Consolidated Financial Statements

Directions Credit Union, Inc. and Subsidiary

December 31, 2022 and 2021

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230 West Street
Suite 700
Columbus, OH 43215
tel 614.221.1120
fax 614.227.6999
www.gbq.com

GBQ Partners

To the Audit Committee
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, 2022 and 2021, and the related consolidated statements of income, comprehensive income (loss), 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, 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 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 31, 2023

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY
Consolidated Statements of Financial Condition
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	**$ 48,543,447**	$ 228,008,926
Investments		
Investments - available-for-sale	**84,283,818**	84,286,158
Investments - held-to-maturity	**14,672,000**	21,717,000
Investments - other	**8,727,854**	8,769,501
Total investments	**107,683,672**	114,772,659
Loans to Members and Participations, less allowance for loan losses	**969,176,493**	779,323,728
Other Real Estate Owned	**-**	37,953
Property and Equipment, net	**14,848,478**	14,708,231
Other Assets		
Accrued interest receivable on investments	**193,746**	195,959
Accrued interest receivable on loans	**2,481,837**	1,950,397
Share insurance capitalization deposit	**10,699,238**	10,232,560
Prepaid expenses and other assets	**28,068,793**	14,260,328
Total other assets	**41,443,614**	26,639,244
TOTAL ASSETS	**$ 1,181,695,704**	$ 1,163,490,741

	2022	2021
LIABILITIES AND MEMBERS' EQUITY		
Members' Share Accounts	**$ 1,050,382,434**	$ 1,054,297,735
Notes Payable	**6,000,000**	-
Accrued Expenses and Other Liabilities	**27,626,492**	10,125,332
Total liabilities	**1,084,008,926**	1,064,423,067
Members' Equity, substantially restricted	**97,686,778**	99,067,674
TOTAL LIABILITIES AND MEMBERS' EQUITY	**$ 1,181,695,704**	$ 1,163,490,741

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, 2022 and 2021

	2022	2021
Interest Income		
Interest on loans	**$ 34,598,746**	$ 30,409,318
Interest on investments	**2,984,113**	1,523,493
Total interest income	**37,582,859**	31,932,811
Dividend expense on share accounts	**2,368,802**	2,396,957
Net interest income	**35,214,057**	29,535,854
Provision for Loan Losses (Credit from Recoveries of Loan Losses)	**1,761,500**	(1,060,000)
Net interest income after provision for loan losses (credit from recoveries of loan losses)	**33,452,557**	30,595,854
Non-Interest Income		
Lending-related income	**1,553,205**	1,283,113
Card income	**7,438,293**	7,811,677
Deposit-related income	**3,984,554**	3,318,659
Mortgage-related income	**619,441**	1,512,165
Other income	**144,096**	288,200
Total non-interest income	**13,739,589**	14,213,814
Non-Interest Expenses		
Compensation and benefits	**19,761,410**	18,196,415
Office operations	**12,132,390**	11,882,152
Occupancy	**4,560,822**	4,137,326
Insurance and assessments	**253,044**	201,712
Education and promotion	**1,584,507**	1,500,740
Travel and conference	**404,745**	194,508
Professional fees	**1,677,940**	589,032
Other	**1,556,388**	1,379,729
Total non-interest expenses	**41,931,246**	38,081,614
Net Income	**$ 5,260,900**	$ 6,728,054

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, 2022 and 2021

	2022	2021
Net Income	**$ 5,260,900**	$ 6,728,054
Other comprehensive income:		
Change in unrealized gain (loss) on investments - available-for-sale	**(6,641,796)**	(1,580,992)
Comprehensive Income	**$(1,380,896)**	$ 5,147,062

