Consolidated Financial Statements

Directions Credit Union, Inc. and Subsidiary

December 31, 2021 and 2020

CONTENTS

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GBQ Partners

To the Board of Directors
Directions Credit Union, Inc. and Subsidiary
Toledo, Ohio

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of Directions Credit Union, Inc. and Subsidiary which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Directions Credit Union, Inc. and Subsidiary as of December 31, 2021 and 2020, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Directions Credit Union, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal controls 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 Directions Credit Union, Inc. and Subsidiary's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Directions Credit Union, Inc. and Subsidiary'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.

GBQ Partners LLC

Columbus, Ohio
March 24, 2022

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Condition

December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	**$ 230,183,220**	$ 172,124,417
Investments		
Investments - available-for-sale	**84,286,158**	92,667,247
Investments - held-to-maturity	**21,717,000**	27,372,104
Investments - other	**8,769,501**	8,812,365
Total investments	**114,772,659**	128,851,716
Loans to Members and Participations, less allowance for loan losses	**779,321,140**	725,171,855
Other Real Estate Owned	**37,953**	-
Property and Equipment, net	**14,708,231**	16,050,352
Other Assets		
Accrued interest receivable on investments	**195,959**	229,919
Accrued interest receivable on loans	**1,950,397**	1,991,202
Share insurance capitalization deposit	**10,232,560**	9,031,176
Prepaid expenses and other assets	**14,260,328**	15,279,745
Total other assets	**26,639,244**	26,532,042
TOTAL ASSETS	**$ 1,165,662,447**	$ 1,068,730,382
LIABILITIES AND MEMBERS' EQUITY		
Members' Share Accounts	**$ 1,054,297,735**	$ 964,867,220
Accrued Expenses and Other Liabilities	**12,297,038**	9,942,550
Total liabilities	**1,066,594,773**	974,809,770
Members' Equity, substantially restricted	**99,067,674**	93,920,612
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 1,165,662,447**	$ 1,068,730,382

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

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY
Consolidated Statements of Income
For the Years Ended December 31, 2021 and 2020

	2021	2020
Interest Income		
Interest on loans	**$ 30,409,318**	$ 31,289,249
Interest on investments	**1,523,493**	1,653,999
Total interest income	**31,932,811**	32,943,248
Dividend expense on share accounts	**2,396,957**	3,827,802
Net interest income	**29,535,854**	29,115,446
(Credit from Recoveries of Loan Losses) Provision for Loan Losses	**(1,060,000)**	5,685,000
Net interest income after (credit from recoveries of loan losses) provision for loan losses	**30,595,854**	23,430,446
Non-Interest Income		
Lending-related income	**1,283,113**	1,267,222
Card income	**7,811,677**	6,034,145
Deposit-related income	**3,318,659**	3,373,674
Mortgage-related income	**1,512,165**	6,204,087
Other income	**288,200**	176,624
Total non-interest income	**14,213,814**	17,055,752
Non-Interest Expenses		
Compensation and benefits	**18,196,415**	17,544,387
Office operations	**11,882,152**	10,666,803
Occupancy	**4,137,326**	3,644,852
Insurance and assessments	**201,712**	158,548
Education and promotion	**1,500,740**	1,589,229
Travel and conference	**194,508**	174,182
Professional fees	**589,032**	603,965
Other	**1,379,729**	1,357,829
Total non-interest expenses	**38,081,614**	35,739,795
Net Income	**$ 6,728,054**	$ 4,746,403

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

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY
Consolidated Statements Comprehensive Income
For the Years Ended December 31, 2021 and 2020

	2021	2020
Net Income	**$ 6,728,054**	$ 4,746,403
Other comprehensive income:		
Change in unrealized gain (loss) on investments - available-for-sale	**(1,580,992)**	153,077
Comprehensive Income	**$ 5,147,062**	$ 4,899,480

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

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Members' Equity

For the Years Ended December 31, 2021 and 2020

	Appropriated Statutory Reserve	Unappropriated Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Equity Acquired in Mergers	Total Members' Equity
Balance, December 31, 2019	**$ 11,380,528**	**$ 54,678,103**	**$ 54,878**	**$ 22,907,623**	**$ 89,021,132**
Net income for the year ended December 31, 2020	-	4,746,403	-	-	4,746,403
Change in unrealized gain (loss) on investments - available-for-sale	-	-	153,077	-	153,077
Total comprehensive income	-	4,746,403	153,077	-	4,899,480
Balance, December 31, 2020	**11,380,528**	**59,424,506**	**207,955**	**22,907,623**	**93,920,612**
Net income for the year ended December 31, 2021	-	6,728,054	-	-	6,728,054
Change in unrealized gain (loss) on investments - available-for-sale	-	-	(1,580,992)	-	(1,580,992)
Total comprehensive income	-	6,728,054	(1,580,992)	-	5,147,062
Balance, December 31, 2021	**$ 11,380,528**	**$ 66,152,560**	**$(1,373,037)**	**$ 22,907,623**	**$ 99,067,674**

