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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, 2025 and 2024, 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, 2025 and 2024, 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 Consolidated 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 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, 2026

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Consolidated Statements of Financial Condition December 31, 2025 and 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 158,981,204	\$ 154,211,416
Investments		
Investments - available-for-sale	25,923,524	53,822,757
Investments - held-to-maturity	2,750,000	4,919,000
Investments - other	12,343,032	8,985,599
Total investments	<u>41,016,556</u>	<u>67,727,356</u>
Loans to Members and Loan Participations		
Loans to members and loan participations	1,122,122,791	1,045,138,207
Allowance for credit losses	(3,537,039)	(3,763,828)
Total loans, net of allowance for credit losses	<u>1,118,585,752</u>	<u>1,041,374,379</u>
Other Real Estate Owned	-	146,806
Property and Equipment, net	12,968,696	13,630,130
Other Assets		
Accrued interest receivable on investments	93,356	94,251
Accrued interest receivable on loans	3,739,625	3,433,803
Share insurance capitalization deposit	11,528,353	10,642,271
Prepaid expenses and other assets	10,962,870	12,277,753
Total other assets	<u>26,324,204</u>	<u>26,448,078</u>
TOTAL ASSETS	<u>\$ 1,357,876,412</u>	<u>\$ 1,303,538,165</u>
LIABILITIES AND MEMBERS' EQUITY		
Members' Share Accounts	\$ 1,175,338,801	\$ 1,119,646,157
Notes Payable	27,342,320	35,670,298
Accrued Expenses and Other Liabilities	28,461,776	28,065,660
Total liabilities	<u>1,231,142,897</u>	<u>1,183,382,115</u>
Members' Equity , substantially restricted	<u>126,733,515</u>	<u>120,156,050</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 1,357,876,412</u>	<u>\$ 1,303,538,165</u>

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, 2025 and 2024

	2025	2024
Interest Income		
Interest on loans	\$ 59,422,345	\$ 52,601,841
Interest on investments	7,299,215	6,190,605
Total interest income	<u>66,721,560</u>	<u>58,792,446</u>
Interest Expense		
Dividend expense on share accounts	19,065,390	13,806,767
Interest expense on notes payable	1,487,547	1,879,405
Total interest expense	<u>20,552,937</u>	<u>15,686,172</u>
Net interest income	<u>46,168,623</u>	43,106,274
Provision for Credit Losses	<u>3,255,000</u>	2,375,000
Net interest income after provision for credit losses	<u>42,913,623</u>	<u>40,731,274</u>
Non-Interest Income		
Lending-related income	1,365,943	1,160,830
Card income	8,386,822	8,369,915
Deposit-related income	3,371,826	3,559,371
Mortgage-related income	418,330	255,081
Other income	139,204	1,277,368
Total non-interest income	<u>13,682,125</u>	<u>14,622,565</u>
Non-Interest Expenses		
Compensation and benefits	24,263,153	22,944,365
Office operations	15,461,912	14,560,829
Occupancy	5,167,288	4,866,165
Insurance and assessments	292,441	252,920
Education and promotion	2,102,800	1,779,243
Travel and conference	389,465	488,358
Professional fees	566,135	598,377
Other	3,549,532	2,022,380
Total non-interest expenses	<u>51,792,726</u>	<u>47,512,637</u>
Net Income	<u>\$ 4,803,022</u>	<u>\$ 7,841,202</u>

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

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2025 and 2024



	2025	2024
Net Income	\$ 4,803,022	\$ 7,841,202
Other comprehensive income:		
Change in unrealized gain (loss) on investments - available-for-sale	1,774,443	2,221,222
Comprehensive Income	\$ 6,577,465	\$ 10,062,424

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, 2025 and 2024

	Appropriated Statutory Reserve	Unappropriated Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Equity Acquired in Mergers	Total Members' Equity
Balance, December 31, 2023	\$ 11,380,528	\$ 80,928,204	\$ (5,122,729)	\$ 22,907,623	\$ 110,093,626
Net income for the year ended December 31, 2024	-	7,841,202	-	-	7,841,202
Change in unrealized gain (loss) on investments - available-for-sale	-	-	2,221,222	-	2,221,222
Total comprehensive income	-	7,841,202	2,221,222	-	10,062,424
Balance, December 31, 2024	11,380,528	88,769,406	(2,901,507)	22,907,623	120,156,050
Net income for the year ended December 31, 2025	-	4,803,022	-	-	4,803,022
Change in unrealized gain (loss) on investments - available-for-sale	-	-	1,774,443	-	1,774,443
Total comprehensive income	-	4,803,022	1,774,443	-	6,577,465
Balance, December 31, 2025	\$ 11,380,528	\$ 93,572,428	\$ (1,127,064)	\$ 22,907,623	\$ 126,733,515

