FAIRWINDS

Annual Report 2022

Vision

Members financially free

Mission

Changing members' lives on the journey to Financial Freedom

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Message from the Chair & President

Lisa Snead
Chair

Larry F. Tobin
President/CEO

We are proud to present to you the 2022 *FAIRWINDS* Annual Report, showcasing the accomplishments and milestones we have achieved together – and the exciting road we are embarking upon in 2023.

As you know, *FAIRWINDS* is not like any other financial institution. Our mission is to change members' lives. It's at the core of everything we do. Members' lives ***are*** changing every day.

You continue to succeed on the path to achieving financial freedom by saving more, eliminating debt, building wealth, and living generously.

Thanks to your commitment and loyalty, highlights from 2022 include:

Deposits reached an all-time high of $4.2 billion, fueled by significant balance increases in Emergency Savings, Business Savings, Signature Savings, and Investor Savings. Total assets at the end of 2022 were $4.5 billion.

More than $67.1 million has been deposited into Emergency Savings accounts, an increase of 54% from 2021. *FAIRWINDS* members are prepared.

Eliminating debt is a priority, with 41% choosing a shorter-term mortgage loan and close to 30% opting for short-term auto loans in 2022. *FAIRWINDS* members are relentless when it comes to paying off debt as fast as possible.

A record $73 million in assets were invested last year with our financial advisors.

Over 25% of members have completed the personal *FAIRWINDS* Money Milestone Assessment and have a clear plan in place on the journey to Financial Freedom. The Business Money Milestone Assessment will launch in early 2023, guiding our business members to become debt-free. Every person and every business can achieve financial freedom.

We completed our merger with Citizens Bank, welcoming thousands of new members and increasing our commercial portfolio to over $600 million. We are honored for the opportunity to inspire and encourage our newest members, personal and business, on their journey to achieving financial freedom.

Our Net Promoter Score (NPS), a key indicator of customers' satisfaction with service, was a record-high of 83%, far above the banking industry average of 44%. We are at your service!

Serving you is an honor. We are elevating your experiences to a new level in 2023. Digital assistants, providing one-on-one service with co-browsing, will be available through our Contact Center. Business members, in addition to the Business Money Milestone Assessment, will have access to enhanced mobile and online tools, streamlining your financial operations.

The popular service Zelle will be integrated and available for you to send and receive money immediately. You'll also be able to unlock goal-based savings tools and freedom payment options in the *FAIRWINDS* Mobile App, helping you say goodbye to debt for good.

Most exciting of all, we will unveil our product collections, customized for you at every stage of your journey. Whether you are just starting out or have long been financially free, the Freedom Essentials, Preferred Solutions, and Signature Solutions collections will provide the ultimate in savings, earnings, and experiences.

Imagine a life where you are debt-free, where you have the freedom to think, spend, and feel without that burden. That's the life we want for every one of our members.

Financial freedom happens at *FAIRWINDS*.

And it always will.

B. Daniel McNutt, Jr.
Treasurer

Treasurer's Report 2022

2022 was an exceptional year for *FAIRWINDS*. We continue to grow through the loyalty of our long-time members and those who have recently joined. Our performance is a testament to the trust you have placed in a financial partner that truly wants to help you achieve financial freedom.

Key performance highlights include:

Merger with Citizens Bank of Florida

We welcomed thousands of new members through our acquisition and merger with Citizens Bank of Florida, completed in May 2022. Our market share in Seminole County increased to 10.25% and our commercial portfolio increased from $443 million to more than $600 million as a result of the merger.

Assets and Deposits

Total assets reached **more than $4.5 billion** by year-end and continue to grow.

Retail deposits grew **11.4% to $3.6 billion** and commercial deposits increased **30.7% to $578.9 million**.

Members invested more than **$73.0 million** in Wealth Management assets in 2022, a new record. *FAIRWINDS* was recognized as one of the top 10 credit union wealth management programs in the country across multiple broker-dealers. This was a significant growth from our placement in the top 30 in 2021.

Return on Assets and Net Income

Return on Assets finished strong at **0.81%** and net income was **$36.3 million**.

Net Worth Ratio

FAIRWINDS' Net Worth Ratio continues to record strong levels, with **9.06%** in 2022. This is well-above the National Credit Union Administration's standard of 7.00%.

Delinquency and Charge-Offs

The delinquency rate remained low at **0.20%** and charge-offs maintained at **0.05%**.

Retail and Commercial Lending

The housing market across the country proved to have challenges in 2022, including low inventory for buyers. However, **$338.2 million** in new mortgages were disbursed, with 41% of members selecting a shorter-term mortgage. Choosing short-term loans are a key tool to help our members achieve financial freedom faster.

More than **$193.0 million** was disbursed in commercial and small business loans. We are proud to be an integral part of our business communities, helping them grow, thrive, and prosper through solutions to ultimately become debt-free.

We are poised for continued growth and prosperity in 2023 and in the years ahead. Thank you for choosing *FAIRWINDS*. We are honored to guide and serve you throughout your journey.

