Collins Community Credit Union and Subsidiary

Consolidated Financial Statements
December 31, 2023

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, 2023 and 2022, 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, 2023 and 2022, 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
April 29, 2024

Collins Community Credit Union and Subsidiary

Consolidated Statements of Financial Condition
December 31, 2023 and 2022

	2023	2022
Assets		
Cash, cash equivalents and restricted cash	**$ 95,531,151**	$ 51,883,603
Investment securities:		
Equity	**1,973,229**	1,743,937
Debt available-for-sale	**122,225,213**	131,759,867
Investment in venture capital funds	**14,159,389**	12,718,783
Loans held for sale	**365,600**	4,533,236
Loans to members, net	**1,196,303,182**	1,262,341,254
Accrued interest receivable	**4,460,338**	4,351,913
Mortgage servicing assets	**9,580,315**	11,551,899
Property and equipment, net	**68,607,850**	62,687,549
National Credit Union Share Insurance Fund (NCUSIF) deposit	**12,026,964**	10,224,242
Federal Home Loan Bank (FHLB) stock	**11,012,600**	11,636,200
Prefunded employee benefit investments	**12,024,571**	12,905,249
Loans to officers	**35,333,153**	33,650,622
Prepaid expenses	**5,438,082**	6,406,974
Goodwill	**4,559,798**	4,559,798
Intangible assets, net	**1,736,955**	1,947,495
Other assets	**27,859,081**	26,566,611
Total assets	**$ 1,623,197,471**	$ 1,651,469,232
Liabilities and Members' Equity		
Liabilities:		
Members' shares and savings accounts	**$ 1,293,991,524**	$ 1,299,823,043
Borrowed funds	**217,573,179**	236,497,622
Accounts payable	**5,631,370**	8,490,219
Accrued expenses and other liabilities	**7,306,550**	12,272,160
Total liabilities	**1,524,502,623**	1,557,083,044
Commitments and contingencies		
Members' equity:		
Legal reserve	**98,324,176**	98,140,808
Other reserves	**14,159,389**	12,718,783
Undivided earnings	**10,186,667**	11,825,145
Accumulated other comprehensive loss	**(25,341,425)**	(29,869,318)
Noncontrolling interest in subsidiary	**1,366,041**	1,570,770
Total members' equity	**98,694,848**	94,386,188
Total liabilities and members' equity	**$ 1,623,197,471**	$ 1,651,469,232

See notes to consolidated financial statements.

Collins Community Credit Union and Subsidiary

Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

	2023	2022
Interest income:		
Loans receivable	$ 59,333,310	$ 48,907,652
Investment securities	9,252,394	4,914,007
Total interest income	68,585,704	53,821,659
Interest expense:		
Members shares and savings accounts	24,362,835	7,661,245
Borrowed funds	10,912,189	5,170,057
Total interest expense	35,275,024	12,831,302
Net interest income	33,310,680	40,990,357
Credit loss expense	5,714,550	241,115
Net interest income after credit loss expense	27,596,130	40,749,242
Noninterest income:		
Service charges and fees	21,097,009	22,628,080
Gain on sales of loans	-	572,865
Realized (loss) gain on sales of debt securities, net	(501,021)	173,084
Other	393,906	209,304
Gain from acquisition	-	3,020,947
Total noninterest income	20,989,894	26,604,280
Noninterest expenses:		
Compensation and benefits	21,828,947	29,068,343
Office operations	4,037,333	3,306,712
Occupancy	7,499,112	6,581,134
Professional and outside services	8,173,701	12,991,861
Loan servicing	4,142,475	7,286,842
(Gain) loss on equity securities, net	(623,650)	42,891
Other operating expenses	3,305,791	3,021,557
Total noninterest expenses	48,363,709	62,299,340
Income before noncontrolling interest in income of subsidiary	222,315	5,054,182
Noncontrolling interest in income of subsidiary	(164,983)	(165,603)
Net income after noncontrolling interest in income of subsidiary	$ 57,332	$ 4,888,579

See notes to consolidated financial statements.

Collins Community Credit Union and Subsidiary

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

	2023	2022
Net income	**$ 222,315**	$ 5,054,182
Other comprehensive income (loss):		
Securities available-for-sale:		
Unrealized holding gains (losses) arising during the year	**3,415,010**	(25,010,295)
Less reclassification adjustment for losses (gains) included in net income	**501,021**	(173,084)
	3,916,031	(25,183,379)
Defined benefit pension plan	**788,184**	1,285,211
Postretirement benefit plan	**(176,322)**	342,044
Total other comprehensive income (loss)	**4,527,893**	(23,556,124)
Comprehensive income (loss)	**$ 4,750,208**	$ (18,501,942)

See notes to consolidated financial statements.

