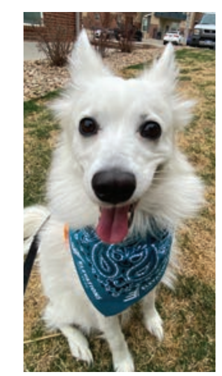

2022 Annual Report

ELEVATIONS CREDIT UNION

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2022 Annual Report

LETTER FROM THE BOARD CHAIR

Don Cheyne

On behalf of the Elevations Credit Union Board of Directors, I am proud to present this year's Annual Report. It is a true privilege to serve you and our entire membership. As we navigate a challenging world together, we are proud to report that 2022 was another successful year for our credit union. Thanks to the support of our members and employees, we continue to achieve our core purpose of creating solutions for a better life while supporting the communities we serve.

In 2022, we were excited to see a return to business and in-person events as Elevations Credit Union continued to support several notable activities across the Front Range. We sponsored the Independence Day celebrations in both Fort Collins and Lafayette and participated in the perennial favorite Tour de Fat in Fort Collins, reaching an estimated 30,000 consumers in these communities. Our teams hosted 69 financial wellness lessons in schools across the state, helping more people get closer to achieving their financial goals. Additionally, we hosted 35 educational seminars for CU Boulder faculty, students and alumni. We could not provide these programs without our employees who volunteered 1,673 hours in 2022, supporting our core value of passion through our devotion to our members and communities.

As a two-time recipient of the Malcolm Baldrige National Quality Award®, the credit union was honored to host "The Future of Work: How to Maintain Performance Excellence in a Dynamic Environment" in August. In this panel discussion, business leaders learned how Baldrige award-winning organizations in Colorado are embracing change and preparing for the future through the Baldrige Excellence Framework®.

We were honored to be recognized by the Denver Business Journal in its inaugural Diversity, Equity & Inclusion Awards. These awards distinguish organizations and individuals who are making a difference by intentionally working to bolster equality in all areas of diversity.

We are also excited to report that Elevations Foundation provided $70,000 in grants to 13 deserving non-profit organizations and awarded another $76,000 in scholarships to 32 students. Giving back to our communities continues to be a crucial element of our mission.

We extend our sincere gratitude to fellow board member Barbara Brohl, who is moving out of Colorado and has resigned her position on our Board of Directors. With her departure, Board member Todd Gleeson was elected to the office of Treasurer, and Board Vice Chair Ray Martinez was elected to the Audit and Risk Committee.

Finally, we would like to extend our sincere appreciation to all who served on the Elevations Foundation's Board of Directors and those on our Northern Colorado Advisory Board for doing such meaningful work in 2022. We look forward to an even more impactful year ahead.

It is a privilege to serve as your board chair, and on behalf of the Board of Directors of Elevations Credit Union, I thank you for the opportunity to serve our membership.

Sincerely,

Don Cheyne
Chair of the Board of Directors

LETTER FROM THE PRESIDENT & CEO

Gerry Agnes

From all of us at Elevations Credit Union, thank you for being a valued member. We are truly grateful for the trust and confidence you have placed in us. As a local, not-for-profit financial institution, we are deeply committed to our members and the communities we serve. This Annual Report reflects an outstanding year of creating value for our membership, and we have our members and employees to thank for these impactful results.

In 2022, we significantly strengthened our leadership team with two consequential additions. Dustin Montoya returned to Elevations Credit Union as our Chief Technology Officer after having served as our Vice President of Applications Engineering during 2020 and 2021. He is a proven innovative and strategic leader who brings a wealth of knowledge and experience, and we are thrilled to have him back. We also welcomed Wendy Beswick as our Chief Marketing Officer, bringing 20 years of experience in financial services marketing. She is an award-winning executive who has been repeatedly recognized by the credit union industry with some of the most respected honors achievable by a marketing executive.

Elevations Foundation welcomed Jennifer Hinderliter as its Executive Director. With more than 20 years of experience in nonprofits, Jennifer will play a vital role in strengthening our foundation's service to the community. We are privileged to have these leaders join our team.

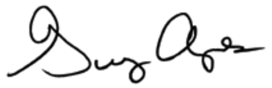
Despite a volatile market, Elevations Credit Union's Wealth Management team had its best year in Elevations history, finishing the year with $655 million in assets under management. This success reflects the Wealth Management team's commitment to providing tailored solutions and being trustworthy guides as members navigate their financial journeys. The Elevations Business Banking team grew and provided financial solutions and support for nearly 9,000 Colorado businesses. We believe this sector of our community and indeed our economy benefits from having the option and opportunity to bank with Elevations Credit Union.

We continued to grow last year, opening a Mortgage Loan Production Office in Lakewood. Overall, our nationally recognized mortgage team helped 1,800 members purchase homes and another 541 members refinance. The credit union's field of membership also expanded to serve more members, adding Delta and Mesa counties. In total, Elevations now serves 16 Colorado counties, from the Front Range to our state's western border.

In the wake of the tragic Marshall Fire, which quickly became the most destructive wildfire in Colorado history, our team responded immediately and hosted town halls with panels of experts in mortgage, construction lending, insurance and disaster recovery as well as members of Boulder County leadership. Those impacted by the fire were provided a space to seek support and answers to their questions. We are proud that Elevations Credit Union became a trusted community resource, even for those who were not members. Thanks to our members and community, your amazing generosity resulted in donations totaling $1,017,872, with your credit union and Elevations Foundation together matching an additional $200,000. We worked closely with Boulder County Housing and Human Services to ensure that 100% of the funds were distributed quickly and equally.

We hope that you will take a moment to review these accomplishments and more in this Annual Report. We are proud of the results and honored to serve you, our valued members, and this beautiful community we call home. Thank you once again for your continued loyalty and support.

Very truly yours,



Gerry Agnes
President and Chief Executive Officer

YEAR IN REVIEW

If you LOVE where you live, it matters where you bank.

Whether we helped you purchase your first car with an Elevations auto loan, made your homeownership dream come true with an Elevations mortgage loan, or you've been banking with us since you were a student at CU – Elevations Credit Union was there for you then, and we're here for you now. Your success and dreams matter to us. Throughout 2022, we continued to bring value to our members and community by enhancing our services and programs, helping our members improve their financial wellness and jumping to action in times of need. None of this is possible without you, our valued members. Thank you.

Mortgage

#1 Mortgage Lender* Boulder County

#2 Mortgage Lender* Larimer County

#3 Mortgage Lender* Broomfield County

*by residential purchase volume

New Mortgage Loan Production Office

Elevations Credit Union continued to grow in 2022, opening a new Mortgage Loan Production Office in Lakewood.

By the numbers

In 2022 Elevations Credit Union remained the No. 1 credit union residential mortgage lender in Colorado by purchase volume.

Scotsman Guide winners

63% of Elevations Mortgage Loan Officers are ranked in the Scotsman Guide's competitive national list of top mortgage originators.

24 Elevations Mortgage Loan Officers were named Top Mortgage Loan Officers by the Scotsman Guide in 2022.

Wealth Management

Record year in 2022

At Elevations, we are invested in your financial well-being at every turn. From planning for retirement to paying for college, we make it a point to provide actionable guidance that helps you get to where you want to be.

Our team of Wealth Management Advisors had a record-breaking year in 2022, helping our members get closer to achieving their dreams and feel more confident about their financial futures.

First ever **$4MM** revenue year

Record high **$100MM** invested

3,314 active households, up 7% over the previous year

Approximately **1,000** new accounts were opened

$655MM of assets under management

Coming together within our community

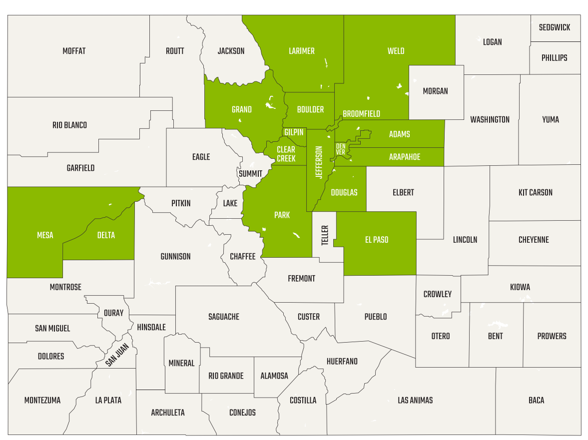
Giving our time

In 2022, Elevations employees volunteered a combined 1,673 hours for nonprofit organizations within our community using Elevations' Volunteer Time Off program. Full-time Elevations employees receive 16 hours of paid volunteer time off each year, and we encourage our employees to use every hour because we want to ensure our members and our communities thrive.

Growing within Colorado

To better serve our members on the Western Slope, we expanded our field of membership to include Delta and Mesa counties in 2022.

Those who work or live in these 16 counties can join Elevations as a member.



Out in the community

We were active in your neighborhood in 2022:

- Over 60 employees and family members volunteered at Independence Day celebrations in Lafayette and Fort Collins with an estimated attendance of 30,000.
- We were honored to team up with New Belgium Brewing in Fort Collins to help make the Tour de Fat bike parade and festival a great experience for an estimated 14,000 guests.
- In Old Town Lafayette, our team greeted the 20,000 attendees of the Lafayette Peach Festival.
- We dedicated over 100 staff volunteer hours working with the University of Colorado Alumni Association at 35 events. Hosting tailgates at every home football game, a special homecoming event, Grad Bash, CU Night at the Rockies and the spring football game were highlights.
- We held 11 financial wellness seminars for CU Boulder faculty, staff, students and alumni, reaching an estimated attendance of 350 people.
- We sponsored a bimonthly lunch with new staff at CU Boulder to share information about financial wellness.
- Our members received exclusive discounts through our support of Elevations Credit Union Buffalo Bicycle Classic and Colorado Shakespeare Festival.

65 **Front Range community partners supported through sponsorships**

Support for Marshall Fire victims

Elevations Foundation also provides emergency assistance in times of need.

Elevations Credit Union, Elevations Foundation, members and community provided

$1.2 MM

for emergency assistance through the Boulder County Fire Relief Fund.

In addition to financial support, our community needed easy access to information. We hosted town halls where those affected could get answers to their most pressing questions.

In all, 293 community members joined the town halls. Panel discussion topics included:

- **Personal finance planning moving forward**
- **Mortgage forbearance**
- **Working with your mortgage lender and your insurance agency**
- **Homeowners insurance topics**
- **Your other property impacted by the fire, especially if secured by auto loans or home equity loans**
- **Property taxes**
- **Resources for renters**
- **Accessing your funds from investments**
- **The process for rebuilding, and more**

Our mortgage team also jumped into action, reaching out to 200 members who were affected by the fires to answer questions and offer available assistance.

We partnered with Resource Central to host a tool drive for their tool library. Our community members who were impacted by the fire are able to use the Resource Central tools free of charge.

Starting in late 2022, with help from the University of Colorado's men's and women's basketball teams, we started the Hoops for Health campaign. For every free throw made during the regular season by a CU player, Elevations donated $20 to Mental Health Partners (MHP) in Boulder County. MHP continues to provide counseling and mental health resources for Marshall Fire victims. Hoops for Health continues into 2023 and, as of December 31, has raised $7,640.

Supporting Education

Into the classroom

Our 2022 education outreach in elementary, middle and high schools on the Front Range included:

- **21 classes and teachers**
- **69 lessons**
- **10 different partner schools and organizations**
- **21 volunteer experiences**
- **498 students**

In addition to our time in the classroom we also donated resources, including 32 laptops to the science department at Colorado Early Colleges Fort Collins High School.

Giving kids a place to start

In 2022, our youth savings account for kids 12 years old and under got a fresh look and a new name, now Elevations First Tracks™ Youth Banking Accounts. We're here to provide guidance toward creating responsible financial habits — and help children have fun while learning about savings.

20 years of Buffalo Bicycle Classic

The Elevations Credit Union Buffalo Bicycle Classic turned twenty in 2022! From humble beginnings, the event has grown into the largest scholarship fundraising bicycle ride in the state. We are proud to have distributed over $3.4 million in scholarships to resident CU Boulder students who all show academic promise and exhibit profound financial need. We are honored to sponsor this event each year and support the over 425 Buffalo Bicycle Classic scholars who have graduated from CU.

YEAR IN REVIEW

Diversity, Equity & Inclusion

A focus on DE&I

Since 2018, we have made DE&I a principal focus. In 2022, we continued our commitment to fostering Diversity, Equity & Inclusion.

- **We continued to support our Hispanic members with a multiyear program, including reaching 106% of our bilingual hiring targets. We finished the year with 63 bilingual staff.**
- **Celebrated Pride Month in June by sponsoring and attending Longmont Pride, Boulder Pride and Denver PrideFest.**
- **Our Mortgage team participated in Subconscious Racial Bias and Fair Housing training.**
- **Supported the LGBTQ+ community after a mass shooting at Club Q in Colorado Springs by providing therapist-led sessions and donated $25,000 to support victims impacted by the shooting.**
- **Hosted a movie night for 22 "I Have a Dream" Foundation (IHDF) students. IHDF is a group providing support to young people from under-resourced communities.**

Accolades from the Denver Business Journal

We were recognized by the Denver Business Journal in 2022 as part of its first-ever Diversity, Equity & Inclusion awards, honoring both organizations and individuals in metro Denver for making a difference.

Promoting collaboration through Employee Resource Groups

Our Employee Resource Groups (ERGs) grew in 2022. These voluntary groups are employee-led, supporting a culture of inclusion and promoting collaboration of our employees. In September, the Women Connect ERG was created to provide a supportive environment where women can connect, feel a sense of community and share ideas.