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, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Net income	\$ 4,803,022	\$ 7,841,202
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	3,255,000	2,375,000
Amortization of premiums on investments, net	49,282	46,554
Dealer reserve amortization	2,384,252	2,457,669
Mortgage servicing rights, net	289,112	329,413
Equity in income of unconsolidated subsidiary	(84,624)	(12,295)
Gain on sale of mortgage loans	(105,546)	-
Depreciation expense	1,219,061	1,177,992
Loss on sale of property and equipment	8,890	-
Goodwill and core deposit intangible amortization expense	587,779	617,448
Net change in:		
Accrued interest receivable	(304,927)	(338,746)
Prepaid expenses and other assets	437,992	6,271,849
Accrued expenses and other liabilities	692,736	426,100
Net cash and cash equivalents provided by operating activities	<u>13,232,029</u>	<u>21,192,186</u>
Cash Flows from Investing Activities		
Purchase of available-for-sale investments	(6,581,177)	-
Maturities of available-for-sale investments	36,205,571	19,396,748
Purchase of held-to-maturity investments	(1,650,000)	-
Maturities of held-to-maturity investments	3,819,000	747,000
Purchase of other investments	(4,650,000)	(172,009)
Maturities of other investments	1,377,191	438,895
Loans made to members	(379,464,264)	(394,286,676)
Loan repayments from members and proceeds from loan sales	296,719,185	356,453,149
Proceeds from sale of other real estate owned	146,806	-
Purchase of property and equipment	(942,616)	(695,295)
Proceeds from sale of property and equipment	376,099	-
Increase in share insurance deposit	(886,082)	(158,215)
Net cash and cash equivalents used in investing activities	<u>(55,530,287)</u>	<u>(18,276,403)</u>
Cash Flows from Financing Activities		
Net increase in members' share accounts	55,692,644	98,753,225
Repayments of borrowings on notes payable	(8,327,978)	(8,304,184)
Increase in escrow payable	(296,620)	(137,064)
Net cash and cash equivalents provided by financing activities	<u>47,068,046</u>	<u>90,311,977</u>
Net increase in cash and cash equivalents	4,769,788	93,227,760
Cash and Cash Equivalents at Beginning of Year	<u>154,211,416</u>	<u>60,983,656</u>
Cash and Cash Equivalents at End of Year	<u>\$ 158,981,204</u>	<u>\$ 154,211,416</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for:		
Dividends on members' share accounts	\$ 19,063,940	\$ 13,805,166
Interest on borrowed money	1,520,474	1,912,025

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

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024



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, Crawford, Erie, Sandusky, Lorain, Medina, Ottawa, Morrow and Seneca 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): U.S. Government and agency securities, 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.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Summary of Significant Accounting Policies (continued)

Investments (continued)

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 (FHLB) stock are carried at cost. Investments in credit union service organizations (CUSOs) 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.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the investments. 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.

For available for sale securities, management evaluates all investments in an unrealized loss position on a monthly basis, and more frequently when economic or market conditions warrant such evaluation. If the Credit Union has the intent to sell the security or it is more likely than not that the Credit Union will be required to sell the security, the security is written down to fair value and the entire loss is recorded in earnings.

Management measures expected credit losses on available-for-sale debt securities on a collective basis by major security type.

If either of the above criteria is not met, the Credit Union evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Credit Union may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected are compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit losses, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit losses expense. Losses are charged against the allowance for credit losses when management believes an available for sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2025 and 2024, there was no allowance for credit losses related to the available-for-sale portfolio.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Summary of Significant Accounting Policies (continued)

Investments (continued)

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type. Accrued interest receivable on debt securities was approximately \$93,000 and \$94,000 at December 31, 2025 and 2024, respectively, and was excluded from the estimate of credit losses.

The estimate of expected credit losses is primarily based on the ratings assigned to the securities by debt rating agencies and the average of the annual historical loss rates associated with those ratings. The Credit Union then multiplies those loss rates, as adjusted for any modifications to reflect current conditions and reasonable and supportable forecasts as considered necessary, by the remaining lives of each individual security to arrive at a lifetime expected loss amount.

All the investments classified held-to-maturity held by the Credit Union are issued by government-sponsored enterprises or are certificates of deposit issued by regulated financial institutions. Investments in government-sponsored enterprises are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. Most of the certificates of deposit are either federally or privately insured, or are in financial institutions that are being actively monitored and are not under regulatory supervision. As a result, no allowance for credit losses was recorded on investments classified held-to-maturity at December 31, 2025 and 2024.

Loans to Members, Loan Participations and Allowance for Credit 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 credit 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.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Summary of Significant Accounting Policies (continued)

Loans to Members, Loan Participations and Allowance for Credit 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 1.2% to 100% 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 overall credit quality of the loan portfolio is monitored by management based on current loan performance, historical losses and delinquency status.

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the collectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the date of the consolidated statement of financial condition. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Credit Union measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Credit Union has identified the following portfolio segments: (1) secured; (2) real estate; (3) unsecured; (4) credit cards, and (5) participations. The Credit Union calculates the allowance for credit losses for each using the Probability of Default method, except for the credit card portfolio, which utilizes the Advanced Vintage methodology.

