Collins Community Credit Union and Subsidiary

Consolidated Financial Statements
December 31, 2022

Contents

Independent Auditor's Report

Audit Committee
Collins Community Credit Union and Subsidiary

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2022 and 2021, and the results of their operations and their 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives 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 may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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.

RSM US LLP

Cedar Rapids, Iowa
May 18, 2023

Collins Community Credit Union and Subsidiary

Consolidated Statements of Financial Condition
December 31, 2022 and 2021

	2022	2021
Assets		
Cash, cash equivalents and restricted cash	$ 51,883,603	$ 100,932,419
Investment securities:		
Equity	1,743,937	2,123,849
Debt available-for-sale	131,759,867	141,160,018
Investment in venture capital funds	12,718,783	13,041,441
Loans held for sale	4,533,236	3,163,397
Loans to members, net	1,262,341,254	1,014,242,110
Accrued interest receivable	4,351,913	3,050,540
Mortgage servicing assets	11,551,899	12,975,562
Property and equipment, net	62,687,549	56,568,176
National Credit Union Share Insurance Fund (NCUSIF) deposit	10,224,242	10,559,149
Federal Home Loan Bank (FHLB) stock	11,636,200	3,236,200
Prefunded employee benefit investments	12,905,249	15,050,276
Loans to officers	33,650,622	35,631,465
Prepaid expenses	6,406,974	7,690,488
Goodwill	4,559,798	-
Intangible assets, net	1,947,495	-
Other assets	26,566,611	22,458,247
Total assets	$ 1,651,469,232	$ 1,441,883,337
Liabilities and Members' Equity		
Liabilities:		
Members' shares and savings accounts	$ 1,299,823,043	$ 1,262,564,555
Borrowed funds	236,497,622	45,781,051
Accounts payable	8,490,219	9,932,649
Accrued expenses and other liabilities	12,272,160	10,702,399
Total liabilities	1,557,083,044	1,328,980,654
Commitments and contingencies		
Members' equity:		
Legal reserve	98,140,808	87,992,184
Other reserves	-	12,399,186
Undivided earnings	24,543,928	17,404,787
Accumulated other comprehensive loss	(29,869,318)	(6,313,194)
Noncontrolling interest in subsidiary	1,570,770	1,419,720
Total members' equity	94,386,188	112,902,683
Total liabilities and members' equity	$ 1,651,469,232	$ 1,441,883,337

See notes to consolidated financial statements.

Collins Community Credit Union and Subsidiary

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

	2022	2021
Interest income:		
Loans receivable	$ 48,907,652	$ 41,946,779
Investment securities	4,914,007	3,543,883
Total interest income	53,821,659	45,490,662
Interest expense:		
Members shares and savings accounts	7,661,245	7,809,006
Borrowed funds	5,170,057	1,015,569
Total interest expense	12,831,302	8,824,575
Net interest income	40,990,357	36,666,087
Provisions for loan losses	241,115	1,231,875
Net interest income after provisions for loan losses	40,749,242	35,434,212
Noninterest income:		
Service charges and fees	22,628,080	31,129,091
Gain on sales of loans	572,865	4,052,785
Realized gains on sales of debt securities, net	173,084	1,412,995
Other	209,304	70,649
Gain from acquisition	3,020,947	-
Total noninterest income	26,604,280	36,665,520
Noninterest expenses:		
Compensation and benefits	29,068,343	33,065,376
Office operations	3,306,712	3,521,033
Occupancy	6,581,134	5,995,126
Professional and outside services	12,991,861	11,872,063
Loan servicing	7,286,842	6,825,414
Loss on equity securities, net	42,891	28,475
Other operating expenses	3,021,557	1,618,389
Total noninterest expenses	62,299,340	62,925,876
Income before noncontrolling interest in income of subsidiary	5,054,182	9,173,856
Noncontrolling interest in income of subsidiary	(165,603)	(111,460)
Net income after noncontrolling interest in income of subsidiary	$ 4,888,579	$ 9,062,396

See notes to consolidated financial statements.

Collins Community Credit Union and Subsidiary

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2022 and 2021

	2022	2021
Net income	**$ 5,054,182**	$ 9,173,856
Other comprehensive (loss):		
Securities available-for-sale:		
Unrealized holding (losses) arising during the year	**(25,010,295)**	(1,912,663)
Less reclassification adjustment for (gains) included in net income	**(173,084)**	(1,412,995)
	(25,183,379)	(3,325,658)
Defined benefit pension plan	**1,285,211**	750,035
Postretirement benefit plan	**342,044**	112,230
Total other comprehensive (loss)	**(23,556,124)**	(2,463,393)
Comprehensive (loss) income	**$ (18,501,942)**	$ 6,710,463

See notes to consolidated financial statements.

Collins Community Credit Union and Subsidiary

Consolidated Statements of Members' Equity
Years Ended December 31, 2022 and 2021

	Appropriated		Unappropriated	Accumulated		
	Legal Reserves	Other Reserves	Undivided Earnings	Other Comprehensive (Loss)	Noncontrolling Interest in Subsidiary	Total
Balance, December 31, 2020	$ 78,456,964	$ 20,336,203	$ 9,940,594	$ (3,849,801)	$ 1,368,116	$ 106,252,076
Comprehensive income:						
Net income	-	-	9,062,396	-	111,460	9,173,856
Other comprehensive loss	-	-	-	(2,463,393)	-	(2,463,393)
Distributions to member	-	-	-	-	(59,856)	(59,856)
Transfers, net	9,535,220	(7,937,017)	(1,598,203)	-	-	-
Balance, December 31, 2021	87,992,184	12,399,186	17,404,787	(6,313,194)	1,419,720	112,902,683
Comprehensive income:						
Net income	-	-	4,888,579	-	165,603	5,054,182
Other comprehensive loss	-	-	-	(23,556,124)	-	(23,556,124)
Other noncontrolling interest transactions	-	-	-	-	165,015	165,015
Distributions to member	-	-	-	-	(179,568)	(179,568)
Transfers, net	10,148,624		(10,148,624)	-	-	-
Capital reserve transferred to undivided earnings	-	(12,399,186)	12,399,186	-	-	-
Balance, December 31, 2022	**$ 98,140,808**	**$ -**	**$ 24,543,928**	**$ (29,869,318)**	**$ 1,570,770**	**$ 94,386,188**

See notes to consolidated financial statements.

Collins Community Credit Union and Subsidiary

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

	2022	2021
Cash flows from operating activities:		
Net income	**$ 5,054,182**	$ 9,173,856
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	**3,423,496**	2,858,192
Amortization	**157,905**	-
Provision for loan losses	**241,115**	1,231,875
Net amortization (accretion) of premiums (discounts) on debt securities	**8,482,239**	(10,634,946)
Net unrealized loss on equity securities	**42,891**	28,475
Net realized gain on sales of debt securities	**(173,084)**	(1,412,995)
Net realized gain on sales of venture capital fund investment	**(723,317)**	-
Impairment loss to venture capital fund investments	**930,272**	-
(Increase) decrease in assets:		
Loans held for sale	**(1,369,839)**	7,331,463
Accrued interest receivable	**(1,301,373)**	130,221
Mortgage servicing assets	**1,423,663**	(8,604,455)
Loans to officers	**1,980,843**	(16,567,354)
Other assets	**(2,487,829)**	(13,798,774)
Prefunded employee benefit investment	**2,145,027**	-
Increase in liabilities, accounts payable and other accrued liabilities	**446,034**	181,303
Net cash provided by (used in) operating activities	**18,272,225**	(30,083,139)
Cash flows from investing activities:		
Net increase in loans to members	**(248,340,259)**	(175,050,733)
Proceeds from maturities and sales of debt securities	**13,211,966**	338,739,302
Purchases of debt securities	**(37,304,349)**	(313,610,662)
Contributions to venture capital fund investments	**(1,130,441)**	(4,593,529)
Proceeds from sale of venture capital fund investment	**1,246,144**	-
Net purchase of FHLB stock	**(8,400,000)**	(644,800)
Purchase of property and equipment	**(9,542,869)**	(7,968,500)
Purchase of prefunded employee benefit investments	**-**	(15,050,276)
Net decrease (increase) in NCUSIF deposit	**334,907**	(853,279)
Net consideration in business combination	**(5,191,631)**	-
Net cash used in investing activities	**(295,116,532)**	(179,032,477)
Cash flows from financing activities:		
Net increase in members' shares and savings accounts	**37,258,488**	92,030,972
Distributions to member	**(179,568)**	(59,856)
Payments of borrowed funds	**(661,548,638)**	(18,252,915)
Proceeds from borrowed funds	**852,265,209**	34,449,051
Net cash provided by financing activities	**$ 227,795,491**	$ 108,167,252