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

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DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Interest income received	**$ 33,928,251**	$ 35,470,299
Dividends paid on share accounts and interest paid	**(2,396,957)**	(3,827,802)
Non-interest income received	**13,884,121**	11,568,692
Cash paid to suppliers and employees	**(33,439,524)**	(34,142,750)
Net cash and cash equivalents provided by operating activities	**11,975,891**	9,068,439
Cash Flows from Investing Activities		
Purchases of available-for-sale investments	**(15,131,154)**	(81,824,416)
Maturities of available-for-sale investments	**21,776,813**	4,253,521
Purchases of held-to-maturity investments	**(249,000)**	(12,605,000)
Maturities of held-to-maturity investments	**5,833,208**	9,522,416
Purchases of other investments	**(282,136)**	(2,706,971)
Maturities of other investments	**341,763**	1,991,742
Loans made to members	**(504,365,936)**	(405,181,688)
Loan repayments from members and proceeds from loan sales	**450,113,919**	417,529,489
Proceeds from sale of other real estate owned	**-**	202,769
Purchase of property and equipment	**(183,696)**	(1,035,677)
Increase in share insurance deposit	**(1,201,384)**	(1,221,682)
Net cash and cash equivalents used in investing activities	**(43,347,603)**	(71,075,497)
Cash Flows from Financing Activities		
Net increase in members' shares	**89,430,515**	173,313,749
Repayment of notes payable	**-**	(1,000,000)
Net cash and cash equivalents provided by financing activities	**89,430,515**	172,313,749
Net increase in cash and cash equivalents	**58,058,803**	110,306,691
Cash and Cash Equivalents at Beginning of Year	**172,124,417**	61,817,726
Cash and Cash Equivalents at End of Year	**$ 230,183,220**	$ 172,124,417

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

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows (continued)
For the Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Net Income to Net Cash and Cash Equivalents Provided by Operating Activities		
Net income	**$ 6,728,054**	$ 4,746,403
Non-Cash Items		
(Credit from Recoveries of Loan Losses) Provision for loan loss	**(1,060,000)**	5,685,000
Amortization of premiums on investments	**225,334**	36,899
Dealer reserve amortization	**1,695,341**	2,570,405
Mortgage servicing rights, net	**257,632**	(358,208)
Equity in income of subsidiary - unconsolidated	**(16,763)**	(9,642)
Gain on sale of mortgage loans	**(570,562)**	(5,136,931)
Gain on sale of investments	**-**	(50)
Loss on sale of assets	**-**	3,144
Loss on sale of other real estate owned	**-**	14,627
Depreciation expense	**1,525,817**	1,132,834
Goodwill and CDI amortization expense	**617,448**	617,448
Total non-cash items	**2,674,247**	4,555,526
Changes in Certain Statement of Financial Condition Accounts		
Interest receivable	**74,765**	(80,253)
Other assets and prepaid expenses	**144,337**	(1,766,561)
Accrued expenses and other liabilities	**2,354,488**	1,613,324
Total changes in certain statement of financial condition accounts	**2,573,590**	(233,490)
Net Cash and Cash Equivalents Provided by Operating Activities	**$ 11,975,891**	$ 9,068,439

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

Nature and Scope of Business

Directions Credit Union, Inc. and Subsidiary (the Credit Union) provides a variety of financial services to its members, most of whom live, work, worship, attend school or volunteer in Fulton, Knox, Huron, Wood, Lucas, Richland, Ashland, Wayne, Tuscarawas or Crawford Counties in Ohio, and Monroe and Lenawee Counties in Michigan or members of other select groups. The Credit Union's primary source of revenue is from interest and fees from loans to its members and fees earned on member deposits and services. Its primary source of funds is savings deposits from its members.

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Directions Credit Union, Inc. and its wholly owned subsidiary TFS Marketing, Inc. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Specifically, management has made estimates based on assumptions for fair value of financial instruments and the assessment of other-than-temporary impairment on investments. Actual results could differ from those estimates.

Investments

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

Available-for-Sale (AFS): Government and agency bonds, collateralized mortgage obligations and mortgage-backed securities are classified AFS when the Credit Union anticipates that they could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These are reported at fair value. Unrealized gains and losses on AFS investments are recognized as direct increases or decreases in other comprehensive income.

Held-to-Maturity (HTM): Negotiable certificates of deposit and municipal bonds which the Credit Union has the positive intent and ability to hold to maturity are reported at cost.

Other: Non-negotiable certificates of deposit, investments in corporate credit union non-maturing capital, investments in the Central Liquidity Facility and Federal Home Loan Bank stock are carried at cost. Investments in credit union service organizations (CUSO) are recorded at cost or the equity method, based on the Credit Union's percentage of ownership or its ability to influence the operational decisions of those entities.