Collins Community Credit Union and Subsidiary

Consolidated Statements of Members' Equity
Years Ended December 31, 2023 and 2022

	Appropriated		Unappropriated	Accumulated		
	Legal Reserves	Other Reserves	Undivided Earnings	Other Comprehensive (Loss)	Noncontrolling Interest in Subsidiary	Total
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	-	319,597	(319,597)	-	-	-
Balance, December 31, 2022	98,140,808	12,718,783	11,825,145	(29,869,318)	1,570,770	94,386,188
Cumulative change in accounting principle (Note 1)	-	-	(71,836)	-	-	(71,836)
Balance, January 1, 2023 (as adjusted for change in accounting principle)	98,140,808	12,718,783	11,753,309	(29,869,318)	1,570,770	94,314,352
Comprehensive income:						
Net income	-	-	57,332	-	164,983	222,315
Other comprehensive income	-	-	-	4,527,893	-	4,527,893
Distributions to member	-	-	-	-	(369,712)	(369,712)
Transfers, net	183,368	1,440,606	(1,623,974)	-	-	-
Balance, December 31, 2023	**$ 98,324,176**	**$ 14,159,389**	**$ 10,186,667**	**$ (25,341,425)**	**$ 1,366,041**	**$ 98,694,848**

See notes to consolidated financial statements.

Collins Community Credit Union and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net income	**$ 222,315**	$ 5,054,182
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**3,791,349**	3,423,496
Amortization	**210,540**	157,905
Credit loss expense	**5,714,550**	241,115
Net amortization of premiums on debt securities	**12,450,684**	8,482,239
Net unrealized (gain) loss on equity securities	**(623,650)**	42,891
Net realized loss (gain) on sales of debt securities	**501,021**	(173,084)
Net realized gain on sales of venture capital fund investment	**-**	(723,317)
Impairment loss to venture capital fund investments	**-**	930,272
Net realized loss on sales of property and equipment	**664,131**	-
(Increase) decrease in assets:		
Loans held for sale	**4,167,636**	(1,369,839)
Accrued interest receivable	**(108,425)**	(1,301,373)
Mortgage servicing assets	**1,971,584**	1,423,663
Loans to officers	**(1,682,531)**	1,980,843
Other assets	**(323,578)**	(2,487,829)
Prefunded employee benefit investment	**1,336,839**	2,145,027
(Decrease) increase in liabilities, accounts payable and other accrued liabilities	**(7,397,858)**	446,034
Net cash provided by operating activities	**20,894,607**	18,272,225
Cash flows from investing activities:		
Net decrease (increase) in loans to members	**60,436,947**	(248,340,259)
Proceeds from maturities and sales of debt securities	**559,698**	13,211,966
Purchases of equity securities	**(122,521)**	-
Purchases of debt securities	**-**	(37,304,349)
Contributions to venture capital fund investments	**(1,440,606)**	(1,130,441)
Proceeds from sale of venture capital fund investment	**-**	1,246,144
Net proceeds (purchase) of FHLB stock	**623,600**	(8,400,000)
Proceeds from sale of property and equipment	**753,067**	-
Purchase of property and equipment	**(11,128,848)**	(9,542,869)
Net (increase) decrease in NCUSIF deposit	**(1,802,722)**	334,907
Net consideration in business combination	**-**	(5,191,631)
Net cash provided by (used in) investing activities	**47,878,615**	(295,116,532)
Cash flows from financing activities:		
Net (decrease) increase in members' shares and savings accounts	**(5,831,519)**	37,258,488
Distributions to member	**(369,712)**	(179,568)
Payments of borrowed funds	**(172,978,477)**	(661,548,638)
Proceeds from borrowed funds	**154,054,034**	852,265,209
Net cash (used in) provided by financing activities	**$ (25,125,674)**	$ 227,795,491

(Continued)

Collins Community Credit Union and Subsidiary

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022
Net change in cash, cash equivalents and restricted cash	**$ 43,647,548**	$ (49,048,816)
Cash, cash equivalents and restricted cash:		
Beginning	**51,883,603**	100,932,419
Ending	**$ 95,531,151**	$ 51,883,603
Supplemental disclosures of cash flow information:		
Cash payments for interest paid to members	**$ 24,362,835**	$ 7,661,245
Cash payments for interest paid on borrowed funds	**$ 11,001,522**	$ 5,166,383
Cash paid for amounts included in the measurement of lease liabilities	**$ 442,216**	$ 502,535
Supplemental schedule of noncash investing and financing activities, adoption of ASC 326, reclassification from undivided earnings to allowance for credit losses	**$ (71,836)**	$ -
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 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. 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). CM sells prefunded employee benefit plan structures through the purchases of annuities. All material intercompany transactions and balances have been eliminated in consolidation.

Adoption of new accounting standard: On January 1, 2023, the Credit Union adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326), as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance sheet (OBS) credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). In addition, Accounting Standards Codification (ASC) 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Credit Union adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2023, are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable accounting principles generally accepted in the United States of America (U.S. GAAP). The Credit Union recorded a net decrease to undivided earnings of $71,836 as of January 1, 2023, for the cumulative effect of adoption ASC 326. The transition adjustment includes a $113,425 increase to undivided earnings due to the decrease in allowance for credit losses on loans and $185,261 decrease to undivided earnings due to the increase in allowance for credit losses on off-balance sheet credit exposures.