Audit Committee Report

Elizabeth Krahmer
Audit Committee Chair

The *FAIRWINDS* Audit Committee is pleased to present its report for 2022. Serving independently from the credit union, the Audit Committee ensures that *FAIRWINDS* operates at the highest levels of safety and security to protect our members. We do this by conducting regular and ongoing audits of the credit union's financial statements, information and security reviews, operational and compliance reviews, and overall internal controls. Audits are conducted by independent external firms and *FAIRWINDS*' Internal Audit department.

The Audit Committee engaged with Doeren Mayhew, CPA, an independent audit firm, to conduct an unbiased audit of *FAIRWINDS*' financial statements and internal controls. As of September 30, 2022, Doeren Mayhew rendered an unmodified opinion in its report stating that *FAIRWINDS*' financial statements are sound and free of material misstatements.

I am proud to report that *FAIRWINDS* continues to be a trusted, secure, and well-managed financial institution. Members can feel confident knowing that *FAIRWINDS* will continue to safely and securely serve them today and long into the future.

Money Milestones

by FAIRWINDS

1. Save $1,000 for an emergency
2. Maximize your company's 401(k)/403(b) match
3. Pay off all debt, except your house
4. Save 3 to 6 months of expenses
5. Connect with an advisor
6. Set goals and save for them
7. Invest 15% of your income
8. Pay off your home as quickly as possible
9. Donate your time, talent, and treasure

Changing Members' Lives

Financial freedom may look different for everyone, but the journey is the same; achieve and enjoy a debt-free lifestyle following our nine Money Milestones.

Here's how these *FAIRWINDS* members are saving more, eliminating debt, building wealth, and living generously on their journey.

Italis

"We started an emergency savings account back in April after talking to a Financial Advisor. We have saved over $1,000!"

Wilermine

"After five years of paying off credit card debt, three car loans from FAIRWINDS, student loan debt from two bachelor's and master's degrees, we became debt-free!"

Darla

"Our goal was to retire at 55, buy a motorhome, and live full-time traveling the country. With the help of our Financial Advisor at FAIRWINDS, we reached all goals and have been living the dream ever since."

Robert

"My wife Kathryn and I have completed all nine milestones. We fully-funded our IRA and 401(k) accounts. I have now been able to retire early and give back in several ways. I volunteer in numerous church activities to help less privileged children and homeless. My wife is on track to also retire early and we will begin traveling the world."

CONSOLIDATED FINANCIAL HIGHLIGHTS

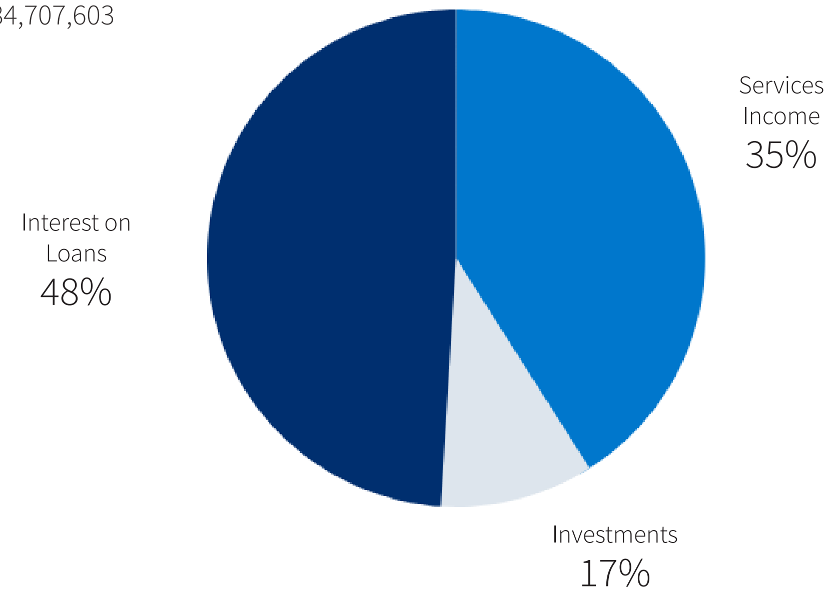
Assets	As of December 31, 2022	As of December 31, 2021
Net Loans to Members	$2,608,036,961	$2,103,616,722
Cash & Due from Banks	$335,987,624	$649,058,047
Government & Agency Securities	$1,180,440,686	$1,050,257,842
Other Investments	$67,951,344	$78,761,199
Fixed Assets	$114,938,391	$94,578,317
All Other Assets	$153,458,066	$66,776,791
Total Assets	$4,460,813,072	$4,043,048,917

