the Credit Union evaluates credit quality based on the aging status of the loan and payment activity. Accordingly, nonaccrual loans are considered to be in a non-performing status for purposes of credit quality evaluation.

The following tables present the loan balance based on performance indication as of September 30, 2021 and 2020:

	September 30, 2021		September 30, 2020	
	Performing Loans	Non-Performing Loans	Performing Loans	Non-Performing Loans
Real estate:				
First mortgages	$ 1,118,092,269	$ 2,033,428	$ 954,592,188	$ 1,833,287
Home equity	51,371,091	8,350	77,902,220	40,847
Total real estate	1,169,463,360	2,041,778	1,032,494,408	1,874,134
Consumer:				
Secured	444,521,198	108,929	533,995,750	83,686
Unsecured	83,095,690	159,969	88,885,151	333,029
Total consumer	527,616,888	268,898	622,880,901	416,715
Total	$ 1,697,080,248	$ 2,310,676	$ 1,655,375,309	$ 2,290,849

Note 3 - Loans to Members (Continued)

Troubled Debt Restructurings

The consolidated statement of earnings impact of approved TDRs was immaterial for consolidated financial statement disclosure for the years ended September 30, 2021 and 2020. Subsequently defaulted is defined as reaching 90 days past due during the first 12 months subsequent to approval:

	September 30, 2021		
	Number of Contracts	Recorded Investment in TDRs Approved	TDRs Which Subsequently Defaulted
Real estate:			
First mortgages	4	$ 715,528	$ -
Home Equity	-	-	-
Consumer:			
Unsecured	-	-	-
Secured	1	5,176	-
Total	5	$ 720,704	$ -

	September 30, 2020		
	Number of Contracts	Recorded Investment in TDRs Approved	TDRs Which Subsequently Defaulted
Real estate:			
First mortgages	1	$ 113,113	$ -
Home Equity	1	93,319	-
Consumer:			
Unsecured	6	16,739	-
Secured	13	70,447	-
Total	21	$ 293,618	$ -

Note 4 - Property, Equipment and Leasehold Improvements

The principal categories of property, equipment and leasehold improvements are summarized as follows:

	2021	2020
Land and improvements	$ 25,034,703	$ 25,034,703
Building and improvements	79,540,774	79,127,618
Furniture and equipment	29,014,366	28,566,521
Leasehold improvements	9,913,502	10,022,606
Total cost	143,503,345	142,751,448
Less accumulated depreciation	47,495,338	43,541,071
Undepreciated cost	$ 96,008,007	$ 99,210,377

Depreciation and amortization charged to earnings was approximately $5,800,000 and $7,055,000 for the years ended September 30, 2021 and 2020, respectively.

Note 5 - Borrowed Funds

The Credit Union maintains a credit agreement with FHLB of Atlanta. As of September 30, 2021 and 2020, the Credit Union pledged approximately $638,055,000 and $558,976,000, respectively, in first mortgage loans with the FHLB. The Credit Union may borrow up to 100% of the collateral pledged. As of September 30, 2021 and 2020, there were no borrowed funds under this agreement. Interest rates on advances from the FHLB are determined at the time of the advances and collateral in the form of mortgage securities are pledged at the time of the advance.

The Credit Union maintains a line of credit with Corporate One Federal Credit Union at a variable rate of interest, guaranteed by all assets, maximum credit available of $100,000,000 at September 30, 2021 and 2020. There were no outstanding advances as of September 30, 2021 and 2020.

The Credit Union is authorized to borrow from the Federal Reserve discount window. The Credit Union may borrow funds up to amounts collateralized by Credit Union assets including investment securities. The Credit Union had no outstanding borrowings at September 30, 2021 or 2020.