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

The following table illustrates the impact of ASC 326:

	January 1, 2023		
	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
Loans:			
Commercial	$ 2,728,925	$ 2,821,081	$ (92,156)
Real estate:			
First mortgages	1,065,169	958,917	106,252
Other	224,668	397,724	(173,056)
Consumer:			
Consumer	1,245,878	1,192,356	53,522
Credit cards	389,216	397,203	(7,987)
Allowance for credit losses on loans	$ 5,653,856	$ 5,767,281	$ (113,425)
Liabilities:			
Allowance for credit losses on off-balance sheet credit exposures	185,261	-	185,261
Total	$ 5,839,117	$ 5,767,281	$ 71,836

On January 1, 2023, the Credit Union also adopted ASU 2022-02 *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.* The amendments eliminate the accounting guidance for troubled debt restructuring (TDRs) within ASC 310-40, while also enhancing the disclosure requirements for certain loan refinancings and restructurings when a borrower is experiencing financial difficulty. The adoption of ASU 2022-02 was applied prospectively on footnote disclosures and did not have any equity impact on the Credit Union’s financial statements.

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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain significant estimates: The allowance for credit losses on loans and fair value of available-for-sale debt 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, 2023, may change in the near future and that the effect could be material to the financial statements.

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

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 of 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, Poweshiek, Scott, Story, Tama, Warren, Washington, Wapello; the Illinois counties of Bureau, Carroll, Jo Daviess, Whiteside, Henry, Rock Island, Mercer; and the Wisconsin counties of Grant, Iowa, and Lafayette.

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.

Restricted cash: The Credit Union is not required at December 31, 2023 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.

Investment securities: The Credit Union's investments in securities for the years ended December 31, 2023 and 2022 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.

For available-for-sale debt securities in an unrealized loss position, the Credit Union first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Credit Union evaluated whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

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

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the collectability of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. There were no credit losses on the Credit Union's available-for-sale debt securities as of December 31, 2023 or 2022.

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 and no additional impairment was recorded in 2023.

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 $1,637,000 and $1,425,000 at December 31, 2023 and 2022, 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.

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

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at amortized cost, less an allowance for credit losses. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred loan fees and costs. Accrued interest receivable related to loans totaling $4,457,897 at December 31, 2023 was reported in accrued interest receivable on the consolidated statements of financial condition and is excluded from the estimate of credit losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans without anticipating prepayments.

Interest income on loans will generally be discontinued and placed on nonaccrual status when 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.

Allowance for credit losses: The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. 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.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Credit Union segregates the loan portfolio into segments for purposes of evaluating the allowance for credit losses. The Credit Union uses a hybrid approach of the probability of default (PD), loss-rate (LR), and weighted average remaining maturity (WARM) methods to estimate expected credit losses on the various segments. A portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses.

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

The Credit Union developed expected loss estimates based on peer data loan segmentation with a three-year lookback period for segments utilizing the WARM method. The Credit Union also leverages assumptions and forecasting projections from a reputable and independent third party, which uses regression analysis of historical internal and peer data to determine which variables are best suited to be economic variables utilized when modeling the conditional probability of default and loss given default. This analysis also determines how the expected conditional probability of default rate and loss given default will react to forecasted levels of the economic variables. The Credit Union uses one or multiple of the following economic variables: unemployment rates and changes in housing prices using region specific projections. Other internal and external indicators of economic forecasts are also considered by the Credit Union when development the forecast metrics.

In addition, the Credit Union utilizes qualitative factors to adjust the calculated allowance for credit losses as appropriate. Qualitative factors are based on the Credit Union's judgement of Credit Union, market, industry, or business specific data, changes in underlying composition of specific portfolios, trends relating to credit quality, delinquency, nonperforming and adversely rated loans, and reasonable and supportable forecasts of economic conditions.

The Credit Union has identified the following loan portfolio segments:

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.

First Mortgages 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.

Other real estate: The Credit Union provides home equity loans and home equity lines of credit for borrowers to finance home improvements, pay for college tuition, or consolidate high-interest debt. They are generally offered at lower interest rates than other forms of consumer loans because they are secured by a borrower's home. Home equity loans tend to be fixed-rate loans that are paid back in fixed installments over a predetermined period. Home equity lines of credit tend to be variable-rate loans. The loan amount is based on the difference between the home's current market value and the borrower's mortgage balance due.

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.

Credit cards: The Credit Union offers credit cards for members to borrow money form the Credit Union to make purchases through a payment card. Credit cards charge interest on the money spent, and the interest rate can vary depending on the terms of the payment card.

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

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a modification will be executed with an individual borrower experiencing financial difficulty, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Credit Union.

Credit card receivables do not have stated maturities. In determining the estimated life of a credit card receivable, management first estimates the future cash flows expected to be received and then applies those expected future cash flows to the credit card balance. Expected credit losses for credit cards are determined by estimating the amount and timing of principal payments expected to be received as payment for the balance outstanding as of the reporting period and applying those principal payments against the balance outstanding as of the reporting period until the expected payments have been fully allocated. The allowance for credit loss is recorded for the excess of the balance outstanding as of the reporting period over the expected principal payments.