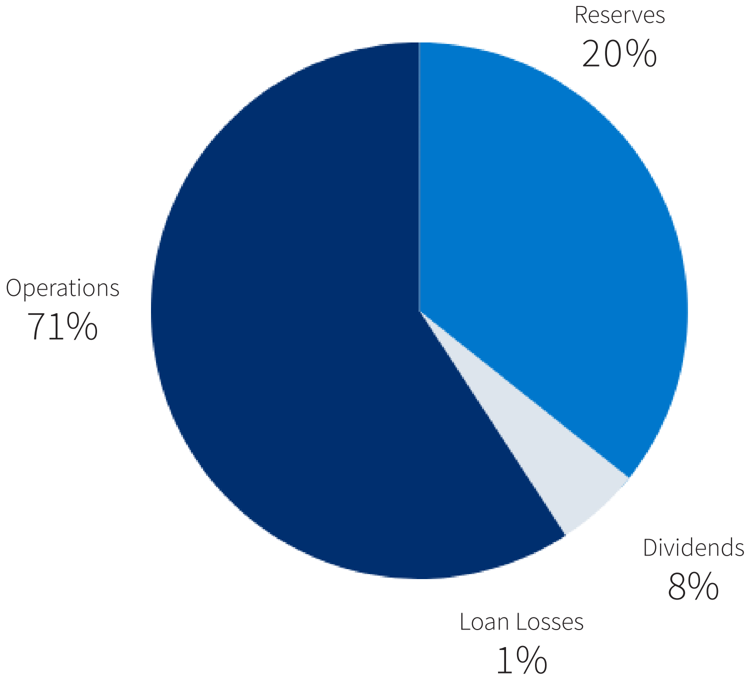
Liabilities & Members' Equity	As of December 31, 2022	As of December 31, 2021
Accounts Payable & Liabilities	$65,339,275	$30,772,220
Members' Shares & Deposits	$4,170,122,142	$3,665,324,303
Reserves & Undivided Earnings	$225,351,655	$346,952,394
Total Liability and Members' Equity	$4,460,813,072	$4,043,048,917

Statement of Income	As of December 31, 2022	As of December 31, 2021
Interest on Loans	$89,152,557	$74,208,078
Investment Income	$31,308,977	$14,462,611
Other Income	$64,246,069	$61,314,346
NCUSIF Distribution (Dividend)	$0	$0
Total Income	$184,707,603	$149,985,035
Operating Expenses	($119,657,641)	($105,255,881)
Provision for Loan Losses	($1,758,835)	$3,593,624
Non-Operating Gains	($12,536,714)	$14,479,159
Dividends	($14,495,290)	($8,608,794)
Total Expenses	($148,448,480)	($95,791,893)
Reserves	$36,259,123	$54,193,142

Vital Statistics	As of December 31, 2022	As of December 31, 2021
Number of Members	223,680	210,807
Number of Loans Granted	15,727	14,448
$$$ of Loans Granted	$1,256,818,221	$1,319,328,765
Number of Loans Granted Since Organized	1,131,741	1,116,014
$$$ of Loans Granted Since Organized	$16,620,216,429	$15,363,398,208

Sources of Income	
Interest on Loans	$89,152,557
Investments	$31,308,977
Services Income	$64,246,069
Total	$184,707,603





Distribution of Income	
Loan Losses	$1,758,835
Reserves	$36,259,123
Dividends	$14,495,290
Operations	$132,194,355
Total	$184,707,603

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

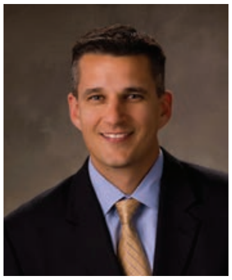
Mack R. Perry
Director

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/CRO

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 –
Sales & Marketing

Tom Baldwin
Senior VP - Retail Banking
& Wealth Management

Jorge M. Font
Senior VP -
Business Services

Lindsey LeWinter
Senior VP -
Human Resources

Bryan S. Meizinger
Senior VP - Retail Lending

Jennifer Parshall
Senior VP -
Risk Management

James M. Thornberry
Senior VP - Operations

Kim B. Wightman
Senior VP -
Accounting/Controller

DoerenMayhew
CPAs AND ADVISORS

Independent Auditor's Report

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

Report of the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of *FAIRWINDS* Credit Union (the Credit Union) and Subsidiaries, which comprise the consolidated statements of financial condition as of September 30, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Credit Union and Subsidiaries as of September 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with GAAP; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Report of the Audit of the Consolidated Financial Statements

Auditor's Responsibilities for the Audits 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

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

Doeren Mayhew

Troy, Michigan
January 4, 2023

FAIRWINDS CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
SEPTEMBER 30, 2022 AND 2021

Assets	2022	2021
Cash and cash equivalents	$ 551,724,398	$ 539,059,612
Investment securities (Note 2):		
Equity securities	50,910,016	57,892,512
Available-for-sale debt securities	1,132,747,666	1,068,617,352
Held-to-maturity debt securities	39,974	43,747
Federal Home Loan Bank (FHLB) stock	2,315,100	1,731,600
Loans to members, net of allowance for loan losses (Note 3)	2,538,930,528	2,062,581,296
Accrued interest receivable	10,495,687	7,512,268
Property, equipment and leasehold improvements (Note 4)	101,961,495	96,008,007
Operating lease right-of-use asset (Note 9)	13,903,940	-
National Credit Union Share Insurance Fund (NCUSIF) deposit	38,030,123	28,777,557
Investments in life insurance contracts	30,524,833	24,491,185
Goodwill	71,144,489	9,227,073
Other assets	24,525,292	14,027,896
Total assets	$ 4,567,253,541	$ 3,909,970,105

Liabilities and Members' Equity		
Liabilities:		
Members' shares and savings accounts (Note 6)	$ 4,304,799,333	$ 3,514,496,692
Supplemental executive retirement plan liability (Note 11)	14,687,319	13,334,974
Operating lease liabilites (Note 9)	13,903,940	-
Accrued expenses and other liabilities	26,504,902	37,287,147
Total liabilities	$ 4,359,895,494	3,565,118,813
Commitments and contingent liabilities		
Members' equity:		
Regular reserves	-	14,459,893
Undivided earnings	396,828,015	342,482,348
Accumulated other comprehensive (loss) income	(189,469,968))	(12,090,949)
Total members' equity	207,358,047	344,851,292
Total liabilities and members' equity	$ 4,567,253,541	$ 3,909,970,105

See accompanying notes to consolidated financial statements.