(Continued)

Collins Community Credit Union and Subsidiary

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Net change in cash, cash equivalents and restricted cash	**$ (49,048,816)**	$ (100,948,364)
Cash, cash equivalents and restricted cash:		
Beginning	**100,932,419**	201,880,783
Ending	**$ 51,883,603**	$ 100,932,419
Supplemental disclosures of cash flow information:		
Cash payments for interest paid to members	**$ 7,661,245**	$ 7,809,006
Cash payments for interest paid on borrowed funds	**$ 5,166,383**	$ 930,554
Cash paid for amounts included in the measurement of lease liabilities	**$ 502,535**	$ -
Supplemental schedule of noncash investing activities from business combination:		
Fair value of previously held equity interest	**$ 2,882,353**	$ -
Transfer of noncontrolling interest	**$ 165,015**	$ -
Settlement of preexisting relationships	**$ 1,305,000**	$ -
Supplemental schedule of noncash financing activity, operating right-of-use assets obtained in exchange for lease liabilities	**$ 1,786,769**	$ -

See notes to consolidated financial statements.

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Collins Community Credit Union is a state chartered credit union organized under the State of Iowa Consumer Credit Code and administratively responsible to the State of Iowa Credit Union Division. The primary purpose is to promote thrift among, and create a source of credit for, its members. Participation in Collins Community Credit Union is limited to those individuals that qualify for membership. The field of membership is defined in Collins Community Credit Union's Charter and Bylaws, as generally described below.

Principles of consolidation: The consolidated financial statements (collectively, the financial statements) include the accounts of Collins Community Credit Union and its wholly-owned subsidiary, Collins Holding Company, LLC (collectively the Credit Union). Collins Holding Company, LLC (the Holding Company) is the holding company of a 75% ownership in the Northtowne Market Lot 7, LLC (Northtowne) joint venture. The joint venture is related to the construction of a new operations center for the Credit Union. The Holding Company also includes its wholly-owned subsidiary Collins Insurance Company, LLC (CIS). The insurance company was founded to sell insurance products to the Credit Union's members and others. On March 29, 2022, the Holding Company purchased 51% of CIS having previously held 49%. See Note 13 for further information on this business combination. The Holding Company includes a wholly-owned subsidiary, Collins Loan Services, LLC (CLS). CLS originates and services commercial loans for members and others. The Holding Company also includes a wholly-owned subsidiary, CourseMark, LLC (CM), which was started in 2021. CM sells prefunded employee benefit plan structures through the purchases of annuities. All material intercompany transactions and balances have been eliminated in consolidation.

The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information, are summarized below:

Accounting estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Certain significant estimates: The allowance for loan losses and fair value of investment securities involve certain significant estimates made by management. These estimates are reviewed by management routinely and it is reasonably possible that circumstances that exist at December 31, 2022, may change in the near future and that the effect could be material to the financial statements.

Significant group concentrations of credit risk: The Credit Union provides a variety of financial services to its members, most of whom are employees of or retired employees of Collins Aerospace and selected employee groups within the region. The Credit Union may be exposed to credit risk from a regional economic standpoint because a significant concentration of its borrowers work or reside in the following counties in Iowa and Illinois: Benton, Blackhawk, Boone, Bremer, Buchanan, Butler, Cedar, Clinton, Clayton, Dallas, Delaware, Des Moines, Dubuque, Fayette, Grundy, Henry, Iowa, Jackson, Jasper, Jefferson, Jones, Johnson, Keokuk, Linn, Louisa, Madison, Mahaska, Marion, Marshall, Muscatine, Polk, Powershiek, Scott, Story, Tama, Warren, Washington, Wapello, Henry, Rock Island and Mercer.

Cash and cash equivalents: The consolidated statements of cash flows classify changes in cash or cash equivalents (short-term, highly liquid investments readily convertible into cash with an original maturity of three months or less) according to operating, investing or financing activities. The Credit Union maintains cash in deposit accounts at financial institutions approved by the Board of Directors. At times, cash deposits at financial institutions may exceed federally insured limits due to the financial condition of these institutions.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Restricted cash: The Credit Union is required to maintain reserve funds in cash and/or on deposit with the National Cooperative Bank, N.A., due to the line of credit discussed further in Note 5. The reserve requirement was $7,500,000 at December 31, 2022 and 2021.

Investment securities: The Credit Union's investments in securities for the years ended December 31, 2022 and 2021 are classified and accounted for as follows:

Equity securities: Equity securities consist of mutual funds and are carried at fair value with unrealized gains and losses reported on the consolidated statements of income.

Available-for-sale securities: Debt securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses reported in other comprehensive income (loss). Realized gains and losses on securities available-for-sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment in other comprehensive income (loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. Purchase premiums and discounts are recognized in interest income using methods approximating the interest method generally over their contractual lives. Premiums on callable securities are amortized to their earliest call date.

Declines in the estimated fair value of available-for-sale debt securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things: (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near term prospects of the issuer, (iii) the Credit Union does not intend to sell these securities and (iv) it is more likely than not that the Credit Union will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value.

The Credit Union's consolidated statements of income reflects the impairment (the difference between the security's amortized cost basis and fair value), if any, on debt securities that the Credit Union intends to sell or would more likely than not be required to sell before the expected recovery of the amortized cost basis. The credit component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected on cash flow projections.

Investment in venture capital funds: The Credit Union has invested in certain local project funds that provide tax credits to their investors. These funds are carried at cost, do not have a readily determinable fair value and are periodically evaluated for impairment. During 2022, one fund was sold with no proceeds available to equity holders. Accordingly, the Credit Union evaluated the ongoing value of the associated investment. Based on this evaluation, the Credit Union determined one investment to be impaired and wrote down the investment balance by $930,000. All other associated funds were determined to be stable by the Credit Union.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Mortgage Partnership Finance Program: The Credit Union participates in the Mortgage Partnership Finance (MPF) Program of the FHLB. The program is intended to provide member institutions with an alternative to holding fixed-rate mortgages in their loan portfolios or selling them in the secondary market. The Credit Union participates in the MPF Program by selling, as a principal, closed loans owned by the Credit Union to the FHLB. Under the MPF Program, credit risk is shared by the Credit Union and the FHLB by structuring the loss exposure in several layers, with the Credit Union being liable for losses after application of an initial layer of losses (after private mortgage insurance) is absorbed by the FHLB, subject to an agreed-upon maximum amount of such secondary credit enhancement which is intended to be in an amount equivalent to an AA credit risk rating by a rating agency. The Credit Union may also be liable for certain first layer losses after a specified period of time. The Credit Union receives credit enhancement fees from the FHLB for providing this credit enhancement and continuing to manage the credit risk of the MPF Program loans. The loss the Credit Union can incur is capped at the maximum credit enhancement amount. The FHLB also pays the Credit Union specified servicing fees for servicing the loans. The Credit Union has not experienced any losses on MPF Program loans. The Credit Union has a commitment of 1-4 family conventional first mortgages and certain business real estate loans to the FHLB related to the MPF Program of approximately $1,425,000 and $1,170,000 at December 31, 2022 and 2021, respectively.

Loans held for sale: Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between sales proceeds and the carrying value of the loans. All sales are made without recourse.

Mortgage servicing assets: Mortgage loans held for sale are generally sold with the mortgage servicing rights retained by the Credit Union. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price plus the value of servicing rights, less the carrying value of the related mortgage loans sold.

Loans to members: The Credit Union grants consumer, mortgage and commercial loans to members and purchases loan participations. A substantial portion of the loan portfolio is represented by automobile and residential and commercial real estate loans to members. A substantial portion of its members' ability to honor their loan agreements is dependent upon the economic stability of the various groups comprising the Credit Union's field of membership.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and costs. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Consumer 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 nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual 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.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Allowance for loan losses: The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

For purposes of determining the allowance, the Credit Union has segmented certain loans in the portfolio by product type. Loans are divided into the following segments: commercial, consumer and real estate. The Credit Union further disaggregates these segments into classes based on the associated risks within those segments. Real estate loans are divided into two classes: first mortgages and other. Consumer loans are divided into two classes: consumer and credit cards. Commercial loans are not further disaggregated.

