CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

UNITED NATIONS FEDERAL CREDIT UNION AND SUBSIDIARIES

31 DECEMBER 2022 AND 2021

CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
United Nations Federal Credit Union and Subsidiaries
Long Island City, New York

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of United Nations Federal Credit Union and Subsidiaries (the Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income (loss), changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Nations Federal Credit Union and Subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal 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 consolidated 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises reports from management and governance, financial information, and non-financial information but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
March 23, 2023

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

31 December 2022 and 2021

ASSETS		**2022**		2021
Cash and cash equivalents	**$**	**121,188,724**	$	183,510,915
Investments				
Equity		**21,555,453**		33,389,776
Available-for-sale		**1,061,364,130**		1,133,579,631
Held-to-maturity		**1,395,317,723**		1,720,658,910
Other		**7,924,958**		7,916,258
Loans held for sale		**2,043,739**		7,319,830
Loans receivable, net		**5,089,268,197**		4,177,725,222
Mortgage servicing rights		**4,939,811**		4,294,780
Accrued interest receivable		**22,598,463**		19,784,779
Property and equipment, net		**100,002,367**		104,195,041
National Credit Union Share Insurance Fund deposit		**62,149,605**		57,710,952
Intangible assets, net of amortization		**850,632**		1,001,192
Goodwill		**5,522,886**		5,522,886
Other assets		**71,568,713**		75,096,432
Receivable from Northstar, net		**5,423,880**		10,019,520
Total assets	**$**	**7,971,719,281**	$	7,541,726,124

LIABILITIES AND MEMBERS' EQUITY		**2022**		2021
Liabilities				
Members' shares	**$**	**7,331,826,988**	$	6,839,246,053
Accrued expenses and other liabilities		**54,653,072**		47,695,064
Total liabilities		**7,386,480,060**		6,886,941,117
Commitments and contingencies (see Note 11 and 12)				
Members' equity				
Retained earnings		**745,485,097**		700,506,581
Accumulated other comprehensive loss		**(160,245,876)**		(45,721,574)
Total members' equity		**585,239,221**		654,785,007
Total liabilities and members' equity	**$**	**7,971,719,281**	$	7,541,726,124

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

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

Years ended 31 December,

	2022	2021
Interest income		
Interest on loans	**$ 179,858,935**	$ 154,369,449
Interest on investments and cash equivalents	**35,007,123**	28,962,400
Total interest income	**214,866,058**	183,331,849
Interest expense		
Dividends on members' shares	**26,806,772**	22,543,538
Interest on borrowed funds	**2,589,895**	85
Total interest expense	**29,396,667**	22,543,623
Net interest income	**185,469,391**	160,788,226
Provision (credit) for loan losses	**(410,000)**	4,258,692
Net interest income after provision (credit) for loan losses	**185,879,391**	156,529,534
Non-interest income		
Service charges and other fees	**50,273,890**	43,163,143
Loan servicing fees	**1,557,119**	2,101,021
Gain/(loss) on sale of mortgage loans	**(1,381,599)**	683,987
Gain/(loss) on equity investments	**(7,005,317)**	3,802,802
Gain on defined benefit pension	**5,591,217**	3,447,773
Other non-interest income	**7,196,893**	11,479,621
Total non-interest income	**56,232,203**	64,678,347
Non-interest expense		
Salaries and benefits	**104,036,073**	97,093,646
Operations	**55,748,491**	48,689,201
Occupancy	**8,381,446**	7,850,056
Provision for Northstar loss	**28,972,354**	8,363,540
Total non-interest expense	**197,138,364**	161,996,443
Net Income	**$ 44,973,230**	$ 59,211,438

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

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended 31 December,	2022	2021
Net income	**$ 44,973,230**	$ 59,211,438
Other comprehensive (loss) income		
Change in pension obligation		
Net (loss) gain	**(4,220,764)**	4,951,204
Amortization of net loss	**1,065,354**	1,828,503
Change in pension obligation	**(3,155,410)**	6,779,707
Change in unrealized holding losses on investments classified as available-for-sale	**(111,341,732)**	(23,519,397)
Adjustment for realized gains on investment securities included in income	**(27,160)**	(392,817)
Change in available-for-sale investment	**(111,368,892)**	(23,912,214)
Total Other comprehensive (loss), net of of reclassification adjustments:	**(114,524,302)**	(17,132,507)
Comprehensive income (loss)	**$ (69,551,072)**	$ 42,078,931

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

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended 31 December, 2022 and 2021

	Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance, 31 December 2020	$ 641,295,143	$ (28,589,067)	$ 612,706,076
Net income	59,211,438	-	59,211,438
Other comprehensive loss, net of reclassification adjustments	-	(17,132,507)	(17,132,507)
Balance, 31 December 2021	700,506,581	(45,721,574)	654,785,007
Net income	44,973,230	-	44,973,230
Adoption of Lease Accounting (ASC 842)	5,286	-	5,286
Other comprehensive loss, net of reclassification adjustments	-	(114,524,302)	(114,524,302)
Balance, 31 December 2022	$ 745,485,097	$ (160,245,876)	$ 585,239,221

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

		2022		2021
Operating activities:				
Net income	**$**	**44,973,230**	$	59,211,438
Adjustments to reconcile net income to net cash provided by operating activities:				
Net amort of premiums and accretion of discounts on investments		**10,990,049**		13,325,690
Provision for Northstar		**28,972,354**		8,363,540
Realized gain on disposition of available for sale investments		**(27,160)**		(392,817)
Proceeds from sale of loans held for sale		**12,044,269**		71,274,045
Origination of loans held for sale		**(6,768,178)**		(74,678,770)
Net (gains) loss on sales of loans held-for-sale		**936,568**		(650,193)
Net (gains) loss on sales of participation loans		**445,031**		(33,794)
Provision (credit) for loan losses		**(410,000)**		4,258,692
Amortization of deferred loan costs		**2,796,858**		4,189,264
Depreciation and amortization		**6,739,267**		7,265,718
Net (gains) loss on Equity Securities		**7,005,317**		(3,802,802)
Net change in:				
Mortgage servicing rights		**(645,031)**		(2,064,873)
Equity Securities		**4,829,006**		(5,293,437)
Accrued interest receivable		**(2,813,684)**		(914,950)
Other assets		**3,533,005**		(22,196,920)
Receivable from NorthStar		**(24,376,714)**		(11,302,081)
Accrued expenses and other liabilities		**3,802,597**		14,574,805
Net cash provided by operating activities		**92,026,784**		61,132,555
Investing activities:				
Purchases of available-for-sale investments		**(59,100,000)**		(574,629,040)
Proceeds from maturities of available-for-sale investments		**10,300,000**		105,000,000
Proceeds from prepayments of available-for-sale investments		**5,004,454**		289,183,189
Proceeds from sale of available-for-sale investments		**4,803,448**		11,859,060
Purchases of held-to-maturity investments		**(59,314,212)**		(837,811,444)
Proceeds from maturities of held-to-maturity investments		**86,417,619**		77,450,077
Proceeds from prepayments of held-to-maturity investments		**287,113,599**		582,872,786
Net change in other investments		**(8,700)**		485,240
Loan principal collections (originations), net		**(904,430,039)**		(439,800,264)
Whole loans purchased		**(28,718,486)**		(41,245,662)
Participation loans purchased		**(6,258,599)**		(4,776,879)
Proceeds from sale of participation loans		**24,095,693**		97,634,929
Proceeds from sale of taxi medallions		**-**		3,790,000
Increase in the National Credit Union Share Insurance Fund deposit		**(4,438,653)**		(6,533,461)
Purchases of property and equipment		**(2,396,033)**		(2,495,436)
Net cash used in investing activities	**$**	**(646,929,909)**	$	(739,016,905)

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

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)

Years ended 31 December,

		2022		2021
Financing activities:				
Net increase in members' shares	**$**	**492,580,935**	$	659,494,897
Proceeds from borrowings		**7,905,021,000**		275,000
Repayments of borrowings		**(7,905,021,000)**		(275,000)
Net cash provided by financing activity	**$**	**492,580,935**	$	659,494,897
Decrease in cash and cash equivalents	**$**	**(62,322,190)**	$	(18,389,453)
Cash and cash equivalents at beginning of year		**183,510,915**		201,900,368
Cash and cash equivalents at end of year	**$**	**121,188,724**	$	183,510,915
Supplemental cash flow information:				
Interest paid	**$**	**29,396,667**	$	22,543,623

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the United Nations Federal Credit Union and its wholly owned subsidiaries, UNFCU Advisors LLC and UNFCU Financial Services LLC (collectively, "UNFCU"). The subsidiaries are primarily engaged in investments, insurance products, and financial planning service activities. All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

UNFCU is a cooperative association holding a charter under the provisions of the Federal Credit Union Act. Participation in UNFCU is limited to those individuals who qualify for membership, including but not limited to employees of the United Nations and its affiliated agencies, employees of many permanent missions to the United Nations, members of the United Nations Association of the United States of America ("UNA-USA"), members of Kilimanjaro Initiative USA ("KI USA") as well as their immediate family members. The field of membership is more specifically defined in UNFCU's Charter and Bylaws.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("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 consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include the valuation of securities, mortgage servicing rights, and the determination of the allowance for loan losses

Concentrations of Credit Risk

The loan portfolio has a significant concentration in collateralized real estate loans, which present a lower credit risk due to the collateral. The remainder of the loan portfolio is well diversified and UNFCU does not have any significant concentrations of credit risk.