FAIRWINDS CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Interest Income:		
Loans receivable	$ 82,425,132	$ 74,608,310
Investment securities	24,786,130	13,315,094
Total interest income	107,211,262	87,923,404
Interest Expense:		
Members' share and savings	10,832,436	8,706,940
Net interest income	96,378,826	79,216,464
Provision for loan losses	480,963	1,943,488
Net interest income after provision for loan losses	95,897,863	77,272,976
Non-interest income:		
Fees and charges	30,761,827	34,963,072
Interchange income	28,176,834	25,833,735
Mortgage servicing rights fair market value adjustment	5,349,338	-
Gain on sale of building	4,778,261	-
Net change in fair value on investments in life insurance contracts	65,804	2,343,311
Gain on sale of investments	-	56,374
Gain on equity investments	-	10,955,966
Total non-interest income	69,132,064	74,152,458
Non-interest expenses:		
Compensation and benefits	$ 63,025,257	$ 55,963,225
Office Operations	23,779,953	23,044,787
Operating expenses	21,460,237	15,835,165
Loss on equity investments	8,505,498	-
Occupancy	8,373,208	8,103,241
Mortgage servicing rights fair market value adjustment	-	439,151
Total non-interest expenses	125,144,153	103,385,569
Net earnings	$ 39,885,774	$ 48,039,865

See accompanying notes to consolidated financial statements.

FAIRWINDS CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Net earnings	$ 39,885,774	$ 48,039,865
Other comprehensive income:		
Net unrealized holding losses on investments classified as available-for-sale	(177,379,019)	(20,814,155)
Reclassification adjustment for securities gains included in net earnings	-	-
Total other comprehensive loss	(177,379,019)	(20,814,155)
Comprehensive (loss)/income	$ (137,493,245)	$ 27,225,710

See accompanying notes to consolidated financial statements.

FAIRWINDS CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Members' equity - October 1, 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
Transfer (Note 1)	(14,459,893)	14,459,893	-	-
Comprehensive loss	-	39,885,774	(177,379,019)	(137,493,245)
Members' equity - September 30, 2022	$ -	$ 396,828,015	$ (189,469,968)	$ 207,358,047

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Net earnings	$ 39,885,774	$ 48,039,865
Adjustments to net cash provided from operating activities:		
Depreciation	5,335,181	5,755,506
Gain on sale of building	(4,778,261)	-
Provision for loan losses	480,963	1,943,488
Net amortization of premiums on investment securities	9 ,351,284	1,766,864
Net change in fair value on investments in life insurance contracts	(37,916)	(2,343,311)
Decrease/(increase) in fair market value of equity investments	6 ,982,496	(11,303,124)
Changes in assets and liabilities:		
(Increase)/decrease in accrued interest receivable	(2,983,419)	1,226,474
Increase in prepaid and other assets	(6,398,495)	(1,237,185)
Increase/(decrease) in supplemental executive retirement plan liability	1,352,345	(1,174,807)
(Decrease)/increase in accrued expenses and other liabilities	(25,088,667)	19,871,305
Total adjustments	(15,784,489)	14,505,210
Net cash provided from operating activities	24,101,285	62,545,075

See accompanying notes to consolidated financial statements.

FAIRWINDS CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Cash flows from investing activities:		
Net increase in loans to members	$ (211,383,854)	$ (25,474,080)
Proceeds from sales, calls, maturities, and repayments of investment securities:		
Available-for-sale debt securities	31,230,005	224,917,988
Held-to-maturity debt securities	3,773	39,130
Proceeds from the sale of Visa stock	-	7,505,486
Purchases of investment securities - available-for-sale	(186,447,254)	(671,094,436)
Purchase of equity investments	-	(5,000,000)
Redemption (purchase) of FHLB stock	(583,500)	676,300
Purchases of property and equipment	(3,003,316)	(2,553,136)
Net increase/(decrease) in life insurance contracts	-	658,974
Proceeds from the sale of property and equipment	7,623,656	-
Stock purchase of Citizens Bank of Florida	(77,606,913)	-
Cash acquired through merger	96,521,936	-
Net increase in NCUSIF deposit	(9,252,566)	(6,655,536)
Net cash used in investing activities	(352,898,033)	(484,484,796)
Cash flows from financing activities:		
Net increase in members' shares and savings accounts	341,461,534	559,853,666
Net increase in cash and cash equivalents	12,664,786	137,913,945
Cash and cash equivalents - beginning	539,059,612	401,145,667
Cash and cash equivalents - ending	$ 551,724,398	$ 539,059,612

Supplemental Information

Interest and dividends paid	$ 10,832,436	$ 8,706,940

Schedule of Non-Cash Transactions

Lease liabilities arising from obtaining right-of-use assets	$ 13,903,940	$ -

The fair value of non-cash assets acquired and liabilities assumed in the business combination with Citizens Bank of Florida, effective April 30, 2022, was approximately $543,304,000 and $465,698,000, respectively. (See Note 13)

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, 2022 and 2021, *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 2022 and 2021.