Summary of Significant Accounting Policies (continued)

Investments (continued)

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the investments. Declines in the fair value of held-to-maturity investments below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. Management evaluates investments for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of investments are recorded on the trade date and the costs of investments sold are determined using the specific identification method.

Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market price of investments and the possibility of temporary unrealized losses.

Loans to Members, Loan Participations and Allowance for Loan Losses

The Credit Union grants commercial, mortgage and consumer loans to members and participates in business loans. Loans and loan participations receivable are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and discounts. Interest on loans and loan participations is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans and loan participations is discontinued at the time the loan is 90 days' delinquent unless the credit is well secured and in process of collection. Credit card loans and other personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged-off at an earlier date if management believes, after considering economic conditions, business conditions and collection efforts, that collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Indirect loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income.

Summary of Significant Accounting Policies (continued)

Loans to Members, Loan Participations and Allowance for Loan Losses (continued)

The Credit Union invests in loan participations through an entity that is owned by credit unions. The entity provides the underwriting and servicing for loans made to participants. The participation interests range from 1.3% to 90% of the loan balances. The participations are without recourse, and as result, the Credit Union must reflect any losses on these loans. The Credit Union determines an estimated amount of reserves required on these participations using performance and collateral data provided by the servicer.

The allowance for loan and participation losses reflects management's judgment of probable loan losses inherent in the portfolio at the date of the consolidated statement of financial condition. The Credit Union uses a disciplined process and methodology to establish the allowance for loan losses each quarter. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to: (1) the auto loan portfolio; (2) participation portfolio; (3) the real estate portfolio; (4) the credit card portfolio; (5) student loan portfolio and (6) all other loans.

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the allowance are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices and end-user controls are appropriate and properly documented.

The establishment of the allowance for loan losses relies on a consistent process that requires management review and judgment and responds to changes in economic conditions, member behavior and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses. The Credit Union's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends driving statistically modeled reserves.

Summary of Significant Accounting Policies (continued)

Loans to Members, Loan Participations and Allowance for Loan Losses (continued)

In situations where, for economic or legal reasons related to a members' financial difficulties, the Credit Union grants a concession for other than an insignificant period of time to the member that the Credit Union would not otherwise consider, the related loan is classified as a troubled debt restructure (TDR). The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearances and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Credit Union grants the member new terms that provide for a reduction of either interest or principal, the Credit Union measures any impairment on the restructuring as previously noted for impaired loans.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged-off amounts are credited to the allowance for loan losses.

The Credit Union considers a loan to be impaired when, based on current information and events, the Credit Union determines that the Credit Union will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Credit Union identifies a loan as impaired, the Credit Union measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Credit Union uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If the Credit Union determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), the Credit Union recognizes impairment through an allowance estimate or a charge-off to the allowance. The Credit Union evaluates loans for impairment when it reaches 60 days past due or when it is classified as a TDR.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

The overall credit quality of the loan and loan participation portfolio is monitored by management based on current loan performance, historical losses and delinquency status.

Summary of Significant Accounting Policies (continued)

Loan Charge-Offs

For consumer loans, the Credit Union generally fully or partially charges down to the fair value of collateral securing the asset when:

- management judges the asset to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the asset has been classified as a loss by either the Credit Union's internal loan review process or external examiners;
- the member has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 90 days past due unless both well secured and in the process of collection.

Property and Equipment

Land and land improvements are carried at cost. Building, building improvements, furniture and equipment are carried at cost, less accumulated depreciation and amortization. The building, building improvements and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases. Maintenance and repairs that neither improve nor extend the life of the respective asset are charged to expense as incurred. Assets purchased but not yet placed into service are capitalized and depreciation is not computed until the asset's placed in service date. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for the year. The lives of the assets range from 3 to 40 years.

Goodwill

Goodwill represents the excess of costs over fair value of assets acquired. In accordance with GAAP, a private company may amortize goodwill over a life of 10 years, or shorter if management demonstrates a shorter life is appropriate. The Credit Union tests for impairment at the company level when a triggering event, as defined by GAAP, occurs. In determining impairment, management first reviews certain qualitative factors followed by quantitative factors, if necessary. An impairment loss is recognized to the extent the carrying value of the entity exceeds its fair value. No such impairment loss was recorded during 2021 and 2020.

Mortgage Servicing Rights

A mortgage servicing right (MSR) is established only when the loans are sold or when servicing is contractually separated from the underlying mortgages by sale or securitization of the loans with servicing rights retained. The initial carrying value of the asset is established based on its relative fair value at the time of the sale using assumptions that are consistent with assumptions used at the time to estimate the fair value of the total MSR portfolio. All servicing rights are subsequently carried at the lower of the initial carrying value, adjusted for amortization or fair value, and are included in other assets.

