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DUKE UNIVERSITY FEDERAL CREDIT UNION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 and 2022

45 YEARS

Nearman
Maynard • Vallez
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Supervisory Committee
Duke University Federal Credit Union
Durham, North Carolina

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of Duke University Federal Credit Union (the Credit Union), which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of income, changes in members' equity, comprehensive income, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2023 and 2022, 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 the Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements
Our responsibilities are to obtain reasonable assurance about whether the 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

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may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 these financial statements.

In performing an audit in accordance with GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

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

Nearman, Maynard, Vallez, CPAs, P.A.

Nearman, Maynard, Vallez, CPAs, P.A.
Miami, Florida
April 3, 2024

DUKE UNIVERSITY FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION

ASSETS

Assets		**2023**		**2022**
Cash and cash equivalents	$	20,486,381	$	39,412,294
Available-for-sale debt securities (amortized cost $61,000,000 net of allowance for credit losses of $0 and amortized cost of $61,000,000)		57,750,080		55,603,760
Other investments		6,777,794		6,757,047
Federal Home Loan Bank (FHLB) stock		143,300		100,500
Loans receivable, net of allowance for loan losses		-		93,975,288
Loans receivable, net of allowance for credit losses of $883,697		100,539,302		-
Accrued interest receivable		461,899		370,521
Premises and equipment, net		103,555		96,016
National Credit Union Share Insurance Fund deposit		1,738,106		1,786,991
Assets acquired in liquidation		-		12,973
Right-of-use assets		1,973,508		2,420,340
Other assets		3,990,212		3,929,047
Total Assets	$	193,964,137	$	204,464,777

LIABILITIES AND MEMBERS' EQUITY

		2023		**2022**
Liabilities				
Share and savings accounts	$	176,215,131	$	190,531,686
Lease liabilities		1,973,508		2,420,340
Accrued expenses and other liabilities		979,540		842,034
Total liabilities		179,168,179		193,794,060
Commitments and contingent liabilities				
Members' Equity				
Undivided earnings		18,045,878		16,066,957
Accumulated other comprehensive loss		(3,249,920)		(5,396,240)
Total members' equity		14,795,958		10,670,717
Total Liabilities and Members' Equity	$	193,964,137	$	204,464,777

The accompanying notes are an integral part of these financial statements.

DUKE UNIVERSITY FEDERAL CREDIT UNION
STATEMENTS OF INCOME

	December 31, 2023	December 31, 2022
Interest Income		
Interest on loans receivable	$ 4,948,260	$ 4,119,224
Interest on investments	1,974,821	1,234,002
Interest income	6,923,081	5,353,226
Interest Expense		
Dividends on share and savings accounts	229,517	42,663
Interest on borrowed funds	360	-
Interest expense	229,877	42,663
Net Interest Income	6,693,204	5,310,563
Provision for Credit/Loan Losses	495,229	302,352
Net Interest Income After Provision for Credit/Loan Losses	6,197,975	5,008,211
Non-Interest Income		
Card income	1,197,165	1,226,993
Fees and service charges	860,844	796,357
Insurance commission income	194,321	193,684
Other non-interest income	3,781	24,832
Capital share claim reimbursement	-	170,088
Non-interest income	2,256,111	2,411,954
Non-Interest Expense		
Compensation and employee benefits	3,019,245	2,786,100
Operations	1,563,970	1,496,819
Professional and outside services	797,672	678,050
Occupancy	569,269	608,405
Loan servicing	461,240	395,272
Education and promotion	63,769	84,260
Non-interest expense	6,475,165	6,048,906
Net Income	$ 1,978,921	$ 1,371,259

The accompanying notes are an integral part of these financial statements.

DUKE UNIVERSITY FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN MEMBERS' EQUITY

COMPREHENSIVE INCOME

	December 31, 2023	December 31, 2022
Net Income	$ 1,978,921	$ 1,371,259
Other Comprehensive Income (Loss)		
Net unrealized holding gains/(losses) on securities arising during the year	2,146,320	(4,939,590)
	2,146,320	(4,939,590)
Comprehensive Income (Loss)	$ 4,125,241	$ (3,568,331)

CHANGES IN MEMBERS' EQUITY

	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2021	$ 14,695,698	$ (456,650)	$ 14,239,048
Net income	1,371,259	-	1,371,259
Change in unrealized gain/(loss) on securities	-	(4,939,590)	(4,939,590)
Balance, December 31, 2022	16,066,957	(5,396,240)	10,670,717
Net income	1,978,921	-	1,978,921
Change in unrealized gain/(loss) on securities	-	2,146,320	2,146,320
Balance, December 31, 2023	$ 18,045,878	$ (3,249,920)	$ 14,795,958

The accompanying notes are an integral part of these financial statements.