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.

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.

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

- 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.

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.

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

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.

***Allowance for credit losses on off-balance sheet credit exposures*:** The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimated of expected credit losses on commitments expected to be funded over its estimated life. The liability for off-balance sheet credit losses is estimated by loan segment under the current expected credit loss model using the same methodologies as portfolio loans and is included in accrued expenses and other liabilities on the Credit Union's consolidated statements of financial position.

The following table presents the activity in the allowance for credit losses on off-balance sheet credit exposures for the year ended December 31, 2023:

Balance, beginning, prior to adoption of ASC 326	$	-
Impact of adopting ASC 326		185,261
Credit loss recovery		(70,456)
Balance, ending	$	114,805

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.

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.

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

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. Leases are classified as either operating leases or finance leases based on certain criteria. 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 a credit loss. There have been no credit losses 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 Credit Union 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 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.

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.

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

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 total value of the loans including accrued interest was $35,333,153 and $33,650,622 at December 31, 2023 and 2022, 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. Premiums not yet paid are held in a deposit account at the Credit Union in the executives' names.

Goodwill: The Credit Union 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 Credit Union reviews goodwill for potential impairment annually with a testing date of December 31. No impairment was recorded on goodwill as of December 31, 2023 and 2022.

Intangible assets: The Credit Union'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 debt 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:

	2023	2022
Net unrealized (losses) on debt securities available-for-sale	$ (24,277,800)	$ (28,193,831)
Unfunded postretirement benefits	832,664	1,008,986
Unfunded pension benefits	(1,896,289)	(2,684,473)
Accumulated other comprehensive (loss)	$ (25,341,425)	$ (29,869,318)

Pension plan—defined benefit: The Credit Union has a qualified, noncontributory defined benefit pension plan covering certain 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.

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

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.

Other real estate owned: Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value loss cost to sell at the date of foreclosure. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in noninterest income and expenses.

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.

Revenue recognition: The Credit union's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Credit Union satisfies its obligation to the member.

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.

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 member's equity.

Subsequent events: The Credit Union has evaluated all subsequent events through April 29, 2024, 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, 2023 and 2022, are as follows:

	2023	2022
Mutual funds	$ 1,973,229	$ 1,743,937

Note 2. Investment Securities (Continued)

Debt securities: The amortized cost of investment securities as shown in the consolidated statements of financial condition of the Credit Union and their approximate fair values at December 31, 2023 and 2022, are as follows:

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
Debt securities available-for-sale:				
Private commercial mortgage-backed securities	$ 22,439,873	$ -	$ (2,987,808)	$ 19,452,065
Mortgage-backed securities	3,073,154	-	(286,269)	2,786,885
Collateralized mortgage obligations	60,308,169	-	(7,846,446)	52,461,723
Municipal bonds	50,181,817	-	(12,395,477)	37,786,340
Corporate paper	10,500,000	-	(761,800)	9,738,200
Total debt securities available-for-sale	$ 146,503,013	$ -	$ (24,277,800)	$ 122,225,213

	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

The amortized cost and estimated market value of debt securities, at December 31, 2023, 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.

	Debt Securities Available-for-Sale	
	Amortized Cost	Fair Value
Due in five to ten years	$ 8,763,897	$ 7,127,886
Due in greater than ten years	41,417,920	30,658,454
Mortgage-backed securities	25,513,027	22,238,950
Collateralized mortgage obligations	60,308,169	52,461,723
Corporate paper	10,500,000	9,738,200
	$ 146,503,013	$ 122,225,213

Note 2. Investment Securities (Continued)

Gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, and for which an allowance for credit losses has not been recorded as of December 31, 2023 and 2022, are summarized as follows:

	2023					
	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:						
Private commercial mortgage-backed securities	$ -	$ -	$ 19,452,065	$ (2,987,808)	$ 19,452,065	$ (2,987,808)
Mortgage-backed securities	-	-	2,786,885	(286,269)	2,786,885	(286,269)
Collateralized mortgage obligations	-	-	52,461,723	(7,846,446)	52,461,723	(7,846,446)
Municipal bonds	-	-	37,786,340	(12,395,477)	37,786,340	(12,395,477)
Corporate papers	-	-	9,738,200	(761,800)	9,738,200	(761,800)
	$ -	$ -	$ 122,225,213	$ (24,277,800)	$ 122,225,213	$ (24,277,800)

	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)

As of December 31, 2023, the investment portfolio included 66 debt securities. Of this number, all debt securities have current unrealized losses, all 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 a credit loss does not exist. In addition, the Credit Union does not have 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 a credit loss on any securities for the years ended December 31, 2023 and 2022.