Summary of Significant Accounting Policies (continued)

Mortgage Servicing Rights (continued)

Servicing rights are evaluated periodically for impairment based on the fair value of those rights using a disaggregated approach. The fair value of the servicing rights is determined by estimating the present value of future net cash flows, taking into consideration market loan prepayment, discount rates, servicing costs and other economic factors. Temporary impairment is recognized in a valuation allowance against the mortgage servicing rights. The Credit Union also analyzes its MSR's periodically for other-than-temporary impairment. Other-than-temporary impairment is recognized as a direct reduction of the carrying value of the mortgage servicing right and cannot be recovered. No other-than-temporary impairment was recognized in the years ended December 31, 2021 and 2020. Servicing rights are amortized over the period of, and in proportion to, the estimated future net servicing revenue. Amortization is recorded as reduction in interest income on loans in the Credit Unions' consolidated statement of income.

Core Deposit Intangible Asset

A core deposit intangible asset arises when a credit union acquires another institution that has a deposit base associated with stable member relationships. The intangible asset exists due to these member relationships providing a net benefit to the acquiring credit union. Core deposit accounts consist of checking accounts, money market accounts and savings accounts. The major assumptions used to value them include estimating balances to be retained, future cost savings from low cost funding provided, and the application of appropriate discount rates to estimated cash flows.

Valuation of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. During 2021 and 2020, management determined there was no impairment to the assets.

Share Insurance Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each 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.

Summary of Significant Accounting Policies (continued)

Share Insurance Premiums

A credit union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board.

Excess Share Insurance

The deposit in the Excess Share Insurance (ESI) program provides additional insurance coverage of $250,000 once a member's balance exceeds the coverage provided by the Credit Union's primary insurer, which requires the maintenance of a one-percent refundable at-risk deposit by each insured credit union based on the maximum policy limits of coverage. Insured credit unions are also required to pay a quarterly premium based on the actual reported coverage and the credit union's financial condition and rating.

Share Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share 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 is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest.

Reserve Requirement

In 2001, the NCUA revised the regulatory net worth requirements for credit unions. Credit unions that are classified as "well capitalized" (net worth ratio of 7% or higher) are not required to make statutory transfers to the regular reserve. The regular reserve has been established at the discretion of the Board of Directors to protect the interests of the members. The Board may, at times, change the reserved amount for specific requirements.

Lending-Related Income

Lending-related income includes fees earned from loan commitments, standby letters of credit, financial guarantees, and other loan-servicing activities. Lending-related income is recognized at the point in time the service is provided.

Summary of Significant Accounting Policies (continued)

Card Income

Card income includes interchange income from credit and debit cards and fees earned from processing card transactions for merchants, both of which are recognized when purchases are made by a member. Certain Credit Union card products offer the member the ability to earn points based on account activity, which the member can choose to redeem for cash and non-cash rewards. The cost to the Credit Union varies based on the terms and conditions of the rewards program, member usage, and member redemption rates. The Credit Union maintains a liability for its obligations under its rewards program and reports the costs as a reduction of card income. During 2021 and 2020, the expense related to the rewards program was approximately $765,000 and $649,000, respectively. Card income is recognized at the point in time the service is provided.

Deposit-Related Income

Deposit-related income includes fees earned from performing cash management activities and other deposit account services. Deposit-related income is recognized at the point in time the service is provided.

Mortgage-Related Income

Mortgage-related income includes fees and income recognized as earned on mortgage loans originated with the intent to sell or service. Gains and losses on sales of mortgage loans held-for-sale are included. Mortgage servicing revenue includes operating revenue earned from servicing third-party mortgage loans which is recognized over the period in which the service is provided.

Other Income

Other income includes income earned from the Credit Union's wholly-owned subsidiary, rental income from the Credit Union's building, gains and losses on the sale of investments and gains and losses on the disposal of fixed assets.

Advertising Expense

The Credit Union expenses advertising costs as incurred. Advertising expense was $1,500,740 and $1,589,229 for the years ended December 31, 2021 and 2020, respectively.

Comprehensive Income (Loss)

Comprehensive income consists of net income (loss) and other comprehensive income (loss) that includes costs related to unrealized gains and losses on investments classified as available-for-sale.

Summary of Significant Accounting Policies (continued)

Income Taxes

As a credit union, the Credit Union is exempt from federal, state and local taxes under the provisions of 501(c)(14) of the Internal Revenue Code.

The Credit Union accounts for uncertainty in income taxes in its consolidated financial statements as required under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Accounting for Uncertainty in Income Taxes*. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition accounting. Management determined there were no material uncertain positions taken by the Credit Union in its tax returns.

Fair Values of Financial Instruments

GAAP established a fair value hierarchy that prioritizes the inputs to measure the fair value of the assets or liabilities being measured. Fair value is defined as the exchange value that would be received on the measurement date to sell an asset or to value the amount paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The three levels of the fair value hierarchy are as follows:

Level 1 Inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date.

Level 2 Inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 Inputs are significant unobservable inputs for the asset or liability.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Investments – Available-for-Sale: Fair values of investments are based on significant observable inputs or market prices for similar investments, unadjusted quoted prices for similar investments or other relevant broker quotes. These assets represent a Level 2 fair value hierarchy.

Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

Other Assets – Mortgage Servicing Rights: The fair value of mortgage servicing rights is determined by estimating the present value of future net cash flows, taking into consideration market loan prepayment, discount rates, servicing costs and other economic factors. These assets represent a Level 2 fair value hierarchy.

The Credit Union has no financial instruments that are held or issued for trading purposes.

Off-Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Concentration of Credit Risk

The Credit Union's business activity is primarily with members who all live or work in the same geographic area (Northwest and North Central Ohio and Southern Michigan). This creates a concentration of credit risk from members with loans from the Credit Union, since they may all be affected by the same economic conditions in this geographic area.

New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This standard replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to form credit loss estimates. The amendments in this update require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The new Current Expected Credit Losses (CECL) model will apply to the allowance for loan losses, available-for-sale and held-to-maturity debt securities, purchased financial assets with credit deterioration, and certain off-statement of financial condition credit exposures. The Credit Union will apply the standard's provisions as a cumulative-effect adjustment to unappropriated undivided earnings as of the beginning of the first reporting period in which the guidance is effective. This ASU will become effective for the Credit Union for annual periods beginning after December 15, 2022. Management is currently evaluating the potential impact of ASU No. 2016-13 on the Credit Union's consolidated financial statements.

Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

The FASB issued ASU 2016-02, a new standard for both lessees and lessors. Under its core principle, a lessee will recognize lease assets and liabilities on the statement of financial condition for nearly all lease arrangements. The option of an operating lease that is recorded off-statement of financial condition will be significantly limited in its use. In measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For a lessee, the effect of recording all leases as debt might affect financial covenants that exist in loan and other agreements. The lessor accounting remains largely consistent with existing GAAP. The new standard is effective for the Credit Union for annual periods beginning after December 15, 2021 and there are several options as to how the new pronouncement can be implemented. Management is currently evaluating the potential impact of ASU No. 2016-02 on the Credit Union's consolidated financial statements.

Cash and Cash Equivalents

In 2021 and 2020, insurance coverage was $250,000 per depositor at each financial institution, and cash and cash equivalent balances, at times, may exceed federally insured limits. The balance of cash and cash equivalents in excess of federally insured limits was approximately $215 million and $140.4 million at December 31, 2021 and 2020, respectively.

Cash and cash equivalents include money market accounts, Federal funds and any highly liquid debt-instruments.

	2021	2020
Cash on hand and cash held in non-interest bearing accounts at other financial institutions	**$ 12,204,763**	$ 12,224,042
Cash and cash equivalents held in interest bearing accounts at other institutions	**217,978,457**	159,900,375
Total cash and cash equivalents	**$ 230,183,220**	$ 172,124,417

Investments

The amortized cost and market value of the Credit Union's Investments - Available-for-Sale at December 31, 2021 were:

Available-for-Sale	Weighted Average Yield at 12/31/2021	2021 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Collateralized mortgage obligations	**1.11%**	**$ 1,041,393**	**$ 13,482**	**$(13,764)**	**$ 1,041,111**
Mortgage-backed securities	**1.98%**	**7,368,470**	**1,680**	**(156,399)**	**7,213,751**
U.S. Government and agency obligations	**0.74%**	**77,249,332**	**112,056**	**(1,330,092)**	**76,031,296**
Total		**$ 85,659,195**	**$ 127,218**	**$(1,500,255)**	**$ 84,286,158**

The amortized cost and market value of the Credit Union's Investments - Available-for-Sale at December 31, 2020 were:

Available-for-Sale	Weighted Average Yield at 12/31/2020	2020 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Collateralized mortgage obligations	1.88%	$ 206,024	$ 17,155	$(2,051)	$ 221,128
Mortgage-backed securities	2.94%	1,388,768	4,127	(46,477)	1,346,418
U.S. Government and agency obligations	2.75%	90,864,500	364,651	(129,450)	91,099,701
Total		$ 92,459,292	$ 385,933	$(177,978)	$ 92,667,247

Gross unrealized losses at December 31 were:

	2021	2020
Gross unrealized losses for less than one year	**$ 178,145**	$ 129,450
Gross unrealized losses for more than one year	**1,322,110**	48,528
Total	**$ 1,500,255**	$ 177,978

Investments (continued)

The amortized cost of the Credit Union's Investments - Held-to-Maturity at December 31, 2021 and 2020 were:

Held-to-Maturity	Weighted Average Yield at 12/31/2021	2021 Amortized Cost	Weighted Average Yield at 12/31/2020	2020 Amortized Cost
Negotiable certificates of deposit	**1.77%**	**$ 21,717,000**	1.83%	$ 27,347,104
Municipal bonds	**N/A**	**-**	4.00%	25,000
Total		**$ 21,717,000**		**$ 27,372,104**

The amortized cost of the Credit Union's Investments - Other at December 31, 2021 and 2020 were