DUKE UNIVERSITY FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS

	December 31, 2023	December 31, 2022
Cash Flows From Operating Activities		
Net income	$ 1,978,921	$ 1,371,259
Adjustments to reconcile net income to net cash:		
Provision for credit/loan losses	495,229	302,352
Depreciation of premises and equipment	62,466	117,655
Amortization of deferred loan origination fees/costs	10,719	1,563
Changes in operating assets and liabilities:		
Accrued interest receivable	(91,378)	(97,885)
Other assets	(61,165)	636,909
Accrued expenses and other liabilities	137,506	67,236
Net cash provided by operating activities	2,532,298	2,399,089
Cash Flows From Investing Activities		
Purchases of:		
Available-for-sale debt securities	-	(7,000,000)
FHLB stock	(42,800)	(10,200)
Premises and equipment	(70,005)	(62,096)
Proceeds from:		
Sale of mortgage loans	-	1,059,745
Net change in:		
Other investments	(20,747)	274,680
Loans receivable, net of charge-offs	(7,243,863)	(5,985,637)
Assets acquired in liquidation	12,973	(4,178)
NCUSIF deposit	48,885	(102,845)
Recoveries on loans charged off	173,901	143,511
Net cash used in investing activities	(7,141,656)	(11,687,020)
Cash Flows From Financing Activities		
Net change in share and savings accounts	(14,316,555)	4,935,072
Net cash (used in) provided by financing activities	(14,316,555)	4,935,072
Net Change in Cash and Cash Equivalents	(18,925,913)	(4,352,859)
Cash and Cash Equivalents at Beginning of Year	39,412,294	43,765,153
Cash and Cash Equivalents at End of Year	$ 20,486,381	$ 39,412,294
Supplemental Cash Flow Disclosure		
Dividends and interest paid	$ 229,877	$ 42,663
Loans receivable transferred to assets acquired in liquidation	$ -	$ 12,973

The accompanying notes are an integral part of these financial statements.

DUKE UNIVERSITY FEDERAL CREDIT UNION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Organization

Duke University Federal Credit Union (the Credit Union) is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purposes of promoting thrift among, and creating a source of credit for its members. Participation in the Credit Union is limited to those individuals that qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (U.S. 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, Management has made estimates based on assumptions for fair value of assets and liabilities and the assessment of other than temporary impairment on investments. Actual results could differ from these estimates. Material estimates that are particularly subject to change in the near term include the determination of the allowance for loan losses (ALL), valuation of securities, and the fair value of financial instruments.

Basis of Presentation

The Credit Union follows the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes U.S. GAAP, as detailed in the Accounting Standards Codification (ASC), that are followed to ensure consistent reporting of the financial condition, results of operations and cash flows of the Credit Union.

Cash and Cash Equivalents

For purposes of the statement of financial condition and the statement of cash flows, cash and cash equivalents includes cash on hand, amounts due from financial institutions, and highly liquid debt instruments classified as cash which were purchased with maturities of three months or less. Amounts due from financial institutions may, at times, exceed federally insured limits.

Debt Securities

Debt securities are classified as held-to-maturity when the Credit Union has the positive intent and ability to hold the securities to maturity and are carried at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in "Other Comprehensive (Loss) Income." Realized gains and losses on securities available-for-sale are included in "Other Noninterest Income" or expense and, when applicable, are reported as a reclassification adjustment in "Accumulated other comprehensive income (loss)." Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity/call date.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union's intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more likely than not the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in "Non-interest income".

With the adoption of ASU 2016-13, expected credit losses on securities are measured on a collective basis by major security type. In addition to the major security types, management may further evaluate the qualitative factors associated with these securities to determine the expectation of credit losses, if any. Impairments below cost in the estimated fair value of individual debt securities that are attributable to credit losses are recorded through an allowance for credit losses. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Impairments below cost attributable to other factors are realized in noninterest income in the consolidated statements of income. Gains and losses on the sale of debt securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

Unrealized gains and losses on debt securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. Purchase premiums and discounts are typically recognized in interest income using the interest method over the terms of the securities. Management assesses the financial condition and near-term prospects of the issuer, industry and/or geographic conditions, credit ratings as well as other indicators at the individual security level. Impairments below cost in the estimated fair value of individual available-for-sale debt securities when there is an intent to sell or for which it more likely than not the Credit Union will be required to sell before the impairment is recovered, are realized in noninterest income in the consolidated statements of income. When there is not an intent to sell or it is more likely than not the Credit Union will not be required to sell the security before the impairment is recovered, management assesses whether the decline in fair value has resulted from credit losses or other factors. If the present value of discounted cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for available-for-sale credit losses is recorded. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Any future changes in the allowance for credit losses is recorded as a provision for (reversal of) credit losses. Losses attributable to other factors are charged to accumulated other comprehensive income. Gains and losses on the sale of available-for-sale debt securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

Other Investments

Other investments are carried, as a practical expedient, at cost, less impairment, plus or minus changes resulting from observable price changes.

Federal Home Loan Bank (FHLB) Stock

The Credit Union, as a member of the FHLB, is required to maintain a minimum stock investment with the FHLB based on a formula developed by the FHLB that considers the Credit Union's total assets and outstanding advances from the FHLB. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment. Because this stock is viewed as a long term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans Receivable

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at amortized cost, which is the outstanding principal balance net of any deferred fees or costs, charge-offs, and unamortized premiums or discounts on originated or purchased loans. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. When principal or interest is delinquent for 60 days or more, the Credit Union evaluates the loan for nonaccrual status.

After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

Loan fees and certain direct loan origination costs are deferred, and the net cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

Allowance for Credit Losses - Loans

As of January 1, 2023, the Credit Union adopted Accounting Standards Update 2016-13, "Financial Instruments - Credit Losses, Topic 326" (ASC 326) which replaces the incurred loss methodology that incorporated only known information as of the balance sheet date with a current expected credit loss (CECL) model. The CECL model is Management's estimate of lifetime expected credit losses for financial assets measured at amortized cost including loans receivables, held-to-maturity investments and off-balance sheet credit exposures such as conditionally cancelable unfunded commitments. The allowance for loan credit losses (ALCL) is estimated using quantitative methods that consider a variety of factors such as historical loss experience, the current credit quality of the portfolio and supportable forecasts of the economic outlook over the life of the loan. It is adjusted through a provision for credit losses charged to earnings. There are two components of the ALCL: reserves on pooled loans sharing risk characteristics (portfolio segments) and individually evaluated loans that do not fit within a portfolio segment.