The Probability of Default method is applied using a significant amount of statistical analysis and the development of modeling assumptions to estimate losses at a granular loan level. The Credit Union's Probability of Default model was developed by using a multinomial logistical regression analysis, with segregated analyses conducted by loan type. At a high level, this type of analysis identifies significant risk-based criteria for each loan pool that would impact a loan's probability of default. Each criterion is modeled against observable inputs and compares those criteria against observable charged-off loan information. Coefficients for each risk criterion are established and applied to the Credit Union's existing loan portfolio at the loan level to compute a probability of default for each loan. Losses are then estimated on each loan based on the likelihood of default and the estimated loss given that default. The Probability of Default model also requires the greatest amount of granular loan level and historical data, and an even larger amount of analysis over that data, in order to create probability of default models that best predicts loan losses. The Credit Union has very little influence over the model inputs and assumptions beyond the development of Q&E factors or manual overrides that can be established at the back end of the computation. This can result in projected losses that might vary from the Credit Union's actual expected losses, particularly if a given loan portfolio has risk characteristics that are unique from the rest of the financial institution industry.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Summary of Significant Accounting Policies (continued)

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

The Advanced Vintage methodology is a loss rate method whereby loans are segmented by loan origination year (the vintage year) as well as the date of loss. From there, losses on existing loan pools are projected using historical losses on older vintage years' historical charge-off patterns. The Advanced Vintage method also incorporates additional considerations, such as more recent credit quality indicators, into its analyses. Finally, current balance information is used in place of original balance information to project losses for future years, which is helpful for loan vintages that have varying prepayment speeds. This method is appealing in this regard as it accounts for loan portfolio age and incorporates this into the analysis. Weighting factors are applied to historical vintage charge-off ratios to account for changes in an entity's portfolio over time.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured. If an exposure does not share risk characteristics with other exposures, the Credit Union generally estimates expected credit losses on an individual basis, considering expected repayment and conditions impacting that individual exposure ("specific reserves"). The specific reserve component covers collateral-dependent loans and loans reasonably likely to be charged-off. When a loan is reviewed individually for impairment and potential losses, that loan is removed from the relevant pool.

The Credit Union generally measures the specific reserves as the difference between the amortized cost of the loan and the cash flows expected to be collected from the sale of the collateral or other recovery efforts. To determine expected losses on individually impaired and reviewed loans, management will evaluate qualitative data, such as member cooperation, communication with the member, etc., as well as quantitative data, such as the current value of collateral, estimated liquidation costs of collateral, etc. Subsequent changes in impairment are generally recognized as an adjustment to the allowance for credit losses. For collateral-dependent loans, the fair value of collateral less estimated costs to sell is used to determine the charge-off amount for declines in value (to reduce the amortized cost of the loan to the fair value of collateral) or the amount of negative allowance that should be recognized (for recoveries of prior charge-offs associated with improvements in the fair value of collateral).

Estimating the timing and amounts of future cash flows is highly judgmental as these cash flow projections rely upon estimates such as loss severities, asset valuations, default rates (including redefault rates on modified loans), the amounts and timing of interest or principal payments (including any expected prepayments) or other factors that are reflective of current and expected market conditions. These estimates are, in turn, dependent on factors such as the duration of current overall economic conditions, industry-, portfolio-, or borrower-specific factors, the expected outcome of insolvency proceedings as well as, in certain circumstances, other economic factors. All of these estimates and assumptions require significant management judgment and certain assumptions are highly subjective.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Summary of Significant Accounting Policies (continued)

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

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance in the inherent reserves, a change to the allowance for credit losses is generally not recorded upon modification. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. Upon the Credit Union's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off or included in the Credit Union's specific reserve. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. The Credit Union closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts.

Loan Charge-Offs

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.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill represents the excess of costs over fair value of assets acquired. In accordance with GAAP, the Credit Union is amortizing goodwill over a life of 10 years. 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 2025 and 2024.

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. The Credit Union also analyzes its MSRs periodically for credit losses. Credit losses are recognized as a direct reduction of the carrying value of the mortgage servicing right. No credit losses were recognized in the years ended December 31, 2025 and 2024. Servicing rights are amortized over the period of, and in proportion to, the estimated future net servicing revenue. Amortization is reported as a reduction of mortgage-related income within non-interest income on the Credit Union's consolidated statements 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. The core deposit intangible assets are being amortized over a period of seven years.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Summary of Significant Accounting Policies (continued)

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 2025 and 2024, 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.

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 prepaid expenses and other assets and accrued expenses and other liabilities within the Credit Union's accompanying statements of financial condition.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024



Summary of Significant Accounting Policies (continued)

Leases (continued)

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.

Members' 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" 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.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024



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 2025 and 2024, the expense related to the rewards program was approximately \$739,000 and \$784,000, 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, net of amortization.

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 \$2,102,800 and \$1,779,243 for the years ended December 31, 2025 and 2024, 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.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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.

Cash and Cash Equivalents

In 2025 and 2024, 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 totaled approximately \$142 million and \$139 million at December 31, 2025 and 2024, respectively.