These portfolio segments and their risk characteristics are described as follows:

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Real estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating. Loans in this pool are more likely to have collateral in the event of default as the Credit Union is in first position.

Commercial: Commercial loans generally possess a higher inherent risk of loss than other real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations. Other commercial loans, generally lines of credit, are commonly underwritten to existing cash flows or inventories of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss and the levels of nonperforming loans. Specific allowances for loan losses are established for large nonhomogeneous impaired loans on an individual basis. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flows, the loan's estimated market value or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events and lagging data.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered a TDR.

The Credit Union assigns a risk rating to all commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate, and the fair values of collateral securing the loans.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Rating 1—Pass—Minimal risk. Loans in this category have a minimal chance of resulting in a loss. These borrowers generally have the following characteristics:

- The borrower has been with the Credit Union for many years and has an excellent credit history.
- Cash flow is steady and well in excess of the required debt payment.
- The borrower has excellent access to alternative sources of financing at favorable terms.
- Management of the borrower is of high quality and has unquestioned character.
- The collateral, if required, is cash or cash equivalent and is equal to or exceeds the value of the loan.
- The guarantor would achieve, approximately, this rating if borrowing individually from this Credit Union.

Rating 2—Pass—Low risk. Loans in this category are very unlikely to result in a loss. These borrowers generally have the following characteristics:

- The borrower has an excellent credit history.
- The borrower's cash flow is steady and comfortably exceeds the required debt requirements plus other fixed charges.
- The borrower has good access to alternative sources of finance at favorable terms.
- Management of the borrower is of high quality and has unquestioned character.
- The collateral, if required, is sufficiently liquid and has a large enough margin to make the recovery of the full amount of the loan in the event of default very likely.
- The guarantor would achieve, approximately, this rating if borrowing individually from this Credit Union.

Rating 3—Pass—Moderate risk. Loans in this category have little chance in resulting in a loss. This category includes the average loan under average economic conditions. These borrowers generally have the following characteristics:

- The borrower has a good credit history.
- The borrower's cash flow may be subject to cyclical conditions, but is adequate to meet the required debt repayments plus other fixed charges even after a limited period of losses or in the event of a somewhat lower trend in earnings.
- The borrower has some access to alternative sources of finance, at reasonable terms.
- The borrower has good management in important positions.
- Collateral, which would be required, is sufficiently liquid and has a large enough margin to make the recovery of the value of the loan in the event of default likely.
- The guarantor would achieve, approximately, this rating if borrowing individually from this Credit Union.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Rating 4—Pass—Acceptable risk. Loans in this category have a limited chance in resulting in a loss. These borrowers generally have the following characteristics:

- The borrower has only a fair credit history, but recent credit problems.
- The borrower's cash flow is currently adequate to meet required debt repayments, but it may not be sufficient in the event of significant adverse developments.
- The borrower has some limited access to alternative sources of finance, possibly at unfavorable terms.
- Some management weaknesses exist.
- Collateral, which would be required, is sufficient to make the recovery of the value of the loan in the event of default likely, but liquidating the collateral may be difficult or expensive.
- The guarantor would achieve this rating, or lower, if borrowing individually from this Credit Union.

Rating 5—Classified—Special mention. Loans in this category have one or more inherent weaknesses that raise objective concern about the ability of the borrower to repay the debt as currently structured.

Rating 6—Substandard. A loan is substandard when it is inadequately protected by the current sound worth and paying capacity of the borrower, guarantor or collateral pledge. In this category, loans must have a well-defined weakness that jeopardizes the liquidation of debt. Additional advances to borrowers with this classification are discouraged, except protective advances, or must have a well-documented plan to upgrade in risk.

Rating 7—Doubtful. A loan that is classified as doubtful has all the weaknesses inherent in one classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable. In this category, the possibility of loss is extremely high, but its classification as an estimated loss is deferred until a more exact status may be determined.

Rating 8—Loss. A loan that is classified as a loss is considered uncollectible and of such little value that there is no justification to continuing them as loans. This does not mean that the loans have no recovery or salvage value; rather, that it is not practical to defer writing off the asset even though partial recovery may occur in the future.

Off-balance-sheet credit related financial instruments: In the ordinary course of business, the Credit Union has entered into commitments to extend credit, including commitments under credit card arrangements.

Transfers of financial assets: Transfers of financial assets or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when: (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Property and equipment: Land is carried at cost. Buildings and improvements, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Buildings and improvements and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to 40 years. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or the expected terms of the leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Leases: At the inception of a contract, the Credit Union determines if the arrangement is a lease. The Credit Union accounts for its leases by recording right-of-use (ROU) assets and related lease liabilities based on the net present value of the lease payments over the lease term. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. Lease expense is recognized over the initial term of the lease unless financial and economic factors exist such that renewals included in the lease agreement are reasonably certain, in those circumstances, the renewal period would be included in the lease term. The Credit Union has elected to apply the short-term lease recognition exemption for leases with terms of less than 12 months in duration. The Credit Union has elected to use the borrowing rate available in the market at the time of inception. Operating lease ROU assets are included in other assets, and operating lease liabilities are included in accrued expenses and other liabilities on our consolidated statements of financial condition.

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 1% 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. The NCUSIF deposit is required to be reviewed for impairment, including consideration of the refundability of the deposit.

Federal Home Loan Bank stock: As a member of the Federal Home Loan Bank (FHLB) system, the Credit Union is required to maintain an investment in capital stock of the FHLB, which is carried at cost. This equity security is restricted in that it can only be sold back to the respective institution or another member institution at par. Therefore, it is less liquid than other tradable equity securities. The Credit Union views its investment in restricted stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recovery of the par value, rather than recognizing temporary declines in value. There have been no other-than-temporary write downs recorded on this security.

Income taxes: The Credit Union is exempt, by statute (Internal Revenue Code Section 501(c)14), from federal and state income taxes. The Credit Union Service Organizations (CUSO) are organized as Limited Liability Companies (LLCs). The Holding Company has been organized as a single-owner LLC and is considered a disregarded entity for tax purposes.

The Credit Union accounts for uncertainty in income taxes in accordance with Accounting Standards Codification (ASC) 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return, should be recorded in the financial statements. Under this guidance, the Credit Union may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities, based on technical merits of the position. The tax benefits recognized in the financial statements from such a position are being measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. This standard did not have an impact on the financial statements and the Credit Union believes it does not have any uncertain tax positions.

Prefunded employee benefit investments: The Credit Union invested in life insurance policies for certain executives. The premiums on these whole life policies are paid through the purchase of a single premium annuity where the annual fixed income amount received is equal to the annual premiums due on the related whole life policy. The investments are recorded at the estimated realizable value with the change in net asset value along with death benefit income, if any, recorded through the consolidated statements of income.

Loans to officers: The Credit Union has entered into agreements and granted loans to fund life insurance premium payments for certain key employees. The loans are collateralized by the assignment of the respective life insurance policies which are full recourse. The policies are owned by the executives and they have sole control over the listed beneficiaries. The loans are payable within 60 days after receipt of demand. The total value of the loans including accrued interest was $33,650,622 and $35,631,465 at December 31, 2022 and 2021, respectively. The key employee may use other funds to pay back the loan; however, the death benefit of the life insurance policy is intended to be the primary source of repayment. The Credit Union originated loans to officers of approximately $0 and $15,300,000 during the years ended December 31, 2022 and 2021, respectively, related to fulfilling the premium required for the executives over the next 10 years. Premiums not yet paid are held in a deposit account at the Credit Union in the executives' names.

Goodwill: The Company records goodwill as the excess of the cost of an acquisition over the fair value of the net assets acquired. Under ASC Topic 350, goodwill is subject to at least annual assessments for impairment by applying a fair value-based test. The Company reviews goodwill annually with a testing date of December 31. No impairment was recorded on goodwill in 2022.

Intangible assets: The Company's intangible assets consist of trade name and customer list, which are amortized over the useful life of the asset, which management has determined to be 10 years.