Elevations Foundation

Support for our community

Since its inception in 2010, Elevations Foundation has had two primary areas of responsibility — providing scholarships for higher education to graduating seniors and awarding community grants to local nonprofits.

Elevations Foundation provided **$70K** in grants to **13** local nonprofit organizations

Elevations Foundation provided **$76K** in scholarships to **32** students in need

AVID supporter

Elevations Foundation is also an AVID® (Advancement Via Individual Determination) supporter. The AVID program provides more than just financial support, giving students the resources and tools they need to navigate their way through higher education. In 2022, Elevations provided three scholarships to students from Fort Collins High School.

Introducing Jennifer Hinderliter

Jennifer joined Elevations Foundation as its Executive Director in May 2022.

"I'm passionate about our mission to bring people and resources together to strengthen communities. Thanks to financial support from the generous Elevations community, the Foundation is helping to build community resilience year-round."

Jennifer Hinderliter

Support from Elevations Credit Union

Elevations Credit Union proudly supports Elevations Foundation. The Foundation, a 501(c)3 nonprofit, has provided more than $3.97 million in community resources since its inception in 2010. In 2022, the credit union contributed a grand total of $319,672 to the Foundation, including:

$22,021
Elevations Credit Union donated 2¢ every time a member swiped their Elevations Visa Signature Credit Card

$61,120
through membership fees collected

$43,200
in-kind support from office members, accounting & IT support

$93,331
general program support

Elevations Credit Union matched Elevations Foundation's donation of **$100,000** to the Boulder County Fire Relief Fund to aid victims of the Marshall Fire

Elevations Credit Union members also donated nearly $10,000 to the Foundation through its Local Change program. Those who sign up agree to round up and donate the change through their Elevations debit card purchases.

YEAR IN REVIEW

Leadership

Future of Work panel

The future of work has shifted dramatically over the last five years, and both employees and employers are making sense of what that future looks like and how to prepare for it. In August, Elevations Credit Union was honored to host, "The Future of Work: How to Maintain Performance Excellence in a Dynamic Environment" to provide a space for business leaders to hear firsthand from the state's Office of the Future of Work and three Malcolm Baldrige National Quality Award® recipients. The program kicked off with opening remarks from Gerry Agnes, President and CEO of Elevations Credit Union, and a keynote address from Katherine Keegan, Director, Office of the Future of Work, Colorado Department of Labor and Employment.

Moderated by Katherine Keegan, the panel discussion included Grace Harcek, Director of Performance Excellence at Donor Alliance, Kelly DiMartino, Fort Collins City Manager, and Tammy Teitscheid, Elevations' Chief People Officer.

Business leaders in attendance enjoyed learning more about the future of work in Colorado, how organizations are embracing change, and the ways in which the Malcolm Baldrige National Quality Award® has prepared us and our fellow Colorado organizations for success in the future.

CEO of the year finalist

President and CEO Gerry Agnes was named a ColoradoBiz Magazine CEO of the Year finalist for 2022.

Honored to be recognized in 2022

Best bank/financial institution
ColoradoDaily

Best bank/financial institution
WEEKLY

Best bank/financial institution
TIMES-CALL

Best bank/financial institution
Daily Camera

Best mortgage company
ColoradoDaily

Best mortgage company
TIMES-CALL

Best mortgage company
Daily Camera


LETTER FROM THE CFO & TREASURER

Michael Calcote & Todd Gleeson

We're pleased to report Elevations generated positive financial performance again in 2022. The trust you've placed in Elevations has enabled us to better serve the financial needs of our entire membership, give back to our communities and reinvest in our neighbors and local businesses. Our 2022 highlights include the following:

- We helped more Colorado families purchase and refinance their homes than any other credit union in Colorado, originating $1.2 billion in mortgage loans.
- Our total loans grew by $521 million or 29%. These loans to our members make a positive impact in our communities.
- We generated earnings of $11 million, providing capital to support further growth.

The following table compares our performance to our credit union peers on key industry metrics:

	Elevations	Peer Group Median
Return on Equity[1]	3%	7%
Loan Growth	29%	22%
First Mortgages Sold ($ Millions)	$617	$134
Deposit Growth	1%	4%
Delinquency Ratio	0.1%	0.3%
Efficiency (Costs/Revenues)[1, 2]	93%	75%

We remain financially strong and well positioned to provide solutions for your financial needs. Our capital position ended 2022 at 9.4%, well above the minimum threshold of 7% to be deemed well capitalized by the National Credit Union Association. Our credit performance remains healthy, with a delinquency ratio of only 0.1% at the end of 2022. Thank you to Elevations' Audit and Risk Committee for their diligence in working with the accounting firm of Moss Adams as our independent auditor. We've provided the complete financial report for you to review.

This year's financial success is a true demonstration of our credit union's resiliency and the strength of our membership. We look forward to continuing to serve you in 2023 and beyond.

Sincerely,

Michael Calcote Todd Gleeson

Michael Calcote, Chief Financial Officer
Todd Gleeson, Treasurer, Board of Directors

[1] Excludes non-operating items, such as a gain from selling an investment security. Equity excludes unrealized investment gain/loss.
[2] The efficiency ratio measures the extent to which a dollar of revenue is offset by costs (so the lower the ratio, the better).

Audit & Risk Committee

The Audit and Risk Committee's responsibility is to provide oversight of the financial reporting process, the system of internal controls, compliance with laws and regulations, and enterprise risk management. The Audit and Risk Committee is comprised of the following members of the Board of Directors:

- **Garry Woods, Chair**
- **Barbara Brohl, Vice Chair**
- **Kate Brown**
- **Todd Gleeson**

The Audit and Risk Committee retained the accounting firm of Moss Adams to perform the annual audit of the Credit Union's financial statements as of December 31, 2022. The firm issued an unmodified opinion at the conclusion of their audit. The Audit and Risk Committee is unaware of any matter that would be considered a material weakness or significant deficiency in the internal controls over financial reporting.

The Audit and Risk Committee is satisfied that the accounting records accurately reflect Elevations Credit Union's financial condition and that its operations are handled in accordance with Board policies and Credit Union procedures.

Note: Barbara Brohl resigned from the Elevations Board of Directors, effective 12/31/2022. Ray Martinez was subsequently elected to the Audit and Risk Committee.

GARRY WOODS
Chair

Barbara Brohl
Vice Chair

Kate Brown
Committee Member

Todd Gleeson
Committee Member

Financial Highlights

	2019	2020	2021	2022
ASSETS (IN MILLIONS)	$2,214	$2,812	$3,244	$3,296
TOTAL SHARES (IN MILLIONS)	$1,881	$2,417	$2,840	$2,861
TOTAL LOANS[1] (IN MILLIONS)	$1,634	$1,725	$1,817	$2,299
TOTAL MEMBERS[2]	143,850	151,314	175,133	176,299
EQUITY[3] (IN MILLIONS)	$249	$288	$303	$285
RETURN ON MEMBERS' EQUITY	11.9%	14.0%	5.3%	3.5%

[1] Includes loans held-for-sale, at fair value.
[2] Methodology for defining membership was updated in 2021.
[3] Inclusive of unrealized gain/loss on investment portfolio, which increased equity by $1 million at year-end 2021 and reduced equity by $28 million at year-end 2022.

Elevations Credit Union
Consolidated Statements of Financial Condition
December 31, 2022 and 2021

	2022	2021
ASSETS		
ASSETS		
Cash and cash equivalents	$ 39,339,071	$ 865,220,604
Available-for-sale securities, at fair value	760,841,748	381,226,051
Loans held-for-sale, at fair value	17,073,477	57,451,659
Loans to members, net	2,281,789,785	1,759,998,621
Accrued interest receivable	10,554,625	5,044,924
Property and equipment, net	62,074,446	66,570,357
Mortgage servicing rights	38,612,802	40,150,545
Life insurance policies	12,711,259	12,430,324
Prepaid and other assets	41,805,777	32,307,737
Operating lease right-of-use assets	4,554,471	-
NCUSIF deposit	26,687,841	23,971,971
Total assets	$ 3,296,045,302	$ 3,244,372,793
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' shares and savings accounts	$ 2,860,772,222	$ 2,839,638,332
Borrowed funds	25,287,113	-
Operating lease liabilities	4,638,636	-
Accrued expenses and other liabilities	120,762,680	101,693,384
Total liabilities	3,011,460,651	2,941,331,716
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)		
MEMBERS' EQUITY		
Other reserves	-	11,879,721
Undivided earnings	301,301,179	278,902,190
Equity acquired in mergers	11,249,648	11,249,648
Accumulated other comprehensive (loss) income	(27,966,176)	1,009,518
Total members' equity	284,584,651	303,041,077
Total liabilities and members' equity	$ 3,296,045,302	$ 3,244,372,793

Elevations Credit Union
Consolidated Statements of Income
Years Ended December 31, 2022 and 2021

	2022	2021
INTEREST INCOME		
Loans to members	$ 78,864,504	$ 61,696,276
Interest on investments and interest bearing deposits	15,409,142	4,146,028
Total interest income	94,273,646	65,842,304
INTEREST EXPENSE		
Members' shares and savings accounts	4,328,846	4,247,748
Borrowed funds	351,912	-
Total interest expense	4,680,758	4,247,748
NET INTEREST INCOME	89,592,888	61,594,556
(RECAPTURE OF) PROVISION FOR LOAN LOSSES	(234,475)	408,370
NET INTEREST INCOME AFTER (RECAPTURE OF) PROVISION FOR LOAN LOSSES	89,827,363	61,186,186
NON-INTEREST INCOME		
Loan sales and servicing, net	17,626,363	65,413,026
Interchange income, net	14,735,154	14,095,985
Fees and service charges	6,905,719	6,172,742
Wealth management income	3,751,254	3,285,152
Other non-interest income	4,366,336	1,644,044
Total non-interest income	47,384,826	90,610,949
NON-INTEREST EXPENSES		
Compensation and benefits	73,647,360	83,780,307
Office operations	20,590,283	19,614,729
Office occupancy	13,149,422	13,490,003
Loan servicing expense	7,590,620	7,905,501
Education and promotion	6,392,605	5,477,754
Professional and outside services	4,757,627	4,917,910
Other non-interest expense	565,004	773,337
Total non-interest expenses	126,692,921	135,959,541
NET INCOME	$ 10,519,268	$ 15,837,594

Elevations Credit Union
Consolidated Statements of Comprehensive (Loss) Income
Years Ended December 31, 2022 and 2021

	2022	2021
NET INCOME	$ 10,519,268	$ 15,837,594
OTHER COMPREHENSIVE LOSS		
Net unrealized losses on available-for-sale securities	(28,975,694)	(1,216,258)
COMPREHENSIVE (LOSS) INCOME	$ (18,456,426)	$ 14,621,336

The entire audited financials can be found in the 2022 Annual Report at ElevationsCU.com/about

Board of Directors

Don Cheyne
BOARD CHAIR

Don joined the Elevations Board in 2011 following its merger with St. Vrain Valley Credit Union, where he served as a board member for three years. Don has spent his career in manufacturing management and was an owner of Mountain Molding, a Longmont-based plastic injection molding business. After selling the company to Tenere, Inc., Don is now a manufacturing business consultant. He holds a bachelor's degree in electrical and computer engineering and a master's degree in business administration, both from the University of Colorado Boulder. He lives in Broomfield with his wife, and he enjoys spending his time playing ice hockey and traveling.

Ray Martinez
BOARD VICE CHAIR

Ray was appointed to the Elevations Board in August 2014 and elected in April 2015. He also serves as chair of the Governance and Nominating Committee. Ray is a retired Fort Collins police sergeant and a former three-term mayor of Fort Collins. He most recently served as City Councilmember for District 2 in Fort Collins from 2015 to 2019. He is a U.S. Army veteran, having received the Army Commendation Medal. Ray has dedicated significant time working closely with Hispanic community leaders, youth and athletes to improve the relationship between the community and law enforcement. He co-founded an organization that works directly with at-risk youth to provide them with positive educational and recreational experiences while keeping them active within their neighborhoods and communities. He was a member of the National League of Cities Public Safety and Crime Prevention Committee until 2019 and has been a member of several boards and organizations over the years, including the chair of Colorado's Minority Business Advisory Council under governors Bill Owens and Bill Ritter, a member of the Colorado Mesa University board of trustees, and a White House appointee on the Defense Advisory Board for Employer Support of the Guard and Reserve. Ray lives in Fort Collins, enjoys writing and has published several books.

Garry Woods
BOARD SECRETARY

Garry was appointed to the Elevations Board in August 2020 and elected in April 2021. He also serves as chair of the Audit and Risk Committee. Garry is Partner and Executive Director, IT Assurance and Cybersecurity Services at Richey May and Co. He is highly skilled and experienced in providing strategic and operational guidance to business and IT leadership in areas such as GRPC assessments, application development and support, and employee coaching. Garry has spent more than 20 years working in leadership roles and as a consultant for various organizations, including many Fortune 500 companies in the public, nonprofit and voluntary sectors. Garry holds a master's degree in global enterprise management from the University of Denver and a bachelor's degree in mathematics and physics from Jarvis Christian University in Texas. To complement his formal education, he also has executive education certifications from Harvard University and MIT. Beyond his professional pursuits, Garry enjoys traveling to new places, scuba diving, golfing, fly fishing, camping and rebuilding American muscle cars. He currently resides in Aurora with his family.