Note 3. Loans to Members

The composition of loans to members is as follows:

	2023	2022
Commercial	$ 508,905,468	$ 502,352,053
Real estate:		
First mortgages	485,357,891	542,901,401
Other	112,276,756	119,780,625
Total real estate	597,634,647	662,682,026
Consumer:		
Consumer	75,950,846	79,900,908
Credit cards	20,464,962	20,565,515
Total consumer	96,415,808	100,466,423
Total	1,202,955,923	1,265,500,502
Less net deferred loan origination fees and costs	2,973,458	2,608,033
Less allowance for credit losses	(9,626,199)	(5,767,281)
Total loans to members, net	$ 1,196,303,182	$ 1,262,341,254

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 $1,294,824,000 and $1,366,277,000 at December 31, 2023 and 2022, respectively.

The following tables present the aging of the amortized cost basis in past due loans at December 31, 2023 and 2022:

	December 31, 2023					
	30–59 Days Past Due	60–89 Days Past Due	Greater Than 90 Days Past Due	Total Past Due	Loans Not Past Due	Total Loans
Commercial	$ 11,115,460	$ 352,522	$ 9,155,999	$ 20,623,981	$ 488,281,487	$ 508,905,468
Real estate:						
First mortgages	10,140,124	643,086	1,979,866	12,763,076	472,594,815	485,357,891
Other	1,081,524	171,681	954,726	2,207,931	110,068,825	112,276,756
Consumer:						
Consumer	828,770	268,203	560,116	1,657,089	74,293,757	75,950,846
Credit cards	272,798	172,095	297,410	742,303	19,722,659	20,464,962
	$ 23,438,676	$ 1,607,587	$ 12,948,117	$ 37,994,380	$ 1,164,961,543	$ 1,202,955,923

	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

Note 3. Loans to Members (Continued)

The amortized cost basis of loans on nonaccrual status and loans past due over 90 days still accruing as of December 31, 2023, is presented as follows:

	2023		
	Nonaccrual With No Allowance for Credit Loss	Nonaccrual With Allowance for Credit Loss	Loans Past Due Over 90 Days Still Accruing
Commercial	$ 5,843,722	$ 3,414,569	$ -
Real estate:			
First mortgages	2,057,033	-	-
Other	920,699	53,541	-
Consumer:			
Consumer	167,083	436,177	-
Credit cards	-	297,410	-
	$ 8,988,537	$ 4,201,697	$ -

Nonperforming loans, by classes of loans, as of December 31, 2022, is 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

Changes in the allowance for loan losses, by portfolio segment, during the years ended December 31, 2023 and 2022, are summarized as follows:

	2023					
	Commercial	First Mortgage	Other Real Estate	Credit Cards	Consumer	Total
Balance, beginning, prior to adoption of ASC 326	$ 2,821,081	$ 958,917	$ 397,724	$ 397,202	$ 1,192,357	$ 5,767,281
Impact of adopting ASC 326	(92,156)	106,251	(173,055)	(7,987)	53,522	(113,425)
Charge-offs	(158,973)	-	(134,692)	(548,600)	(1,447,761)	(2,290,026)
Recoveries	17,898	71,246	10,441	69,035	308,743	477,363
Credit loss expense (recovery)	5,126,102	(881,743)	317,194	524,948	698,505	5,785,006
Balance, ending	$ 7,713,952	$ 254,671	$ 417,612	$ 434,598	$ 805,366	$ 9,626,199

Note 3. Loans to Members (Continued)

	2022			
	Commercial	Real Estate	Consumer	Total
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

Credit loss expense on loans of $5,785,006 and $241,115 is included in total credit loss expense of $5,714,550 and $241,155 on the consolidated statements of income as of December 31, 2023 and 2022, respectively.

The amortized cost basis of collateral-dependent loans by collateral type and the related allowance for credit losses as of December 31, 2023, is presented as follows:

	Autos	Commercial Property	Residential Property	Business Assets	Allowance for Credit Losses	Total
Commercial	$ 365,145	$ 25,033,172	$ 7,749,607	$ 217,721	$ (5,912,435)	$ 27,453,210
Other real estate	-	-	524,055	-	(244,626)	279,429
Consumer	41,805	-	-	-	(19,927)	21,878
	$ 406,950	$ 25,033,172	$ 8,273,662	$ 217,721	$ (6,176,988)	$ 27,754,517

The amortized cost basis of unsecured individually evaluated loans is $34,879 with an allowance for credit losses of $21,432.

The following table presents changes in the balance in the allowance for credit losses and the recorded investment in loans by portfolio segment and based on impairment method at December 31, 2022:

	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)

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2022:

	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	$ -

Occasionally, the Credit Union may modify loans to borrowers who are experiencing financial difficulty by providing principal forgiveness, term extension, an other-than insignificant payment delay, interest rate reduction, or combination thereof. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

As of December 31, 2023, modifications to borrowers experiencing financial difficulty totaled $5,277,326. The following table presents the amortized cost basis of loans as of December 31, 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2023, by loan segment and by type of modification:

	December 31, 2023		
	Payment Delay	Term Extension	Total
Commercial	$ 887,493	$ -	$ 887,493
First mortgages	-	726,200	726,200
Other real estate	-	144,438	144,438
	$ 887,493	$ 870,638	$ 1,758,131

Note 3. Loans to Members (Continued)

The Credit Union has not committed to lend additional amounts to the borrowers included in the previous table. All loans modified during the year to borrowers experiencing financial difficulty did not redefault during the year and were current at December 31, 2023.