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

	2025	2024
Cash on hand and cash held in non-interest bearing accounts at other financial institutions	\$ 11,365,044	\$ 13,440,717
Cash and cash equivalents held in interest bearing accounts at other institutions	147,616,160	140,770,699
Total cash and cash equivalents	\$ 158,981,204	\$ 154,211,416

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Investments

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

Available-for-Sale	2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Collateralized mortgage obligations	\$ 3,515,503	\$ 17,142	\$ (108,298)	\$ 3,424,347
Mortgage-backed securities	7,357,632	-	(760,130)	6,597,502
U.S. Government and agency securities	16,177,453	1,475	(277,253)	15,901,675
Total	\$ 27,050,588	\$ 18,617	\$ (1,145,681)	\$ 25,923,524

Available-for-Sale	2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Collateralized mortgage obligations	\$ 615,303	\$ -	\$ (142,956)	\$ 472,347
Mortgage-backed securities	8,609,526	-	(1,189,177)	7,420,349
U.S. Government and agency securities	47,499,435	-	(1,569,374)	45,930,061
Total	\$ 56,724,264	\$ -	\$ (2,901,507)	\$ 53,822,757

Gross unrealized losses at December 31 were:

	2025	2024
Gross unrealized losses for less than one year	\$ 1,145,175	\$ 761,365
Gross unrealized losses for more than one year	506	2,140,142
Total	\$ 1,145,681	\$ 2,901,507

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

	2025	2024
Held-to-Maturity	Amortized Cost	Amortized Cost
Negotiable certificates of deposit	\$ 2,750,000	\$ 4,919,000

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Investments (continued)

The amortized cost of other investments at December 31 were:

Other Investments	2025	2024
	Amortized Cost	Amortized Cost
Certificates of deposits - non-negotiable	\$ 3,500,000	\$ -
Corporate credit union non-maturing capital	1,980,212	1,980,212
FHLB capital stock	2,499,900	2,764,100
Central Liquidity Facility	3,156,431	3,071,807
Investments in unconsolidated subsidiaries	1,206,489	1,169,480
Total	\$ 12,343,032	\$ 8,985,599

The investment in corporate perpetual contributed capital and the membership share accounts have withdrawal restrictions and limited marketability. As of December 31, 2025 and 2024, the Credit Union held FHLB stock, which is a requirement for membership in the FHLB system. The stock is non-transferable and restricted in nature. It is carried at cost as it is not marketable.

The amortized cost and estimated market value of investment securities at December 31, 2025 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 2026	\$ 9,597,135	\$ 9,515,460	\$ 900,000	\$ 3,300,000
Due between 2027 and 2030	15,320,601	14,438,984	1,850,000	200,000
Due between 2031 and 2035	908,963	741,844	-	-
Non-maturing	1,223,889	1,227,236	-	8,843,032
Total	\$ 27,050,588	\$ 25,923,524	\$ 2,750,000	\$ 12,343,032

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Loans to Members, Loan Participations and Allowance for Credit Losses

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

	2025	2024
Secured loans	\$ 473,178,400	\$ 437,839,496
Real estate loans	541,122,032	499,412,062
Unsecured loans	31,831,483	32,563,035
Credit card loans	44,038,952	44,022,894
Participations	25,204,307	25,136,540
Deferred loan origination costs	6,747,617	6,010,576
Net premiums (discounts) on acquired loans	-	153,604
Total	1,122,122,791	1,045,138,207
Less: allowance for credit losses	(3,537,039)	(3,763,828)
Loans to members and loan participations, net	\$1,118,585,752	\$ 1,041,374,379

The interest rates on the loans range from 0.00% to 19.00% for the years ended December 31, 2025 and 2024.

The activity in the allowance for credit losses account for the years ended December 31 consisted of the following:

	2025	2024
Beginning balance	\$ 3,763,828	\$ 4,081,215
Provision for credit losses	3,255,000	2,375,000
Loans charged-off	(4,590,848)	(4,611,536)
Recoveries	1,109,059	1,919,149
Ending balance	\$ 3,537,039	\$ 3,763,828

The allowance for credit losses was allocated between loan pools as follows at December 31:

2025	Expected Loss	Specific Reserves	Q&E Reserves	Total
Secured loans	\$ 795,162	\$ -	\$ 235,421	\$ 1,030,583
Real estate loans	-	34,868	3,090	37,958
Unsecured loans	355,718	-	210,948	566,666
Credit card loans	887,239	-	700,037	1,587,276
Participations	212,056	-	102,500	314,556
Total allowance for credit losses	\$ 2,250,175	\$ 34,868	\$ 1,251,996	\$ 3,537,039

2024	Expected Loss	Specific Reserves	Q&E Reserves	Total
Secured loans	\$ 690,273	\$ 128,661	\$ 454,406	\$ 1,273,340
Real estate loans	1,902	41,612	-	43,514
Unsecured loans	581,124	-	-	581,124
Credit card loans	1,062,431	-	500,000	1,562,431
Participations	200,919	-	102,500	303,419
Total allowance for credit losses	\$ 2,536,649	\$ 170,273	\$ 1,056,906	\$ 3,763,828

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

Impaired Loans

The following tables include 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 by class, dollar amounts (in 000's):

2025	Secured	Real Estate	Unsecured	Credit Card	Participations	Total
Delinquency over 60 days	\$ 1,801	\$ 1,287	\$ 222	\$ 369	\$ -	\$ 3,679
Delinquent 60 -179 days	1,793	1,127	222	369	-	3,511
Delinquent 180 - 359 days	-	94	-	-	-	94
Delinquent over 360 days	8	66	-	-	-	74
Loans in non-accrual status	640	504	128	162	-	1,434

2024	Secured	Real Estate	Unsecured	Credit Card	Participations	Total
Delinquency over 60 days	\$ 1,857	\$ 999	\$ 186	\$ 671	\$ 556	\$ 4,269
Delinquent 60 -179 days	1,817	915	186	671	556	4,145
Delinquent 180 - 359 days	25	42	-	-	-	67
Delinquent over 360 days	15	42	-	-	-	57
Loans in non-accrual status	808	511	140	345	-	1,804

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 approximately \$24,000 and \$29,000 for the years ended December 31, 2025 and 2024, respectively.