Barbara Brohl
BOARD TREASURER

Barbara Brohl was appointed to the Elevations Board in October 2019 and elected in May 2020. She served as Treasurer and was a member of the Audit and Risk Committee through December 31, 2022, at which time she resigned from the Board of Directors in order to relocate to California. Barbara has served on several boards including the Regional Transportation District (RTD), Statewide Internet Portal Authority and Denver Employee Retirement Program boards. She currently serves on the Denver School for Science & Technologies and Latinas First Foundation boards. She is Principal of B J Brohl Strategies, a government affairs consulting firm for the legal cannabis industry and implementing governments. Prior, she served as the Executive Director and State Licensing Authority for the Department of Revenue and spent 33 years with Qwest Communications International in various roles. She graduated from Regis University with a degree in business management and received her Juris Doctor degree from the University of Denver, Sturm College of Law. A Colorado native, Barbara is now making her home in Menifee, California with her husband, and they enjoy traveling around the country in their RV when they're not spending time with their children and grandchildren.

Natalie Baumgartner
BOARD MEMBER

Natalie was appointed to the Elevations Board in November 2015 and elected in April 2016. She also serves on the Governance and Nominating Committee. Natalie serves in a dual role as both Chief Workforce Scientist at Achievers and as Partner and Chief Research Officer at Contemporary Leadership Advisors. She is an engagement and culture thought leader and evangelist, with keen insight into the depth and breadth of the employee experience and workplace belonging. Natalie has spent her career translating engagement and culture research into technology solutions that help organizations achieve high performance, including having co-founded RoundPegg, an SAAS-based platform to measure and manage organizational culture. She regularly consults on engagement and corporate culture with C-suite executives, boards of directors and private equity investors. Natalie holds a doctorate in clinical psychology from the University of Denver, a master's degree in clinical psychology from UCLA and a bachelor's degree in psychology from the University of Wisconsin-Madison. She is a popular speaker on culture, engagement, mergers and acquisitions and change management, as well as a TEDx speaker on culture fit. Natalie lives in Boulder with her husband and three little girls. She enjoys hiking, traveling and chasing her daughters down the ski slopes.

Kate Brown
BOARD MEMBER

Kate was appointed to the Elevations Board in November 2015 and elected in 2016. She also serves as a member of the Audit and Risk Committee. Kate founded Boulder Organic Foods LLC in 2006 and developed the Boulder Organic brand until 2022. Having grown a consumer brand with help from the local industry, Kate remains active in the Front Range business community and consults with food and beverage companies. Kate is currently serving as board chair of the Boulder Chamber of Commerce. She also has a passion for education and sits on the advisory board of the Ludeman Family Center for Women's Health Research at the University of Colorado Anschutz Medical Campus. Kate earned a master's degree in counseling psychology from Naropa University as well as a bachelor's degree in technical journalism from Colorado State University. A Colorado native, Kate lives in Boulder and enjoys the community of entrepreneurs. In her spare time she likes to hike, snowshoe and golf. She also enjoys painting and has a love of books.

Monica Coughlin
BOARD MEMBER

Monica was appointed to the Elevations Board in October 2021 and elected in April 2022. She also serves as a member of the Governance and Nominating Committee. Monica is the Chief Operating Officer for Colorado Technology Association, where she leads business development, marketing, sales and more for the association's 300-plus member organizations. With over two decades of experience in the IT industry, Monica has a proven track record in strategy development, business operations and executive leadership. She holds bachelor's degrees in business administration and computer science from Regis University, and she completed the 50 for Colorado Leadership Program through the University of Colorado Leeds School of Business. Additionally, Monica was a recipient of Denver Business Journal's Outstanding Women in Business award in 2022 and was named StateScoop 50 Awards' Golden Gov: State Executive of the Year in 2015. Monica has served as a board member of Big Brothers Big Sisters of Colorado and the Colorado Women's Chamber of Commerce. She currently serves as a member of the YMCA of Metro Denver Board of Directors and as a member of the Executive Advisory Board of Regis University's Anderson College of Business and Computing. Monica lives in Denver and enjoys traveling, playing golf and checking out live comedy shows and sporting events.

Nancy Herbert
BOARD MEMBER

Nancy has been a member of the Elevations Board since 2011 and served as chair from 2017 to 2019. She previously served as the chair of the St. Vrain Valley Credit Union Board until its merger with Elevations in 2011. She currently serves as a member of the Governance and Nominating Committee. Nancy is the CEO and founder of Boardroom Sage LLC, an organizational consulting business with a focus on leadership coaching, strategic planning, board development and board governance. A former school district administrator and municipal elected official, she has served on dozens of community boards of directors. Nancy holds a Ph.D. in organizational development and leadership specializing in innovation and entrepreneurism. Her ongoing research focuses on the benefits of diversity on boards. She also holds a master's degree in higher education and a bachelor's degree in organizational management. Nancy is certified as a Credit Union Board Director from the Governance Leadership Institute and in Women's Leadership Development from Oxford University. She resides in Longmont and enjoys writing, traveling, volunteering and hiking with her dogs.

Todd Gleeson
BOARD MEMBER

Todd joined the Elevations Board in 2012. He has been an Elevations Credit Union member since 1981. He also serves as a member of the Audit and Risk Committee. Todd was elected to the office of Treasurer in January 2023 after Ms. Brohl's resignation. Todd has been a member of the faculty at the University of Colorado Boulder for more than 40 years and is professor emeritus in the Department of Integrative Physiology. He also served as the University's Dean of the College of Arts and Sciences and Associate Vice Chancellor for Faculty Affairs. Todd holds a Ph.D. in developmental and cell biology from the University of California at Irvine. He lives with his wife in Superior, where they enjoy live theater and all that the Colorado outdoor recreation scene has to offer.

Senior Leadership Team

Gerry Agnes

PRESIDENT &
CHIEF EXECUTIVE OFFICER

Gerry joined Elevations as its CEO in 2008. He directs the credit union's strategic objectives, which focus on employee engagement, a loyal membership and superior financial performance. In the midst of the financial crisis of 2008, he led the charge to pursue the Malcolm Baldrige National Quality Award®, a highly competitive U.S. presidential award that recognizes organizations for performance excellence. The Baldrige effort rallied the Elevations team to outperform both in-market competitors and credit unions nationwide, and in 2014, Elevations was named a Baldrige Award recipient by U.S. Secretary of Commerce Penny Pritzker. Elevations went on to receive a second Baldrige Award from U.S. Secretary of Commerce Wilbur Ross during the 2020 pandemic, becoming the first two-time recipient in Colorado history and only the ninth two-time recipient in the history of the award. In 2015, Gerry was named the Credit Union Executive Society's® Outstanding Chief Executive, and in 2016, Gerry was named Mountain West Credit Union Association's Credit Union Professional of the Year and Boulder Chamber's Business Person of the Year. In 2020, Gerry received the Baldrige Foundation Award for Leadership Excellence. Gerry is a CPA with 37 years of professional experience and held positions as president, COO and CFO at various community financial institutions in California. He holds a bachelor's degree in business administration and accounting from California State Polytechnic University, Pomona. Governor John Hickenlooper appointed Gerry to Colorado's Financial Services Board in August 2015, and Governor Jared Polis reappointed Gerry to the Board in June 2019, where he continues to serve as Chair. In 2019, Secretary Ross appointed Gerry to the Board of Overseers for the Malcolm Baldrige National Quality Award®, and U.S. Secretary of Commerce Gina M. Raimondo appointed him as chair of the Board of Overseers in 2021. In 2019, he was appointed to the Credit Union National Association's CEO Council Executive Committee and the CUES® Board of Directors. Gerry is also a board member of Elevations Foundation and a member of the Board of Elders of Calvary Bible Church in Boulder.

Wendy Beswick

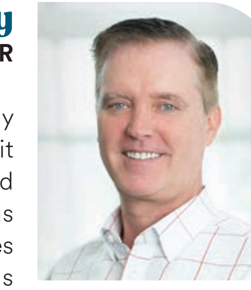
CHIEF MARKETING OFFICER

As chief marketing officer, Wendy leads the marketing, external communications and product management functions for Elevations Credit Union. She is responsible for cultivating and advancing the Elevations brand through development of strong relationships across the organization and the industry as well as delivering innovative solutions that positively impact our members and accelerate our business results. Prior to joining Elevations in 2022, Wendy spent 20 years with Fortune 100 financial companies and credit unions, most recently with Service Credit Union, the largest credit union based in New Hampshire. There she led their marketing, communications, community relations and financial wellness efforts in addition to their community foundation. She previously served as CMO for both Firstmark CU and Generations FCU. Wendy is an award-winning executive who has been repeatedly recognized by the credit union industry with some of the most respected honors achievable by a marketing executive, including the Desjardins Award from CUNA for outstanding achievement in financial education and the Dora Maxwell Award for community and philanthropic accomplishment, among others. She received her Bachelor of Arts from the University of the Incarnate Word in San Antonio, Texas, where she graduated Magna Cum Laude. During her free time, Wendy enjoys painting, traveling and spending time with her family.

Michael Calcote

CHIEF FINANCIAL OFFICER

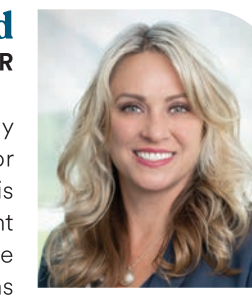
Michael serves as chief financial officer and is responsible for ensuring Elevations' long-term financial sustainability. He oversees accounting and finance, secondary marketing, internal audit, enterprise fraud management, credit risk management, enterprise transformation, operations and corporate real estate. Prior to joining Elevations in 2010, Michael served as chief financial officer and treasurer for Guaranty Bank, a publicly held regional bank headquartered in Austin, Texas. Michael also served for five years as a regulatory examiner and capital markets specialist for the U.S. Office of Thrift Supervision. He holds a bachelor's degree in finance and accounting from Stephen F. Austin State University in Texas and is a Chartered Financial Analyst®. Michael also serves as a board member of Mental Health Partners.



Ray Lindley

CHIEF OPERATING OFFICER

As chief operating officer, Ray directs all aspects of the credit union's consumer, mortgage and business lending programs plus wealth management. He oversees Elevations' delivery channels including all branches, the contact center, and the digital channel. He has been instrumental in making Elevations the No. 1 credit union mortgage lender in Colorado, the No. 1 residential mortgage lender in Boulder County and a top four mortgage lender in Broomfield and Larimer counties. Ray held leadership roles with Washington Mutual and Chase before joining Elevations in 2013. A graduate of Northwest Nazarene University, he holds a bachelor's degree in accounting and a Master of Business Administration in economics. In 2016, he graduated from the CUES® Institute of Executive Leadership as a Certified Credit Union Executive.



Tammy Teitscheid

CHIEF PEOPLE OFFICER

As chief people officer, Tammy leads the people strategy for Elevations Credit Union. She is responsible for aligning the current and future workforce to meet the business objectives of Elevations through leadership, talent, communication, workforce analytics and rewards. She plays an important role in shaping the organization's culture and is an ambassador for employee engagement, diversity, equity and inclusion. Before joining Elevations in 2018, Tammy had over two decades of experience in the Denver area spanning strategy, employer brand, operations, product development and talent. She has served in leadership roles in the healthcare, utilities and telecom industries. She holds a bachelor's degree from The College of Human Ecology at Cornell University, an institution that prides itself on exploring the complex relationships between human beings and their natural, social and built environments. Tammy is certified as a Senior Professional in Human Resources (SPHR). She also serves as the board chair of Elevations Foundation and a board member of the Second Wind Fund.

Dustin Montoya
CHIEF TECHNOLOGY OFFICER

Dustin joined our team in 2022 as Chief Technology Officer after serving as Vice President of Applications Engineering in previous years. Dustin develops and oversees Elevations' technology strategy while building, leading and fostering the growth of the technology team, ensuring the organization continues to meet its strategic objectives.

Prior to joining Elevations, Dustin served as Vice President of Platform, Infrastructure & Engineering at Arturo.ai in Boulder, where he was responsible for an innovative cloud platform that streamlines property inspections for the insurance and mortgage industries. He also spent several years as Director of Software Engineering, DevOps, Automation and Quality Assurance at Open Technology Solutions (OTS), a Credit Union Service Organization. At OTS, Dustin was instrumental in implementing a digital banking platform that currently supports 1M members with over $20B in assets for several credit unions nationwide. Dustin earned his bachelor's degree in environmental science & mathematics from Metropolitan State University and his master's in geographic information systems from the University of Colorado.

Brian Holst
GENERAL COUNSEL

As general counsel for Elevations Credit Union and its Board of Directors, Brian leads the credit union's strategic and tactical legal initiatives that create value for its members. Brian is a uniquely experienced legal and credit union industry veteran. Prior to joining Elevations in 2017, Brian was a partner at Holst, Boettcher & Tehrani LLP, and was engaged in the private practice of law in Colorado for more than 30 years. Brian's legal practice has focused on credit union representation, which has allowed him to develop expertise in the industry, advising and representing many credit unions from around the country in matters pertaining to policy, governance, mergers, regulation, contractual matters, real estate matters, loan enforcement, litigation and arbitration. Brian holds a law degree from Washburn Law School and a bachelor's degree in accounting from Colorado State University. He serves as a board member of Longmont Meals on Wheels.