During the year ended September 30, 2022, the Credit Union acquired Citizens Bank of Florida. 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 non-accrual 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 non-accrual 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.

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.

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

Allowance for Loan Losses (Continued)

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.

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.

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

Allowance for Loan Losses (Continued)

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, 2022 and 2021, 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, 2022 and 2021, the historical loss time frame for real estate loans was 36 months. As of September 30, 2022 and 2021, the historical loss time frame for consumer loans was 12 months.

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.

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

Allowance for Loan Losses (Continued)

Impaired Loans

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.

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, non-accrual 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, non-accrual 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.

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

Allowance for Loan Losses (Continued)

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.

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.

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.

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

<u>Concentrations of Credit Risk</u>

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.

<u>Property, Equipment and Leasehold Improvements</u>

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.

<u>Right-of-use Assets</u>

Right-of-use assets are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term and amortized on a straight-line basis (See Note 9).

<u>Goodwill</u>

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 business combinations with Friends Bank on October 1, 2019 and Citizens Bank of Florida on April 30, 2022.

<u>Intangible Assets</u>

Intangible assets consist of core deposit intangible assets acquired through the business combinations. 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.

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

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.

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.

Operating Lease Liabilities

Lease liabilities are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term (See Note 9).

Regular Reserve

As of September 30, 2021, the Credit Union was required to maintain a statutory reserve (regular reserve) in accordance with the Federal Credit Union Act. This statutory reserve represents a regulatory restriction and is not available for the payment of interest. The regular reserve requirement was eliminated beginning on January 1, 2022. The balance of approximately $14,460,000 was transferred to undivided earnings during the year ended September 30, 2022.

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.

Adoption of New Accounting Standard

On October 1, 2021, the Credit Union adopted Accounting Standards Update (ASU) 2016-02, Leases and subsequent amendments thereto, which requires the Credit Union to recognize most leases on the balance sheet. The Credit Union adopted the standard under a modified retrospective approach as of the date of adoption and elected to apply several of the available practical expedients, including:

- Carry over of historical lease determination and lease classification conclusions
- Carry over of historical initial direct cost balances for existing leases
- Accounting for lease and non-lease components in contracts in which the Credit Union is a lessee as a single lease component.

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

Adoption of the lease standard resulted in the recognition of operating right-of-use assets and operating lease liabilities of approximately $14,500,000 as of October 1, 2021. These amounts were determined based on the present value of remaining minimum lease payments, discounted using the Credit Union's incremental borrowing rate as of the date of adoption. There was no material impact to the timing of expense or income recognition in the Credit Union's consolidated statements of income. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosures about the Credit Union's leasing activities are presented in Note 9.

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 January 4, 2023, the date the consolidated financial statements were available to be issued. No significant such events or transactions were identified.

Note 2 - Investment Securities

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

	As of September 30,	
	2022	2021
Equity securities	$ 50,910,016	$ 57,892,512

The net unrealized (losses)/gains recognized on equity investments as a result of changes in market value was approximately ($10,279,000) and $8,298,000 during the years ended September 30, 2022 and 2021, respectively. Net gains recognized on equity investments sold were approximately $1,773,000 and $2,658,000 during the years ended September 30, 2022 and 2021, respectively.

Note 2 - Investment Securities (Continued)

The Credit Union's equity investments are impermissible under the investment limitations of Part 703 of NCUA Regulations. However, NCUA Regulation §701.19 permits the investment in otherwise impermissible investments if the Credit Union can support that the investment is directly related to its obligation for employee benefit expenses and only intends to hold the investment for as long as it has an actual or potential obligation for employee benefits. The plans are invested in mutual funds and are included in investments with a corresponding supplemental executive retirement plan liability. The balance of the liability was approximately $14,687,000 and $13,335,000 as of September 30, 2022 and 2021, respectively.

The following table presents the amortized cost and estimated fair value of available-for-sale investments as of September 30, 2022:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Securities available-for-sale debt:				
Federal agency securities	$ 324,766,781	$ -	$ (57,381,639)	$ 267,385,142
Collateralized mortgage obligations	198,459,515	3,823	(35,338,720)	163,124,618
Mortgage-backed securities	531,831,905	-	(79,644,975)	452,186,930
Corporate bonds	94,455,943	-	(9,226,332)	85,229,611
Municipal Bonds	10,201,626	-	(614,379)	9,587,247
Treasury bonds	162,501,302	-	(7,267,184)	155,234,118
Total securities available-for-sale debt:	$ 1,322,217,072	$ 3,823	$ (189,473,229)	$ 1,132,747,666
Securities to be held-to-maturity debt:				
Mortgage-backed securities	$ 39,974	$ -	$ (562)	$ 39,412

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, 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