Note 6 - Members' Shares and Savings Accounts

	2020	2019
Share draft accounts	$ 866,469,275	$ 147,818,635
Shares and equivalents	1,810,228,952	1,845,177,363
Money market accounts	511,259,936	585,432,549
Individual retirement accounts (IRAs)	56,513,763	52,644,149
Certificates of deposit and IRA certificates	270,024,766	323,570,330
Total members' shares and savings accounts	$ 3,514,496,692	$ 2,954,643,026

At September 30, 2021, scheduled maturities of certificates of deposit and IRA certificates are as follows:

Year Ending September 30th:	
2022	$ 189,553,606
2023	60,777,563
2024	8,365,176
2025	5,459,648
2026	5,788,066
Thereafter	80,707
Total	$ 270,024,766

The aggregate amount of time deposit accounts in denominations of $250,000 or more at September 30, 2021 was approximately $57,228,000.

Note 7 - Regulatory Capital

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

Note 7 - Regulatory Capital (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined in *NCUA Regulations*) to total assets (as defined in *NCUA Regulations*). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio as of September 30, 2021 and 2020 was 6.88% and 5.96%, respectively. The minimum ratio to be considered complex under the regulatory framework is 6.0%. The Credit Union is considered complex under the regulatory framework.

As of September 30, 2021, the most recent call reporting period, the NCUA categorized the Credit Union 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 7.00% of assets.

There are no conditions or events since that notification that management believes have changed the Credit Union's category.

	As of September 30, 2021		As of September 30, 2020	
	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
Actual net worth	$ 356,942,241	9.64%	$ 308,902,376	10.31%
Amount needed to be classified as "adequately capitalized"	$ 222,052,137	6.00%	$ 179,723,188	6.00%
Amount needed to meet RBNWR	$ 254,619,784	$ 6.88%	$ 178,525,033	5.96%
Amount needed to be classified as "well capitalized"	$ 259,060,826	$ 7.00%	$ 209,677,053	7.00%

Because the Credit Union's net worth ratio is greater than the RBNWR requirement, the Credit Union retains its original category. Further, in performing its calculation of total assets, the Credit Union used the current and three preceding calendar quarter-end balances, as permitted by regulation. Total assets using this method were $3,700,868,947 and $2,955,386,466 as of September 30, 2021 and 2020, respectively.

Note 8 - Related Party Transactions

The majority of employees and all members of the Board of Directors have member accounts at the Credit Union, including share, deposit and loan accounts. The terms of transactions involving these accounts (i.e., rates charged and paid) are comparable to other members.

Note 8 - Related Party Transactions (Continued)

Included in loans receivable at September 30, 2021 and 2020 are loans of approximately $4,091,000 and $4,550,000, respectively, to directors and officers of the Credit Union. Such loans are made in the ordinary course of business at normal credit terms including interest rates and collateralization.

Note 9 - Commitments and Contingent Liabilities

The principal commitments of the Credit Union are as follows:

Lease Commitments

At September 30, 2021 and 2020, the Credit Union had outstanding commitments under non-cancellable operating leases for office space for several branch locations. Net rent expenses under the operating leases, included in expenses, were approximately $1,746,000 and $1,743,000 for the years ended September 30, 2021 and 2020, respectively.

The projected minimum rental payments under the terms of the leases at September 30, 2021 are as follows:

Year Ending September 30th:	
2022	$ 1,537,000
2023	1,414,000
2024	1,416,000
2025	1,437,000
2026	1,104,000
Thereafter	370,000
Total	$ 7,278,000

Off-Balance Sheet Risk

The Credit Union is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Credit Union has in particular classes of financial instruments.

Note 9 - Commitments and Contingent Liabilities (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. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of September 30, 2021, the total unfunded commitments under such lines of credit was approximately $667,622,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

Note 10 - Fair Value Measurements

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under this guidance are described below:

<u>Basis of Fair Value Measurements</u>

Level 1 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques.