Darin Atteberry
MARKET PRESIDENT, SVP GOVERNMENT AFFAIRS & STRATEGIC RELATIONSHIPS

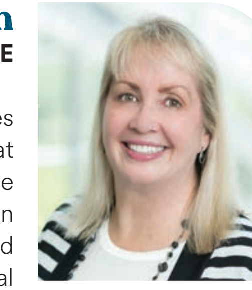
Darin leads Elevations' market expansion efforts in the Northern Colorado region, along with the credit union's government affairs programs and strategic relationships. Throughout his career, Darin has served as an advocate for community collaboration and built strong relationships with both public and private sector partners. Prior to joining Elevations in 2021, Darin served as the Fort Collins City Manager for over 17 years. Under his leadership, the city government transformed from a "trust us" model to one that is data-driven and performance-based, and in 2017 the City received the prestigious Malcom Baldrige National Quality Award®. In recognition of his leadership serving the public with innovation, operational excellence and progressive vision, Darin received the Colorado Governor's Citizenship medal in 2016. Beyond Colorado, he's helped build communities and high-performing cultures in California, Washington and Georgia. Darin attended Harvard University's Senior Executive Program, and he holds master's degrees in both civil engineering and city planning from the Georgia Institute of Technology as well as a bachelor's degree in city and regional planning from California Polytechnic State University. Darin serves as a Fellow of the National Academy of Public Administration, to which he was elected in 2016.

Stephanie Camara-Ray
SVP CREDIT RISK MANAGEMENT

Stephanie leads Elevations' credit risk teams, including residential, consumer and business underwriting, loss mitigation, credit risk policy and quality control. Prior to joining Elevations in 2018, Stephanie served as a managing director for a subsidiary of Lehman Brothers bank. Stephanie has over 25 years of experience in senior credit and risk management roles at firms including Lehman Brothers, Deutsche Bank and Citigroup. Stephanie holds a master's degree in finance from Northeastern University and a bachelor's degree in business from Marist College.

Kendal Harris
SVP RETAIL NETWORK

As senior vice president retail network, Kendal leads Elevations' branch network, contact center, consumer lending operations and an enabling retail experience team. She is responsible for driving excellent member-centric service by developing leaders, collaborating with both internal and external partners and listening to members' desires and needs. It is important to her to create financial wellness for members and the community. Prior to joining Elevations in 2019, Kendal held various leadership roles over 23 years with the largest credit union in New Mexico, where she led teams to achieve the highest member loyalty scores in the industry. While there, she served as a board member of Albuquerque Quality Network and as a Quality Examiner for Quality New Mexico. Kendal received her bachelor's degree from the University of Arizona and graduated with high honors from Western CUNA Management School – Pomona College. She has traveled to many parts of the world and is now happy to be a resident of Colorado, enjoying the outdoors with her husband and adult children.



Elizabeth Million
SVP MORTGAGE

Elizabeth leads the mortgage sales and mortgage operations team at Elevations with the core principle to serve and support credit union members. This team is recognized as the No. 1 credit union residential mortgage lender in Colorado in terms of purchase volume, the No 1. residential mortgage lender in Boulder County and a top four mortgage lender in Broomfield and Larimer counties. Joining as a Mortgage Loan Officer in 2011, Elizabeth was promoted to VP Mortgage Lending in 2012, SVP Mortgage Sales in 2020 and SVP Mortgage in 2021. Her leadership has grown the mortgage team from eight to 160+ employees who thrive with the assurance that everyone, from operations to sales, is valued for their contributions. In fact, 63% of her team's Mortgage Loan Officers were recognized nationally as 2021 Top Originators by Scotsman Guide. Before joining Elevations in 2011, Elizabeth enjoyed a multifaceted career in real estate and finance, including running her own appraisal business and serving as a Mortgage Loan Officer for Fortune 500 companies. Elizabeth received her bachelor's degree from Metropolitan State University of Denver. Committed to sustainable homeownership and community initiatives, she serves as a member of the Colorado Mortgage Lenders Association Executive Leadership Board and the CMLA Governors Board. With her experience growing up in Boulder and being a single, working mother of three, Elizabeth recognizes the magnitude of realizing the dream of homeownership and she's honored to make that dream a reality for members.

Todd Peyok
SVP BUSINESS BANKING & COMMERCIAL LENDING

Todd leads the business banking and commercial lending teams at Elevations. He is responsible for developing, implementing and overseeing business banking and commercial and construction lending services while strategically building relationships within Boulder and across the Front Range. Todd has been in the banking industry for more than 32 years. Prior to joining Elevations, Todd served as Market President for several Boulder-based community banks for nearly 23 years. Throughout his tenure at Elevations, he has focused on structuring commercial loan relationships, building deposits, developing businesses and growing the commercial lending team. Todd received his bachelor of arts in finance and accounting from Oklahoma State University. He moved to Colorado in 1988 and enjoys time with his family, playing softball and working on cars.

Northern Colorado Advisory Board

As part of our commitment to Fort Collins, our Northern Colorado Advisory Board offers recommendations and feedback to the Elevations leadership team as we bring our passion for great service and steadfast commitment to the power of localism to Fort Collins. This group of eight community leaders hails from a variety of industries and backgrounds, sharing a common stewardship for the Northern Colorado community.

Denise Juliana

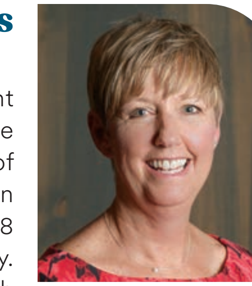
Prior to her retirement in 2020, Denise had a 30-year career as a Certified Public Accountant. Denise serves on the Board of Trustees of the Community Foundation of Northern Colorado and enjoys volunteering with Foothills Rotary Club, Give Next and the Food Bank for Larimer County.

Peter Kelly

Pete is a Senior Vice President with CBRE, Inc. Based in Northern Colorado, his real estate solutions team assists companies across the Rocky Mountains and western United States. The team provides portfolio optimization, headquarter relocations and integrated real estate strategy, among others. Pete and the team use a broad array of CBRE Service Lines to guide clients through the real estate process. Pete is a member of the Society of Industrial and Office Realtors®, is a Certified Commercial Investment Member and is a member of the Northern Colorado Commercial Association of Realtors®. Pete is a board member of the Larimer County Open Lands Advisory Board, past president of Larimer County Partners mentoring organization, founder and past president of NoCo Active 2030 (now Unify 2030), past director of Larimer Commerce Bank and past president of Fort Collins Youth Lacrosse.

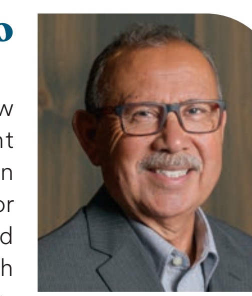
Tim Kenney

Tim's career in the financial services industry began in 1986. He started and managed commercial banking teams in the Midwest, Southwest and Rocky Mountain regions. In early 2015, he formed Gerard Management Company to acquire and operate Ace Hardware of Fort Collins. Tim has served as a volunteer, committee member and committee chairman on numerous advisory committees and councils. He is currently active with City of Fort Collins Citizens Advisory Group and Foothills Rotary Club. He also serves as a board member and treasurer of the Rocky Mountain Ace Stores Association.



Yvonne Myers

Yvonne is the Vice President of Strategic Initiatives for the Fort Collins Area Chamber of Commerce. She began this role in January 2022 after spending 38 years in the long-term care industry. After 31 years at Columbine Health Systems, she wanted to make a bigger difference in her community. She has been on the Fort Collins Area Chamber of Commerce board since 2007 and has participated in its Total Resource Campaign for 11 years. She brings with her vast experience in talent and workforce development, marketing and community relations and partnerships. Columbine Health Systems led innovative community and workforce issues under Yvonne's leadership. Working with Bohemian Foundation and the Larimer County Workforce Center, the organization was the pilot business to bring a work/life navigator program to their community. Moving from pilot to a sustainable model, Columbine Health Systems was the first to partner with the WorkLife Partnership in Larimer County. Yvonne was the chair of the Northern Colorado Health Sector Partnership when it formed in 2013. She continues as the treasurer of the Partnership. Currently, Yvonne is the past chair of the UCHealth Northern Colorado Foundation and a member of the Northern Colorado Legislative Alliance Health Care Committee. Yvonne has been involved in numerous boards and committees, including the Larimer County Workforce Investment Board and Senior Alternatives in Transportation.



Andrew Romero

Prior to his retirement, Andrew (Andy) held two prominent positions. For more than a dozen years he was the Comptroller for the City of Greeley. Then he worked as the Finance Director of the High Plains Library District for a decade. Giving back to the community is a priority for Andy. He is a board member and treasurer of Jobs of Hope, a volunteer teaching citizenship classes at the Immigrant & Refugee Center of Northern Colorado and a member and treasurer of Trinity Episcopal Church. In addition, Andy has been a board member and treasurer of the Northern Colorado Hispanic Chamber of Commerce, a board member and treasurer of Northern Colorado Medical Center Foundation, president, treasurer and a board member of AIMS Community College Foundation and president, board member and current member of the Greeley Rotary Club, among other positions.

Molly Skold

Since 2010, Molly Skold has served as a catalyst for the revitalization, vibrancy and explosive growth of historic midtown Omaha as Vice President of Marketing and Communications for Mutual of Omaha's real-estate arm, Midtown Crossing at Turner Park. This $365 million mixed-use development offers 225,000 square feet of restaurants and retail, more than 500 residential units and a year-round calendar of community events. Molly previously worked to open Omaha's $75 million Salvation Army Ray and Joan Kroc Community Center, a key public/private partnership with noteworthy philanthropist Walter Scott's Heritage Services foundation, other local donors and the City of Omaha. For over five years, Molly led and directed the Greater Omaha Chamber's highly successful O! Campaign and O! Public Art Project, encouraging Omaha residents to be more active advocates for their city. In partnership with the Omaha Police Department, she served as the driving force behind the Horses of Honor public art installation at Midtown Crossing in tribute to Omaha's fallen officers. Born, raised, and based in Fort Collins, Molly serves as a board member and past president of executive board of Visit Fort Collins, a member of the Tourism Master Plan Leadership Committee and a board member of the Fort Collins Museum of Discovery. She is a former member of the Larimer County Food Bank Capital Campaign. Molly and her husband are the proud parents of three grown children.

Andrea Tuell

Andrea Tuell has been involved in every aspect of real estate since 2005 and is currently a Broker Associate/Partner at The Group, Inc. For the last 15 years she has worked with several of the top builders in Northern Colorado. Andrea's knowledge includes new home sales of custom homes, luxury condos, single-family homes, townhomes and lots. She is a veteran at marketing and advertising for residential properties and investments, from kiddie condos to multi-family and single-family investments. She serves as a board member of Neighbor to Neighbor and as a committee member for Dream Makers, an organization in Northern Colorado that supports older youth who are aging out of the foster care system. Andrea recently started Raising Angels Foundation, a nonprofit that supports teen parents and their babies with resources and goods. She previously served as a board member and treasurer of Mountain View Rotary Club, a member of The Group, Inc. Scholarship Selection Committee and a member of the Schaefer Family Scholarship Selection Committee.

Kevin Unger

Kevin Unger is the President/CEO of Poudre Valley Hospital and Medical Center of the Rockies and Executive Leadership over Yampa Valley Medical Center and Greeley Hospital. In addition, he oversees management agreements with Sidney Regional Medical Center, Ivinson Memorial Hospital, Cheyenne Regional Medical Center and Campbell County Health. With Poudre Valley Hospital since 2001, Kevin's focus on quality excellence is reflected in the numerous national awards received by Poudre Valley Hospital, Medical Center of the Rockies and Poudre Valley Health System, including the Malcolm Baldrige National Quality Award® in 2008. A native of Fort Collins, Kevin was selected as the recipient of the Robert S. Hudgens Young Healthcare Executive of the Year through the American College of Healthcare Executives in 2009.

Report of Independent Auditors
and Consolidated Financial Statements

Elevations Credit Union

December 31, 2022 and 2021

MOSSADAMS

Table of Contents

Report of Independent Auditors

To the Audit and Risk Committee and Board of Directors
Elevations Credit Union

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Elevations Credit Union (the Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive (loss) income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Elevations Credit Union as of December 31, 2022 and 2021 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 Elevations Credit Union's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Elevations 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Elevations Credit Union's ability to continue as a going concern for a reasonable period of time.

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

Moss Adams LLP

Portland, Oregon
March 24, 2023

Consolidated Financial Statements

Elevations Credit Union
Consolidated Statements of Financial Condition
December 31, 2022 and 2021

	2022	2021
ASSETS		
ASSETS		
Cash and cash equivalents	$ 39,339,071	$ 865,220,604
Available-for-sale securities, at fair value	760,841,748	381,226,051
Loans held-for-sale, at fair value	17,073,477	57,451,659
Loans to members, net	2,281,789,785	1,759,998,621
Accrued interest receivable	10,554,625	5,044,924
Property and equipment, net	62,074,446	66,570,357
Mortgage servicing rights	38,612,802	40,150,545
Life insurance policies	12,711,259	12,430,324
Prepaid and other assets	41,805,777	32,307,737
Operating lease right-of-use assets	4,554,471	-
NCUSIF deposit	26,687,841	23,971,971
Total assets	$ 3,296,045,302	$ 3,244,372,793
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' shares and savings accounts	$ 2,860,772,222	$ 2,839,638,332
Borrowed funds	25,287,113	-
Operating lease liabilities	4,638,636	-
Accrued expenses and other liabilities	120,762,680	101,693,384
Total liabilities	3,011,460,651	2,941,331,716
COMMITMENTS AND CONTINGENT LIABILITIES (Note 12)		
MEMBERS' EQUITY		
Other reserves	-	11,879,721
Undivided earnings	301,301,179	278,902,190
Equity acquired in mergers	11,249,648	11,249,648
Accumulated other comprehensive (loss) income	(27,966,176)	1,009,518
Total members' equity	284,584,651	303,041,077
Total liabilities and members' equity	$ 3,296,045,302	$ 3,244,372,793

See accompanying notes.