Comprehensive income: Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, postretirement liability and pension liability, are reported as a separate component of the equity section of the consolidated statements of financial position, such items, along with net income, are components of comprehensive income.

The components of accumulated other comprehensive (loss), included in members' equity are as follows:

	2022	2021
Net unrealized (losses) on debt securities available-for-sale	$ (28,193,831)	$ (3,010,452)
Unfunded postretirement benefits	1,008,986	666,942
Unfunded pension benefits	(2,684,473)	(3,969,684)
Accumulated other comprehensive (loss)	$ (29,869,318)	$ (6,313,194)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Pension plan—defined benefit: The Credit Union has a qualified, noncontributory defined benefit pension plan covering substantially all of its employees. The Credit Union's policy is to fund at least the minimum amount recommended by the plan administrator. Effective April 1, 2009, the plan was amended and new employees are no longer eligible for participation in the plan. Effective May 31, 2017, the Credit Union has frozen the defined benefit pension plan and currently enrolled participants will not earn additional benefits beyond this date.

Postretirement health insurance and life insurance plan: The Credit Union provides certain health care benefits for all retired employees that meet certain eligibility requirements. Employees become eligible for those benefits if they retire while working for the Credit Union subject to certain service year requirements. The estimated cost for the postretirement health care benefits has been accrued on an actuarially determined basis.

Members' shares and savings accounts: Members' shares accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' shares 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' shares and savings accounts are set by management, based on an evaluation of current and future market conditions.

Members' equity: The Credit Union is required, by Iowa regulation, to maintain a statutory legal reserve. This reserve, which represents a regulatory restriction of undivided earnings, is not available for payment of interest.

Service charges and fees: The Credit Union earns fee and commission income from a range of services it provides to its members. Deposit fee income and interchange fee income are earned on the execution of financial services performed. This includes fees arising from: (1) services initiated or requested by the member, including overdrawn account charges, insufficient funds charges and stop payment fees and (2) participating in transactions with members and third-party financial institutions, such as interchange fee income for authorizing and settling member debit and credit card point-of-sale or ATM transactions. Deposit fees and interchange revenue are presented as service charges and fees in the consolidated statements of income, with related expense streams such as processor costs and reward point costs, presented separately in noninterest expenses.

Recent accounting pronouncements: In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. The Credit Union is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

Reclassification: Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation, with no effect on net income or members' equity.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Subsequent events: The Credit Union has evaluated all subsequent events through May 18, 2023, the date the financial statements were available to be issued. Through this date, there are no events required to be disclosed.

Note 2. Investment Securities

Equity securities: The estimated fair values of equity securities as of December 31, 2022 and 2021, are as follows:

	2022	2021
Mutual funds	$ 1,743,937	$ 2,123,849

Debt securities: The carrying amounts of investment securities as shown in the consolidated statements of financial condition of the Credit Union and their approximate fair values at December 31, 2022 and 2021, are as follows:

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Debt securities available-for-sale:				
Mutual funds, backed primarily by mortgage-backed securities	$ 1,000,000	$ -	$ (517,346)	$ 482,654
Private commercial mortgage-backed securities	24,691,670	-	(3,370,597)	21,321,073
Mortgage-backed securities	5,012,049	-	(361,489)	4,650,560
Collateralized mortgage obligations	68,478,747	-	(7,764,577)	60,714,170
Municipal bonds	50,271,232	-	(14,936,222)	35,335,010
Corporate paper	10,500,000	-	(1,243,600)	9,256,400
Total debt securities available-for-sale	$ 159,953,698	$ -	$ (28,193,831)	$ 131,759,867

2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Debt securities available-for-sale:				
Mutual funds, backed primarily by mortgage-backed securities	$ 1,000,000	$ -	$ (500,157)	$ 499,843
Private commercial mortgage-backed securities	23,278,730	24,013	(458,416)	22,844,327
Mortgage-backed securities	6,569,519	32,182	(58,923)	6,542,778
Collateralized mortgage obligations	52,457,381	42,971	(952,975)	51,547,377
Municipal bonds	50,364,840	139,044	(1,573,191)	48,930,693
Corporate paper	10,500,000	295,000	-	10,795,000
Total debt securities available-for-sale	$ 144,170,470	$ 533,210	$ (3,543,662)	$ 141,160,018

The amortized cost and estimated market value of debt securities, at December 31, 2022, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because securities may be called or prepared with or without call or prepayment penalties.

Note 2. Investment Securities (Continued)

	Debt Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in less than one year	$ -	$ -
Due in one year to five years	-	-
Due in five to ten years	8,816,090	6,732,648
Due in greater than ten years	41,455,142	28,602,362
Mutual funds	1,000,000	482,654
Mortgage-backed securities	29,703,719	25,971,633
Collateralized mortgage obligations	68,478,747	60,714,170
Corporate paper	10,500,000	9,256,400
	$ 159,953,698	$ 131,759,867

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous loss position, as of December 31, 2022 and 2021, are summarized as follows:

	2022					
	Continuing Unrealized Losses for Less than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities available-for-sale:						
Mutual funds	$ -	$ -	$ 482,654	$ (517,346)	$ 482,654	$ (517,346)
Private commercial mortgage-backed securities	4,526,422	(236,259)	16,794,651	(3,134,338)	21,321,073	(3,370,597)
Mortgage-backed securities	2,509,638	(17,060)	2,140,922	(344,429)	4,650,560	(361,489)
Collateralized mortgage obligations	28,263,428	(3,112,101)	32,450,742	(4,652,476)	60,714,170	(7,764,577)
Municipal bonds	9,042,780	(3,541,175)	26,292,230	(11,395,047)	35,335,010	(14,936,222)
Corporate papers	9,256,400	(1,243,600)	-	-	9,256,400	(1,243,600)
	$ 53,598,668	$ (8,150,195)	$ 78,161,199	$ (20,043,636)	$ 131,759,867	$ (28,193,831)

	2021					
	Continuing Unrealized Losses for Less than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities available-for-sale:						
Mutual funds	$ -	$ -	$ 499,843	$ (500,157)	$ 499,843	$ (500,157)
Private commercial mortgage-backed securities	19,387,412	(447,502)	2,051,704	(10,914)	21,439,116	(458,416)
Mortgage-backed securities	750,877	(11,028)	2,234,144	(47,895)	2,985,021	(58,923)
Collateralized mortgage obligations	37,634,470	(636,898)	10,290,026	(316,077)	47,924,496	(952,975)
Municipal bonds	34,821,530	(1,468,303)	1,356,900	(104,888)	36,178,430	(1,573,191)
	$ 92,594,289	$ (2,563,731)	$ 16,432,617	$ (979,931)	$ 109,026,906	$ (3,543,662)

Note 2. Investment Securities (Continued)

As of December 31, 2022, the investment portfolio included 67 debt securities. Of this number, 67 debt securities have current unrealized losses, 36 of which have existed for longer than one year. All of the debt securities with unrealized losses are considered to be acceptable credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates and credit rating information, management believes the decline in fair values for these debt securities are temporary. In addition, the Credit Union lacks the intent to sell these debt securities and it is unlikely that the Credit Union will be required to sell these debt securities prior to their anticipated recovery.

The Credit Union has not recognized other-than-temporary impairment on any securities for the years ended December 31, 2022 and 2021.

Note 3. Loans to Members

The composition of loans to members is as follows:

	2022	2021
Commercial	$ 502,352,053	$ 461,450,416
Real estate:		
First mortgages	542,901,401	382,592,211
Other	119,780,625	91,109,351
Total real estate	662,682,026	473,701,562
Consumer:		
Consumer	79,900,908	69,548,696
Credit cards	20,565,515	17,374,799
Total consumer	100,466,423	86,923,495
Total	1,265,500,502	1,022,075,473
Less net deferred loan origination fees and costs	2,608,033	(579,022)
Less allowance for loan losses	(5,767,281)	(7,254,341)
Total loans to members, net	$ 1,262,341,254	$ 1,014,242,110

The Credit Union has sold loan participations to various other financial institutions, which are secured by real property and other titled property of the Credit Union's members. These loan participations were sold without recourse and the Credit Union performs all loan servicing functions on these loans. Loan participations sold and excluded from the loan segments above totaled approximately $1,366,277,000 and $1,241,607,000 at December 31, 2022 and 2021, respectively.