The following tables show the amortized cost basis as of December 31 of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of loans and type of concession granted and describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

2025	Term Extension		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Secured	\$ 4,876,160	1.03%	Term extensions range from one to three months.
Real estate	-		
Unsecured	5,478	0.02%	
Credit card	-		
Participations	-		
Total	\$ 4,881,638		

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

Impaired Loans (continued)

2024	Term Extension		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Secured Real estate	\$ 3,575,470	0.82%	Term extensions range from one to three months.
Unsecured Credit card Participations	4,251	0.01%	
	-		
	-		
Total	\$ 3,579,721		

Upon the Credit Union's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

The following tables provide the amortized cost basis of loans that had a payment default during the year and were modified in the 12 months before default to borrowers experiencing financial difficulty as of December 31:

2025	Amortized Costs Basis of Modified Loans that Subsequently Defaulted	
	Term Extension	Combination - Term Extension and Principal Forgiveness
Secured Real estate	\$ 420,234	\$ -
Unsecured Credit card Participations	2,234	-
	-	-
	-	-
Total	\$ 422,468	\$ -

2024	Amortized Costs Basis of Modified Loans that Subsequently Defaulted	
	Term Extension	Combination - Term Extension and Principal Forgiveness
Secured Real estate	\$ 247,538	\$ 20,000
Unsecured Credit card Participations	4,062	-
	-	-
	-	-
Total	\$ 251,600	\$ 20,000

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

Impaired Loans (continued)

The following tables provide the current payment status of the modified loans as of December 31:

2025	Payment Status (Amortized Cost Basis)		
	Current	30 - 89 Days Past Due	90+ Days Past Due
Secured	\$ 4,109,294	\$ 724,157	\$ 42,709
Real estate	-	-	-
Unsecured	1,625	288	3,565
Credit card	-	-	-
Participations	-	-	-
Total	\$ 4,110,919	\$ 724,445	\$ 46,274

2024	Payment Status (Amortized Cost Basis)		
	Current	30 - 89 Days Past Due	90+ Days Past Due
Secured	\$ 2,892,979	\$ 544,205	\$ 138,286
Real estate	-	-	-
Unsecured	4,251	-	-
Credit card	-	-	-
Participations	-	-	-
Total	\$ 2,897,230	\$ 544,205	\$ 138,286

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

Impaired Loans (continued)

The following table presents the Credit Union's recorded investment in loans by credit quality indicator by year of origination as of December 31, 2025:

2025	Term Loans by Year of Origination						Total
	2025	2024	2023	2022	2021	Prior	
Secured							
Credit scores 850-740 (A+)	\$ 130,494,851	\$ 56,440,605	\$ 43,824,422	\$ 39,277,486	\$ 5,658,315	\$ 7,716,843	\$ 283,412,522
Credit scores 739-700 (A)	45,694,778	24,340,562	15,641,027	11,516,654	1,395,854	594,312	99,183,187
Credit scores 699-670 (B)	18,362,211	11,368,873	6,344,011	5,416,357	686,252	339,049	42,516,753
Credit scores 669-640 (C)	6,718,510	3,945,731	2,955,028	2,006,807	676,258	257,784	16,560,118
Credit scores 639-600 (D)	2,614,184	2,191,804	1,836,210	1,669,119	757,169	233,405	9,301,891
Credit scores 599-below (E)	957,699	1,039,811	1,635,333	2,540,622	1,381,648	436,408	7,991,521
No score	6,016,042	3,533,533	2,351,017	1,419,282	15,968	876,566	14,212,408
Total secured	210,858,275	102,860,919	74,587,048	63,846,327	10,571,464	10,454,367	473,178,400
Current period gross charge-offs	124,599	346,430	553,319	727,341	482,151	86,095	2,319,935
Real estate							
Credit scores 850-740 (A+)	69,497,499	57,437,691	39,608,973	63,180,742	84,649,057	89,694,967	404,068,929
Credit scores 739-700 (A)	16,857,007	14,231,704	12,092,446	9,773,763	12,784,506	10,209,439	75,948,865
Credit scores 699-670 (B)	6,883,613	4,832,688	5,194,029	4,854,856	3,548,013	3,498,333	28,811,532
Credit scores 669-640 (C)	2,812,140	2,812,370	1,905,950	2,236,915	2,203,156	1,993,775	13,964,306
Credit scores 639-600 (D)	660,338	634,642	643,028	1,658,360	1,290,455	1,994,519	6,881,342
Credit scores 599-below (E)	229,853	362,297	321,619	2,037,167	1,853,554	2,394,488	7,198,978
No score	45,300	228,551	1,470,685	-	839,563	1,663,981	4,248,080
Total real estate	96,985,750	80,539,943	61,236,730	83,741,803	107,168,304	111,449,502	541,122,032
Current period gross charge-offs	-	-	-	-	1	81,450	81,451
Unsecured							
Credit scores 850-740 (A+)	1,899,528	1,258,096	1,292,005	1,422,854	791,200	6,152,570	12,816,253
Credit scores 739-700 (A)	1,105,743	918,530	839,224	1,089,613	773,417	4,093,589	8,820,116
Credit scores 699-670 (B)	752,957	773,863	451,950	957,229	481,793	1,714,019	5,131,811
Credit scores 669-640 (C)	357,200	265,952	153,081	402,320	106,228	756,233	2,041,014
Credit scores 639-600 (D)	161,050	102,954	98,075	242,800	112,216	943,641	1,660,736
Credit scores 599-below (E)	119,776	89,863	117,118	250,819	106,420	620,248	1,304,244
No score	35,016	1,889	-	500	1,000	18,904	57,309
Total unsecured	4,431,270	3,411,147	2,951,453	4,366,135	2,372,274	14,299,204	31,831,483
Current period gross charge-offs	80,187	107,647	74,626	176,503	54,565	113,157	606,685
Credit card							
Credit scores 850-740 (A+)	973,078	358,625	327,333	415,921	396,889	18,769,996	21,241,842
Credit scores 739-700 (A)	552,397	295,333	298,033	308,918	208,197	8,130,972	9,793,850
Credit scores 699-670 (B)	300,890	144,089	134,661	255,784	169,665	3,908,281	4,913,370
Credit scores 669-640 (C)	162,969	122,879	102,789	156,471	163,600	2,357,243	3,065,951
Credit scores 639-600 (D)	60,832	100,658	82,188	121,122	66,661	1,556,123	1,987,584
Credit scores 599-below (E)	21,725	54,527	101,408	134,701	155,251	1,335,740	1,803,352
No score	339,138	167,247	159,452	187,151	91,102	288,913	1,233,003
Total credit card	2,411,029	1,243,358	1,205,864	1,580,068	1,251,365	36,347,268	44,038,952
Current period gross charge-offs	565	17,751	50,242	106,036	37,424	1,330,197	1,542,215
Participations							
Risk rating 1	-	-	-	-	-	-	-
Risk rating 2	-	93,640	88,839	2,272,696	896,373	321,408	3,672,956
Risk rating 3	2,484,853	1,255,547	943,699	909,501	1,967,773	3,279,745	10,841,118
Risk rating 4	168,750	1,770,086	526,848	1,250,769	281,176	4,333,248	8,330,877
Risk rating 5	-	493,092	-	-	837,247	1,029,017	2,359,356
Risk rating 6	-	-	-	-	-	-	-
Total participations	2,653,603	3,612,365	1,559,386	4,432,966	3,982,569	8,963,418	25,204,307
Current period gross charge-offs	-	-	-	-	-	40,562	40,562
Total current period gross charge-offs	\$ 205,351	\$ 471,828	\$ 678,187	\$ 1,009,880	\$ 574,141	\$ 1,651,461	\$ 4,590,848
Total loans	\$ 317,339,927	\$ 191,667,732	\$ 141,540,481	\$ 157,967,299	\$ 125,345,976	\$ 181,513,759	\$ 1,115,375,174

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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

Impaired Loans (continued)

The following table presents the Credit Union's recorded investment in loans by credit quality indicator by year of origination as of December 31, 2024:

2024	Term Loans by Year of Origination						Total
	2024	2023	2022	2021	2020	Prior	
Secured							
Credit scores 850-740 (A+)	\$ 80,595,010	\$ 68,120,649	\$ 86,285,856	\$ 14,448,912	\$ 6,394,843	\$ 2,959,504	\$ 258,804,774
Credit scores 739-700 (A)	34,712,051	24,573,462	24,098,936	4,286,994	1,381,235	773,384	89,826,062
Credit scores 699-670 (B)	15,711,937	10,027,506	9,546,436	2,701,305	812,489	408,730	39,208,403
Credit scores 669-640 (C)	5,728,279	4,786,506	4,619,377	1,609,995	520,635	231,675	17,496,467
Credit scores 639-600 (D)	2,264,112	3,145,452	3,606,288	1,387,905	673,325	264,206	11,341,288
Credit scores 599-below (E)	495,358	1,443,021	4,276,401	3,404,136	859,253	369,813	10,847,982
No score	5,167,229	2,973,537	1,909,162	60,464	-	204,128	10,314,520
Total secured	144,673,976	115,070,133	134,342,456	27,899,711	10,641,780	5,211,440	437,839,496
Current period gross charge-offs	109,182	793,513	801,331	318,424	173,416	103,026	2,298,892
Real estate							
Credit scores 850-740 (A+)	64,421,554	47,411,928	67,411,354	92,762,017	43,915,636	56,499,228	372,421,717
Credit scores 739-700 (A)	15,038,602	13,512,485	10,976,018	15,045,887	5,074,568	7,761,442	67,409,002
Credit scores 699-670 (B)	5,708,176	6,581,705	5,862,955	4,788,127	2,845,199	3,400,096	29,186,258
Credit scores 669-640 (C)	3,016,183	1,727,828	3,291,685	2,166,419	351,726	2,024,964	12,578,805
Credit scores 639-600 (D)	545,002	644,327	1,548,268	1,191,639	234,036	1,902,513	6,065,785
Credit scores 599-below (E)	208,222	381,869	1,890,352	1,294,973	535,499	2,105,930	6,416,845
No score	231,253	1,569,655	-	1,412,250	278,236	1,842,256	5,333,650
Total real estate	89,168,992	71,829,797	90,980,632	118,661,312	53,234,900	75,536,429	499,412,062
Current period gross charge-offs	-	-	20,147	-	-	-	20,147
Unsecured							
Credit scores 850-740 (A+)	2,100,347	1,772,906	1,390,015	884,484	813,717	5,664,345	12,625,814
Credit scores 739-700 (A)	1,178,403	1,204,488	1,732,391	810,131	641,719	3,692,154	9,259,286
Credit scores 699-670 (B)	860,820	651,125	880,579	539,837	411,597	1,951,647	5,295,605
Credit scores 669-640 (C)	358,396	257,716	438,055	294,078	140,389	974,989	2,463,623
Credit scores 639-600 (D)	149,523	125,323	193,453	52,017	108,437	512,249	1,141,002
Credit scores 599-below (E)	72,359	101,672	379,668	155,906	72,167	603,750	1,385,522
No score	368,198	-	1,450	955	-	21,580	392,183
Total unsecured	5,088,046	4,113,230	5,015,611	2,737,408	2,188,026	13,420,714	32,563,035
Current period gross charge-offs	316,944	102,562	189,346	50,703	48,521	141,026	849,102
Credit card							
Credit scores 850-740 (A+)	250,866	359,003	353,078	327,249	363,802	18,904,922	20,558,920
Credit scores 739-700 (A)	129,266	251,557	348,579	230,059	268,985	8,765,467	9,993,913
Credit scores 699-670 (B)	170,520	213,917	250,254	213,335	114,334	4,303,407	5,265,767
Credit scores 669-640 (C)	88,057	94,995	261,927	141,084	130,472	2,407,333	3,123,868
Credit scores 639-600 (D)	45,066	75,732	87,718	116,370	86,747	1,594,167	2,005,800
Credit scores 599-below (E)	28,345	75,768	190,934	108,225	148,472	1,394,462	1,946,206
No score	277,012	164,959	243,481	86,916	46,574	309,478	1,128,420
Total credit card	989,132	1,235,931	1,735,971	1,223,238	1,159,386	37,679,236	44,022,894
Current period gross charge-offs	6,447	17,398	104,900	49,777	45,253	1,219,620	1,443,395
Participations							
Risk rating 1	-	-	-	-	-	-	-
Risk rating 2	899,218	90,647	2,283,088	685,725	-	1,097,326	5,056,004
Risk rating 3	1,207,075	1,333,027	1,121,729	3,884,468	233,899	2,863,160	10,643,358
Risk rating 4	1,182,922	164,925	1,100,024	1,153,847	2,205,328	2,541,516	8,348,562
Risk rating 5	-	-	-	-	-	1,048,054	1,048,054
Risk rating 6	-	-	-	-	-	40,562	40,562
Total participations	3,289,215	1,588,599	4,504,841	5,724,040	2,439,227	7,590,618	25,136,540
Current period gross charge-offs	-	-	-	-	-	-	-
Total current period gross charge-offs	\$ 432,573	\$ 913,473	\$ 1,115,724	\$ 418,904	\$ 267,190	\$ 1,463,672	\$ 4,611,536
Total loans	\$ 243,209,361	\$ 193,837,690	\$ 236,579,511	\$ 156,245,709	\$ 69,663,319	\$ 139,438,437	\$ 1,038,974,027

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Property and Equipment

Property and equipment at December 31 consisted of the following:

	2025	2024
Land and improvements	\$ 3,332,216	\$ 3,717,205
Buildings and improvements	19,091,626	18,960,482
Furniture and equipment	11,353,623	10,761,173
Assets not placed into service	183,126	94,164
Total property and equipment	33,960,591	33,533,024
Less: accumulated depreciation	(20,991,895)	(19,902,894)
Total property and equipment, net	\$ 12,968,696	\$ 13,630,130

Goodwill

Goodwill and accumulated amortization at December 31 were:

	Goodwill	Accumulated Amortization	Total
Balance, December 31, 2023	\$ 2,614,293	\$ (1,328,978)	\$ 1,285,315
Amortization expense	-	(261,420)	(261,420)
Balance, December 31, 2024	2,614,293	(1,590,398)	1,023,895
Amortization expense	-	(261,420)	(261,420)
Balance, December 31, 2025	\$ 2,614,293	\$ (1,851,818)	\$ 762,475

Estimated future goodwill amortization at December 31, 2025 is as follows:

2026	\$ 261,420
2027	261,420
2028	239,635
Total	\$ 762,475

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 was included in prepaid expenses and other assets on the consolidated statements of financial condition. The core deposit intangible asset was fully amortized in 2025. Accumulated amortization was \$2,136,168 as of December 31, 2024.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Loans Serviced

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

	2025	2024
Balance, beginning of the year	\$ 1,399,743	\$ 1,712,592
Amortization	(289,112)	(312,849)
Balance, end of year	\$ 1,110,631	\$ 1,399,743
Fair value, end of year	\$ 1,200,000	\$ 1,400,000

The unpaid principal balance of residential loans serviced for third parties was approximately \$169,000,000 and \$179,000,000 at December 31, 2025 and 2024, respectively.