Elevations Credit Union
Consolidated Statements of Income
Years Ended December 31, 2022 and 2021

	2022	2021
INTEREST INCOME		
Loans to members	$ 78,864,504	$ 61,696,276
Interest on investments and interest bearing deposits	15,409,142	4,146,028
Total interest income	94,273,646	65,842,304
INTEREST EXPENSE		
Members' shares and savings accounts	4,328,846	4,247,748
Borrowed funds	351,912	-
Total interest expense	4,680,758	4,247,748
NET INTEREST INCOME	89,592,888	61,594,556
(RECAPTURE OF) PROVISION FOR LOAN LOSSES	(234,475)	408,370
NET INTEREST INCOME AFTER (RECAPTURE OF) PROVISION FOR LOAN LOSSES	89,827,363	61,186,186
NON-INTEREST INCOME		
Loan sales and servicing, net	17,626,363	65,413,026
Interchange income, net	14,735,154	14,095,985
Fees and service charges	6,905,719	6,172,742
Wealth management income	3,751,254	3,285,152
Other non-interest income	4,366,336	1,644,044
Total non-interest income	47,384,826	90,610,949
NON-INTEREST EXPENSES		
Compensation and benefits	73,647,360	83,780,307
Office operations	20,590,283	19,614,729
Office occupancy	13,149,422	13,490,003
Loan servicing expense	7,590,620	7,905,501
Education and promotion	6,392,605	5,477,754
Professional and outside services	4,757,627	4,917,910
Other non-interest expense	565,004	773,337
Total non-interest expenses	126,692,921	135,959,541
NET INCOME	$ 10,519,268	$ 15,837,594

See accompanying notes.

Elevations Credit Union
Consolidated Statements of Comprehensive (Loss) Income
Years Ended December 31, 2022 and 2021

	2022	2021
NET INCOME	$ 10,519,268	$ 15,837,594
OTHER COMPREHENSIVE LOSS		
Net unrealized losses on available-for-sale securities	(28,975,694)	(1,216,258)
COMPREHENSIVE (LOSS) INCOME	$ (18,456,426)	$ 14,621,336

See accompanying notes.

Elevations Credit Union
Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2022 and 2021

	Other Reserve	Undivided Earnings	Equity Acquired In Mergers	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, December 31, 2020	$ 11,879,721	$ 263,064,596	$ 11,249,648	$ 2,225,776	$ 288,419,741
Net income	-	15,837,594	-	-	15,837,594
Other comprehensive loss	-	-	-	(1,216,258)	(1,216,258)
BALANCE, December 31, 2021	11,879,721	278,902,190	11,249,648	1,009,518	303,041,077
Reserve transfers	(11,879,721)	11,879,721	-	-	-
Net income	-	10,519,268	-	-	10,519,268
Other comprehensive loss	-	-	-	(28,975,694)	(28,975,694)
BALANCE, December 31, 2022	$ -	$ 301,301,179	$ 11,249,648	$ (27,966,176)	$ 284,584,651

See accompanying notes.

Elevations Credit Union
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 10,519,268	$ 15,837,594
Adjustments to reconcile net income to net cash from operating activities:		
(Recapture of) provision for loan losses	(234,475)	408,370
Depreciation and amortization	7,843,666	7,653,511
Net amortization on investments	1,768,916	1,510,501
Gains on sale of property and equipment	(13,442)	(13,690)
Gain on sale of loans, net, excluding capitalized mortgage servicing rights	(7,348,480)	(39,495,827)
Capitalization of mortgage servicing rights	(6,208,462)	(18,840,501)
Amortization of mortgage servicing rights	8,915,333	16,582,292
Valuation recovery of of mortgage servicing rights	(1,169,128)	(12,488,909)
Originations of loans held-for-sale	(575,628,583)	(1,829,768,146)
Proceeds from sales of loans held-for-sale	624,468,480	1,947,732,000
Fair value adjustment on loans-held-for-sale	(1,113,235)	(756,521)
Increase in life insurance policies	(280,935)	(290,480)
Increase in accrued interest receivable	(5,509,701)	(291,022)
(Increase) decrease in prepaid and other assets	(9,498,040)	8,661,552
Non-cash lease costs	1,142,923	-
Repayment of operating lease liabilities	(1,058,758)	-
Increase (decrease) in accrued expenses and other liabilities	19,069,296	(4,902,683)
Net cash from operating activities	65,664,643	91,538,041
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities, calls, and repayments of available-for-sale securities	136,165,062	59,497,042
Purchase of available-for-sale securities	(546,525,369)	(243,031,136)
Net change in loans to members	(521,556,689)	(170,603,131)
Proceeds from sale of property and equipment	37,429	10,072,627
Purchases of property and equipment	(3,371,742)	(8,883,404)
Increase in NCUSIF deposit	(2,715,870)	(3,904,964)
Net cash from investing activities	(937,967,179)	(356,852,966)

See accompanying notes.

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in borrowed funds	$ 25,287,113	$ -
Net change in members' shares and savings accounts	21,133,890	422,208,693
Net cash from financing activities	46,421,003	422,208,693
NET CHANGE IN CASH AND CASH EQUIVALENTS	(825,881,533)	156,893,768
CASH AND CASH EQUIVALENTS, beginning of year	865,220,604	708,326,836
CASH AND CASH EQUIVALENTS, end of year	$ 39,339,071	$ 865,220,604
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest on members' share savings accounts	$ 4,680,758	$ 4,247,748
SUPPLEMENTAL NONCASH DISCLOSURES		
Net change in fair value of available-for-sale securities	$ (28,975,694)	$ (1,216,258)
Establishment of right-of-use assets	$ 5,617,147	$ -
Establishment of operating lease liabilities	$ 5,617,147	$ -

See accompanying notes.

Note 1 – Nature of Business and Significant Accounting Policies

Organization – Elevations Credit Union is a state-chartered credit union organized in accordance with the provisions of the Colorado Credit Union Act for the purpose of promoting thrift among, and creating a source of credit for, its members. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined by the Credit Union’s Charter and Bylaws.

The consolidated financial statements include the accounts of the Credit Union and Elevations Foundation, Inc (the “Foundation”), which the Credit Union has a controlling voting interest. The Foundation is a 501(c)3 nonprofit organization established in 2010 to provide members an opportunity to give back to the community. Consolidation of the Foundation occurred during the year ended December 31, 2020. Intercompany balances and transactions have been eliminated upon consolidation.

Adoption of new accounting standards – During the year ended December 31, 2022, the Credit Union adopted ASU 2016-02, *Leases*. The guidance establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. Entities are required to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. The Credit Union adopted the standard under a modified retrospective approach as of the date of adoption.

Adoption of the leasing standard resulted in the recognition of operating right-to-use assets and lease liabilities, totaling approximately $4.5 million. 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 financial statements.

Use of estimates in the preparation of consolidated financial statements – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the allowance for loan losses, valuation of mortgage servicing rights, and the fair value of derivatives and other financial instruments.

Comprehensive (loss) income – Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the members’ equity section in the consolidated statements of financial condition under the caption “accumulated other comprehensive income (loss),” and in the consolidated statements of comprehensive loss.

Acquisition accounting – Credit Union acquisitions are accounted for using the acquisition method of accounting. Under the acquisition method of accounting, assets acquired, including identifiable intangibles and liabilities assumed, are recorded at estimated fair value at the date of acquisition. Any difference in purchase consideration over the fair value of assets acquired and liabilities assumed results in the recognition of goodwill, should purchase consideration exceed net estimated fair values. If estimated net fair values exceed purchase consideration, a bargain purchase gain is recognized. Expenses in connection with an acquisition are expensed as incurred.

Cash, cash equivalents, and cash flows – Cash and cash equivalents consist of cash on hand and demand deposits in other financial institutions. For purposes of reporting cash flows, activities within loans receivable, certificates of deposit, members' shares and savings accounts, and short-term borrowed funds are reported net.

Investment securities – Securities that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available-for-sale and are carried at fair value. Trading securities are reported at fair value. Realized and unrealized gains and losses on trading securities are reported in the statement of income. Unrealized gains and losses on investments classified as available-for-sale are recorded within accumulated other comprehensive income (loss), a component of members' equity. Securities that the Credit Union has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized costs. Amortization of premiums and accretion of discounts, including fair value adjustments from business combinations, are recognized in interest income over the period to maturity. Gains and losses on the sale of investment securities are determined using the specific-identification method.

Non-agency investment securities are reviewed on an ongoing basis for the presence of other-than-temporary impairment (OTTI) or permanent impairment, taking into consideration current market conditions, fair value in relationship to cost, extent and nature of the change in fair value, issuer rating changes and trends, whether the Credit Union intends to sell a security or if it is likely that it will be required to sell the security before recovery of its amortized cost basis in the investment, which may be maturity, and other factors.

For debt securities, if the Credit Union intends to sell the security or it is likely that it will be required to sell the security before recovering its cost basis, the entire impairment loss would be recognized in earnings as an OTTI. If the Credit Union does not intend to sell the security and it is not likely that it will be required to sell the security but it does not expect to recover the entire amortized cost basis of the security, only the portion of the impairment loss representing credit losses would be recognized in earnings.

Loans held for sale – Mortgage loans originated and intended for sale in the secondary market are carried at estimated market value. Typically, at the time of loan sale, representations and warranties are given regarding the validity and accuracy of the loan and loan documents that if breached would require the loan to be repurchased. At December 31, 2022 and 2021, no loans were required or anticipated to be repurchased by the Credit Union.

Elevations Credit Union
Notes to Consolidated Financial Statements

Loans to members, net – Loans are stated at unpaid principal balances, less an allowance for loan losses, and net deferred loan origination fees and costs. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using either the straight-line method or the interest method over the weighted-average life of the loans, adjusted for prepayments.

Accrual of interest on loans is discontinued when management believes that, after considering economic and business conditions and collection efforts, the borrower's financial condition is such that collection of interest is doubtful. All interest accrued but not collected for loans that are placed on non-accrual status or charged-off is reversed against interest income. Income is subsequently recognized on the cash basis until, in management's judgment, the borrower's ability to make periodic principal and interest payments returns and future payments are reasonably assured, in which case the loan is returned to accrual status.

The Credit Union evaluates individual loans for impairment when principal and interest is not expected to be collected in accordance with the contractual terms of the loan agreement. Loans that experience insignificant payment delays or payment shortfalls are generally not considered in the impairment assessment. For individually identified impaired loans, the Credit Union performs an analysis of impairment and assigns an appropriate reserve amount based on the facts and circumstances related to the impairment of the loan. For these loans, impairment is measured using either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, if the loan is collateral dependent. Large groups of smaller-balance homogenous loans are collectively evaluated for impairment.

A troubled debt restructuring (TDR) occurs when, due to a member's financial difficulty, the Credit Union grants a concession that it would not otherwise consider. The concession can take the form of an interest rate or principal reduction or an extension of payments of principal or interest, or both. Restructured loans performing in accordance with their new terms are not included among non-accrual loans unless there is uncertainty as to the ultimate collection of principal or interest. Loans considered to be troubled debt restructurings are evaluated under the Credit Union's impaired loan accounting policy.

The Credit Union's policy is that restructured loans placed on non-accrual status will typically remain on non-accrual status until all principal and interest payments are brought current and the prospects for future payment in accordance with the loan agreement appear reasonably assured. The Credit Union's policy generally refers to six months of payment performance as sufficient to warrant a return to accrual status.

The allowance for loan losses is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). Loans are charged against the allowance for loan losses when management believes that collectability of the principal is unlikely. The allowance is an amount management believes will be adequate to absorb estimated losses on existing loans. Management's periodic evaluation of the adequacy of the allowance is based on the Credit Union's past loan experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. While management seeks the best information available to make its evaluations, further adjustments to the allowance may be necessary if there are significant changes in unforeseen conditions.

Property and equipment – Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method based upon the useful lives of the related assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. 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.

Leases – Leases are classified as operating or finance leases at the lease commencement date. Right-of-use (ROU) 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. ROU 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 includes lease extension options in the lease term if, after considering relevant economic factors, it is reasonably certain the Credit Union will exercise the option. The Credit Union uses an 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 borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

Operating lease expense consists of a single lease cost allocate over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in occupancy expenses on the Credit Union's statements of income. The amortization of right-of-use assets arising from finance leases are also expensed through occupancy expense and the interest on the related liability is expensed through interest expense on borrowings on the Credit Union's statements of income.

Mortgage servicing rights – Mortgage servicing assets are recognized as separate assets when rights are acquired through the sale of financial assets. 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.

Life insurance policies – The Credit Union has investments in life insurance annuity contracts. The cash surrender value of fixed annuity contracts reflects the Credit Union's investment in the recorded asset. Surrender charges relating to the annuity contracts are recorded as a reduction in value through earnings. Unrealized holding gains and losses related to the annuity contract are included in earnings as gains or losses.

Foreclosed and repossessed assets – Foreclosed and repossessed assets are property acquired through foreclosure or other proceedings and are initially recorded at fair value. Fair values of foreclosed and repossessed assets, primarily real estate and automobiles, are measured based on the assets' observable market price. For real estate, prices are derived from independent appraisals, while automobiles are based on observable market prices for comparable vehicles. When these assets are acquired, any excess of the loan balance over the estimated fair value is charged to the allowance for loan losses. Holding costs, subsequent write-downs to fair value, if any, or any disposition gains or losses are included in noninterest income and expense.