The Credit Union closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. As of December 31, 2023, all loans that were modified to borrowers experiencing financial difficulty were performing.

As of December 31, 2022, TDRs totaled $3,767,739. 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:

	December 31, 2022		
	Number of TDRs	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Concession—payment terms:			
Consumer	5	$ 99,427	$ 96,118

The following table presents the amortized cost for commercial loans based on risk rating:

	2023	2022
Pass	$ 475,630,020	$ 474,683,372
Special mention	12,517,726	26,519,244
Substandard	20,757,722	1,149,437
Doubtful	-	-
Loss	-	-
	$ 508,905,468	$ 502,352,053

Note 3. Loans to Members (Continued)

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for credit 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 modifications for those experiencing financial difficulty. The following table presents the loan balance for real estate and consumer loans based on performance indication:

	December 31, 2023		December 31, 2022	
	Performing Loans	Nonperforming Loans	Performing Loans	Nonperforming Loans
Real estate:				
First mortgages	$ 483,300,858	$ 2,057,033	$ 542,170,365	$ 731,036
Other	111,302,516	974,240	118,552,518	1,228,107
	$ 594,603,374	$ 3,031,273	$ 660,722,883	$ 1,959,143
Consumer:				
Consumer	$ 75,347,586	$ 603,260	$ 79,241,857	$ 659,051
Credit cards	20,167,552	297,410	20,363,387	202,128
	$ 95,515,138	$ 900,670	$ 99,605,244	$ 861,179

In the normal course of business, the Credit Union has granted loans to executive officers and directors amounting to approximately $2,731,000 and $4,287,000 as of December 31, 2023 and 2022, respectively.

Note 4. Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation, and is summarized as of December 31, 2023 and 2022, as follows:

	2023	2022
Land and improvements	$ 12,649,011	$ 12,191,711
Building and improvements	48,854,824	38,409,318
Furniture and equipment	16,080,613	15,092,332
Leasehold improvements	17,124,197	18,235,372
Construction in progress	1,101,334	4,197,750
Total cost	95,809,979	88,126,483
Less accumulated depreciation	27,202,129	25,438,934
Net property and equipment	$ 68,607,850	$ 62,687,549

Note 5. Borrowed Funds

Borrowed funds as of December 31, 2023 and 2022, consist of the following:

	2023	2022
Note of Collins Community Credit Union:		
Term notes from FHLB at various interest rates ranging from 4.01% to 5.24%, due from October 2024 to August 2026. (A)	$ 171,000,000	$ 146,000,000
Revolving overnight advances from FHLB, fixed interest rate at 4.60%, due on demand. (A)	-	52,900,000
Term note from Federal Reserve Bank Term Funding Program (BTFP), variable interest rate at 4.70%, due May 4, 2024.	10,000,000	-
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% (4.96% to 8.96% as of December 31, 2023) due on demand. Collateralized by substantially all assets of CLS.	25,781,302	21,029,172
Note agreements with various financial institutions participating in a loan program, fixed interest rates from 2.25% to 6.10%, annual interest-only payments with final payments due from June 2024 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.	9,050,000	14,750,000
Note of Northtowne Market Lot #7, LLC:		
Note agreement with United Prairie Bank, fixed interest at 3.5% per annum, due on demand. If no demand, 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.	1,741,877	1,818,450
Total	$ 217,573,179	$ 236,497,622

(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, 2023 and 2022 was $387,459,534 and $473,592,494, respectively. The remaining borrowing capacity available to the Credit Union at December 31, 2023 and 2022 was $192,030,123 and $226,249,525, 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 $22,792,000 and $47,017,000 at December 31, 2023 and 2022, 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.

(B) The Credit Union participates in the BTFP through the Federal Reserve Bank which provides additional funding to eligible depository institutions with loans of up to one year in length. The Credit Union also has a borrowing capacity available to them through the Federal Reserve Bank of $56,032,719. No amounts were outstanding on this line of credit agreement as of December 31, 2023. The borrowings are secured by investment securities pledged totaling $71,815,165 at December 31, 2023.

Note 5. Borrowed Funds (Continued)

Maturity information on borrowed funds as of December 31, 2023, is as follows:

Years ending December 31:	
2024	$ 85,831,302
2025	69,100,000
2026	60,900,000
2027	1,741,877
	$ 217,573,179

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, 2023 and 2022.

Note 6. Members' Shares and Savings Accounts

Members' shares and savings accounts are summarized as follows:

	2023	2022
Share accounts	$ 225,899,627	$ 232,434,779
Money market accounts	304,638,798	395,400,271
Individual retirement accounts	8,262,044	11,688,436
Share draft accounts	318,367,475	334,421,764
Certificates of deposit and IRA certificates	436,823,580	325,877,793
	$ 1,293,991,524	$ 1,299,823,043

Included in certificates of deposit and individual retirement account (IRA) certificates are nonmember certificates totaling approximately $23,792,000 and $73,002,000 as of December 31, 2023 and 2022, respectively.