Note 3. Loans to Members (Continued)

The following tables present the aging of the recorded investment in past due loans at December 31, 2022 and 2021:

	December 31, 2022					
	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans
Commercial	$ 598,404	$ 596,207	$ -	$ 1,194,611	$ 501,157,442	$ 502,352,053
Real estate:						
First mortgages	9,683,369	1,115,103	731,036	11,529,508	531,371,893	542,901,401
Other	1,252,629	302,987	821,417	2,377,033	117,403,592	119,780,625
Consumer:						
Consumer	1,510,001	427,044	519,875	2,456,920	77,443,988	79,900,908
Credit cards	252,459	85,022	202,128	539,609	20,025,906	20,565,515
	$ 13,296,862	$ 2,526,363	$ 2,274,456	$ 18,097,681	$ 1,247,402,821	$ 1,265,500,502

	December 31, 2021					
	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Current	Total Loans
Commercial	$ -	$ -	$ 307,029	$ 307,029	$ 461,143,387	$ 461,450,416
Real estate:						
First mortgages	5,862,308	516,652	868,977	7,247,937	375,344,274	382,592,211
Other	397,681	242,477	184,936	825,094	90,284,257	91,109,351
Consumer:						
Consumer	1,756,598	458,833	579,564	2,794,995	66,753,701	69,548,696
Credit cards	120,149	55,808	141,254	317,211	17,057,588	17,374,799
	$ 8,136,736	$ 1,273,770	$ 2,081,760	$ 11,492,266	$ 1,010,583,207	$ 1,022,075,473

Nonperforming loans, by classes of loans, as of December 31, 2022 and 2021, are summarized as follows:

	2022			
	Accruing Past Due 90 Days or More	Nonaccrual Loans	Troubled Debt Restructures-Accruing	Total Nonperforming Loans
Commercial	$ -	$ -	$ 3,221,873	$ 3,221,873
Real estate:				
First mortgages	-	731,036	-	731,036
Other	-	821,417	406,690	1,228,107
Consumer:				
Consumer	-	519,875	139,176	659,051
Credit cards	-	202,128	-	202,128
	$ -	$ 2,274,456	$ 3,767,739	$ 6,042,195

Note 3. Loans to Members (Continued)

	2021			
	Accruing Past Due 90 Days or More	Nonaccrual Loans	Troubled Debt Restructures-Accruing	Total Nonperforming Loans
Commercial	$ -	$ 307,029	$ 3,292,504	$ 3,599,533
Real estate:				
First mortgages	-	868,977	32,621	901,598
Other	-	184,936	396,577	581,513
Consumer:				
Consumer	-	579,564	224,470	804,034
Credit cards	-	141,254	-	141,254
	$ -	$ 2,081,760	$ 3,946,172	$ 6,027,932

Changes in the allowance for loan losses, by portfolio segment, during the years ended December 31, 2022 and 2021, are summarized as follows:

	2022			
	Commercial	Real Estate	Consumer	Total
Allowance for loan losses:				
Balance, beginning	$ 2,974,914	$ 599,171	$ 3,680,256	$ 7,254,341
Charge-offs	-	(74,299)	(2,277,845)	(2,352,144)
Recoveries	-	2,688	621,281	623,969
Provision for loan losses	(153,833)	829,081	(434,133)	241,115
Balance, ending	$ 2,821,081	$ 1,356,641	$ 1,589,559	$ 5,767,281

	2021			
	Commercial	Real Estate	Consumer	Total
Allowance for loan losses:				
Balance, beginning	$ 1,879,288	$ 1,021,223	$ 4,466,199	$ 7,366,710
Charge-offs	(13,974)	(148,923)	(3,025,035)	(3,187,932)
Recoveries	(800)	54,622	1,789,866	1,843,688
Provision for loan losses	1,110,400	(327,751)	449,226	1,231,875
Balance, ending	$ 2,974,914	$ 599,171	$ 3,680,256	$ 7,254,341

The following tables present changes in the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method at December 31, 2022 and 2021:

	2022			
	Commercial	Real Estate	Consumer	Total
Allowance for loans individually evaluated for impairment	$ 96,298	$ 567	$ 33,067	$ 129,932
Allowance for loans collectively evaluated for impairment	2,724,783	1,356,074	1,556,492	5,637,349
Total recorded allowance for loan losses	$ 2,821,081	$ 1,356,641	$ 1,589,559	$ 5,767,281
Loans individually evaluated for impairment	$ 4,371,311	$ 406,690	$ 219,353	$ 4,997,354
Loans collectively evaluated for impairment	497,980,742	662,275,336	100,247,070	1,260,503,148
Total recorded investment in loans	$ 502,352,053	$ 662,682,026	$ 100,466,423	$ 1,265,500,502

Note 3. Loans to Members (Continued)

	2021			
	Commercial	Real Estate	Consumer	Total
Allowance for loans individually evaluated for impairment	$ 35,088	$ 5,663	$ 66,072	$ 106,823
Allowance for loans collectively evaluated for impairment	2,939,826	593,508	3,614,184	7,147,518
Total recorded allowance for loan losses	$ 2,974,914	$ 599,171	$ 3,680,256	$ 7,254,341
Loans individually evaluated for impairment	$ 4,774,436	$ 429,198	$ 371,832	$ 5,575,466
Loans collectively evaluated for impairment	456,675,980	473,272,364	86,551,663	1,016,500,007
Total recorded investment in loans	$ 461,450,416	$ 473,701,562	$ 86,923,495	$ 1,022,075,473

Loan impairment is measured by estimating the expected future cash flows or by valuing the underlying collateral. The following tables present loans individually evaluated for impairment by class of loans as of December 31, 2022 and 2021:

	December 31, 2022				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no specific allowance recorded:					
Commercial	$ 12,246	$ 12,246	$ -	$ 1,652,375	$ -
Real estate:					
First mortgages	-	-	-	16,311	-
Other	398,424	398,424	-	392,222	-
Consumer	139,176	139,176	-	169,775	-
	$ 549,846	$ 549,846	$ -	$ 2,230,683	$ -
Impaired loans with specific allowance recorded:					
Commercial	$ 4,359,065	$ 4,359,065	$ 96,298	$ 2,920,499	$ -
Real estate:					
Other	8,266	8,266	567	9,412	-
Consumer	80,177	80,177	33,067	125,818	-
	$ 4,447,508	$ 4,447,508	$ 129,932	$ 3,055,729	$ -
Total impaired loans:					
Commercial	$ 4,371,311	$ 4,371,311	$ 96,298	4,572,874	$ -
Real estate:					
First mortgages	-	-	-	16,311	-
Other	406,690	406,690	567	401,634	-
Consumer	219,353	219,353	33,067	295,593	-
	$ 4,997,354	$ 4,997,354	$ 129,932	$ 5,286,412	$ -

Note 3. Loans to Members (Continued)

	December 31, 2021				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with no specific allowance recorded:					
Commercial	$ 3,292,504	$ 3,292,504	$ -	$ 1,646,252	$ -
Real estate:					
First mortgages	32,621	32,621	-	73,286	-
Other	386,020	386,020	-	376,177	-
Consumer	200,374	200,374	-	231,426	-
	$ 3,911,519	$ 3,911,519	$ -	$ 2,327,141	$ -
Impaired loans with specific allowance recorded:					
Commercial	$ 1,481,932	$ 1,481,932	$ 35,088	$ 13,145,845	$ -
Real estate:					
Other	10,557	10,557	5,663	39,536	-
Consumer	171,458	171,458	66,072	316,754	-
	$ 1,663,947	$ 1,663,947	$ 106,823	$ 13,502,135	$ -
Total impaired loans:					
Commercial	$ 4,774,436	$ 4,774,436	$ 35,088	14,792,097	$ -
Real estate:					
First mortgages	32,621	32,621	-	73,286	-
Other	396,577	396,577	5,663	415,713	-
Consumer	371,832	371,832	66,072	548,180	-
	$ 5,575,466	$ 5,575,466	$ 106,823	$ 15,829,276	$ -

The following table presents the loan balance for commercial loans based on risk rating:

	2022	2021
Pass	$ 474,683,372	$ 449,646,236
Special mention	26,519,244	10,322,248
Substandard	1,149,437	1,481,932
Doubtful	-	-
Loss	-	-
	$ 502,352,053	$ 461,450,416