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, 2022 and 2021

	Appropriated Statutory Reserve	Unappropriated Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Equity Acquired in Mergers	Total Members' Equity
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 (loss)	-	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**
Net income for the year ended December 31, 2022	-	5,260,900	-	-	5,260,900
Change in unrealized gain (loss) on investments - available-for-sale	-	-	(6,641,796)	-	(6,641,796)
Total comprehensive income (loss)	-	5,260,900	(6,641,796)	-	(1,380,896)
Balance, December 31, 2022	**$ 11,380,528**	**$ 71,413,460**	**$(8,014,833)**	**$ 22,907,623**	**$ 97,686,778**

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

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Interest income received	**$ 39,034,414**	$ 33,928,251
Dividends paid on share accounts and interest paid	**(2,368,802)**	(2,396,957)
Non-interest income received	**14,082,687**	13,884,121
Cash paid to suppliers and employees	**(37,206,443)**	(35,613,818)
Net cash and cash equivalents provided by operating activities	**13,541,856**	9,801,597
Cash Flows from Investing Activities		
Purchases of available-for-sale investments	**(8,746,664)**	(15,131,154)
Maturities of available-for-sale investments	**1,917,729**	21,776,813
Purchases of held-to-maturity investments	**-**	(249,000)
Maturities of held-to-maturity investments	**7,045,000**	5,833,208
Purchases of other investments	**(381,053)**	(282,136)
Maturities of other investments	**429,935**	341,763
Loans made to members	**(574,987,809)**	(504,365,936)
Loan repayments from members and proceeds from loan sales	**381,582,241**	450,113,919
Proceeds from sale of other real estate owned	**37,953**	-
Purchase of property and equipment	**(1,522,688)**	(183,696)
Increase in share insurance deposit	**(466,678)**	(1,201,384)
Net cash and cash equivalents used in investing activities	**(195,092,034)**	(43,347,603)
Cash Flows from Financing Activities		
Net increase in members' shares	**(3,915,301)**	89,430,515
Borrowings on available lines of credit	**8,287,755**	-
Repayments of notes payable	**(2,287,755)**	-
Net cash and cash equivalents provided by financing activities	**2,084,699**	89,430,515
Net (decrease) increase in cash and cash equivalents	**(179,465,479)**	55,884,509
Cash and Cash Equivalents at Beginning of Year	**228,008,926**	172,124,417
Cash and Cash Equivalents at End of Year	**$ 48,543,447**	$ 228,008,926

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

Consolidated Statements of Cash Flows (continued)
For the Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Net Income to Net Cash and Cash Equivalents Provided by Operating Activities		
Net income	**$ 5,260,900**	$ 6,728,054
Non-Cash Items		
Provision for loan loss (Credit from recoveries of loan losses)	**1,761,500**	(1,060,000)
Amortization of premiums on investments	**189,479**	225,334
Dealer reserve amortization	**1,791,303**	1,695,341
Mortgage servicing rights, net	**350,333**	257,632
Equity in income of subsidiary - unconsolidated	**(7,235)**	(16,763)
Gain on sale of mortgage loans	**-**	(570,562)
Depreciation expense	**1,382,441**	1,525,817
Goodwill and CDI amortization expense	**617,448**	617,448
Total non-cash items	**6,085,269**	2,674,247
Changes in Certain Statement of Financial Condition Accounts		
Interest receivable	**(529,227)**	74,765
Other assets and prepaid expenses	**(14,776,246)**	144,337
Accrued expenses and other liabilities	**17,501,160**	180,194
Total changes in certain statement of financial condition accounts	**2,195,687**	399,296
Net Cash and Cash Equivalents Provided by Operating Activities	**$ 13,541,856**	$ 9,801,597

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 sources of revenue are 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 (loss).

Held-to-Maturity (HTM): Negotiable certificates of deposit 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.

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.

Summary of Significant Accounting Policies (continued)

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

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.

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.

Summary of Significant Accounting Policies (continued)

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

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.

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.

Summary of Significant Accounting Policies (continued)

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 2022 and 2021.

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.

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, 2022 and 2021. 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 Union's consolidated statement of income.

Summary of Significant Accounting Policies (continued)

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 2022 and 2021, 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.

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.