The allowance for off-balance sheet risk is an estimated liability for losses on commitments expected to be funded over its estimated life and the likelihood that funding will occur. The Credit Union will report adjustments to the liability as a credit loss expense.

Management uses a disciplined process and methodology to establish the allowance for credit losses each month. To determine the total ALCL, Management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans with similar risk factors (such as, but not limited to, loan type and structure, collateral type, leverage ratio, refinancing risk and origination quality) analyzed on a pooled basis. The ALCL consists of amounts applicable to the following loan types: (i) auto; (ii) real estate; (iii) other consumer secured; (iv) unsecured and credit cards; and (v) member business/commercial loans.

To determine the balance of the loan allowance account, loans are pooled by portfolio segment and losses are modeled using the Weighted Average Remaining Maturity (WARM), Advanced Vintage, and historical loss methods and quantitative adjustments, as deemed necessary, over the loss emergence period. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment. The Credit Union uses vendor-supplied and internally-developed methods in this process. 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 credit losses relies on a consistent process that requires multiple layers of 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 credit losses. The Credit Union's allowance for loan credit losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends driving statistically modeled reserves. Individual loan risk ratings are evaluated based on each situation by experienced credit officers.

Management monitors differences between estimated and actual incurred credit losses. This monitoring process includes periodic assessments by management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for credit losses are made by charges to the provision for credit losses. Credit exposures deemed to be uncollectible are charged against the ALCL. Accrued interest balances are reversed when a loan is placed in non-accrual status and therefore excluded from the ALCL calculation. Recoveries of previously charged off amounts are credited to the reserve.

Consumer and non real estate secured commercial loans are typically charged off no later than 180 days past due. Residential and commercial real estate loans are evaluated for charge-off on a case-by-case basis and are typically charged-off at the time of foreclosure. Past-due status is based on the contractual terms of the loans. In all cases, loans are placed on nonaccrual status or charged-off at an earlier date if the collection of principal and interest is considered doubtful.

Loan Modifications

In situations where, for economic or legal reasons related to a member's 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 loan modification. 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 forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral.

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the required allowance for loan losses balance using past loan loss experience, known and inherent risks in the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance for loan losses may be made for specific loans, but the entire allowance is available for any loan that, in Management's judgment, should be charged-off. Loan losses are charged against the allowance for loan losses when Management believes the uncollectability of a loan balance is confirmed.

The allowance for loan losses consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general component covers non-classified loans and is based on historical loss experience adjusted for current factors.

Due to the nature of uncertainties related to any estimation process, Management's estimate of loan losses inherent in the loan portfolio may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated. In addition, the Credit Union's regulator, as an integral part of its examination process, periodically reviews the Credit Union's allowance for loan losses. The regulator may require the Credit Union to adjust the allowance for loan losses based on their judgments of information available to them at the time of their examination.

A loan is considered impaired when, based on current information and events, full payment under the loan terms is not expected. Impairment is generally evaluated in total for smaller-balance loans of similar nature such as residential mortgage, consumer, and credit card loans, but may be evaluated on an individual loan basis if deemed necessary. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. The Credit Union's policy for repossessing collateral is that when all other collection efforts have been exhausted, the Credit Union enforces its first lien holder status and repossesses the collateral. The Credit Union has full and complete access to repossessed collateral. Repossessed collateral normally consists of vehicles and residential real estate.

Premises and Equipment

Furniture and equipment are carried at cost, less accumulated depreciation. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are expensed, and major improvements and renovations are capitalized. Management reviews premises and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Gains and losses on disposals are included in current operations.

Assets Acquired in Liquidation

Assets acquired in liquidation through repossession, foreclosure or other legal proceeding are initially recorded at the lower of the Credit Union's carrying amount or fair value less estimated selling cost at the date of repossession or foreclosure . Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After repossession or foreclosure, if the Credit Union continues to hold the asset or property held for sale, it is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on the asset or property to be held and used are measured as the amount by which the carrying amount of the asset or property exceeds its fair value. Costs of significant asset or property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by Management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of the asset or property to the lower of its cost or fair value less cost to sell.

The Credit Union has no foreclosed residential real estate property held for sale and no loans collateralized by residential real estate in the process of foreclosure as of December 31, 2023 and 2022, respectively.

NCUSIF 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 insurable 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 and Savings Accounts

Shares include savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. As a natural person credit union, deposits that exceed the $250,000 NCUA insurance limit (uninsured shares) are subordinated to all other liabilities of the Credit Union upon liquidation except subordinated debt. Dividends on share and savings accounts, except for interest on certificates of deposit which is set in advance, is based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates on share and savings accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Federal and State Tax Exemption

The Credit Union is exempt from most federal, state, and local taxes under the provisions of the Internal Revenue Code and state tax laws. The Income Taxes Topic of the FASB ASC clarifies accounting for uncertainty in income taxes reported in the financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they meet the "more likely than not" standard for sustainability on examination by tax authorities. Management has determined there are no material uncertain tax positions.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the members' equity section of the statements of financial condition.