Note 10 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis at September 30, 2021 and 2020 are summarized as follows:

	Fair Value Measurements at September 30, 2021			
	Level 1	Level 2	Level 3	Total
Available-for-sale:				
Federal agency securities	$ -	$ 306,150,431	$ -	$ 306,150,431
Collateralized mortgage obligations	-	230,482,328	-	230,482,328
Mortgage-backed securities	-	453,596,331	-	453,596,331
Corporate bonds	-	58,208,962	-	58,208,962
Treasury bonds	-	20,179,300	-	20,179,300
Equity securities	57,892,512	-	-	57,892,512
Mortgage servicing rights	-	4,006,626	-	4,006,626
Total	$ 57,892,512	$ 1,072,623,978	$ -	$ 1,130,516,490

	Fair Value Measurements at September 30, 2020			
	Level 1	Level 2	Level 3	Total
Available-for-sale:				
Federal agency securities	$ -	$ 287,204,941	$ -	$ 287,204,941
Collaterized mortgage obligations	-	137,692,748	-	137,692,748
Mortgage-backed securities	-	179,633,384	-	179,633,384
Corporate bonds	-	40,490,850	-	40,490,850
Equity securities	41,589,388	-	-	41,589,388
Mortgage servicing rights	-	3,474,359	-	3,474,359
Total	$ 41,589,388	$ 648,496,282	$ -	$ 690,085,670

Assets Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis at September 30, 2021 and 2020 are summarized as follows:

	Fair Value Measurements at September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets acquired in liquidation of loans	$ -	$ -	$ 50,527	$ 50,527
Impaired loans	-	-	12,782,001	12,782,001
Total	$ -	$ -	$ 12,832,528	$ 12,832,528

	Fair Value Measurements at September 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets acquired in liquidation of loans	$ -	$ -	$ 855,480	$ 855,480
Impaired loans	-	-	17,382,488	17,382,488
Total	$ -	$ -	$ 18,237,968	$ 18,237,968

Assets acquired in liquidation of loans primarily consists of other real estate owned (OREO) properties acquired through or in lieu of foreclosure and are initially recorded at fair value less estimated selling costs, establishing a new cost basis. The fair value amount is determined by using appraisals or broker price opinions (BPOs), which are supported by unobservable inputs, such as historical information relative to sales prices for similar properties located in the surrounding area. As a result, the information derived from appraisals and BPOs is subjective and can result in a wide range of fair value estimates. Accordingly, OREO is classified as Level 3 in the fair value hierarchy and valued on a non-recurring basis.

The Credit Union markets the OREO properties for sale to the public. Periodically, fair value amounts are reviewed to ensure the carrying amount of OREO is not maintained at a level that is higher than the current fair value less estimated selling costs. Holding costs such as insurance, maintenance, taxes and utility costs are charged to expense as incurred. Valuation adjustments on these assets as well as gains or losses realized from disposition of such properties are reflected in "other non-interest income or expense" on the consolidated statements of earnings.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or market value. For collaterally dependent loans, fair value is measured based on the value of the collateral securing the loans and is classified at a Level 3 in the fair value hierarchy where the collateral is real estate. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Credit Union. Appraised and reported values may be discounted based on management's historical knowledge, changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. For non-collaterally dependent loans, fair value is determined based on a present value of cash flows methodology. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified previously.

Mortgage servicing assets are measured at the fair value. The fair value of these assets is determined based upon an independent third-party valuation. The valuation of these assets is derived using a discounted cash flow analysis in conjunction with a proprietary valuation model. As such, mortgage servicing assets are included within the Level 2 of the valuation hierarchy.

Note 11 - Employee Benefit Plans

Defined Contribution 401(k) Profit Sharing Plan

The Credit Union has a 401(k) profit sharing plan that covers substantially all employees. Contributions by the Credit Union included in the determination of net earnings for the years ended September 30, 2021 and 2020 were approximately $1,773,000 and $2,072,000, respectively.

Deferred Compensation Plan

The Credit Union has a deferred compensation plan covering certain management employees which will be payable upon the employees' retirement or termination. The liability at September 30, 2021 and 2020 was approximately $79,000 and $65,000, respectively, and is included in other accrued liabilities in the consolidated statements of financial condition.