Summary of Significant Accounting Policies (continued)

Leases

Pursuant to GAAP, a contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities within the Credit Union's accompanying statements of financial condition.

ROU assets represent the Credit Union's right to use an underlying asset for the lease term, and lease liabilities represent the Credit Union's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Credit Union uses the implicit rate when it is readily determinable. If the Credit Union's leases do not provide an implicit rate, the Credit Union elected the practical expedient to utilize the risk-free rate to determine the present value of lease payments. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Credit Union's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Credit Union will exercise the option.

The Credit Union has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. The non-lease components consist of common area maintenance and real estate taxes.

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.

Summary of Significant Accounting Policies (continued)

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.

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 2022 and 2021, the expense related to the rewards program was approximately $745,000 and $765,000, 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.

Summary of Significant Accounting Policies (continued)

Advertising Expense

The Credit Union expenses advertising costs as incurred. Advertising expense was $1,584,507 and $1,500,740 for the years ended December 31, 2022 and 2021, 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.

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.

Summary of Significant Accounting Policies (continued)

Fair Values of Financial Instruments (continued)

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.

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

Effective January 1, 2022, the Credit Union adopted the provisions and disclosure requirements described in Accounting Standards Codification Topic 842, *Leases* (ASC 842). ASC 842 requires the recognition of lease assets and lease liabilities by lessees for most leases, unless the lease has a term of 12 months or less. ASC 842 also changed certain guidance of lessee accounting, lessor accounting, leveraged leases, sale and leaseback transactions and required disclosures.

The Credit Union adopted the standard using the modified retrospective method. Accordingly, the results reporting periods beginning after January 1, 2022 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect during those periods.

In connection with the adoption of ASC 842, the Credit Union elected transition-related practical expedients as accounting policies which allowed it to not reassess, as of the adoption date, (1) whether any expired or existing contracts are or contain leases, (2) the classification of any expired or existing leases and (3) if previously capitalized initial direct costs qualify for capitalization under ASC 842.

Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

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.

Cash and Cash Equivalents

In 2022 and 2021, 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 $35 million and $215 million at December 31, 2022 and 2021, respectively.

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

	2022	2021
Cash on hand and cash held in non-interest bearing accounts at other financial institutions	**$ 12,107,843**	$ 12,204,763
Cash and cash equivalents held in interest bearing accounts at other institutions	**36,435,604**	215,804,163
Total cash and cash equivalents	**$ 48,543,447**	$ 228,008,926

Investments

The amortized cost and market value of available-for-sale investments at December 31 were:

Available-for-Sale	Weighted Average Yield at 12/31/2022	2022 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Collateralized mortgage obligations	**1.02%**	**$ 797,678**	**$ 7,697**	**$(167,318)**	**$ 638,057**
Mortgage-backed securities	**2.28%**	**11,414,320**	**-**	**(1,463,085)**	**9,951,235**
U.S. Government and agency obligations	**0.77%**	**80,086,653**	**-**	**(6,392,127)**	**73,694,526**
Total		**$ 92,298,651**	**$ 7,697**	**$(8,022,530)**	**$ 84,283,818**

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

Gross unrealized losses at December 31 were:

	2022	2021
Gross unrealized losses for less than one year	**$ 561,107**	$ 178,145
Gross unrealized losses for more than one year	**7,461,423**	1,322,110
Total	**$ 8,022,530**	$ 1,500,255

The amortized cost of held-to-maturity investments at December 31 were:

Held-to-Maturity	Weighted Average Yield at 12/31/2022	2022 Amortized Cost	Weighted Average Yield at 12/31/2021	2021 Amortized Cost
Negotiable certificates of deposit	**1.59%**	**$ 14,672,000**	1.77%	$ 21,717,000

Investments (continued)

The amortized cost of other investments at December 31 were:

Other Investments	Weighted Average Yield at 12/31/2022	2022 Amortized Cost	Weighted Average Yield at 12/31/2021	2021 Amortized Cost
Certificates of deposits - non-negotiable	**0.77%**	**$ 1,490,000**	0.77%	$ 1,490,000
Corporate credit union non-maturing capital	**0.05%**	**1,980,212**	0.05%	1,980,212
FHLB capital stock	**4.00%**	**1,475,200**	2.00%	1,797,900
Central Liquidity Facility	**1.85%**	**2,726,495**	0.19%	2,345,442
Other investments	**N/A**	**1,055,947**	N/A	1,155,947
Total		**$ 8,727,854**		$ 8,769,501

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, 2022 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 2023	$ 14,521,808	$ 14,216,143	$ 9,006,000	$ 992,000
Due between 2024 and 2027	69,971,437	63,362,549	5,666,000	498,000
Due between 2028 and 2032	7,805,406	6,705,126	-	-
Non-maturing	-	-	-	7,237,854
Total	$ 92,298,651	$ 84,283,818	$ 14,672,000	$ 8,727,854

Loans to Members and Loan Participations

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

	2022	2021
Auto loans	**$ 293,161,452**	$ 207,235,649
Real estate loans	**415,131,148**	342,943,383
Direct financing leases	**132,430,130**	105,744,792
Credit card loans	**41,837,284**	39,853,504
Student loans	**12,336,221**	13,148,614
Business loans	**9,569,790**	10,932,896
Other secured loans	**23,218,511**	21,971,267
Unsecured loans	**17,026,565**	12,728,767
Loan participations	**23,559,443**	25,093,367
Deferred loan origination costs	**6,625,094**	4,830,685
Net premiums and discounts on acquired loans	**(880,871)**	(776,262)
Total	**974,014,767**	783,706,662
Less: allowance for loan losses	**(4,838,274)**	(4,382,934)
Loans to members and participations, net	**$ 969,176,493**	$ 779,323,728

The interest rates on the loans range from 0.00% to 19.00% for the years ended December 31, 2022 and 2021.

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

	2022	2021
Beginning balance	**$ 4,383**	$ 6,370
Provision charged to operations (Credit from recoveries of loan losses)	**1,762**	(1,060)
Loans charged-off	**(2,247)**	(2,024)
Recoveries	**940**	1,097
Ending balance	**$ 4,838**	$ 4,383

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

	2022	2021
Auto	**$ 1,720**	$ 1,658
Real estate	**1,384**	1,184
Credit cards	**754**	726
Student loans	**42**	36
Participation	**505**	457
Other	**433**	322
Ending balance	**$ 4,838**	$ 4,383

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, 2022 by class, dollar amounts (in 000's):

	Auto	Direct Lease Financing	Mortgage	Credit Cards	Student Loans	Other	Total
Historical loss %	**0.10%**	**0.00%**	**0.00%**	**1.28%**	**0.00%**	**0.09%**	**0.09%**
Delinquency over 60 days	**$ 519**	**$ -**	**$ 186**	**$ 140**	**$ 9**	**$ 68**	**$ 922**
Delinquent 60 -179 days	**519**	**-**	**104**	**140**	**9**	**68**	**840**
Delinquent 180 - 359 days	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Delinquent over 360 days	**-**	**-**	**82**	**-**	**-**	**-**	**82**
Impaired restructured loan balances	**-**	**-**	**763**	**-**	**-**	**-**	**763**
Specific reserves on restructured loans included in overall allowance	**-**	**-**	**58**	**-**	**-**	**-**	**58**
Restructured loans in default	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Restructured loan contracts outstanding	**-**	**-**	**12**	**-**	**-**	**-**	**12**
Loans in non-accrual status	**450**	**-**	**115**	**2**	**-**	**53**	**620**

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
Restructured loans in default	-	-	109	-	-	-	109
Restructured loan contracts outstanding	-	-	13	-	-	-	13
Loans in non-accrual status	60	-	129	119	-	60	368

Loans to Members and Loan Participations (continued)

Impaired Loans (continued)

The Credit Union does not accrue interest on loans more than 90 days delinquent. If interest on these loans had been accrued, such income would have been $12,756 and $3,822 for the years ended December 31, 2022 and 2021, respectively.