Advertising Costs
Advertising costs are expensed as incurred.

Fair Value Measurements
The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 Inputs
Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date.

Level 2 Inputs
Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 Inputs
Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Subsequent Events
In preparing these financial statements, the Credit Union evaluated events and transactions for potential recognition or disclosure through April 3, 2024, the date on which the financial statements were available to be issued.

Reclassifications
Certain 2022 financial statement amounts have been reclassified to conform with classifications adopted in the current year. This reclassification did not have any change on net income or members' equity.

New Accounting Pronouncements
Accounting Standards Update (ASU) 2016-13, "Financial Instruments-Credit Losses," (Topic 326)
This ASU requires an approach based on expected losses to estimate credit losses on certain types of financial instruments. It also modifies the impairment model for available-for-sale (AFS) debt securities and provides a simplified accounting model for purchased financial assets with credit deterioration since their origination.

The ASU requires credit unions to measure impairment on their existing loan portfolios on the basis of the current estimate of contractual cash flows not expected to be collected. The estimate of expected credit losses is based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable supportable forecasts that affect the expected collectability of the assets' remaining contractual cash flows. This new model is called the Current Expected Credit Loss (CECL) model.

The transition to the CECL model will bring with it significantly greater data requirements and demand a more complex methodology to accurately account for expected losses under the new parameters. The transition will also require a significant increase in the allowance for loan and lease losses (ALLL) account balance. FASB has allowed for this one-time increase in the ALLL to come directly from undivided earnings, rather than reflected through the provision for loan losses expense account. The increase, or the adjustment to the ALLL, will reduce net worth, however it does spare a negative impact to the income statement. This ASU applies to all financial assets that are not accounted for at fair value and are exposed to potential credit risk.

The Credit Union implemented ASU 2016-13 "Financial Instruments-Credit Losses" and applicable subsequent standard updates impacting ASU 2016-13 January 1, 2023. As a result of this implementation, the transaction had no or an immaterial effect on retained earnings, as such no adjustment to opening retained earnings was recorded.

ASU No. 2022-02 "Troubled Debt Restructurings and Vintage Disclosures"

On March 31, 2022, the FASB issued Accounting Standards Update (ASU) 2022-02, Troubled Debt Restructurings and Vintage Disclosures. This ASU eliminates troubled debt restructurings (TDR) reporting guidance under ASC 310-40 for institutions who have adopted ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The update also amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination and adds new disclosure requirements for loan modifications made to a borrower experiencing financial difficulty.

ASU 2022-02 introduces new disclosure requirements for modifications of receivables to borrowers experiencing financial difficulty. The definition of "experiencing financial difficulty" was brought forward from the TDR guidance (ASC 310-40), so the same considerations can be applied to making that determination. Creditors should evaluate all modifications as either a new loan or the continuation of an existing loan under the general guidance on loan refinancing and restructuring in ASC 310-20-35-9 through 35-11. The new ASU specifically identifies four types of modifications to borrowers experiencing financial difficulty about which specific information must be disclosed:

- Principal forgiveness
- Interest rate reduction
- Other-than-insignificant payment delays
- Term extensions

Creditors should disclose the following by class of financing receivable: amortized cost, percentage by class, changes of contractual terms, and performance in the 12 months after modification.

Creditors should also disclose qualitative information about how the modifications and the debtors' subsequent performance factor into determining the allowance for credit losses.

For each reporting period, disclosure is required related to those modifications that defaulted and how those defaults are factored into determining the allowance.

The Credit Union implemented this update along with ASU 2016-13 on January 1, 2023.

NOTE 2: INVESTMENTS

Investments consist of the following:

Available-for-Sale Debt Securities

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	$ 61,000,000	$ -	$ (3,249,920)	$ 57,750,080

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	$ 61,000,000	$ -	$ (5,396,240)	$ 55,603,760

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position are as follows:

	As of December 31, 2023			
	Less than 12 months		12 months or greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency securities	$ -	$ -	$ 57,750,080	$ (3,249,920)

	As of December 31, 2022			
	Less than 12 months		12 months or greater	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Federal agency securities	$ 6,606,760	$ (393,240)	$ 48,997,000	$ (5,003,000)

There are a total of 21 securities with unrealized losses as of December 31, 2023 and 2022, respectively. The unrealized losses associated with these securities are considered temporary as the Credit Union has the ability to hold these securities for a period of time sufficient to allow for any anticipated recovery in fair value.

The amortized cost and estimated fair value of debt securities by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

	December 31, 2023	
	Amortized Cost	Fair Value
Within 1 year	$ 22,500,000	$ 21,892,720
1 to 5 years	38,500,000	35,857,360
Total	$ 61,000,000	$ 57,750,080

Other Investments

	December 31,	
	2023	2022
Certificates of deposit	$ 6,018,102	$ 5,963,271
Perpetual capital at Vizo Financial Corporate Credit Union	698,508	698,508
Other deposits at corporate credit unions	21,153	54,667
CUSO Investments	40,031	40,601
Total	$ 6,777,794	$ 6,757,047

Perpetual contributed capital is not subject to share insurance covered by the National Credit Union Share Insurance Fund or any other deposit insurer. The perpetual contributed capital is redeemable only at the option of corporate credit union provided regulatory approval is obtained. Perpetual contributed capital cannot be pledged against borrowings, has no scheduled maturity, and offers non-cumulative dividends.