The Credit Union has three Supplemental Executive Retirement Plans (SERPs) that guarantee specific payments be made to key executives once eligibility requirements are met. As of September 30, 2021 and 2020, the obligation to the executives was approximately $13,335,000 and $14,510,000, respectively. The SERPs were established to provide periodic benefit payments for each executive to be paid when they reach certain ages, with the final payment to be made at age 65 determined based on the five highest years of compensation paid to the executive between the date the agreements were signed and retirement age.

The Credit Union anticipates payments under the terms of the SERPs to be as follows:

Year Ending September 30th:		
2022	$	1,050,000
2023		400,000
2024		250,000
2025		100,000
2026		475,000
Five years thereafter		11,060,000
	$	13,335,000

The Credit Union has invested in assets, which consist of mutual funds, life insurance and annuity contracts, to informally fund the deferred compensation plans. As of September 30, 2021 and 2020, the Credit Union had mutual funds valued at approximately $57,893,000 and $41,589,000, respectively, and life insurance and annuity contracts valued at approximately $24,491,000 and $22,807,000, respectively, related to these plans. The assets would be available to general creditors in the event of liquidation of the Credit Union's assets. The Credit Union has incurred expenses of approximately $5,024,000 and $3,998,000 under these agreements for the years ended September 30, 2021 and 2020, respectively.

Note 12 - Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans and the related custodial escrow balances approximate the following as of September 30, 2021 and 2020:

	2021	2020
Mortgage loan portfolio serviced for:		
Federal National Mortgage Association (FNMA)	$ 593,057,000	$ 579,225,000
Custodial escrow balances	$ 7,401,000	$ 7,296,000

The following table presents mortgage servicing rights activity and fair value as of and for the years ended September 30, 2021 and 2020:

	2020	2019
Mortgage servicing rights:		
Balance - beginning	$ 3,474,359	$ 3,991,815
Capitalized servicing rights	1,203,587	2,344,308
Amortization expense	(232,169)	(185,521)
	4,445,777	6,150,602
Market value adjustment	(439,151)	(2,676,243)
Balance - ending	$ 4,006,626	$ 3,474,359

As of September 30, 2021 and 2020, the fair value of mortgage servicing assets was determined by an independent third party using market value discount rates and prepayment speeds based on the specific characteristics of each pool of loans. The fair value of servicing rights was determined using weighted average discount rates ranging from 6.10% to 14.91% and 10.00% to 12.00% for the years ended September 30, 2021 and 2020, respectively, as well as prepayment speeds ranging from 3.20% to 30.10% and 9.36% to 13.74% as of September 30, 2021 and 2020, respectively. Service fee income for the years ended September 30, 2021 and 2020 was approximately $1,462,000 and $1,217,000, respectively. Mortgage servicing rights are included in other assets in the consolidated statements of financial condition at September 30, 2021 and 2020.

Note 13 - Business Combination

On October 1, 2019, the Credit Union acquired Friends Bank, which was accounted for pursuant to the guidance of ASC 805, Business Combinations. The acquisition will expand the Credit Union's presence in targeted geographical locations to better serve their membership. Fair values were determined in accordance with the guidance provided in ASC Topic 820 as presented in the following table:

Total cash consideration paid for bank stock	$	19,957,057
Fair value of identifiable assets acquired:		
Cash and cash equivalents	$	19,667,345
Investments		3,460,953
Loans receivable		70,451,421
Fixed assets		3,654,929
Other assets		561,300
Goodwill		9,227,073
Core deposit intangible	$	1,068,295
Total identifiable assets acquired	$	108,091,316
Fair value of liabilities assumed:		
Deposits	$	87,129,031
Other liabilities		1,005,228
Total liabilities assumed:	$	88,134,259

Note 14 - Subsequent Events

The Credit Union announced its intent to acquire Citizens Bank of Florida, a community financial institution with $489 million in assets. The acquisition, which is subject to regulatory approval, is expected to be completed in the first quarter of 2022.

In November 2021, the Credit Union sold one of their branch locations. A gain of approximately $4,200,000 was recognized from the sale.

*** End of Notes ***