Note 3. Loans to Members (Continued)

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for loan losses. For real estate and consumer loan classes, the Credit Union evaluates credit quality based on the aging status of the loan. Performing loans are those which are accruing and less than 90 days past due. Nonperforming loans are those on nonaccrual, accruing loans that are greater than or equal to 90 days past due, and accruing TDRs. The following table presents the loan balance for real estate and consumer loans based on performance indication:

	December 31, 2022		December 31, 2021	
	Performing Loans	Nonperforming Loans	Performing Loans	Nonperforming Loans
Real estate:				
First mortgages	$ 542,170,365	$ 731,036	$ 381,690,613	$ 901,598
Other	118,552,518	1,228,107	90,527,838	581,513
	$ 660,722,883	$ 1,959,143	$ 472,218,451	$ 1,483,111
Consumer:				
Consumer	$ 79,241,857	$ 659,051	$ 68,744,662	$ 804,034
Credit cards	20,363,387	202,128	17,233,545	141,254
	$ 99,605,244	$ 861,179	$ 85,978,207	$ 945,288

As of December 31, 2022 and 2021, TDRs totaled $3,767,739 and $3,946,172, respectively. For each class of loans, the following summarizes the number and investment in TDRs, by type of concession, that were restructured during the year ended December 31, 2022:

	Number of TDRs	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Concession—payment terms:			
Consumer	5	$ 99,427	$ 96,118
		$ 99,427	$ 96,118

There was no material financial impact for charge-offs, principal forgiveness or foregone interest for the TDRs included in the previous tables. The financial impact for specific reserves was not significant for the TDRs included in the previous tables.

For the years ended December 31, 2022 and 2021, none of the Credit Union's TDRs have re-defaulted subsequent to restructure, where a default is defined as a delinquency of 90 days or more and/or placement on nonaccrual status.

In the normal course of business, the Credit Union has granted loans to executive officers and directors amounting to approximately $4,287,000 and $2,778,000 as of December 31, 2022 and 2021, respectively.

Note 4. Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation, and is summarized as of December 31, 2022 and 2021, as follows:

	2022	2021
Land and improvements	$ 12,191,711	$ 12,127,438
Building and improvements	38,409,318	31,173,094
Furniture and equipment	15,092,332	13,403,573
Leasehold improvements	18,235,372	18,029,027
Construction in progress	4,197,750	4,927,538
Total cost	88,126,483	79,660,670
Less accumulated depreciation	25,438,934	23,092,494
Net property and equipment	$ 62,687,549	$ 56,568,176

Note 5. Borrowed Funds

Borrowed funds as of December 31, 2022 and 2021, consist of the following:

	2022	2021
Note of Collins Community Credit Union:		
Term notes from FHLB at various interest rates ranging from 4.35% to 4.94%, due from January 2023 to October 2024. (A)	$ 146,000,000	$ 10,000,000
Revolving overnight advances from FHLB, fixed interest rate at 4.60%, due on demand. (A)	52,900,000	-
Notes of Collins Loan Services, LLC:		
Line of credit with Alloya Corporate Federal Credit Union (Alloya) up to $30,000,000, interest at Alloya's overnight rate plus 2.0% (3.25% to 5.95% as of December 31, 2022) due on demand. Collateralized by substantially all assets of CLS.	21,029,172	13,204,392
Note agreements with various financial institutions participating in a loan program, fixed interest rates from 2.0% to 5.2%, annual interest-only payments with final payments due from February 2023 to April 2026. Collateralized by security interest in CLS's commercial loan portfolio shared with all participants in the program in proportion to the amount invested. The note agreements contain various covenants.	14,750,000	15,800,000
Note of Northtowne Market Lot #7, LLC:		
Note agreement with CLS, participated with United Prairie Bank, fixed interest at 3.5% per annum, due in monthly installments of $64,091 with final payment due March 8, 2027. Collateralized by substantially all assets of Northtowne including property located on Blairs Ferry Road in Cedar Rapids, Iowa.	1,818,450	6,776,659
Total	$ 236,497,622	$ 45,781,051

Note 5. Borrowed Funds (Continued)

(A) The Credit Union has a borrowing capacity available to them through the FHLB of Des Moines based on pledged 1st and 2nd mortgage real estate assets and commercial real estate assets. The total pledged assets as of December 31, 2022 and 2021 was $473,592,494 and $373,237,537, respectively. The remaining borrowing capacity available to the Credit Union at December 31, 2022 and 2021 was $226,249,525 and $359,435,499, respectively.

In connection with the acceptance of deposits from municipalities, the Credit Union obtained letters of credit from the FHLB. The letters of credit were obtained to support a requirement by municipalities to accept deposits exceeding insured limits. These letters of credit totaled approximately $47,017,000 and $2,632,000 at December 31, 2022 and 2021, respectively, and expire based on the maturity of the time deposits held by certain municipalities. Upon the maturity of the time deposit held by the municipalities, the letters of credit are not expected to be renewed.

Maturity information on borrowed funds as of December 31, 2022, is as follows:

2023	$ 178,451,045
2024	51,874,279
2025	3,677,415
2026	979,927
2027	1,514,956
	$ 236,497,622

The Credit Union also maintains a $25,000,000 line of credit agreement with a corporate credit union, which is secured by a blanket security interest in the Credit Union's new and used auto loan portfolio. No amounts were outstanding on this line of credit agreement as of December 31, 2022 and 2021.

Note 6. Members' Shares and Savings Accounts

Members' shares and savings accounts are summarized as follows:

	2022	2021
Share accounts	$ 232,434,779	$ 236,403,641
Money market accounts	395,400,271	407,497,944
Individual retirement accounts	11,688,436	9,760,067
Share draft accounts	334,421,764	345,941,562
Certificates of deposit and IRA certificates	325,877,793	262,961,341
	$ 1,299,823,043	$ 1,262,564,555

Included in certificates of deposit and individual retirement account (IRA) certificates are nonmember certificates totaling approximately $73,002,000 and $5,662,000 as of December 31, 2022 and 2021, respectively.

Note 6. Members' Shares and Savings Accounts (Continued)

At December 31, 2022, scheduled maturities of certificates of deposit and IRA certificates are as follows:

2023	$ 167,959,200
2024	113,114,374
2025	38,648,085
2026	3,254,461
2027	2,896,255
Thereafter	5,418
	$ 325,877,793

The aggregate amounts of members' term share accounts of $250,000 or more were approximately $130,833,000 and $75,858,000 at December 31, 2022 and 2021, respectively.

Note 7. 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 that involve quantitative measures of the Credit Union's assets, liabilities and certain off-balance-sheet items, as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgements by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the following page) of net worth to total assets. For 2021, Credit Unions were required to calculate a Risk-Based Net Worth (RBNW) requirement, which establishes whether or not the Credit Union will be considered complex under the regulatory framework. The Credit Union's RBNW requirements as of December 31, 2021 was 8.17%. The minimum requirement to be considered complex under the regulatory framework was 6%. To be categorized as well-capitalized, the Credit Union must maintain a minimum net worth ratio of 7%.

As of December 31, 2022, the Credit Union is required to meet a minimum net worth (NW) ratio of 7% and a minimum risk-based capital (RBC) ratio of 10% to be considered well-capitalized. The Credit Union's NW and RBC requirements as of December 31, 2022 were 7.50% and 8.01%, respectively. Management believes, as of December 31, 2022 and 2021, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2022, NCUA categorized the Credit Union as adequately capitalized under the regulatory framework for prompt corrective action. As of December 31, 2021, the most recent call reporting period, NCUA categorized the Credit Union as well capitalized under the regulatory framework for prompt corrective action.

Note 7. Capital Requirements (Continued)

The Credit Union's actual capital amounts and ratios are as follows at December 31:

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provisions		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022:						
Net worth	$ 123,004,571	7.73%	$ 95,459,715	6.00%	$ 111,369,667	7.00%
Risk-based capital requirement	112,040,317	8.38%	106,994,465	8.00%	133,743,081	10.00%
December 31, 2021:						
Net worth	$ 117,785,323	8.17%	$ 86,513,000	6.00%	$ 100,931,834	7.00%
Risk-based net worth requirement	107,564,497	7.46%	N/A	N/A	N/A	N/A

Note 8. Commitments and Contingencies

Lease commitments: The Credit Union adopted ASU 2016-02, *Leases (Topic 842),* effective January 1, 2022 using the alternative transition method and elected to apply the new guidance at the adoption date without adjusting comparative periods presented. Comparative information has not been restated and will continue to be reported under accounting standards in effect for that period. In adopting the new guidance, the Credit Union elected to apply the package of transition practical expedients, which allows the Credit Union not to reassess: (1) lease classification for any expired or existing leases; and (2) whether previously capitalized initial direct costs would qualify for capitalization under ASC 842. The Credit Union did not elect to apply the hindsight practical expedient.