Other Investments	Weighted Average Yield at 12/31/2021	2021 Amortized Cost	Weighted Average Yield at 12/31/2020	2020 Amortized Cost
Certificates of deposits - non-negotiable	**0.77%**	**$ 1,490,000**	0.95%	$ 1,640,000
Corporate credit union non-maturing capital	**0.05%**	**1,980,212**	0.35%	1,980,212
FHLB capital stock	**2.00%**	**1,797,900**	2.25%	1,797,900
Central Liquidity Facility	**0.19%**	**2,345,442**	0.79%	2,063,306
Other investments	**N/A**	**1,155,947**	N/A	1,330,947
Total		**$ 8,769,501**		$ 8,812,365

The investment in corporate perpetual contributed capital and the membership share accounts have withdrawal restrictions and limited marketability.

The amortized cost and estimated market value of investment securities at December 31, 2021 by expected maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	Other Investments
	Amortized Cost	Market Value	Amortized Cost	Amortized Cost
Due in 2022	$ 30,037,378	$ 29,507,714	$ 7,045,000	$ 250,000
Due between 2023 and 2026	50,098,899	49,423,042	14,672,000	1,240,000
Due between 2027 and 2031	5,522,918	5,355,402	-	-
Due after 2031	-	-	-	-
Non-maturing	-	-	-	7,279,501
Total	$ 85,659,195	$ 84,286,158	$ 21,717,000	$ 8,769,501

Loans to Members and Loan Participations

The loans to members at December 31 consisted of the following:

	2021	2020
Auto loans	**$ 207,233,061**	$ 225,152,424
Real estate loans	**342,943,383**	267,658,619
Direct financing leases	**105,744,792**	107,444,765
Credit card loans	**39,853,504**	41,907,723
Student loans	**13,148,614**	14,700,738
Business loans	**10,932,896**	13,697,140
Other secured loans	**21,971,267**	23,201,074
Unsecured loans	**12,728,767**	12,925,999
Loan participations	**25,093,367**	21,036,742
Deferred loan origination costs	**4,830,685**	4,276,644
Net premiums and discounts on acquired loans	**(776,262)**	(459,653)
Total	**783,704,074**	731,542,215
Less: allowance for loan losses	**(4,382,934)**	(6,370,360)
Loans to members and participations, net	**$ 779,321,140**	$ 725,171,855

The interest rates on the loans range from 0.00% to 19.00% for the years ended December 31, 2021 and 2020.

The activity in allowance for loan loss account for the year ended at December 31 consisted of the following (in 000's):

	2021	2020
Beginning balance	**$ 6,370**	$ 2,758
(Credit from recoveries of loan losses) Provision charged to operations	**(1,060)**	5,685
Loans charged-off	**(2,024)**	(2,937)
Recoveries	**1,097**	864
Ending balance	**$ 4,383**	$ 6,370

The allowance for loan losses was allocated between loan pools as follows at December 31 (in 000's):

	2021	2020
Auto	**$ 1,658**	$ 2,879
Real estate	**1,184**	1,474
Credit cards	**726**	965
Student loans	**36**	80
Participation	**457**	489
Other	**322**	483
Ending balance	**$ 4,383**	$ 6,370

Loans to Members and Loan Participations (continued)

Impaired Loans

The following table includes the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable.

Other credit related information as of December 31, 2021 by class, dollar amounts (in 000's):

	Auto	Direct Lease Financing	Mortgage	Credit Cards	Student Loans	Other	Total
Historical loss %	**0.24%**	**0.07%**	**0.00%**	**1.33%**	**0.00%**	**0.43%**	**0.20%**
Delinquency over 60 days	**$ 364**	**$ -**	**$ 266**	**$ 141**	**$ 86**	**$ 84**	**$ 941**
Delinquent 60 -179 days	**364**	**-**	**182**	**141**	**86**	**84**	**857**
Delinquent 180 - 359 days	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Delinquent over 360 days	**-**	**-**	**84**	**-**	**-**	**-**	**84**
Impaired restructured loan balances	**-**	**-**	**781**	**-**	**-**	**-**	**781**
Specific reserves on restructured loans included in overall allowance	**-**	**-**	**66**	**-**	**-**	**-**	**66**
Loans in non-accrual status	**60**	**-**	**129**	**119**	**-**	**60**	**368**

Other credit related information as of December 31, 2020 by class, dollar amounts (in 000's):

	Auto	Direct Lease Financing	Mortgage	Credit Cards	Student Loans	Other	Total
Historical loss %	0.42%	0.17%	0.02%	1.71%	0.24%	0.70%	0.35%
Delinquency over 60 days	$ 173	$ 2	$ -	$ 278	$ 11	$ 70	$ 534
Delinquent 60 -179 days	150	2	-	278	11	70	511
Delinquent 180 - 359 days	23	-	-	-	-	-	23
Delinquent over 360 days	-	-	-	-	-	-	-
Impaired restructured loan balances	-	-	1,083	-	-	-	1,083
Specific reserves on restructured loans included in overall allowance	-	-	77	-	-	-	77
Loans in non-accrual status	59	-	-	62	-	43	164