Property and Equipment

Property and equipment at December 31 consisted of the following:

	2022	2021
Land and improvements	$ 3,717,205	$ 3,717,205
Buildings and improvements	18,421,747	17,358,329
Furniture and equipment	10,721,112	10,250,982
Improvements in process	50,000	81,655
Total property and equipment	32,910,064	31,408,171
Less: accumulated depreciation	(18,061,586)	(16,699,940)
Total property and equipment, net	$ 14,848,478	$ 14,708,231

Goodwill

Goodwill and accumulated amortization at December 31 was:

	Goodwill	Accumulated Amortization	Total
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
Amortization expense	-	(261,420)	(261,420)
Balance, December 31, 2022	**$ 2,614,293**	**$(1,067,558)**	**$ 1,546,735**

Estimated future goodwill amortization at December 31, 2022 is as follows:

2023	$ 261,420
2024	261,420
2025	261,420
2026	261,420
2027	261,420
Thereafter	239,635
Total	$ 1,546,735

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 $1,424,112 and $1,068,084 as of December 31, 2022 and 2021, respectively.

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

2023	$ 356,028
2024	356,028
2025	326,359
Total	$ 1,038,415

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:

	2022	2021
Balance, beginning of the year	**$ 2,392,338**	$ 2,649,970
New servicing rights	**-**	124,829
Amortization	**(350,333)**	(382,461)
Balance, end of year	**$ 2,042,005**	$ 2,392,338
Fair value, end of year	**$ 2,043,000**	$ 2,393,000

The unpaid principal balance of residential loans serviced for third parties was approximately $204,648,000 and $234,559,000 at December 31, 2022 and 2021, respectively.

Leases

The Credit Union has operating leases for multiple branch office locations throughout Northwest and North Central Ohio and Southern Michigan. The right-of-use asset, and respective operating lease liability, are recorded in prepaid and other assets and accrued expenses and other liabilities, respectively, on the consolidated statements of financial condition. The corresponding lease expenses are recorded under occupancy expenses in the consolidated statements of income and comprehensive income (loss).

Leases (continued)

The following summarizes the line items in the accompanying statements of financial condition which include amounts for the operating leases as of December 31, 2022:

	2022
Operating Lease	
Right-of-use asset - operating lease	$ 7,622,335
Short term operating lease liability	1,373,475
Long-term operating lease liability	7,655,443
Total operating lease liability	$ 9,028,918

The maturity of the lease liability as of December 31, 2022 was as follows:

	Operating Leases
2023	$ 1,549,445
2024	1,502,892
2025	1,411,920
2026	1,367,747
2027	1,280,534
Thereafter	2,578,724
Total undiscounted cash flows	9,691,262
Less: present value discount	(662,344)
Total lease liabilities	$ 9,028,918

The following summarizes the components of lease expense for the year ended December 31, 2022:

	2022
Operating lease expense	$ 1,198,143
Variable lease expense	58,200
Total lease expense	$ 1,256,343

Leases (continued)

The following summarizes additional information related to the leases for the year ended December 31, 2022:

	2022
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 1,235,857
ROU assets obtained in exchange for new operating lease liabilities	
Adoption of ASC 842 - beginning of year	7,904,347
For the year ended December 31	10,145,992
Weighted-average remaining lease term in years for operating leases	6.93
Weighted-average discount rate for operating leases	2.10%

Members' Share Accounts

Members' share accounts at December 31 were as follows:

	Weighted Average Yield at 12/31/2022	**2022**	Weighted Average Yield at 12/31/2021	2021
Regular shares	**0.10%**	**$ 403,569,901**	0.04%	$ 392,827,088
Checking accounts	**0.10%**	**246,887,952**	0.04%	246,412,020
Money market accounts	**0.48%**	**202,427,899**	0.11%	217,836,486
Club accounts	**0.10%**	**57,586,044**	0.04%	54,478,109
IRA accounts	**0.10%**	**23,843,282**	0.04%	21,890,902
Share and IRA certificates	**1.72%**	**116,067,356**	1.29%	120,853,130
Total members' shares		**$ 1,050,382,434**		$ 1,054,297,735