The adoption of ASC 842 resulted in the recognition of new ROU assets and lease liabilities on the consolidated balance sheet. As a result of the Credit Union's adoption on January 1, 2022, the Credit Union recorded operating lease ROU assets of $1,362,651 and associated operating lease liabilities of $1,380,287. There was no cumulative effect on equity as of the adoption date.

At December 31, 2022 and 2021, the Credit Union had outstanding commitments under noncancelable operating leases for office space for several branch locations. Rent expense under the operating leases after elimination of intercompany rent, included in occupancy expense on the consolidated statements of income, was $633,396 and $671,424 for the years ended December 31, 2022 and 2021, respectively.

Operating lease ROU assets and liabilities are as follows:

Operating leases:	
Operating lease ROU assets	$ 1,823,315
Current operating lease liabilities	$ 478,204
Noncurrent operating lease liabilities	1,362,721
Total operating lease liabilities	$ 1,840,925

Note 8. Commitments and Contingencies (Continued)

Maturities of operating lease liabilities as of December 31, 2022, are as follows:

2023	$	540,065
2024		540,588
2025		388,151
2026		261,254
2027		155,512
Thereafter		110,759
Total undiscounted maturities		1,996,329
Less present value discount		155,404
Total lease liabilities	$	1,840,925

Weighted average operating lease information as of December 31, 2022, is as follows:

Weighted-average remaining lease term (in years)	4.18
Weighted-average discount rate	4.00%

The total minimum rental commitments prior to the adoption of ASC Topic 842, Leases, at December 31, 2021, are as follows:

2022	$	520,876
2023		426,557
2024		407,798
2025		263,607
2026		82,290
Total future minimum lease payments	$	1,701,128

The Credit Union signed a lease commencing June 29, 2020 with its subsidiary, Northtowne. Intercompany rent paid during the year ended December 31, 2022 that was eliminated in consolidation totaled $1,277,125. Future intercompany rent payments not included in the schedule above consist of $1,277,000 annually until the end of the lease termination date of June 28, 2040.

Off-balance-sheet risk: The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Credit Union has in particular classes of financial instruments.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual notional amount of those instruments. The Credit Union uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Note 8. Commitments and Contingencies (Continued)

The following financial instruments were outstanding, whose contract amounts represent credit risk:

	December 31	
	2022	2021
Commitments to extend credit	$ 236,040,060	$ 200,764,000

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 termination clauses or fixed expiration dates. Since 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, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the member and classification of loan.

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

Investment in venture capital funds: The Credit Union has invested in certain local project funds that provide tax credits to their investors. The funds are used to invest in Iowa based businesses and the Credit Union has funded in total $12,718,783 and $13,041,441 at December 31, 2022 and 2021, respectively. The Credit Union has committed to fund up to $17,000,000 in aggregate. The remaining unfunded commitment was approximately $2,574,000 and $3,705,000 at December 31, 2022 and 2021, respectively.

Note 9. Fair Value Measurements

Accounting guidance on fair value measurements defines fair value, establishes a framework for measuring fair value using a hierarchy system and requires disclosure of fair value measurements. The hierarchy is intended to maximize the use of observable inputs and minimize the use of unobservable inputs and includes three levels based upon the valuation techniques used. The three levels are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Note 9. Fair Value Measurements (Continued)

A description of the valuation methodologies used for assets measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below:

Securities: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid U.S. government agency securities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flow. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed and corporate bonds. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

Impaired loans: The Credit Union does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and an allowance for credit losses is established. Once a loan is identified as impaired, management measures impairment based upon the present value of expected future cash flows discounted at the loan's effective interest rate, except where more practical, at the observable market prices of the loan or the fair value of the collateral, if the loan is collateral dependent. Collateral may be real estate and/or business assets including equipment, inventory and/or accounts receivable. Fair value is determined based upon appraisals by qualified licensed appraisers hired by the Credit Union, and are, generally, considered Level 3 measurements. In some cases, adjustments are made to the appraised values due to various factors including age of the appraisal, age of comparables included in the appraisal, and known changes in the market and in the collateral.

There have been no changes in valuation techniques used for any assets measured at fair value during the years ended December 31, 2022 and 2021.

The following tables summarize assets measured at fair value on a recurring basis as of December 31, 2022 and 2021, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

Assets measured at fair value on a recurring basis: Assets measured at fair value on a recurring basis at December 31, 2022 and 2021, are summarized as follows:

	Fair Value Measurements as of December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Equity securities	$ 1,743,937	$ -	$ -	$ 1,743,937
Debt securities available-for-sale:				
Mutual funds, backed primarily by mortgage-backed securities	$ 482,654	$ -	$ -	$ 482,654
Private commercial mortgage-backed securities	-	21,321,073	-	21,321,073
Mortgage-backed securities	-	4,650,560	-	4,650,560
Collateralized mortgage obligations	-	60,714,170	-	60,714,170
Municipal bonds	-	35,335,010	-	35,335,010
Corporate paper	-	9,256,400	-	9,256,400
Total debt securities available-for-sale	$ 482,654	$ 131,277,213	$ -	$ 131,759,867

Note 9. Fair Value Measurements (Continued)

	Fair Value Measurements as of December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Equity securities	$ 2,123,849	$ -	$ -	$ 2,123,849
Debt securities available-for-sale:				
Mutual funds, backed primarily by mortgage-backed securities	$ 499,843	$ -	$ -	$ 499,843
Private commercial mortgage-backed securities	-	22,844,327	-	22,844,327
Mortgage-backed securities	-	6,542,778	-	6,542,778
Collateralized mortgage obligations	-	51,547,377	-	51,547,377
Municipal bonds	-	48,930,693	-	48,930,693
Corporate paper	-	10,795,000	-	10,795,000
Total debt securities available-for-sale	$ 499,843	$ 140,660,175	$ -	$ 141,160,018

There were no transfers of assets between levels of the fair value hierarchy during the years ended December 31, 2022 and 2021.

Assets recorded at fair value on a nonrecurring basis: The Credit Union may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis, such as when there is evidence of impairment. Assets measured at fair value on a nonrecurring basis are included in the table below:

	Fair Value Measurements as of December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Impaired loans	$ -	$ -	$ 4,867,422	$ 4,867,422

	Fair Value Measurements as of December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Impaired loans	$ -	$ -	$ 5,468,643	$ 5,468,643

Note 10. 401(k) Profit Sharing Plan

The Credit Union has a 401(k) profit sharing plan that covers substantially all employees who are age 18 or older and have completed six months of service with the Credit Union. For the years ended December 31, 2022 and 2021, the Credit Union made Safe Harbor matching contributions on behalf of eligible participants equal to 100% of those participants' salary deferrals not in excess of 3% of eligible compensation plus 50% of salary deferrals in excess of 3% of eligible compensation not to exceed 5% of eligible compensation. The Credit Union also made profit sharing contributions equal to 5% of compensation on behalf of eligible participants. Contributions by the Credit Union, included in compensation and benefits in the consolidated statements of income, for the years ended December 31, 2022 and 2021 amounted to approximately $1,788,000 and $1,746,000, respectively.