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. The FHLB is included in prepaid and other assets in the consolidated statements of financial condition.

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.

NCUA assessments – The Credit Union is subject to assessments by the NCUA which are expensed as assessed.

Derivatives – The Credit Union is party to various derivative instruments that are used for asset and liability management mainly to manage interest rate risk related to its mortgage lending activities. Derivatives are either designated in hedging relationships or are considered free-standing, economic hedges.

Derivatives designated in hedging relationships – The Credit Union provides certain prepayable fixed-rate residential mortgage loans (the hedged item) to its members and uses interest-rate swaps (the derivative instrument) to synthetically transform a portion of the loan balances to variable rate assets. These interest rate swaps are designated as fair value hedges of the benchmark FedFunds rate. If the derivative used is deemed highly effective, gains or losses on the interest rate swap would be offset by the basis adjustment on the hedged item. The Credit Union uses a regression analysis at the inception of a hedge to quantify effectiveness.

With no changes in facts and circumstances, the Credit Union elects to perform qualitative retrospective effectiveness assessments. However, if facts and circumstances change, the retrospective assessment of hedge effectiveness will be based on a regression analysis of the periodic change in fair value between the hedging derivative and the surrogate hedged item.

The interest rate swaps are designated as fair value hedging instruments and are recognized at fair value and classified as other assets or other liabilities on the statements of financial condition with changes in their values recorded in interest income from loans. Fair value changes of the hedged assets (the last dollar amounts outstanding of fixed rate mortgage loans aggregated by pools and not expected to be affected by prepayments, referred to as last of layer) are recorded in interest income from loans.

Derivatives not designated in hedging relationships – In connection with its mortgage selling activities, the Credit Union enters into mortgage loan commitments, also called interest-rate lock commitments (IRLCs), to fund residential mortgage loans at specified times in the future. The IRLCs that relate to mortgage loans the Credit Union intends to sell are considered derivative instruments under applicable accounting guidance. IRLCs expose the Credit Union to the risk that the price of the loans underlying the commitments may decline between the inception of the rate lock and the funding date of the loan. The Credit Union is exposed to further price risk after the funding date up to the time the mortgage loan is sold. To protect against this risk, the Credit Union utilizes "best efforts" forward sales commitments with Freddie Mac or Fannie Mae of to-be-announced (TBA) mortgage-backed securities, and/or forward sales commitments.

The IRLCs and forward sales commitments are not designated as hedging instruments. Rather, they are accounted for as free-standing derivatives, or economic hedges, and are recognized at fair value on the statements of financial condition in other assets or other liabilities with changes in their values recorded in non-interest income.

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.

Members' equity – The Credit Union historically was required by regulation to maintain a statutory reserve referred to as "regular reserves". Due to regulatory changes in 2022, this category of equity was renamed "other reserves". This reserve, which represents a regulatory restriction on accumulated earnings, is not available for the payment of dividend.

Revenue from contracts with members – The Credit Union accounts for revenue arising through contracts with members under the guidance of the Financial Accounting Standards Board's Accounting Standards Codification Topic 606 (ASC 606), which (i) creates a single framework for recognizing revenue from contracts with members that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as OREO. To determine revenue recognition for arrangements that an entity determines are within the scope of Topic 606, the Credit Union performs the following five steps: (i) identify the contract(s) with a member; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Credit Union satisfies a performance obligation.

A significant portion of the Credit Union's revenues come from interest income on financial instruments, such as loans and investments, which are outside of the scope of ASC 606, as are certain other streams such as loan sales and servicing income. The Credit Union's services that fall within the scope of ASC 606 are recognized as revenue as the Credit Union satisfies its obligation to the member. Services within the scope of ASC 606 include:

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Notes to Consolidated Financial Statements

Share account service fees – The Credit Union earns fees from its members for account maintenance and transaction-based activity. Account maintenance fees consist primarily of account fees and analyzed account fees charged on deposit accounts on a monthly basis. The performance obligation is satisfied and the fees are recognized on a monthly basis as the service period is completed. Transaction-based fees are charged for specific services provided including non-sufficient funds, overdraft transfers, and wire services. The performance obligation is satisfied as the transaction completes resulting in the immediate recognition of the income.

Interchange income – Interchange income is earned when a debit or credit card issued by the Credit Union is used to purchase goods or services at a merchant. The income earned on each transaction is determined by a combination of the transaction amount, merchant type, and other factors. The performance obligation is satisfied and the resulting income is earned when the transaction completes and is charged to the cardholders' card. Accordingly, the income is recognized in the period in which the performance obligation is satisfied. Certain expenses directly associated with credit and debit cards including transaction processing and reward program costs are netted against interchange income.

Wealth management income – Wealth management income consists of fees earned from asset management services by way of a third-party service provider. The Credit Union delivers a series of distinct investment services that form a single performance obligation that is continually offered over the course of each period. Fees earned are based on a percentage of assets under management and are assessed on a quarterly basis. Transactional-based fees are earned and recognized in the period in which they are completed. The Credit Union acts as an agent in arranging the relationship between the customer and the third-party service provider and does not control the services rendered to the customers. As such, investment fees are presented net of certain related costs.

Income taxes – The Credit Union is state chartered and federally tax-exempt under the Internal Revenue Code 501(c)(14), except to the extent of unrelated business income. The Credit Union had no unrecognized tax benefits at December 31, 2022 and 2021. The Credit Union recognizes the accrual of interest and penalties related to unrecognized tax benefits as a tax expense. During the years ended December 31, 2021 and 2020, the Credit Union recognized no material interest or penalties.

The Foundation is state and federally tax-exempt under the Internal Revenue Code 501(c)(3), except to the extent of unrelated business income. Taxes from the Foundation's unrelated business income would be immaterial and has not been reflected in the consolidated financial statements.

Fair value of assets and liabilities – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting principles describe three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets and 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 assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The degree of judgment utilized in measuring fair value generally correlates to the level of pricing observability. Pricing observability is impacted by a number of factors, including the type of assets or liability, whether it is new to the market and not yet established, and the characteristics specific to the transaction. Assets and liabilities with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of pricing observability and a lesser degree of judgment utilized in measuring fair value. Conversely, assets and liabilities rarely traded or not quoted will generally have little or no pricing observability and a higher degree of judgment utilized in measuring fair value.

The Credit Union used the following methods and significant assumptions to estimate fair value for its assets and liabilities measured and carried at fair value in the consolidated financial statements on a recurring or nonrecurring basis:

Available-for-sale securities – For these securities, the Credit Union obtains fair value measurements from an independent pricing service. The fair value measurements consider both observable and unobservable data that may include active quotes, dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information, and bond terms and conditions, among other things. When market quotes are not readily accessible or available, alternative approaches are utilized, such as matrix or model pricing.

Loans held for sale – Fair values for loans held for sale are based on quoted market prices from the purchaser adjusted for servicing values on similar loans and, as such, are classified as Level 2.

Derivatives – Fair values for interest rate swaps are determined based upon valuation models as reported by counterparties and third-party valuation specialists. These valuation models are based on the present value of expected cash flows using forward rate curves, and as such are classified as Level 2.

Fair values for interest rate lock commitments and forward sales commitments are estimated using quoted or published market prices for similar instruments, adjusted for factors such as pull-through rate assumptions based on historical information, where appropriate. The pull-through rate assumptions are considered Level 3 valuation inputs and are significant to the interest rate lock commitment valuation; as such, interest rate lock commitments are classified as Level 3, while forward sales commitments are classified as Level 2.

Impaired loans **–** Fair values of impaired loans are measured based on a loan's observable market price or the underlying collateral securing the loan. Collateral may be real estate or business assets including equipment. The value of collateral is determined based on independent appraisals.

Events subsequent to year end – Subsequent events are events or transactions that occur after the date of the statement of financial condition but before consolidated financial statements are issued. The Credit Union recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial condition, including the estimates inherent in the process of preparing the consolidated financial statements.

The Credit Union has evaluated subsequent events through March 24, 2023, which is the date the consolidated financial statements became available for issuance.

Note 2 – Investments

The following tables present the amortized cost and estimated fair value of investments as of December 31, 2022 and 2021:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2022				
Available-for-sale				
Mortgage-backed securities	$ 259,618,157	$ 114	$ (14,005,645)	$ 245,612,626
SBA-backed securities	133,827,794	391,418	(678,180)	133,541,032
US treasuries	197,536,547	-	(5,849,045)	191,687,502
Collateralized mortgage obligations	197,825,426	122,524	(7,947,362)	190,000,588
Total	$ 788,807,924	$ 514,056	$ (28,480,232)	$ 760,841,748
2021				
Available-for-sale				
Mortgage-backed securities	$ 142,234,510	$ 1,396,815	$ (193,331)	$ 143,437,994
SBA-backed securities	136,139,937	649,518	(767,905)	136,021,550
Collateralized mortgage obligations	101,842,086	498,595	(574,174)	101,766,507
Total	$ 380,216,533	$ 2,544,928	$ (1,535,410)	$ 381,226,051

Information pertaining to investments with gross unrealized losses as of December 31, 2022 and 2021, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
2022						
Available-for-sale						
Mortgage-backed securities	$ 238,540,852	$ (13,710,049)	$ 6,965,958	$ (295,596)	$ 245,506,810	$ (14,005,645)
SBA-backed securities	42,806,821	(285,332)	38,335,448	(392,848)	81,142,269	(678,180)
US treasury bonds	191,687,502	(5,849,045)	-	-	191,687,502	(5,849,045)
Collateralized mortgage obligations	86,135,092	(3,082,385)	103,685,522	(4,864,977)	189,820,614	(7,947,362)
Total	$ 559,170,267	$ (22,926,811)	$ 148,986,928	$ (5,553,421)	$ 708,157,195	$ (28,480,232)
2021						
Available-for-sale						
Mortgage-backed securities	$ 49,225,386	$ (75,290)	$ 8,883,724	$ (118,040)	$ 58,109,110	$ (193,330)
SBA-backed securities	49,464,575	(544,300)	8,128,016	(223,606)	57,592,591	(767,906)
Collateralized mortgage obligations	77,694,103	(518,538)	9,678,894	(55,636)	87,372,997	(574,174)
Total	$ 176,384,064	$ (1,138,128)	$ 26,690,634	$ (397,282)	$ 203,074,698	$ (1,535,410)

There were 292 and 89 investments in a temporary unrealized loss position as of December 31, 2022 and 2021, respectively. The unrealized losses on investments were caused by interest rate increases, or widening of market spreads, subsequent to the purchase of these securities. Because the Credit Union does not intend to sell these securities and it is not likely that the Credit Union will be required to sell them before recovery of their amortized cost basis, which may include holding each security until contractual maturity, the unrealized losses on these investments were not considered to be other-than-temporarily impaired as of December 31, 2022 and 2021.

Investments by contractual maturity as of December 31, 2022 are summarized as follows. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations:

	Available-for-Sale	
	Amortized Cost	Fair Value
Due in less than one year	$ 10,387,952	$ 10,288,126
Due from one to five years	243,655,519	235,901,365
Due from five to ten years	309,204,409	295,903,823
Due after ten years	225,560,044	218,748,434
	$ 788,807,924	$ 760,841,748

Elevations Credit Union
Notes to Consolidated Financial Statements

Note 3 – Loans to Members

The following table presents total loans outstanding by portfolio segment and class of financing receivable at December 31:

	2022	2021
Consumer real estate		
First mortgage	$ 1,463,546,532	$ 1,102,259,863
Second mortgage	274,758,491	196,327,873
	1,738,305,023	1,298,587,736
Consumer		
Auto	93,410,593	85,114,359
Other – primarily unsecured	104,703,942	102,554,986
	198,114,535	187,669,345
Commercial		
Real estate	317,892,050	257,427,674
Other	25,938,183	18,458,145
	343,830,233	275,885,819
Total unpaid principal balance	2,280,249,791	1,762,142,901
Net deferred loan origination fees/costs	11,012,815	8,584,491
Total recorded investment	2,291,262,606	1,770,727,392
Less: allowance for loan losses	(9,472,821)	(10,728,771)
Loans to members, net	$ 2,281,789,785	$ 1,759,998,621

Allowance for Loan Losses (ALL) – The ALL is management's estimate of probable credit losses inherent in the loan portfolio, at the date of the statement of financial condition. The Credit Union's ALL process involves procedures to appropriately consider the unique risk characteristics of its commercial and consumer loan portfolio segments. For each portfolio segment, impairment is measured collectively for groups of smaller loans with similar characteristics and individually for larger impaired loans.

Commercial portfolio segment ALL methodology – Generally, commercial loans are assessed for estimated losses by grading each loan using various risk factors as identified through periodic reviews. For loans not identified as impaired, the Credit Union determines the allowance on a collective basis utilizing historical and forecasted losses to represent the best estimate of inherent loss at the measurement date. In the development of statistically derived loan loss factors, historical losses are observed over a relevant period for each loan type. These loss estimates are adjusted as appropriate based on additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data, or other risks identified from current economic conditions and credit quality trends. The commercial ALL includes an amount for the estimated losses on individually evaluated impaired loans.