At December 31, 2023, scheduled maturities of certificates of deposit and IRA certificates are as follows:

Years ending December 31:	
2024	$ 341,893,758
2025	80,855,383
2026	7,956,328
2027	5,204,506
2028	913,605
	$ 436,823,580

The aggregate amounts of members' term share accounts of $250,000 or more were approximately $136,815,000 and $130,833,000 at December 31, 2023 and 2022, 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. The Credit Union is eligible and elected to utilize the NCUA's regulation to add back the effect of adopting ASC 326 to the net worth ratio over a phase of three-years.

Quantitative measure established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (see forth in the table below) of net worth to total assets. 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 is required to meet a minimum net worth (NW) ratio of 6% and a minimum risk-based capital (RBC) ratio of 8% to be considered adequately capitalized. Management believes, as of December 31, 2023 and 2022, that the Credit Union meets all capital requirements to which it is subject.

As of December 31, 2023 and 2022, NCUA categorized the Credit Union as adequately capitalized under the regulatory framework for prompt corrective action.

The Credit Union's regulatory capital amounts and ratios are as follows at December 31, 2023 and 2022:

	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, 2023:						
Regulatory net worth	$ 122,723,371	7.59%	$ 97,403,426	6.00%	$ 113,637,331	7.00%
Risk-based capital requirement	114,092,528	8.82%	103,448,955	8.00%	129,311,194	10.00%
December 31, 2022:						
Regulatory 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%

Note 8. Commitments and Contingencies

Lease commitments: At December 31, 2023 and 2022, 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 $701,586 and $633,396 for the years ended December 31, 2023 and 2022, respectively.

Note 8. Commitments and Contingencies (Continued)

Operating lease ROU assets and liabilities are as follows:

	2023	2022
Operating leases:		
Operating lease ROU assets	$ 683,979	$ 1,823,315
Current operating lease liabilities	$ 163,652	$ 478,204
Noncurrent operating lease liabilities	527,915	1,362,721
Total operating lease liabilities	$ 691,567	$ 1,840,925

Maturities of operating lease liabilities as of December 31, 2023, are as follows:

Years ending December 31:	
2024	$ 187,798
2025	189,331
2026	165,254
2027	99,512
2028	69,624
Thereafter	41,136
Total undiscounted maturities	752,655
Less present value discount	61,088
Total lease liabilities	$ 691,567

Weighted average operating lease information as of December 31, 2023, is as follows:

	2023	2022
Weighted-average remaining lease term (in years)	4.65	4.18
Weighted-average discount rate	4.91%	4.00%

The Credit Union signed a lease with its subsidiary, Northtowne. intercompany rent paid during the year ended December 31, 2023 that was eliminated in consolidation totaled $1,209,706. Future intercompany rent payments not included in the schedule above consist of $1,161,550 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	
	2023	2022
Commitments to extend credit	$ 224,119,405	$ 236,040,060

Allowance for credit loss related to unfunded commitments totaled $114,805 and $0 as of December 31, 2023 and 2022, respectively, and is included within accrued expenses and other liabilities on the consolidated statements of financial condition. Credit loss expense related to unfunded commitments totaled $70,456 and $0 as of December 31, 2023 and 2022, respectively, and is included within credit loss expense on the consolidated statements of income.

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 $14,159,389 and $12,718,783 at December 31, 2023 and 2022, respectively. The Credit Union has committed to fund up to $17,000,000 in aggregate. The remaining unfunded commitment was approximately $1,134,000 and $2,574,000 at December 31, 2023 and 2022, 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.

Collateral dependent individually evaluated and 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 individually evaluated under ASC 326 or impaired and an allowance for credit losses is established. Once a loan is identified as individually evaluated or impaired, management measures allowance for credit loss 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, 2023 and 2022.

The following tables summarize assets measured at fair value on a recurring basis as of December 31, 2023 and 2022, 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, 2023 and 2022, are summarized as follows:

	Fair Value Measurements as of December 31, 2023			
	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	$ 1,973,229	$ -	$ -	$ 1,973,229
Debt securities available-for-sale:				
Private commercial mortgage-backed securities	$ -	$ 19,452,065	$ -	$ 19,452,065
Mortgage-backed securities	-	2,786,885	-	2,786,885
Collateralized mortgage obligations	-	52,461,723	-	52,461,723
Municipal bonds	-	37,786,340	-	37,786,340
Corporate paper	-	9,738,200	-	9,738,200
Total debt securities available-for-sale	$ -	$ 122,225,213	$ -	$ 122,225,213

Note 9. Fair Value Measurements (Continued)

	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

There were no transfers of assets between levels of the fair value hierarchy during the years ended December 31, 2023 and 2022.