The amortized cost and estimated market value of debt securities at September 30, 2022, 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 or less	$ 613,226	$ 609,751	$ -	$ -
Due in one year to less than five years	$ 323,566,018	$ 298,467,815	$ -	$ -
Due from five years to ten years	264,589,624	215,588,475	-	-
Due in greater than 10 years	3,156,784	2,770,077	-	-
Collaterized mortgage obligations	198,459,515	163,124,618	-	-
Mortgage-backed securities	531,831,905	452,186,9301	$ 39,974	39,412
Total	$ 1,322,217,072	$ 1,132,747,666	$ 39,974	$ 39,412

Note 2 - Investment Securities (Continued)

Information pertaining to investments with gross unrealized losses as of September 30, 2022 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	$ 11,521,720	$ (947,891)	$ 255,863,422	$ (56,370,748)	$ 267,385,142	$ (57,381,639)
Collateralized mortgage obligations	47,723,738	(5,244,244)	115,400,880	(30,094,476)	163,124,618	(35,338,720)
Mortgage-backed securities	218,365,723	(29,125,581)	233,821,207	(50,519,394)	452,186,930	(79,644,975)
Corporate bonds	51,213,643	(4,717,818)	34,015,968	(4,508,514)	85,229,611	(9,226,332)
Municipal bonds	9,587,247	(614,379)	-	-	9,587,247	(614,379)
Treasury bonds	145,985,718	(5,989,744)	9,248,400	(1,277,440)	155,234,118	(7,267,184)
Total	$ 484,397,789	$ (46,639,657)	$ 648,349,877	$ (142,943,723)	$ 1,132,747,666	$ (189,473,229)

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)

Note 2 - Investment Securities (Continued)

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, 2022 and 2021.

There were no sales of investments classified as available for sale during the year ended September 30, 2022 or 2021.

Note 3 - Loans to Members

The composition of loans to members is as follows:

	2022	2021
Commercial loans	$ 639,643,222	$ 381,344,128
Real Estate:		
First mortgages	1,253,791,152	1,118,036,469
Home equity	80,772,196	50,760,143
Consumer:		
Secured	481,626,281	440,681,523
Unsecured	92,026,395	83,255,659
Net deferred loan origination fees/costs	10,056,513	7,882,303
Total	2,557,915,759	2,081,960,225
Less: allowance for loan losses	18,985,231	19,378,929
Total loans to members	$ 2,538,930,528	$ 2,062,581,296

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, 2022:

	Commercial	Real Estate	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 7,600,533	$ 2,866,122	$ 8,912,274	$ 19,378,929
Charge-offs	-	-	(2,879,318)	(2,879,318)
Recoveries	180,575	1,052,621	771,461	2,004,657
Provision (recapture)	(1,046,960)	(1,176,552)	2,704,475	480,963
Ending balance	6,734,148	2,742,191	9,508,892	18,985,231
Ending balance individually evaluated for impairment	7,557	1,157,127	-	1,164,684
Ending balance collectively evaluated for impairment	$ 6,726,591	$ 1,585,064	$ 9,508,892	$ 17,820,547
Loans:				
Ending balance individually evaluated for impairment	$ 71,747	$ 15,077,112	$ -	$ 15,148,859
Ending balance collectively evaluated for impairment	642,566,504	1,321,465,564	578,734,832	2,542,766,900
Total recorded investment in loans	$ 642,638,251	$ 1,336,542,676	$ 578,734,832	$ 2,557,915,759

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)

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, 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate:					
First mortgages	$ 2,282,222	$ 2,282,222	$ -	$ 2,696,763	$ -
Home equity	412,331	412,331	-	520,992	-
With an allowance recorded:					
Commercial	$ 71,747	$ 71,747	$ 7,557	$ 75,410	$ -
Real estate:					
First mortgages	11,922,807	11,922,807	1,108,436	12,783,715	-
Home equity	459,752	459,752	48,691	465,397	-
Total					
Commercial	$ 71,747	$ 71,747	$ 7,557	$ $75,410	$ -
Real estate	$ 15,077,112	$ 15,077,112	$ 1,157,127	$ 16,466,867	$ -

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)

Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans at September 30, 2022:

	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	$ -	$ 22,717	$ $478,042	$ $500,759	$ $642,137,492	$ 642,638,251	$ -
Real estate:							
First mortgages	391,292	1,582,544	1,617,483	3,591,319	1,251,787,690	1,255,379,009	-
Home equity	245,677	149,448	325,124	720,249	80,443,418	81,163,667	-
Consumer:							
Secured	1,615,246	288,503	216,986	2,120,735	484,587,702	486,708,437	-
Unsecured	754,904	356,029	231,948	1,342,881	90,683,514	92,026,395	-
Total	$ 3,007,119	$ 2,399,241	$ 2,869,583	$ 8,275,943	$ 2,549,639,816	$ 2,557,915,759	$ -

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)

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, 2022:

Credit grade:	
Pass	$ 614,355,607
Special mention	5,504,245
Substandard	950,000
Doubtful	-
Loss	-
Total	$ 620,809,852

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

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, non-accrual 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, 2022 and 2021:

	September 30, 2022		September 30, 2021	
	Performing Loans	Non-Performing Loans	Performing Loans	Non-Performing Loans
Real estate:				
First mortgages	$ 1,253,761,526	$ 1,617,483	$ 1,118,092,269	$ 2,033,428
Home equity	80,838,543	325,124	51,371,091	8,350
Total real estate	1,334,600,069	1,942,607	1,169,463,360	2,041,778
Consumer:				
Secured	486,491,451	216,986	444,521,198	108,929
Unsecured	91,794,447	231,948	83,095,690	159,969
Total consumer	578,285,898	448,934	527,616,888	268,898
Total	$ 1,912,885,967	$ 2,391,541	$ 1,697,080,248	$ 2,310,676