NOTE 3: LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT/LOAN LOSSES

Loans Receivable

Loans receivable consist of the following:	December 31,	
	2023	2022
Residential first mortgage real estate	$ 46,242,601	$ 46,629,806
Residential second mortgage real estate	12,606,561	11,370,840
Consumer secured	17,540,956	17,701,405
Consumer unsecured	17,032,369	14,329,406
Commercial real estate	8,000,512	4,699,408
	101,422,999	94,730,865
Allowance for credit losses	(883,697)	-
Allowance for loan losses	-	(755,577)
Loans receivable, net	$ 100,539,302	$ 93,975,288

	December 31,	
Included in the loan amounts above:	2023	2022
Deferred loan origination fees/costs, net	$ (28,641)	$ (60,867)

Allowance for Credit Losses - Loans

The Credit Union has an established methodology to determine the adequacy of the loan allowance for credit losses that assesses the risks and losses inherent in the Credit Union's portfolio. For purposes of determining the allowance for loan credit losses, the Credit Union segments certain loans in its portfolio by product type. The Credit Union's loans are segmented into the following pools: real estate, consumer secured, consumer unsecured, and member business/commercial portfolios. Each pool of loan requires significant judgment which includes assessing the size, complexity and available data to determine the CECL methodology that fits each pool. The Credit Union uses both internally developed and vendor supplied models in this process. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions the Credit Union uses 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 following are the factors the Credit Union uses to determine the balance of the allowance account for each segment or class of loans.

Real Estate

Real Estate loans are pooled by portfolio class and the WARM and Advanced Vintage methodologies are applied to each class. Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional quantitative and environmental multipliers to loan balances.

Consumer Secured

Consumer Secured loans include loans secured by deposits, recreational vehicles, motorcycles and other assets. These loans are not assessed at an underlying class level. The WARM methodology is applied to each class. Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional quantitative and environmental multipliers to loan balances.

Consumer Unsecured and Credit Cards

Unsecured consumer loans are pooled by portfolio class. The Advanced Vintage methodology is applied to the Unsecured and Credit Card classes and a historical loss percentage is applied to Negative Shares. Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional quantitative and environmental multipliers to loan balances.

Member Business/Commercial

Member business/commercial loans include real estate loans secured by commercial and industrial properties, office or mixed-use facilities and other commercial assets for use in the normal course of a member's business and the WARM methodology is applied to each class. Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional quantitative and environmental multipliers to loan balances.

The Credit Union's Estimation Process

The Credit Union estimates credit losses under multiple economic scenarios to establish a range of potential outcomes for each criterion the Credit Union applies to the allowance calculation. Management applies judgment to develop its own view of loss probability within that range, using external and internal parameters with the objective of establishing an allowance for the losses inherent within these portfolios as of the reporting date.

Reflected in the portions of the allowance previously described is an amount for imprecision or uncertainty that incorporates the range of probable outcomes inherent in estimates used for the allowance, which may change from period to period. This amount is the result of the management's judgment of risks inherent in the portfolios, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect the Credit Union's view of risk in each loan portfolio. No single statistic or measurement determines the adequacy of the allowance for credit loss. Changes in the allowance for credit loss and the related provision expense can materially affect net income.

The total allowance reflects management's estimate of credit losses inherent in the loan portfolio at the balance sheet date. The Credit Union considers the allowance for credit losses adequate to cover credit losses inherent in the loan portfolio. The following table presents by portfolio segment, the changes in the allowance for credit losses.

	For the year ending December 31, 2023 As Reported Under ASC 326			
	Commercial	Residential Real Estate	Consumer	Total
Allowance for credit losses:				
Beginning balance, prior to adoption of FASB ASU 2016-13	$ 38,000	$ 62,896	$ 654,681	$ 755,577
Impact of adopting FASB ASU 2016-13	-	-	-	-
Provision for credit losses	42,506	22,007	430,716	495,229
Recoveries on previous credit losses	-	5,404	168,497	173,901
Loans receivable charged off	-	(9,167)	(531,843)	(541,010)
Ending balance	$ 80,506	$ 81,140	$ 722,051	$ 883,697

Allowance for Loan Losses Account

The following summarizes the activity in the allowance for loan losses account for the year ending:

	December 31, 2022			
	Commercial	Residential Real Estate	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 14,503	$ 115,662	$ 542,309	$ 672,474
Provision for loan losses	23,497	(78,534)	357,389	302,352
Recoveries on previous loan losses	-	25,768	117,743	143,511
Loans receivable charged off	-	-	(362,760)	(362,760)
Ending balance	$ 38,000	$ 62,896	$ 654,681	$ 755,577
Loans receivable:				
Individually evaluated for impairment	$ -	$ 583,352	$ 335,092	$ 918,444
Collectively evaluated for impairment	4,699,408	57,417,294	31,695,719	93,812,421
Total loans receivable	$ 4,699,408	$ 58,000,646	$ 32,030,811	$ 94,730,865
Allowance for loan losses:				
Individually evaluated for impairment	$ -	$ 10,274	$ 154,656	$ 164,930
Collectively evaluated for impairment	38,000	52,622	500,025	590,647
Total allowance for loan losses	$ 38,000	$ 62,896	$ 654,681	$ 755,577

Credit Quality Indicators

Loans are assessed for credit quality based on the contractual aging status of the loan and payment activity. Payment activity is reviewed by management on a quarterly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 60 days in the previous quarter.

Nonperforming loans also include certain loans that have been modified where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Credit Union's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain loans are classified as nonperforming at the time of modification and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period of time.