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, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Individually evaluated loans	$ -	$ -	$ 27,767,964	$ 27,767,964

	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

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 three months of service with the Credit Union. For the years ended December 31, 2023 and 2022, 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, 2023 and 2022 amounted to approximately $1,256,000 and $1,788,000, 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, 2023 and 2022:

	2023	2022
Net postretirement liability:		
Market value of assets	$ 641,958	$ 682,514
Accumulated postretirement benefit obligation (APBO)	(868,211)	(746,876)
Unfunded status	$ (226,253)	$ (64,362)
Amounts recognized in accumulated other comprehensive (loss):		
Other (gains)	$ (436,683)	$ (599,265)
Prior service cost	(364,949)	(409,721)
	$ (801,632)	$ (1,008,986)
Components of net periodic postretirement (benefit) cost:		
Service cost	$ 65,519	$ 101,691
Interest cost	35,138	31,163
Expected return on plan assets	(38,388)	(40,394)
Recognition of net gain	(31,928)	(6,593)
Amortization of prior service cost	(44,772)	(44,772)
Net periodic postretirement (benefit) cost	$ (14,431)	$ 41,095

A weighted-average discount rate of 4.78% and 4.99% was used to determine the APBO for the years ended December 31, 2023 and 2022, respectively. The expected long-term rate of return on assets is 6.00% for the years ended December 31, 2023 and 2022.

The Credit Union did not make a contribution to the plan during the year ended December 31, 2023 and 2022, respectively.

There were no benefit payments made from the plan for the year ended December 31, 2023 and 2022, respectively.

Note 11. Postretirement Benefits Other Than Pensions (Continued)

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

	2023	2022
Asset category:		
Equity securities	32%	30%
Debt securities	66	68
Other	2	2
	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:	
2024	$ 76,226
2025	69,433
2026	74,576
2027	56,781
2028	24,620
Thereafter	258,426
	$ 560,062

The fair values of the Credit Union's postretirement plan asset allocation at December 31, 2023 and 2022, are as follows:

	December 31, 2023			
	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	$ 525,275	$ 525,275	$ -	$ -
Misc cash equivalents	13,041	13,041	-	-
Municipal bonds	103,642	53,489	50,153	-
	$ 641,958	$ 591,805	$ 50,153	$ -

	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	$ -

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, 2023 and 2022:

	2023	2022
Net pension asset (liability):		
Market value of assets	$ 6,110,342	$ 2,289,561
Projected benefit obligation (PBO)	(5,890,298)	(6,026,560)
Funded (unfunded) status	$ 220,044	$ (3,736,999)
Amounts recognized in accumulated other comprehensive income:		
Unrecognized net income from past experience different from that assumed and from effects of changes in assumptions	$ 1,896,289	$ 2,684,473
Components of net periodic postretirement (benefit):		
Interest cost	$ 303,816	$ 300,549
Expected return on plan assets	(144,332)	(534,995)
Amortization of other losses	246,369	297,668
Net periodic postretirement (benefit)	$ 405,853	$ 63,222

The weighted-average discount rate used in determining the actuarial present value of the projected benefit obligation was 5.06% and 5.29% for the years ended December 31, 2023 and 2022, respectively. The expected long-term rate of return on assets is 6.70% and 7.00% for the years ended December 31, 2023 and 2022.

The Credit Union made contributions to the plan of $4,174,712 and $54,600 for the years ended December 31, 2023 and 2022, respectively.

The Credit Union paid benefits to employees from plan assets totaling approximately $931,000 and $3,975,000 for the years ended December 31, 2023 and 2022, 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:

	2023	2022
Asset category:		
Equity securities	0%	57%
Debt securities	2	40
Cash and other securities	98	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:	
2024	$ 721,646
2025	246,119
2026	402,940
2027	397,955
2028	302,909
Five years thereafter	3,542,548
	$ 5,614,117

Note 12. Pension Plan (Continued)

The fair values of the Credit Union's pension plan asset allocation at December 31, 2023 and 2022, are as follows:

	December 31, 2023			
	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	$ 6,011,017	$ 6,011,017	$ -	$ -
Mutual funds	99,325	99,325	-	-
	$ 6,110,342	$ 6,110,342	$ -	$ -

	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	$ -	$ -

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 years ended December 31, 2023 and 2022:

	2023	2022
Balance, beginning of period	$ 4,559,798	$ -
Goodwill from acquisition of CIS	-	4,559,798
Balance, end of period	$ 4,559,798	$ 4,559,798

Note 14. Goodwill and Intangible Assets (Continued)

Intangible assets at December 31, 2023 and 2022, are as follows:

	2023		
	Gross Carrying Amount	Accumulated Amortization	Unamortized Amount
Trade name	$ 516,800	$ (90,440)	$ 426,360
Customer list	1,588,600	(278,005)	1,310,595
Total intangible assets	$ 2,105,400	$ (368,445)	$ 1,736,955

	2022		
	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 $210,540 and $157,905 for the years ended December 31, 2023 and 2022, respectively.

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

Years ending December 31:	
2024	$ 210,540
2025	210,540
2026	210,540
2027	210,540
2028	210,540
Thereafter	684,255
	$ 1,736,955