Scheduled maturities of shares at December 31, 2022 were as follows:

2023	$ 981,063,404
2024	34,693,788
2025	23,094,965
2026	5,425,160
2027	6,105,117
Total maturities	$ 1,050,382,434

Members' Share Accounts (continued)

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

	2022	2021
Regular shares	**$ 291,521**	$ 127,570
Checking accounts	**113,069**	101,211
Money market accounts	**512,993**	299,613
Club accounts	**48,667**	30,987
IRA accounts	**49,790**	30,511
Share and IRA certificates	**1,352,762**	1,807,065
Total dividend expenses	**$ 2,368,802**	$ 2,396,957

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, 2022 and 2021, totaled $34,538,597 and $35,966,980, respectively.

Notes Payable

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, 2022 and 2021.

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 $241,142,000 and $198,569,000 at December 31, 2022 and 2021, respectively. The note bears interest at a fixed rate of 4.62%. Periodically, market conditions provide the opportunity to borrow for short term periods at rates favorable enough to invest the funds at higher rates than the rate on the borrowings. Required principal repayments for the year ended December 31, 2022 are as follows:

2033	$ 6,000,000

There were no borrowings under this arrangement at December 31, 2021.

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:

	2022	2021
Loans	**$ 13,672,911**	$ 15,950,254
Shares	**23,307,066**	9,480,292

Employee Benefits

The Credit Union has entered into three Collateral Assignment Split-Dollar Life Insurance Arrangements (CASD) with certain 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. At December 31, 2022 and 2021, the loans due to the Credit Union from the officers for this agreement totaled $4,103,632 and $3,860,127, respectively. Additionally, the Credit Union acquired a similar CASD loan from a prior merger. The loan balance from the executive covered under the benefit agreement was $908,733 and $826,752 at December 31, 2022 and 2021, respectively. 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 $18,000 and $8,000 accrued as of December 31, 2022 and 2021, 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, 2022 and 2021 were $183,962 and $173,708, 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, 2022 and 2021. The available credit to members that has not been reflected in the consolidated financial statements was as follows:

	2022	2021
Loan Type:		
Business loans	**$ 2,190,580**	$ 1,533,791
Open-end loans	**13,356,968**	9,875,886
Credit cards	**124,677,792**	114,319,953
Construction loans and home equity lines of credit	**40,549,664**	54,703,942
Overdraft protection	**46,442,085**	40,335,400
Total	**$ 227,217,089**	$ 220,768,972

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). Prior to January 1, 2022, credit unions were required to calculate a Risk-Based Net Worth (RBNW) Requirement, which established whether or not the Credit Union would be considered "complex" under the regulatory framework. The minimum ratio to be considered complex under the regulatory framework prior to that date was 6%. The Credit Union's RBNW ratio as of December 31, 2021 was 5.31%. Management believed, as of December 31, 2021, that the Credit Union met all capital adequacy requirements to which it was subject.

Effective January 1, 2022, the NCUA adopted new rules relating to capital requirements for federally insured credit unions. Under this new capital rule, a credit union with assets in excess of $500,000,000 is defined as "complex" and subject to a Risked Based Capital (RBC) Measure. Under the RBC Measure, a complex credit union may calculate its risk-based capital measure requirement either by using the risk-based capital ratio, or for certain qualifying credit unions, elect to use the Complex Credit Union Leverage Ratio (CCULR) framework as defined under NCUA rule 702.4. A complex credit union with a risk-based capital ratio of 10% or more is deemed to be "well capitalized" or 9% or more if the CCULR framework is elected. At December 31, 2022, the Credit Union did not elect the CCULR framework and the Risk Based Capital Ratio is 12.71%.

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.