Loans to Members and Loan Participations (continued)

Information on troubled debt restructurings for the year ended December 31, 2021 was as follows (in 000's):

	Number of Contracts	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
Troubled debt restructurings:			
Mortgage	**13**	**$ 781**	**$ 715**
Total	**13**	**$ 781**	**$ 715**

Information on troubled debt restructurings for the year ended December 31, 2020 was as follows (in 000's):

	Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Troubled debt restructurings:			
Mortgage	16	$ 1,083	$ 1,006
Total	16	$ 1,083	$ 1,006

Property and Equipment

Property and equipment at December 31 consisted of the following:

	2021	2020
Land and improvements	**$ 3,717,205**	$ 3,717,205
Buildings and improvements	**17,358,329**	17,249,556
Furniture and equipment	**10,250,982**	10,015,891
Improvements in process	**81,655**	614,857
Total property	**31,408,171**	31,597,509
Less: accumulated depreciation	**(16,699,940)**	(15,547,157)
Total property and equipment, net	**$ 14,708,231**	$ 16,050,352

Goodwill

Goodwill and accumulated amortization at December 31 was:

	Goodwill	Accumulated Amortization	Total
Balance, December 31, 2019	$ 2,614,293	$(283,298)	$ 2,330,995
Amortization expense	-	(261,420)	(261,420)
Balance, December 31, 2020	2,614,293	(544,718)	2,069,575
Amortization expense	-	(261,420)	(261,420)
Balance, December 31, 2021	**$ 2,614,293**	**$(806,138)**	**$ 1,808,155**

Estimated future goodwill amortization at December 31, 2021 is as follows:

2022	$ 261,420
2023	261,420
2024	261,420
2025	261,420
2026	261,420
Thereafter	501,055
Total	$ 1,808,155

Intangible Asset

Core Deposit Intangible Asset

The core deposit intangible asset that was acquired through the merger had an original value of $2,462,527 and is included in prepaid expenses and other assets. Accumulated amortization was $1,068,084 and $712,056 as of December 31, 2021 and 2020, respectively.

The following is a schedule of future amortization expense for the remaining intangible asset:

2022	$ 356,028
2023	356,028
2024	356,028
2025	326,359
Total	$ 1,394,443

Loans Serviced

Mortgage servicing rights are recorded in prepaid expenses and other assets on the consolidated statement of financial condition. Changes in their carrying value and the associated valuation allowance for the year ended December 31 and the fair value at the end of the period were as follows:

	2021	2020
Balance, beginning of the year	**$ 2,649,970**	$ 2,291,762
New servicing rights	**124,829**	749,170
Amortization	**(382,461)**	(390,962)
Balance, end of year	**$ 2,392,338**	$ 2,649,970
Fair value, end of year	**$ 2,393,000**	$ 2,650,000

The unpaid principal balance of residential loans serviced for third parties was approximately $234,559,000 and $285,753,000 at December 31, 2021 and 2020, respectively.

Members' Share Accounts

Members' share accounts at December 31 were as follows:

	Weighted Average Yield at 12/31/2021	**2021**	Weighted Average Yield at 12/31/2020	2020
Regular shares	**0.04%**	**$ 392,827,088**	0.05%	$ 329,380,884
Checking accounts	**0.04%**	**246,412,020**	0.07%	234,202,935
Money market accounts	**0.11%**	**217,836,486**	0.25%	205,124,709
Club accounts	**0.04%**	**54,478,109**	0.12%	46,520,928
IRA accounts	**0.04%**	**21,890,902**	0.23%	19,714,710
Share and IRA certificates	**1.29%**	**120,853,130**	1.99%	129,923,054
Total members' shares		**$ 1,054,297,735**		$ 964,867,220

Scheduled maturities of shares at December 31, 2021 were as follows:

2022	$ 990,925,159
2023	26,467,654
2024	20,075,761
2025	9,713,115
2026	7,116,046
Total maturities	$ 1,054,297,735

Members' Share Accounts (continued)

Dividend expense on members' share accounts at December 31 was as follows:

	2021	2020
Regular shares	**$ 127,350**	$ 163,103
Checking accounts	**101,211**	135,482
Money market accounts	**299,613**	622,634
Club accounts	**30,987**	52,512
IRA accounts	**30,511**	42,476
Share and IRA certificates	**1,807,065**	2,799,186
Total dividend expenses	**$ 2,396,737**	$ 3,815,393

The aggregate amount of members' share accounts that exceed the NCUA's primary insured limit and the Credit Union's excess insurance, at December 31, 2021 and 2020, totaled $35,966,980 and $8,750,520, respectively.

Borrowings

The Credit Union maintains a $15,000,000 note payable - line of credit borrowing arrangement with Corporate One Federal Credit Union. The line of credit is collateralized by substantially all assets of the Credit Union. There were no borrowings outstanding under this agreement at December 31, 2021 and 2020.