	December 31, 2023		
	Performing	Nonperforming	Total
Residential first mortgage real estate	$ 46,182,782	$ 59,819	$ 46,242,601
Residential second mortgage real estate	12,586,182	20,379	12,606,561
Consumer secured	17,418,345	122,611	17,540,956
Consumer unsecured	16,858,988	173,381	17,032,369
Commercial real estate	8,000,512	-	8,000,512
Total	$ 101,046,809	$ 376,190	$ 101,422,999

	December 31, 2022		
	Performing	Nonperforming	Total
Residential first mortgage real estate	$ 46,474,021	$ 155,785	$ 46,629,806
Residential second mortgage real estate	11,355,543	15,297	11,370,840
Consumer secured	17,497,630	203,775	17,701,405
Consumer unsecured	14,191,867	137,539	14,329,406
Commercial real estate	4,699,408	-	4,699,408
Total	$ 94,218,469	$ 512,396	$ 94,730,865

Past Due Loans by Class

The following tables present the aging of the recorded investment in past due loans by class of loans as of:

	December 31, 2023		
	Current	60 Days or > Past Due	Total
Residential first mortgage real estate	$ 46,182,782	$ 59,819	$ 46,242,601
Residential second mortgage real estate	12,586,182	20,379	12,606,561
Consumer secured	17,418,345	122,611	17,540,956
Consumer unsecured	16,858,988	173,381	17,032,369
Commercial real estate	8,000,512	-	8,000,512
Total	$ 101,046,809	$ 376,190	$ 101,422,999

	December 31, 2022		
	Current	60 Days or > Past Due	Total
Residential first mortgage real estate	$ 46,474,021	$ 155,785	$ 46,629,806
Residential second mortgage real estate	11,355,543	15,297	11,370,840
Consumer secured	17,497,630	203,775	17,701,405
Consumer unsecured	14,191,867	137,539	14,329,406
Commercial real estate	4,699,408	-	4,699,408
Total	$ 94,218,469	$ 512,396	$ 94,730,865

Nonaccrual Loans

The Credit Union generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred or the loans reach 60 days past due for all loan types.

When the Credit Union places a loan on nonaccrual status, the Credit Union reverses the accrued unpaid interest receivable against interest income and account for the loan on the cash or cost recovery method, until it qualifies for return to accrual status. Generally, the Credit Union returns a loan to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

The Credit Union has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the member's statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

The following table presents the loans to members on nonaccrual status. The balances are presented by class of financing receivable.

	December 31,	
	2023	**2022**
Residential first mortgage real estate	$ 59,819	$ 155,785
Residential second mortgage real estate	20,379	15,297
Consumer secured	122,611	203,775
Consumer unsecured	173,381	137,539
Total	$ 376,190	$ 512,396

There were no loans 60 days or more past due and still accruing interest as of December 31, 2023.

Interest income foregone on nonaccrual loans was immaterial for the years ended December 31, 2023 and 2022.

Modified Loans under ASC 326

The amortized cost basis of loans that were both experiencing financial difficulty and modified during the year by class and by type of modification are disclosed below.

There were no loans as of December 31, 2023 that had been modified during the year ended December 31, 2023.

The amortized cost basis of loans that had a payment default during the year and were modified in the twelve months prior to that default are disclosed below.

There were no loans that had a payment default during the year and were modified in the twelve months prior to that default during the year ended December 31, 2023.

At December 31, 2023, there are no commitments to lend additional funds to any member experiencing financial difficulties whose loan terms have been modified.

Impaired Loans

The Credit Union considers loans impaired when, based on current information, it is probable that the Credit Union will not collect all principal and interest payments according to contractual terms. Loans are evaluated for impairment in accordance with the Credit Union's portfolio monitoring and ongoing risk assessment procedures. Management considers the financial condition of the borrower, cash flow of the borrower, payment status of the loan, and the value of the collateral, if any, securing the loan. Generally, impaired loans do not include large groups of smaller balance homogenous loans such as residential real estate and consumer type loans which are evaluated collectively for impairment and are generally placed on nonaccrual status when the loan becomes 90 days past due as to principal or interest. Loans specifically reviewed for impairment are not considered impaired during periods of “minimal delay” in payment (90 days or less) provided eventual collection of all amounts due is expected. The impairment of a loan is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or the fair value of the collateral if repayment is expected to be provided solely by the collateral. In appropriate circumstances, interest income on impaired loans may be recognized on a cash basis.

The following table includes the unpaid principal balances for impaired loans receivable with the associated allowance amount, if applicable. Also presented is the average ending principal balance of the impaired loans and the related allowance recognized during the time the loans were impaired.

	December 31, 2022		
	Unpaid Principal Balance	**Related Allowance**	**Average Ending Principal Balance**
With a related allowance recorded:			
Residential first mortgage real estate	$ 331,606	$ 9,948	$ 82,902
Residential second mortgage real estate	10,863	326	10,863
Consumer secured	272,187	114,435	10,469
Consumer unsecured	62,905	40,221	1,797
With no related allowance recorded:			
Residential first mortgage real estate	240,883	-	-
Total:			
Residential real estate	$ 583,352	$ 10,274	$ 64,817
Consumer	$ 335,092	$ 154,656	$ 5,493

Troubled Debt Restructurings (TDR)

In situations where, for economic or legal reasons related to a member's 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 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 interest rate reductions, principal forgiveness, payment forbearance 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 deemed to be a concession, the Credit Union measures any impairment on the restructuring using the methodology for individually impaired loans. Loans classified as TDRs are reported as impaired loans.