Note 4 - Property, Equipment and Leasehold Improvements

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

	2022	2021
Land and improvements	$ $ 28,987,545	$ 25,034,703
Building and improvements	83,556,579	79,540,774
Furniture and equipment	32,602,765	29,014,366
Leasehold improvements	9,976,477	9,913,502
Total cost	155,123,366	143,503,345
Less accumulated depreciation	53,161,871	47,495,338
Undepreciated cost	$ 101,961,495	$ 99,008,007

Depreciation and amortization charged to earnings was approximately $5,335,000 and $5,800,000 for the years ended September 30, 2022 and 2021, respectively.

Note 5 - Borrowed Funds

The Credit Union maintains a credit agreement with FHLB of Atlanta. As of September 30, 2022 and 2021, the Credit Union pledged approximately $766,760,000 and $638,055,000, respectively, in first mortgage loans with the FHLB. The Credit Union may borrow up to 100% of the collateral pledged. As of September 30, 2022 and 2021, 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, 2022 and 2021. There were no outstanding advances as of September 30, 2022 and 2021.

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, 2022 or 2021.

Note 6 - Members' Shares and Savings Accounts

	2022	2021
Share draft accounts	$ 1,099,358,728	$ 866,469,275
Shares and equivalents	2,348,670,862	1,810,228,952
Money market accounts	525,202,028	511,259,936
Individual retirement accounts (IRAs)	61,770,457	56,513,763
Certificates of deposit and IRA certificates	269,797,258	270,024,766
Total members' shares and savings accounts	$ 4,304,799,333	$ 3,514,496,692

At September 30, 2022, scheduled maturities of certificates of deposit and IRA certificates are as follows:

Year Ending September 30th:	
2023	$ 199,184,020
2024	21,783,769
2025	17,465,344
2026	20,024,297
2027	11,222,479
Thereafter	117,349
Total	$ 269,797,258

The aggregate amount of time deposit accounts in denominations of $250,000 or more at September 30, 2022 was approximately $72,342,000.

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)

Effective January 1, 2022, federally insured, natural-person credit unions defined as "complex" will have to comply with the NCUA's risk-based capital ("RBC") final rule which amends NCUA's Prompt Corrective Action ("PCA") regulations, part 702, or the newly created Complex Credit Union Leverage Ratio ("CCULR") rule. A credit union is defined as "complex" if the credit union's quarter-end total assets exceed $500,000,000, as reflected in its most recent Call Report. The rules require credit unions taking certain risks to hold capital commensurate with those risks. The RBC rule revises part 702 of NCUA's current regulations to establish a RBC ratio measure that is the percentage of a credit union's capital divided by the credit union's defined risk weighted asset base. This RBC rule more closely aligns NCUA's risk weights with those assigned by other Banking agencies. Accordingly, the RBC rule adopts a 10 percent RBC ratio level for "well capitalized" credit unions, and an 8 percent RBC ratio level for "adequately capitalized" credit unions.

The CCULR rule simplifies the RBC rule requirements for complex credit unions that meet certain eligibility criteria by allowing them to choose between implementing the RBC rule or the CCULR. Credit unions that select CCULR instead of the RBC rule would have a minimum 9 percent leverage ratio requirement in 2022 and that requirement would increase to a minimum of 10 percent in 2024. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its net worth ratio under NCUA's PCA regulations, part 702. Management has selected CCULR for calculating its RBC as of September 30, 2022.

As of September 30, 2022, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Credit Union's category. The Credit Union's actual and required net worth amounts and ratios are as follows:

	As of September 30, 2022	
	Amount	Ratio/Requirement
Actual net worth	$ 396,828,015	9.10%
Amount needed to be classified as "well capitalized"	$ 392,484,717	9.00%

Previously, quantitative measures established by regulation to ensure capital adequacy required the Credit Union to maintain minimum amounts and ratios of net worth (as defined in NCUA Regulations) to total assets (as defined in NCUA Regulations). Credit unions were also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which established whether or not the Credit Union will be considered "complex" under the previous regulatory framework. The Credit Union's RBNWR as of September 30, 2021 was 6.88%. The minimum requirement to be considered complex under the regulatory framework was 6.00%.

Note 7 - Regulatory Capital (Continued)

As of September 30, 2022, 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.

	As of September 30, 2021		
	Amount		Ratio/Requirement
Actual net worth	$	356,942,241	9.64%
Amount needed to be classified as "adequately capitalized"	$	222,052,137	6.00%
Amount needed to meet RBNWR	$	254,619,784	6.88%
Amount needed to be classified as "well capitalized"	$	259,060,826	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.

Included in members' shares at September 30, 2022 and 2021 are deposits of approximately $6,075,000 and $4,091,000, 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 Arrangements

The Credit Union enters into leases in the normal course of business primarily for financial centers and equipment. The Credit Union's leases have remaining terms ranging from 1 to 20 years.