Leases

The Credit Union has operating leases for multiple branch office locations throughout Northwest Ohio, 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).

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

	2025	2024
Operating Lease		
Right-of-use asset - operating lease	\$ 5,740,322	\$ 6,813,009
Short-term operating lease liability	1,737,173	1,657,616
Long-term operating lease liability	4,956,741	6,272,567
Total operating lease liability	\$ 6,693,914	\$ 7,930,183

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Leases (continued)

The maturity of the lease liability as of December 31, 2025 was as follows:

		Operating Leases
	2026	\$ 1,913,723
	2027	1,828,208
	2028	1,397,670
	2029	1,072,796
	2030	865,960
	Thereafter	123,571
	Total undiscounted cash flows	7,201,928
	Less: present value discount	(508,014)
	Total lease liabilities	\$ 6,693,914

The following summarizes the components of lease expense for the years ended December 31:

	2025	2024
Operating lease expense	\$ 1,762,406	\$ 1,657,785
Variable lease expense	68,943	68,943
Total lease expense	\$ 1,831,349	\$ 1,726,728

The following summarizes additional information related to the leases for the years ended December 31:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,914,219	\$ 1,789,025
ROU assets obtained in exchange for new operating lease liabilities		
For the year ended December 31	627,348	1,114,616
Weighted-average remaining lease term in years for operating leases	4.30	5.11
Weighted-average discount rate for operating leases	2.62%	2.54%

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Members' Share Accounts

Members' share accounts at December 31 were as follows:

	2025	2024
Regular shares	\$ 307,054,013	\$ 313,294,357
Checking accounts	234,834,772	230,107,291
Money market accounts	350,876,098	262,384,341
Club accounts	37,865,864	40,706,079
IRA accounts	46,722,225	46,378,636
Share and IRA certificates	197,985,829	226,775,453
Total members' shares	\$ 1,175,338,801	\$ 1,119,646,157

Scheduled maturities of shares at December 31, 2025 were as follows:

2026	\$ 1,072,458,527
2027	55,557,239
2028	24,431,958
2029	8,910,805
2030	13,980,272
Total maturities	\$ 1,175,338,801

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

	2025	2024
Regular shares	\$ 310,126	\$ 337,126
Checking accounts	171,665	180,474
Money market accounts	7,755,206	4,719,638
Club accounts	44,993	50,774
IRA accounts	72,477	69,194
Share and IRA certificates	10,710,923	8,449,561
Total dividend expenses	\$ 19,065,390	\$ 13,806,767

The aggregate amount of members' share accounts that exceeded the NCUA's primary insured limit and the Credit Union's excess share insurance limit was approximately \$14,100,000 and \$15,300,000 at December 31, 2025 and 2024, respectively.

Notes Payable

The Credit Union maintains a \$45,000,000 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, 2025 and 2024.

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

Notes Payable (continued)

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. Outstanding notes payable totaled \$27,342,320 and \$35,670,298 as of December 31, 2025 and 2024, respectively. The maximum borrowing capacity under this arrangement was approximately \$265,082,000 and \$215,152,000 at December 31, 2025 and 2024, respectively. The notes bear interest at fixed rates of 4.33% to 5.12%. Required principal repayments for the year ended December 31, 2025 are as follows:

2028	\$ 22,816,666
2033	4,525,654
Total	\$ 27,342,320

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:

	2025	2024
Loans	\$ 16,787,192	\$ 16,627,754
Shares	8,432,024	8,502,851

Activity related to loans receivable from members of the official Credit Union family at December 31 were as follows:

	2025	2024
Beginning balance	\$ 16,627,754	\$ 17,921,383
Loan originations	3,125,133	3,061,602
Loan repayments	(2,965,695)	(4,355,231)
Ending balance	\$ 16,787,192	\$ 16,627,754

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

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, 2025 and 2024, the loans due to the Credit Union from the officers for this agreement totaled \$4,377,602 and \$4,272,580, 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 \$976,557 and \$949,900 at December 31, 2025 and 2024, 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 \$124,500 and \$15,000 accrued as of December 31, 2025 and 2024, 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, 2025 and 2024 were \$507,125 and \$418,874, respectively.

Commitments and Contingent Liabilities

The Credit Union is a party to various legal actions normally associated with financial institutions. The Credit Union accrued \$1,200,000 for these actions as of December 31, 2025. There was no accrual for these actions as of December 31, 2024.

The Credit Union has extended lines of credit to members who have not been entirely drawn at December 31, 2025 and 2024. The available credit to members that has not been reflected in the consolidated financial statements was as follows:

	2025	2024
Loan Type:		
Business loans	\$ 2,766,444	\$ 2,338,189
Open-end loans	11,672,190	15,802,542
Credit cards	128,844,768	123,900,629
Construction loans and home equity lines of credit	49,521,221	45,452,653
Overdraft protection	33,828,480	33,667,924
Total	\$ 226,633,103	\$ 221,161,937

DIRECTIONS CREDIT UNION, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2025 and 2024



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.

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, 2025 and 2024, the Credit Union elected the CCULR framework and the ratio was 9.23% and 9.50%, respectively.

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.