The following is a summary of information pertaining to troubled debt restructurings that occurred during the audit year ending:

	December 31, 2022			
	Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
	Number of Loans	Post-Modification Balance	Number of Loans	Balance
Consumer	2	$ 11,755	-	$ -
	2	$ 11,755	-	$ -

The pre-modification and post-modification balances for troubled debt restructurings are generally the same.

NOTE 4: PREMISES AND EQUIPMENT

	December 31,	
	2023	2022
Furniture and equipment	$ 2,209,654	$ 2,250,359
	2,209,654	2,250,359
Less accumulated depreciation	(2,106,099)	(2,154,343)
Premises and equipment, net	$ 103,555	$ 96,016

NOTE 5: LEASES

The Credit Union evaluates contracts at inception to determine if an arrangement is or contains a lease. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial condition. The leases relate primarily to branches, office facilities, and equipment. Lease ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of the future lease payments over the lease term. The leases do not provide an implicit rate, so the Credit Union uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is reevaluated upon lease modification. The lease ROU asset also includes initial direct costs and prepaid lease payments made, if any, less lease incentives, if any. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Credit Union will exercise that option. The Credit Union has elected the practical expedient not to separate lease and nonlease components for all of their branch and office facility leases. The Credit Union has an operating lease for the main branch. The lease has an original lease term of 15 years with 5 year renewal and two subsequent renewals for 5 years each.

The Credit Union has elected the practical expedient for short-term leases (i.e. leases with an initial term of twelve months or less that do not contain a purchase option that is likely to be exercised), and thus are not recorded on the statements of financial condition. Lease payments are recognized in expense on a straight-line basis over the term of the lease.

Recognized rent expense associated with the leases is as follows:

	For the Year Ending December 31, 2023	2022
Operating lease cost:		
Fixed rent expense	$ 446,832	$ 446,832
Net lease costs	$ 446,832	$ 446,832

Right-of-use assets and lease liabilities related to leases were as follows:

	For the Year Ending December 31, 2023	2022
Operating leases:		
Right-of-use assets	$ 1,973,508	$ 2,420,340
Lease liabilities	$ 1,973,508	$ 2,420,340

The following cash and non-cash activities associated with the leases were as follows:

	For the Year Ending December 31, 2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 461,216	$ 452,095
Non-cash investing and financing activities:		
Additions to right-of-use assets obtained from:		
New operating lease liabilities	$ -	$ 2,829,936

The future payments due under operating leases is as follows:

Year Ending December 31,	Operating
2024	$ 470,510
2025	479,978
2026	489,620
2027	499,435
2028	209,814
Total lease payments	2,149,357
Imputed Interest	(175,849)
Total lease liability	$ 1,973,508

	As of December 31,	
Weighted average remaining lease term	**2023**	**2022**
Operating leases	53 months	60 months

Because generally the rate is not implicit in the lease, the Credit Union utilizes their incremental borrowing rate as the discount rate.

	As of December 31,	
Weighted average discount rate	**2023**	**2022**
Operating leases	2.00%	2.00%

NOTE 6: SHARE AND SAVINGS ACCOUNTS

	December 31,	
	2023	**2022**
Share draft accounts	$ 50,624,915	$ 53,471,574
Money market accounts	18,242,898	24,186,380
Share accounts	98,367,654	106,242,028
Share & IRA CDs	8,979,664	6,631,704
Total	$ 176,215,131	$ 190,531,686

The scheduled maturities of certificate accounts are as follows:

Year Ending December 31,	Amount
2024	$ 6,720,366
2025	1,828,357
2026	430,941
Total	$ 8,979,664

	December 31, 2023	December 31, 2022
Certificate accounts in denominations of $250,000 or more	$ 537,769	$ 282,930
Negative share and saving accounts that were reclassed to loans receivable	$ 26,580	$ 27,248

The National Credit Union Share Insurance Fund insures members' shares up to $250,000. This includes all account types, such as savings, checking, money market, and certificates of deposit. Individual Retirement Account coverage is an additional $250,000.

NOTE 7: EMPLOYEE BENEFITS

Pension Plans

Certain salaried employees of the Credit Union were participants in Duke University's contributory defined contribution pension plan. In addition, other full-time employees participate in Duke University's noncontributory defined benefit pension plan. It is not possible to determine the net pension expense for the Credit Union for the year ending December 31, 2023 and 2022 or to present separately the actuarial present value of benefit obligations or the net assets available for benefits of the Credit Union because no determination has been made of the allocation of such amounts between Duke University and the Credit Union.

The Credit Union also participates in Duke University's unfunded defined benefit postretirement medical plan. The plan covers all full time status employees who elect coverage and satisfy the plan's requirements when they retire. It is not possible to determine the net periodic postretirement benefit cost attributed to the Credit Union for the year ending December 31, 2023 and 2022, nor is it possible to present separately the actuarial accumulated postretirement benefit obligation for the Credit Union because no determination has been made of the allocation of such amounts between Duke University and the Credit Union.

NOTE 8: COMMITMENTS AND CONTINGENT LIABILITIES

Legal Contingencies

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

Off-Balance-Sheet Risk

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which include lines of credit, credit cards, and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements.

The Credit Union’s exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for loans recorded in the financial statements.