The Credit Union includes lease extension options in the lease term if it is reasonably certain that the Credit Union will exercise the option. Leases are classified as operating leases at the lease commencement date. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Rightof-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Credit Union uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Credit Union's incremental borrowing rate is based on the FHLB advance rate. As of September 30, 2022, rightof-use assets and lease liabilities, as reflected in the statements of financial condition, approximated $13,904,000.

The total cost of operating leases, included in office occupancy expenses, was approximately $1,800,000 and $1,746,000 for the years ended September 30, 2022 and 2021, respectively. The projected minimum rental payments under the terms of the leases at September 30, 2022 are as follows:

Year Ending September 30th:		
2023	$	1,587,000
2024		1,589,000
2025		1,594,000
2026		1,523,000
2027		1,566,000
Thereafter		7,098,000
Total	$	14,957,000

Note 9 - Commitments and Contingent Liabilities (Continued)

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.

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, 2022, the total unfunded commitments under such lines of credit was approximately $833,737,000. 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:

Basis of Fair Value Measurements

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, 2022 and 2021 are summarized as follows:

	Fair Value Measurements at September 30, 2022			
	Level 1	Level 2	Level 3	Total
Available-for-sale:				
Federal agency securities	$ -	$ 267,385,142	$ -	$ 267,385,142
Collateralized mortgage obligations	-	163,124,618	-	163,124,618
Mortgage-backed securities	-	452,186,930	-	452,186,930
Corporate bonds	-	85,229,611	-	85,229,611
Municipal bonds	-	9,587,247	-	9,587,247
Treasury bonds	-	155,234,118	-	155,234,118
Equity securities	50,910,016	-	-	50,910,016
Mortgage servicing rights	-	9,219,883	-	9,219,883
Total	$ 50,910,016	$ 1,141,967,549	$ -	$ 1,192,877,565

	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
Collaterized 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

Note 10 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis at September 30, 2022 and 2021 are summarized as follows:

	Fair Value Measurements at September 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets acquired in liquidation of loans	$ -	$ -	$ 34,063	$ 34,063
Impaired loans	-	-	11,289,622	11,289,622
Total	$ -	$ -	$ 11,323,685	$ 11,323,685

	Fair Value Measurements at September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets acquired in liquidation of loans	$ -	$ -	$ 21,891	$ 21,891
Impaired loans	-	-	12,782,001	12,782,001
Total	$ -	$ -	$ 12,832,528	$ 12,832,528

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.

Note 10 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Non-Recurring Basis (Continued)

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 foradditional 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, 2022 and 2021 were approximately $1,985,000 and $1,773,000, 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, 2022 and 2021 was approximately $104,000 and $79,000, 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, 2022 and 2021, the obligation to the executives was approximately $14,687,000 and $13,335,000, 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.

Note 11 - Employee Benefit Plans (Continued)

Deferred Compensation Plan (Continued)

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

Year Ending September 30th:		
2023	$	7,343,000
2024		3,500,000
2025		3,432,000
2026		9,151,000
2027		250,000
Five years thereafter		10,773,000
	$	34,449,000

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, 2022 and 2021, the Credit Union had mutual funds valued at approximately $50,910,000 and $57,893,000, respectively, and life insurance and annuity contracts valued at approximately $30,525,000 and $24,491,000, 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 $4,807,000 and $5,024,000 under these agreements for the years ended September 30, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Mortgage loan portfolio serviced for:		
Federal National Mortgage Association (FNMA)	$ 563,086,000	$ 593,057,000
Custodial escrow balances	$ 7,109,000	$ 7,401,000

The following table presents mortgage servicing rights activity and fair value as of and for the years ended September 30, 2022 and 2021:

	2022	2021
Mortgage servicing rights:		
Balance - beginning	$ 4,006,626	$ 3,474,359
Capitalized servicing rights	638,782	1,203,587
Amortization expense	(774,863)	(232,169)
	3,870,545	4,445,777
Market value adjustment	5,349,338	(439,151)
Balance - ending	$ 9,219,883	$ 4,006,626

As of September 30, 2022 and 2021, 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 8.31% to 8.82% and 6.10% to 14.91% for the years ended September 30, 2022 and 2021, respectively, as well as prepayment speeds ranging from 2.00% to 3.60% and 3.20% to 30.10% as of September 30, 2022 and 2021, respectively. Service fee income for the years ended September 30, 2022 and 2021 was approximately $1,433,000 and $1,462,000, respectively. Mortgage servicing rights are included in other assets in the consolidated statements of financial condition at September 30, 2022 and 2021.

Note 13 - Business Combination

On April 30, 2022, the Credit Union acquired Citizens Bank of Florida, 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	$	77,606,913
Fair value of identifiable assets acquired:		
Cash and cash equivalents	$	96,521,936
Investments		95,643,368
Loans receivable		265,446,341
Fixed assets		11,130,748
Other assets		5,644,045
Investments in life insurance contracts		5,995,732
Goodwill		61,917,416
Core deposit intangible	$	1,004,857
Total identifiable assets acquired	$	543,304,443
Fair value of liabilities assumed:		
Deposits	$	448,841,107
Other liabilities		16,856,423
Total liabilities assumed:	$	465,697,530

*** End of Notes ***