The Credit Union also maintains a note payable – line of credit borrowing arrangement with the FHLB that provides borrowing capacity that is collateralized by substantially all of the Credit Union's 1 - 4 family first mortgages. The amount of credit available under this arrangement was approximately $198,569,000 and $165,000,000 at December 31, 2021 and 2020, respectively. There were no borrowings under this arrangement at December 31, 2021 and 2020.

Related Party Transactions

The official family of the Credit Union includes Board members, supervisory committee members, credit committee members and staff. Loans receivable from and shares payable to members of the official Credit Union family at December 31 were as follows:

	2021	2020
Loans	**$ 15,950,254**	$ 11,811,898
Shares	**9,480,292**	6,851,135

Employee Benefits

The Credit Union has entered into three Collateral Assignment Split-Dollar Life Insurance Arrangements with officers of the organization. The life insurance policy is owned by the officer but premiums are paid by the Credit Union. The premiums paid are recorded as loan receivables from the participants. The imputed interest rate on the loans is treated as compensation for the officers.

The Credit Union has a profit-sharing plan covering substantially all employees. This discretionary contribution is determined by the Board of Directors annually. The Credit Union had liabilities of approximately $8,000 and $270,000 accrued as of December 31, 2021 and 2020, respectively.

The Credit Union also has a 401(k) salary reduction plan. Employees are eligible for participation when they have attained eighteen years of age and completed six months of service. The Credit Union may make discretionary matching contributions. The employer contributions for the years ended December 31, 2021 and 2020 were $173,708 and $162,446, respectively.

Commitments and Contingent Liabilities

The Credit Union is a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial condition of the Credit Union.

The Credit Union has extended lines of credit to members who have not been entirely drawn at December 31, 2021 and 2020. The available credit to members that has not been reflected in the consolidated financial statements was as follows:

	2021	2020
Loan Type:		
Business loans	**$ 1,533,791**	$ 2,093,320
Open-end loans	**9,875,886**	8,028,463
Credit cards	**114,319,953**	111,478,368
Construction loans	**23,230,285**	14,563,414
Home equity loans	**31,473,657**	23,944,529
Overdraft protection	**40,335,400**	21,665,324
Total	**$ 220,768,972**	$ 181,773,418

Leases

The Credit Union leases seven of its branch office locations under long-term lease arrangements. These leases are accounted for as operating leases and have minimum payment requirements summarized as follows:

Lease Property	Lease Expiration	Remaining Payment Obligations
Lambertville	9/30/2022	$ 49,500
Westgate Village	3/31/2025	251,638
Reynolds Rd	7/31/2027	288,536
Hawley	12/31/2022	12,000
Owens Corning	10/31/2023	65,822
Whiteford	12/31/2028	526,990
Maumee Towers	12/31/2030	7,337,311
Total remaining obligations		$ 8,531,797

The future minimum lease payments under these leases at December 31, 2021 are as follows:

2022	$ 1,060,881
2023	1,010,094
2024	1,001,730
2025	957,753
2026	952,832
Thereafter	3,548,507
Total obligation	$ 8,531,797

Rent expense totaled $1,029,769 and $1,017,166 for the years ended December 31, 2021 and 2020, respectively.

Rental Income

The Credit Union has entered into various lease agreements with unrelated tenants to lease portions of its buildings. The lease agreements are for various lengths.

Future minimum rental payments (not reflecting the renewal options of the operating leases) at December 31, 2021 are as follows:

2022	$ 58,200
2023	58,200
2024	58,200
2025	15,000
2026	8,750
Total obligation	$ 198,350

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 consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined in the regulations) to total assets (as defined). Credit unions are also required to calculate a Risk-Based Net Worth (RBNW) Requirement, which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNW ratio as of December 31, 2021 and 2020 was 5.31% and 5.22%, respectively. The minimum ratio to be considered complex under the regulatory framework is 6%. Management believes, as of December 31, 2021, that the Credit Union meets all capital adequacy requirements to which it is subject.

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

The Credit Union's actual capital amounts and ratios as of December 31 are also presented in the table (dollars in thousands):

	Actual		To Be Adequately Capitalized Under the Prompt Corrective Action Provision		To Be Well Capitalized Under the Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2021	**$ 97,015**	**8.32%**	**$ 69,940**	**>6.00%**	**$ 81,596**	**>7.00%**
December 31, 2020	$ 90,287	8.45%	$ 64,124	>6.00%	$ 74,811	>7.00%

Subsequent Events - Date of Management's Review

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date on which the financial statements were available to be issued. In March 2020, the World Health Organization declared the global novel coronavirus disease (COVID-19) outbreak a pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen that are likely to negatively impact the results of operations. However, the Credit Union cannot reasonably estimate at this time the specific extent, duration or full impact that the COVID-19 pandemic will have on its financial condition and operations.