Unfunded loan commitments under lines-of-credit are summarized as follows:

	December 31, 2023	December 31, 2022
Home equity	$ 7,460,425	$ 5,633,490
Credit card lines	6,594,106	6,423,593
Share draft line of credit	6,408,536	6,469,445
Overdraft Protection	3,274,309	3,380,692
Other	3,853,944	2,046,086
Commercial	157,514	307,918
Total	$ 27,748,834	$ 24,261,224

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained to secure borrowing on the lines of credit is based on Management's credit evaluation of the member.

Unfunded commitments under lines-of-credit and revolving credit lines are commitments for possible future extensions of credit to existing members. These lines-of-credit are uncollateralized with the exception of home-equity loans and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Credit Union is committed.

Concentrations of Credit Risk

A significant amount of the Credit Union's business activity is with its members who are employees or former employees and students of Duke University. The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in the Durham, North Carolina area. However, the loan portfolio is well diversified and the Credit Union does not have any significant concentrations of credit risk except unsecured loans, which by their nature increase the risk of loss compared to those loans that are collateralized.

NOTE 9: BORROWED FUNDS

Line-of-Credit

The Credit Union had an unused line-of-credits. The terms of the agreements require the pledging of all present and future loans and equipment as security for obligations under these lines-of-credit agreement. The interest rate terms under these line-of-credit agreements are variable.

	December 31, 2023		December 31, 2022	
	Credit Limit	Balance	Credit Limit	Balance
Vizo Financial Corporate Credit Union	$ 7,500,000	$ -	$ 7,500,000	$ -

Federal Reserve Bank Line-of-Credit

As of December 31, 2023 and 2022, the Credit Union had the ability to borrow from the Federal Reserve for emergency liquidity needs. The Credit Union would need to pledge investments in order to borrow. There were no investments pledged nor any outstanding borrowing with the Federal Reserve as of December 31, 2023 and 2022.

Federal Home Loan Bank

As of December 31, 2023 and 2022, the Credit Union established the ability to borrow from the FHLB of Atlanta for liquidity needs. The Credit Union would need to pledge real estate loans and/or investments in order to borrow. The Credit Availability approximates $48,636,000 and $50,980,000 as of December 31, 2023 and 2022 respectively. There were no advances outstanding as of December 31, 2023 and 2022.

NOTE 10: CAPITAL REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations.

As of December 31, 2023, the most recent call reporting period, the NCUA categorized the Credit Union as well capitalized under the regulatory framework. To be categorized as well capitalized, the Credit Union must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows:

	General Capital Requirements			
	December 31, 2023		**December 31, 2022**	
	Amount	**Ratio**	**Amount**	**Ratio**
Regulatory net worth	$ 18,045,878	9.49%	$ 16,066,957	8.00%
Amount needed to be classified as:				
Well Capitalized	$ 13,577,490	7.00%	$ 14,312,534	7.00%
Adequately Capitalized	$ 11,637,848	6.00%	$ 12,267,887	6.00%

The Credit Union used a permitted optional method to calculate regulatory net worth. The Credit Union used the average of daily assets over the three preceding calendar quarter end balances to calculate total assets as of December 31, 2023 and 2022.

NOTE 11: RELATED PARTY TRANSACTIONS

The balance of certain related party transactions with directors, committee members and executives are as follows:

	December 31, 2023	December 31, 2022
Loans	$ 293,506	$ 139,880
Shares	$ 423,479	$ 369,052

NOTE 12: FAIR VALUE MEASUREMENTS

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value, refer to Note 1 - Significant Accounting Policies. The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis:

December 31, 2023	Total	Level 1	Level 2	Level 3
Available-for-sale investments	$ 57,750,080	$ -	$ 57,750,080	$ -

December 31, 2022	Total	Level 1	Level 2	Level 3
Available-for-sale investments	$ 55,603,760	$ -	$ 55,603,760	$ -

Available-for-Sale Securities: Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments, or on discounted cash flow models based on the expected payment characteristics of the underlying instruments.

NOTE 13: REVENUE RECOGNITION

Revenue is recorded when earned, which is generally over the period services are provided and no contingencies exist. The following summarizes the Credit Union's revenue recognition policies as they relate to certain noninterest income line items in the Statement of Income.

Card Income

Card income includes fees such as interchange, cash advance, annual, late, over-limit and other miscellaneous fees. Uncollected fees are included in customer card receivables balances with an amount recorded in the allowance for loan and lease losses for estimated uncollectible card receivables. Uncollected fees are generally written off when a card receivable reaches 180 days past due.

Fees and Service Charges

Fees and service charges include fees for insufficient funds, overdrafts and other banking services. Uncollected fees are included in outstanding loan balances with an amount recorded for estimated uncollectible service fees receivable. Uncollected fees are generally written off when a fee receivable reaches 60 days past due. Investment and brokerage services revenue consists primarily of asset management fees and brokerage income.

Other Non-Interest Income

Other non-interest income includes income from various sources. The amounts from these various sources are not significant revenue source and excluded from the scope of FASB's revenue guidance.

Insurance Commission Income

Commission Income includes commissions the Credit Union earns on insurance products and or investment products sold to Credit Union members by third parties.

Capital Share Claim Reimbursement

The Credit Union received a reimbursement from NCUA in response to a prior depletion of capital shares of liquidated corporate credit unions. NCUA, as the liquidating agent, determined that sufficient funds were available to make distributions to Credit Unions.

☆☆☆☆☆

45 YEARS

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Certified Public Accountants