Consumer portfolio segment ALL methodology – For consumer loans, not identified as impaired, the Credit Union determines the allowance on a collective basis utilizing historical and forecasted losses to represent the best estimate of inherent loss at the measurement date. Loans are pooled, generally by loan types with similar risk characteristics, such as consumer real estate mortgages and credit cards. The consumer ALL model primarily uses historic delinquency and default experience, loss severity, home price trends, unemployment trends, and other key economic variables that may influence the frequency and severity of losses for each class of loan within the consumer segment. The consumer allowance includes an amount for the estimated losses on individually evaluated impaired loans.

Elevations Credit Union
Notes to Consolidated Financial Statements

Allowance for loan losses – Activity in the ALL and recorded investment in loans, by portfolio segment, for the years ended December 31, 2022 and 2021 is as follows:

	Consumer Real Estate	Consumer	Commercial	Total
2022				
Allowance for loan losses				
Beginning allowance	$ 1,770,381	$ 5,498,116	$ 3,460,274	$ 10,728,771
Charge-offs	(2,482)	(1,822,605)	(22,941)	(1,848,028)
Recoveries	39,340	768,529	18,684	826,553
Provision for loan losses	(105,623)	(503,112)	374,260	(234,475)
Ending allowance	$ 1,701,616	$ 3,940,928	$ 3,830,277	$ 9,472,821
Ending balance individually evaluated for impairment	$ 1,613,517	$ 259,936	$ -	$ 1,873,453
Ending balance collectively evaluated for impairment	88,099	3,680,992	3,830,277	7,599,368
Ending allowance	$ 1,701,616	$ 3,940,928	$ 3,830,277	$ 9,472,821
Loans				
Ending balance individually evaluated for impairment	$ 3,749,353	$ 433,887	$ -	$ 4,183,240
Ending balance collectively evaluated for impairment	1,744,808,036	198,185,102	344,086,228	2,287,079,366
Total loans	$ 1,748,557,389	$ 198,618,989	$ 344,086,228	$ 2,291,262,606
2021				
Allowance for loan losses				
Beginning allowance	$ 1,287,301	$ 6,870,310	$ 2,970,591	$ 11,128,202
Charge-offs	(2,817)	(1,916,544)	(32,112)	(1,951,473)
Recoveries	58,362	1,085,230	80	1,143,672
Provision for loan losses	427,535	(540,880)	521,715	408,370
Ending allowance	$ 1,770,381	$ 5,498,116	$ 3,460,274	$ 10,728,771
Ending balance individually evaluated for impairment	$ 958,633	$ 268,814	$ -	$ 1,227,447
Ending balance individually collectively for impairment	811,748	5,229,302	3,460,274	9,501,324
Ending allowance	$ 1,770,381	$ 5,498,116	$ 3,460,274	$ 10,728,771
Loans				
Ending balance individually evaluated for impairment	$ 19,876,526	$ 475,519	$ -	$ 20,352,045
Ending balance collectively evaluated for impairment	1,286,949,773	187,692,044	275,733,529	1,750,375,346
Total loans	$ 1,306,826,299	$ 188,167,563	$ 275,733,529	$ 1,770,727,392

The table below summarizes key information for impaired loans as of and for the years ended December 31:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
2022				
With no specific allowance recorded:				
Consumer real estate				
First mortgage	$ 873,542	$ 868,420	$ -	$ 873,596
Consumer				
Auto	64,491	64,327	-	75,753
Other – primarily unsecured	79,550	79,348	-	73,400
With a specific allowance recorded:				
Consumer real estate				
First mortgage	2,080,163	2,067,967	1,269,760	2,088,520
Second mortgage	795,648	790,983	343,757	795,724
Consumer				
Auto	140,032	139,676	145,137	152,199
Other – primarily unsecured	149,814	149,434	114,799	145,803
Totals by loan segment				
Consumer real estate	3,749,353	3,727,370	1,613,517	3,757,840
Consumer	433,887	432,785	259,936	447,155
	$ 4,183,240	$ 4,160,155	$ 1,873,453	$ 4,204,995
2021				
With no specific allowance recorded:				
Consumer real estate				
First mortgage	$ 2,211,121	$ 2,197,187	$ -	$ 2,232,204
Second mortgage	508,774	505,568	-	507,425
Consumer				
Auto	130,790	130,444	-	152,232
Other – primarily unsecured	12,939	12,905	-	13,152
With a specific allowance recorded:				
Consumer real estate				
First mortgage	16,822,476	16,716,468	924,334	17,027,176
Second mortgage	334,155	332,050	34,299	346,732
Consumer				
Auto	124,895	124,564	86,738	142,067
Other – primarily unsecured	206,895	206,347	182,076	211,613
Totals by loan segment				
Consumer real estate	19,876,526	19,751,273	958,633	20,113,537
Consumer	475,519	474,260	268,814	519,064
	$ 20,352,045	$ 20,225,533	$ 1,227,447	$ 20,632,601

The majority of the impaired loans in the above table are loans modified as troubled debt restructurings. The financial effects of the restructurings were not significant to the consolidated financial statements. In addition, interest income recognized on impaired loans during the years ended December 31, 2022 and 2021 was not material to the consolidated financial statements.

Age analysis of past due loans – The Credit Union has several classes of consumer and commercial loans which carry distinct credit risks. A significant variable in the loss estimation of the consumer and commercial ALL is delinquency levels. The following table presents the outstanding recorded investment from each class within the consumer and commercial portfolio by delinquency status:

	30–59 Days Past Due	60–89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total
December 31, 2022						
Consumer real estate						
First mortgage	$ 5,102,453	$ -	$ 1,807,630	$ 6,910,083	$ 1,465,865,656	$ 1,472,775,739
Second mortgage	852,853	105,799	137,329	1,095,981	274,685,669	275,781,650
	5,955,306	105,799	1,944,959	8,006,064	1,740,551,325	1,748,557,389
Consumer						
Auto	378,527	77,802	126,201	582,530	92,958,481	93,541,011
Other – primarily unsecured	347,017	197,335	31,447	575,799	104,502,179	105,077,978
	725,544	275,137	157,648	1,158,329	197,460,660	198,618,989
Commercial						
Real estate	75,965	-	-	75,965	318,072,082	318,148,047
Other	-	-	-	-	25,938,181	25,938,181
	75,965	-	-	75,965	344,010,263	344,086,228
	$ 6,756,815	$ 380,936	$ 2,102,607	$ 9,240,358	$ 2,282,022,248	$ 2,291,262,606
December 31, 2021						
Consumer real estate						
First mortgage	$ 4,700,486	$ 568,731	$ 2,852,647	$ 8,121,863	$ 1,101,575,530	$ 1,109,697,393
Second mortgage	284,379	159,605	290,398	734,382	196,394,523	197,128,905
	4,984,865	728,336	3,143,045	8,856,245	1,297,970,053	1,306,826,298
Consumer						
Auto	728,615	140,474	114,535	983,624	84,260,953	85,244,577
Other – primarily unsecured	411,387	155,619	63,634	630,639	102,292,347	102,922,986
	1,140,002	296,093	178,168	1,614,263	186,553,300	188,167,563
Commercial						
Real estate	469,385	-	-	469,385	256,805,999	257,275,384
Other	3,830	-	-	3,830	18,454,315	18,458,145
	473,215	-	-	473,215	275,260,314	275,733,529
	$ 6,598,082	$ 1,024,430	$ 3,321,214	$ 10,943,724	$ 1,759,783,667	$ 1,770,727,391

There were no loans 90 days or more past due and still accruing interest as of December 31, 2022 and 2021.

Commercial credit quality indicators – In addition to monitoring commercial loan concentration risk, the Credit Union manages a consistent process for assessing commercial loan credit quality. Commercial loans are subject to individual risk assessment using internal borrower and collateral quality ratings. The Credit Union uses the following risk rating definitions to assess risk within the portfolio:

Pass – The borrower is considered creditworthy and has the ability to repay the debt in the normal course of business. The Credit Union uses four levels of grading within the pass category based on the underlying characteristics of the loan.

Watch – The Loan has the capacity to perform according to terms; however, elements of uncertainty (an uncharacteristic negative financial or other risk factor event) exist. Margins of debt service coverage are narrow, and historical patterns of financial performance may be erratic although the overall trends are positive. Often the operating assets of the company and/or real estate will secure these loans. If secured, collateral value and adequate sources of repayment currently protect the loan. Material adverse trends have not developed at this time.

Special mention – The loan exhibits potential credit weaknesses or downward trends which, if not checked or corrected, will result in a weakened asset and/or an inadequately protected position. The borrower is marginally acceptable and asset quality, financial flexibility, leverage, and management are below average. Management and ownership may have limited depth and back-up support. Although these loans are performing, adverse trends have developed in the borrower's operations and/or balance sheet. Collectability of the loan is not yet in jeopardy, but there is concern about timely repayment.

Substandard – The loan is inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged. There are well defined weaknesses that are jeopardizing the repayment of the debt. The Credit Union will likely sustain some loss if the deficiencies are not corrected.

Doubtful – The loan has the weaknesses of those in the Substandard rating, one or more of which make collection or liquidation in full highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the loan, its classification as a loss is deferred until a more exact status may be determined.

Loss – The loan is not considered collectible and is of such little value that continued classification as a bankable asset is not warranted. This classification does not mean the loan has absolutely no recovery or salvage value, but that it is neither practical nor desirable to defer writing off the loan.

Not Graded – Instances where no grade was assigned related to small dollar homogenous rental properties that are not subjected to traditional commercial rating.

The following tables present the recorded investment, inclusive of deferred fees and costs, for commercial loans based on risk rating as of December 31:

	Real Estate	Other	Total
2022			
Pass	$ 262,226,521	$ 6,533,549	$ 268,760,070
Special Mention	-	45,389	45,389
Not graded	55,921,526	19,359,243	75,280,769
Total	$ 318,148,047	$ 25,938,181	$ 344,086,228
2021			
Pass	$ 226,988,327	$ 5,972,573	$ 232,960,900
Special Mention	1,958,327	61,625	2,019,952
Not graded	28,328,730	12,423,947	40,752,677
Total	$ 257,275,384	$ 18,458,145	$ 275,733,529

Note 4 – Loan Servicing

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The following tables present the unpaid principal balances and the related custodial escrow balances in connection with the servicing of these loans at December 31:

	2022	2021
Mortgage loan portfolio serviced for		
Federal National Mortgage Association	$ 1,946,364,688	$ 1,879,200,309
Federal Home Loan Mortgage Corporation	2,403,948,891	2,467,454,872
Other	352,851,070	304,174,813
Total loans serviced	$ 4,703,164,649	$ 4,650,829,994
Custodial escrow balances	$ 48,447,306	$ 46,815,814

The following tables present mortgage servicing rights activity and fair value as of and for the years ended December 31:

	2022	2021
Mortgage servicing rights		
Balance, beginning of year	$ 40,150,545	$ 25,403,427
Capitalization	6,208,462	18,840,501
Amortization	(8,915,333)	(16,582,292)
	37,443,674	27,661,636
Valuation recovery	1,169,128	12,488,909
Balance, end of year	$ 38,612,802	$ 40,150,545
Fair value of mortgage servicing rights	$ 61,678,587	$ 40,442,592

The key economic assumptions used in determining the fair value of mortgage servicing rights at December 31 are as follows:

	2022	2021
Prepayment speed	6.5 – 24.9%	7.0 – 62.6%
Yield-to-maturity discount rate	9.5 - 13.0%	9.0 - 12.4%

Note 5 – Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization, and are summarized as of December 31 by major classification as follows:

		2022		2021
Land and improvements	$	11,964,196	$	11,964,196
Building and improvements		56,509,523		55,168,462
Furniture and equipment		45,770,439		44,231,398
Leasehold improvements		6,907,389		6,797,665
Work in process		692,818		363,152
		121,844,365		118,524,873
Less accumulated depreciation and amortization		(59,769,919)		(51,954,516)
	$	62,074,446	$	66,570,357

Depreciation and amortization charged to expense was approximately $7,840,000 and $7,650,000 for the years ended December 31, 2022 and 2021, respectively.

Note 6 – Leases

The Credit Union enters into leases in the normal course of business primarily for office operations locations. The Credit Union's leases have remaining terms ranging from 3 to 12 years. The operating leases contain renewal options and provisions requiring the Credit Union to pay property taxes and operating expenses over base period amounts.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2022 are as follows:

Year ending December 31,	2023	$	1,075,300
	2024		964,031
	2025		841,191
	2026		737,087
	2027		476,020
	Thereafter		787,169
	Undiscounted lease payments		4,880,798
	Imputed Interest		(242,162)
	Net Lease Liabilities	$	4,638,636

Lease costs for both years ended December 31, 2022 and 2021 was approximately $1,600,000. For 2022, this figure included operating leases costs and variable leases costs of approximately $1,140,000 and $460,000, respectively.

At December 31, 2022, the weighted average remaining lease term and discount rate was approximately 5.4 years and 1.75%.

Note 7 – Members' Shares and Savings Accounts

Members' shares and savings accounts are summarized as follows as of December 31:

	2022	2021
Share drafts accounts	$ 900,930,640	$ 869,529,222
Share accounts	1,023,293,094	998,857,354
Money market accounts	800,582,460	845,713,361
Individual retirement accounts	23,121,878	21,268,651
Share and IRA certificates	112,844,150	104,269,744
	$ 2,860,772,222	$ 2,839,638,332

As of December 31, 2022, scheduled maturities of share and IRA certificates are as follows:

Years ending December 31,	2023	$	78,393,111
	2024		15,839,981
	2025		7,264,721
	2026		6,758,795
	2027		4,587,542
		$	112,844,150

The aggregate amount of members' time deposit accounts in denominations of $250,000 or more as of December 31, 2022 and 2021 was approximately $11,790,000 and $5,640,000, respectively. These amounts are federally insured through the NCUSIF.