Note 11. Postretirement Benefits Other Than Pensions

The Credit Union sponsors plans to provide selected health care and life insurance benefits for retired employees. Employees may become eligible for those benefits if they retire while working for the Credit Union subject to certain service year requirements. Benefit and eligibility rules may be modified from time to time. The following sets forth the plan's funded status accounted to the amounts included in accounts payable and other accrued liabilities in the Credit Union's consolidated statements of financial condition at December 31, 2022 and 2021:

	2022	2021
Net postretirement liability:		
Market value of assets	$ 682,514	$ 704,356
Accumulated postretirement benefit obligation (APBO)	(746,876)	(1,069,667)
Unfunded status	$ (64,362)	$ (365,311)
Amounts recognized in accumulated other comprehensive (loss):		
Other (gains)	$ (599,265)	$ (212,449)
Prior service cost	(409,721)	(454,493)
	$ (1,008,986)	$ (666,942)
Components of net periodic postretirement cost:		
Service cost	$ 101,691	$ 106,256
Interest cost	31,163	29,602
Expected return on plan assets	(40,394)	(39,055)
Recognition of net gain	(6,593)	-
Amortization of prior service cost	(44,772)	(44,772)
Net periodic postretirement cost	$ 41,095	$ 52,031

A weighted-average discount rate of 4.99% and 3.00% was used to determine the APBO for the years ended December 31, 2022 and 2021, respectively. The expected long-term rate of return on assets is 6.00% for the years ended December 31, 2022 and 2021.

The Credit Union did not make contributions to the plan during the years ended December 31, 2022 and 2021.

There were no benefit payments from the plan for the years ended December 31, 2022 and 2021.

Note 11. Postretirement Benefits Other Than Pensions (Continued)

The Credit Union's weighted-average asset allocations by asset category are as follows:

	2022	2021
Asset category:		
Equity securities	30%	32%
Debt securities	68	67
Other	2	1
	100%	100%

The Credit Union expects the benefits to be paid by the plan in the ensuing five years and thereafter as follows:

Years ending December 31:	
2023	$ 85,414
2024	78,171
2025	68,642
2026	65,824
2027	31,475
Thereafter	181,480
	$ 511,006

The fair values of the Credit Union's postretirement plan asset allocation at December 31, 2022 and 2021, are as follows:

	December 31, 2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category:				
Mutual funds	$ 525,859	$ 525,859	$ -	$ -
Misc cash equivalents	12,764	12,764	-	-
Municipal bonds	50,020	-	50,020	-
	$ 588,643	$ 538,623	$ 50,020	$ -

	December 31, 2021			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category:				
Mutual funds	$ 649,930	$ 649,930	$ -	$ -
Misc cash equivalents	4,294	4,294	-	-
Municipal bonds	50,132	-	50,132	-
	$ 704,356	$ 654,224	$ 50,132	$ -

Note 12. Pension Plan

The Credit Union has a qualified, noncontributory defined benefit pension plan covering certain employees. Participation is limited to employees who were employed prior to April 1, 2009 and have completed at least one-half year of service and reached 20 years of age. Employees are entitled to annual pension benefits equal to 50% of their average monthly compensation, at the earlier of attaining the normal retirement age of 65 or 55 with 30 years of service.

However, pension benefits will be reduced by one-thirtieth for each year of service less than 30 at the employee's normal retirement date. Vesting is based on years of service with the Credit Union. Employees are fully vested after seven years of service. The benefits accrued by eligible employees as of May 31, 2017 were frozen on that date.

The following sets forth the funded status of the plan and the amounts included in accounts payable and other accrued liabilities on the accompanying consolidated statements of financial condition at December 31, 2022 and 2021:

	2022	2021
Net pension asset (liability):		
Market value of assets	$ 2,289,561	$ 7,773,555
Projected benefit obligation (PBO)	(6,026,560)	(11,061,156)
Unfunded status	$ (3,736,999)	$ (3,287,601)
Amounts recognized in accumulated other comprehensive income:		
Unrecognized net income from past experience different from that assumed and from effects of changes in assumptions	$ 2,684,473	$ 3,969,684
Components of net periodic postretirement (benefit):		
Interest cost	$ 300,549	$ 320,678
Expected return on plan assets	(534,995)	(590,219)
Amortization of other losses	297,668	345,802
Net periodic postretirement (benefit)	$ 63,222	$ 76,261

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 5.29% and 2.75% for the years ended December 31, 2022 and 2021, respectively. The expected long-term rate of return on assets is 6.70% and 7.00% for the years ended December 31, 2022 and 2021.

The Credit Union made contributions to the plan of $54,600 and $0 for the years ended December 31, 2022 and 2021.

The Credit Union paid benefits to employees from plan assets totaling approximately $3,975,000 and $1,514,000 for the years ended December 31, 2022 and 2021, respectively.

The long-term rate of return on assets is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

Note 12. Pension Plan (Continued)

The Credit Union's Board of Directors has established an investment policy for the pension plan. The general investment principles of the policy require that investments be made solely in the interest of the beneficiaries, that the plan be invested with care, skill, prudence and diligence, that the plan be reasonably diversified to reduce the risk of large losses, that the Board of Directors may employ one or more investment managers to attain plan objectives, and that cash is to be employed productively at all times. The investment management policy of the pension plan requires the investment managers to preserve capital, ensure that the risk is commensurate with the given investment style and objectives, and to adhere to the investment management styles for which the investment manager is hired. The goals of each investment manager are to meet or exceed the market index or benchmark selected by the Board of Directors and to display an overall level of risk in the portfolio that is consistent with the established benchmark.

The Credit Union's weighted-average asset allocations by asset category are as follows:

	2022	2021
Asset category:		
Equity securities	57%	57%
Debt securities	40	43
Other	3	-
	100%	100%

The Credit Union expects the benefits to be paid by the plan in the ensuing five years and five years thereafter as follows:

Years ending December 31:		
2023	$	523,114
2024		685,832
2025		221,958
2026		370,871
2027		368,091
Five years thereafter		3,040,458
	$	5,210,324

Note 12. Pension Plan (Continued)

The fair values of the Credit Union's pension plan asset allocation at December 31, 2022 and 2021, are as follows:

	December 31, 2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category:				
Cash	$ 74,328	$ 74,328	$ -	$ -
Mutual funds	2,215,233	2,215,233	-	-
	$ 2,289,561	$ 2,289,561	$ -	$ -

	December 31, 2021			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset category:				
Cash	$ 11,279	$ 11,279	$ -	$ -
Mutual funds	7,762,276	7,762,276	-	-
	$ 7,773,555	$ 7,773,555	$ -	$ -

Note 13. Business Combination

On March 29, 2022, the Holding Company acquired the remaining 51% of Collins Insurance Service, LLC (CIS). The acquired assets and liabilities assumed were recorded at fair value at the date of acquisition. As a result of the acquisition, the Holding Company recorded intangible assets of $2,105,400 and goodwill of $4,559,798. Total acquisition related costs included in noninterest expense in the consolidated statements of income were immaterial for the year ended December 31, 2022. The goodwill recognized is related to expected synergies of combining operations.

Note 13. Business Combination (Continued)

Estimated fair values of assets acquired and liabilities assumed in the CIS transaction, consideration and gain on acquisition as of the closing date of the transaction, were as follows:

	March 29, 2022
Assets:	
Cash and cash equivalents	$ 525,707
Intangible assets	2,105,400
Goodwill	4,559,798
Total assets	$ 7,190,905
Liabilities:	
Accounts payable	$ 3,552
Total liabilities	$ 3,552
Net assets acquired	$ 7,187,353
Consideration:	
Cash paid	$ 3,000,000
Fair value of previously held equity interest	2,882,353
Settlement of preexisting relationships	1,305,000
Total consideration	$ 7,187,353
Fair value of previously held equity interest	$ 2,882,353
Less carrying value of previously held equity interest	(138,594)
Gain from acquisition	$ 3,020,947

Note 14. Goodwill and Intangible Assets

The following table represents the changes in the carrying amount of goodwill for the year ended December 31, 2022:

Balance, beginning of period	$ -
Goodwill from acquisition of CIS	4,559,798
Balance, end of period	$ 4,559,798

Intangible assets at December 31, 2022, are as follows:

	Gross Carrying Amount	Accumulated Amortization	Unamortized Amount
Trade name	$ 516,800	$ (38,760)	$ 478,040
Customer list	1,588,600	(119,145)	1,469,455
Total intangible assets	$ 2,105,400	$ (157,905)	$ 1,947,495

Amortization of the intangible assets amounted to $157,905 for the year ended December 31, 2022. There was no goodwill or intangible assets as of December 31, 2021.

Note 14. Goodwill and Intangible Assets (Continued)

Intangible assets are amortized over ten years with estimated future amortization as follows:

Years ending December 31:	
2023	$ 210,540
2024	210,540
2025	210,540
2026	210,540
2027	210,540
Thereafter	894,795
	$ 1,947,495