Note 8 – Employee Benefits

Defined contribution 401(k) plan – All employees of the Credit Union are eligible to participate in a 401(k) retirement savings plan upon attaining the age of 18. Each pay period, eligible participants may make salary deferred contributions to the plan and the Credit Union matches a portion of the contributions. All contributions from the employee and the Credit Union are always 100% vested. The Credit Union's contributions to the plan were approximately $1,870,000 and $1,940,000 for the years ended December 31, 2022 and 2021, respectively.

Deferred compensation – The Credit Union has a 457(b) non-qualified deferred compensation plan for certain members of senior management. The Credit Union does not contribute to this plan. The deferred compensation amounts are shown as both assets and liabilities in the Credit Union's consolidated statements of financial condition and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation under this plan was approximately $4,360,000 and $5,150,000 as of December 31, 2022 and 2021, respectively.

The Credit Union has also entered into 457(f) deferred compensation agreements with certain senior executives. The Credit Union has invested in certain investments and whole life insurance policies in order to partially defray the cost of these agreements. The Credit Union is the owner of the investments and policies, and a liability is separately established for the intended obligation to the executives. The assets under this arrangement were approximately $12,710,000 and $12,430,000 as of December 31, 2022 and 2021, respectively. The liability under this arrangement was approximately $3,430,000 and $3,540,000 as of December 31, 2022 and 2021, respectively.

Note 9 – Related Party Transactions

The Credit Union has had, and may be expected to have in the future, financial transactions in the ordinary course of business with directors, principal officers, and their immediate families (commonly referred to as related parties). Included in loans receivable at December 31, 2022 and 2021 are loans of approximately $2,090,000 and $3,600,000, respectively, to directors and officers of the Credit Union. Deposits from directors and officers totaled approximately $1,088,560 and $3,600,000 December 31, 2022 and 2021, respectively. Related party loans and deposits are on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others.

Note 10 – Borrowed Funds

Lines of credit – As a member of the FHLB, the Credit Union has access to a pre-approved secured line of credit with the capacity to borrow up to a certain percentage of its eligible collateral, as defined in the FHLB Statement of Credit Policy. The interest rate terms under this line-of-credit agreement are variable. The aggregate unused line of credit under this agreement was approximately $1,290,000,000 and $945,000,000 as of December 31, 2022 and 2021, respectively. There were no borrowings outstanding as of December 31, 2021. At December 31, 2022, the Credit Union had borrowings outstanding of approximately 25,300,000 with a variable interest rate of 4.48%.

The Credit Union has access to the Federal Reserve Bank of Kansas City's Discount Window. Under the terms of this secured line-of-credit agreement, the Credit Union has the ability to borrow up to a certain percentage of the balance of its pledged eligible investment securities. Borrowing capacity was approximately $750,060,000 and $147,720,000 as of December 31, 2022 and 2021, respectively. The interest rate terms under this line-of-credit agreement are variable. There were no borrowings outstanding as of December 31, 2022 and 2021, respectively.

Note 11 – Derivatives

The following table presents the fair value, notional amount and balance sheet classification of derivative assets and liabilities by accounting designation and contract type at December 31:

	Asset Derivatives		Liability Derivatives	
	Notional	Fair Value (1)	Notional	Fair Value (1)
2022				
Derivatives designated in hedging relationships:				
Interest rate swaps	$ 40,000,000	$ 4,112,480	$ -	$ -
Derivatives not designated in hedging relationships:				
Interest rate lock commitments	14,572,303	106,476	3,931,809	86,687
Forward sales commitments	38,000,000	257,051	38,500,000	442,402
Total derivatives	$ 92,572,303	$ 4,476,007	$ 42,431,809	$ 529,089
2021				
Derivatives designated in hedging relationships:				
Interest rate swaps	$ 40,000,000	$ 1,093,293	$ -	$ -
Derivatives not designated in hedging relationships:				
Interest rate lock commitments	96,689,720	1,217,765	807,000	234
Forward sales commitments	55,000,000	168,047	78,500,000	144,003
Total derivatives	$ 191,689,720	$ 2,479,105	$ 79,307,000	$ 144,237

(1) Derivative assets and derivative liabilities are recorded in other assets and other liabilities, respectively, in the consolidated statements of financial condition

Derivatives Designated in Hedging Relationships – The Credit Union enters into interest rate swaps to hedge interest rate risk. These arrangements include hedges of a specified portion of pools of prepayable fixed-rate mortgage loans under the ''last of layer'' method. These relationships qualify as fair value hedges under FASB ASC 815, Derivatives and Hedging (''ASC 815''), which provides for offsetting of the recognition of gains and losses of the respective interest rate swap and the hedged items. Gains and losses on interest rate swaps designated in these hedge relationships, along with the offsetting gains and losses on the hedged items attributable to the hedged risk, are recognized in current earnings within the same income statement line item. Upon electing to apply ASC 815 fair value hedge accounting, the carrying value of the hedged items are adjusted to reflect the cumulative impact of changes in fair value attributable to the hedged risk. The hedge basis adjustment remains with each hedged item until the hedged item is de-recognized from the balance sheets.

The following table presents the impact of fair value hedge accounting on the carrying value of the hedged items at December 31:

Balance Sheet Line Item in Which Hedged Item is Recorded	Carrying Amount of the Hedged Assets		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount	
	2022	2021	2022	2021
Loans, net	$ 115,202,596	$ 131,981,462	$ (4,206,067)	$ (1,059,215)

The carrying amount of the hedged assets in the above table represents the amortized cost basis of the closed mortgage loan portfolios used to designate the hedging relationships in which the hedged items are the last layer expected to be remaining at the end of the hedging relationships. The amounts of the designated hedged items totaled approximately $40,000,000 at December 31, 2022 and 2021.

The following table presents the location and amount of gains (losses) recognized in income on fair value hedging relationships for the years ended December 31:

	Interest Income on Loans	
Gain (Loss) on Fair Value Hedging Relationships	2022	2021
Recognized on derivatives (interest rate swaps)	$ 3,019,187	$ 1,093,293
Recognized on hedged items (fixed rate prepayable mortgages)	(3,146,852)	(1,059,215)
Net (losses) gains recognized on fair value hedges	$ (127,665)	$ 34,078

Derivatives Not Designated in Hedging Relationships – Gains (losses) recognized in non-interest income on derivatives not designated in hedging relationships are summarized as follows for the years ended December 31:

Derivative	Income Statement Line Item	2022	2021
Interest rate lock commitments	Loan sales and servicing, net	$ (1,197,742)	$ (8,322,967)
Forward sales commitments	Loan sales and servicing, net	(209,395)	1,565,608
Total		$ (1,407,137)	$ (6,757,359)

Note 12 – Commitments and Contingent Liabilities

Concentration of credit risk – Most of the Credit Union's business activity is with its members who reside in 7 counties along the Front Range of Northern Colorado. Although the Credit Union has a diversified loan portfolio, borrowers' ability to repay loans may be affected by the economic climate of the overall geographic region in which borrowers reside.

The Credit Union places its cash with high credit quality financial institutions. The amount of its deposits fluctuates and at times exceeds insured regulatory limits, which potentially subjects the Credit Union to credit risk.

Legal contingencies – The Credit Union is a party to various legal actions normally associated with collections of loans and other business activities of financial institutions. The aggregate effect of litigation, in management's current opinion, will not have a material adverse effect on the consolidated statements of financial condition or results of operations of the Credit Union.

Off-balance sheet credit risk – In order to meet the financing needs of its members, the Credit Union is also a party to financial instruments with off-balance sheet credit risk. These financial instruments are 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 Credit Union's exposure to credit loss, in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, is represented by the contractual notional amount of those instruments. The Credit Union uses the same credit policies in making commitments to lend as it does for on-balance sheet 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 and may require payment of a fee. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the member.

At December 31, 2022 and 2021, the Credit Union had outstanding commitments for unused lines of credit and origination of loans that are not reflected in the accompanying consolidated financial statements as follows:

	2022	2021
Home equity	$ 514,062,944	$ 432,472,774
Consumer – credit card	288,604,320	297,892,099
Consumer – other	167,216,336	271,578,007
Commercial	84,168,724	44,994,186
	$ 1,054,052,324	$ 1,046,937,066

Commitments may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future cash requirements of the Credit Union.

Note 13 – Regulatory Capital

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

Quantitative measures, established by regulation to ensure capital adequacy, require the Credit Union to maintain minimum amounts and ratios (set forth in the table following) of net worth to total assets. Further, due to regulatory capital changes effective January 1, 2022, credit unions with over $500 million in assets are also required to calculate a Risk-Based Capital Ratio (RBCR) or a Complex Credit Union Leverage Ratio (CCULR), to determine its net worth classification. At December 31, 2022, the Credit Union utilized the RBCR option.

As of December 31, 2022, the most recent regulatory reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7.00% of assets, as well as a RBCR of 10% or more. Management believes, as of December 31, 2022, that the Credit Union meets all capital adequacy requirements to which it is subject. In addition, there are no conditions or events since that notification that management believes have changed the Credit Union's category.

As of December 31, 2021, the Credit Union was required to calculate a risk-based net worth (RBNW) that established whether the credit union would be considered "complex" under the regulatory framework. A credit union was defined as "complex" if the credit union's quarter-end total assets exceed $50.0 million and its RBNW requirements exceeds 6%. The Credit Union's RBNW requirement as of December 31, 2021 was 4.97% and the Credit Union was not classified as complex. As of December 31, 2021, the NCUA categorized the Credit Union as "well-capitalized" under the NCUA regulatory framework for prompt corrective action.

The Credit Union's actual and required net worth amounts and ratios are as follows:

	Actual		For Capital Adeqacy		To be Well Capitalized	
	Amount	Ratio	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
December 31, 2022						
Net worth	$ 310,916,036	9.43%	$ 197,762,718	> 6.00%	$ 230,723,171	> 7.00%
RBCR		14.98%		> 8.00%		> 10.00%
December 31, 2021						
Net worth	$ 300,396,768	9.26%	$ 194,662,368	> 6.00%	$ 227,106,096	> 7.00%

The following tables present a reconciliation of the Credit Union's total members' equity to regulatory net worth as summarized above:

	December 31, 2022	December 31, 2021
Members' equity per statement of financial condition	$ 284,584,651	$ 303,041,077
Acquisition date retained earnings of acquirees	9,614,857	9,614,857
Acquisition date enterprise fair values of acquirees	(11,249,648)	(11,249,648)
Accumulated other comprehensive loss (income)	27,966,176	(1,009,518)
Regulatory net worth	$ 310,916,036	$ 300,396,768

Note 14 – Fair Values Measurements

The balances of assets and liabilities measured and presented on the balance sheets at fair value on a recurring basis at December 31, 2022 are as follows:

	2022			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale				
Mortgage-backed securities	$ -	$ 245,612,626	$ -	$ 245,612,626
SBA-backed securities	-	133,541,032	-	133,541,032
US treasuries	191,687,502	-	-	191,687,502
Collateralized mortgage obligations	-	190,000,588	-	190,000,588
Loans held-for-sale	-	17,073,477	-	17,073,477
Derivatives				
Forward sales commitments	-	257,051	-	257,051
Interest rate lock commitments	-	-	106,476	106,476
Interest rate swaps	-	4,112,480	-	4,112,480
Total assets measured at fair value	$ 191,687,502	$ 590,597,254	$ 106,476	$ 782,391,232
Liabilities				
Derivatives				
Forward sales commitments	$ -	$ 442,402	$ -	$ 442,402
Interest rate lock commitments	-	-	86,687	86,687
Total liabilities measured at fair value	$ -	$ 442,402	$ 86,687	$ 529,089

The balances of assets and liabilities measured and presented on the balance sheets at fair value on a recurring basis at December 31, 2021 are as follows:

	2021			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale				
Mortgage-backed securities	$ -	$ 143,437,994	$ -	$ 143,437,994
SBA-backed securities	-	136,021,550	-	136,021,550
US treasuries	-	-	-	-
Collateralized mortgage obligations	-	101,766,507	-	101,766,507
Loans held-for-sale	-	57,451,659	-	57,451,659
Derivatives				
Forward sales commitments	-	168,047	-	168,047
Interest rate lock commitments	-	-	1,217,765	1,217,765
Interest rate swaps	-	1,093,293	-	1,093,293
Total assets measured at fair value	$ -	$ 439,939,050	$ 1,217,765	$ 441,156,815
Liabilities				
Derivatives				
Forward sales commitments	$ -	$ 144,003	$ -	$ 144,003
Interest rate lock commitments	-	-	234	234
Total liabilities measured at fair value	$ -	$ 144,003	$ 234	$ 144,237

Assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2022 and 2021 were insignificant to the financial statements.

Note 15 – Revenue from Contracts with Members

The Credit Union's non-interest income, including revenue from contracts with members in the scope of ASC 606, is presented for the years ended December 31:

	2022	2021
Non-interest income		
Fees and service charges:		
Share account service fees (1)	$ 6,480,592	$ 5,716,118
Loan service fees (2)	425,127	456,624
Total fees and service charges	6,905,719	6,172,742
Loan sales and servicing, net (2)	17,626,363	65,413,026
Interchange income (1)	14,735,154	14,095,985
Other non-interest income (2)	4,366,336	1,644,044
Wealth management income (1)	3,751,254	3,285,152
Total non-interest income	$ 47,384,826	$ 90,610,949

(1) Within the scope of ASC 606
(2) Outside the scope of ASC 606