Cash and Cash Equivalents

For the purpose of the consolidated statements of financial position and the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from financial institutions, federal funds sold and highly liquid debt instruments classified as cash which were purchased with maturities of three months or less. Amounts due from financial institutions may exceed federally insured limits. Some of UNFCU's cash and cash equivalents are denominated in a foreign currency, which may expose UNFCU to foreign currency risk.

Investments

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Equity securities, consisting of common stock, exchange traded funds, options and preferred stock, and trading debt securities are recorded at fair value with changes in fair value included in earnings.

NOTE 1 (continued)

Securities not classified as “held-to-maturity” or “equity” are classified as “available-for-sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Realized gains and losses on securities available-for-sale are included in Other non-interest income or expense 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. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the life of the asset or to the call date.

Declines in the fair value of individual available-for-sale and held-to-maturity securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In determining whether other-than-temporary impairment exists, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of UNFCU to retain its investment in the issue for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Federal Home Loan Bank Stock

UNFCU is required to hold Federal Home Loan Bank of New York (“FHLB”) stock equal to the sum of 0.2% of mortgage-related assets and 4.5% of outstanding FHLB borrowings. UNFCU has met these requirements for both 2022 and 2021.

No ready market exists for the FHLB stock, and it has no quoted market value. Therefore, UNFCU’s investment in FHLB stock is carried at cost and tested for impairment. At 31 December 2022 and 2021, management did not believe the stock was impaired. UNFCU’s FHLB stock is included in Other Investments in the accompanying consolidated statements of financial position.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at fair value.

Loans Receivable

UNFCU grants commercial, mortgage and consumer loans to members. In addition, UNFCU has purchased consumer, real estate, and commercial loan participations originated by various other credit unions. All of these loan participations were purchased without recourse.

Loans that UNFCU has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at their outstanding unpaid principal balances, net of deferred fees (costs), less an allowance for loan losses. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

The accrual of interest income on loans is discontinued at the time the loan is 90 days past due, unless the credit is well secured and in the process of collection. Other personal loans are typically charged off no later than 180 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if the collection of principal and interest is considered doubtful.

NOTE 1 (continued)

All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income in the period in which the loan goes non-accrual. Interest income on these loans is recognized on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually past due are brought current and future payments are reasonably assured.

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 methods approximating the interest method over the estimated life of the loans. The Credit Union does not charge commitment fees.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes that it is likely that a loan balance will not be collected. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, regulatory agencies, as an integral part of their examination process, periodically review UNFCU's allowance for loan losses, and may require UNFCU to make adjustments to the allowance based on their judgment about information available to them at the time of their examinations.

Specific allowances for loan losses are established for impaired loans on an individual basis. A loan is considered impaired when, based on current information and events, it is probable that UNFCU will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement or when the loan is classified as a trouble debt restructuring. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral, if collateral dependent.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. As of 31 December 2022 and 2021, the total of loans that met the U.S. GAAP impaired loan definition amounted to $17,129,471 and $15,605,445, respectively.

Large groups of smaller balance homogeneous loans are collectively evaluated for potential loan loss allowances. Accordingly, UNFCU establishes general allowances for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience, and environmental factors. These general allowance factors are developed and applied to the portfolio by loan type. The environmental factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, relative levels of prevailing economic uncertainty, losses that may have been incurred from recent events, and lagging economic data such as housing values and unemployment rates. The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

NOTE 1 (continued)

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.

Residential 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 consumer 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. UNFCU will repossess collateral when all other collection efforts have been exhausted and UNFCU has full and complete access to repossess the collateral.

Commercial: Commercial loans are collateralized by commercial real estate property. UNFCU owns varying percentage of each loan. UNFCU has not experienced any losses on the commercial loan portfolio.

Taxi Medallion: Taxi medallion participation loans are collateralized by taxi medallions, primarily in the cities of New York, Chicago, and Boston. UNFCU owns a percentage of each loan, primarily 90%. The introduction of application-based mobile ride services, such as Uber and Lyft, have generated increased competition in the ride hailing service sector, resulting in a reduction in taxi utilization and, as a result, a reduction in the collateral value and credit quality of taxi medallion loans. In 2021, UNFCU sold its entire taxi medallion portfolio that resulted in a decrease of $17,758,412 to the allowance for loan losses and a recovery of $2,346,976 on prior loan losses.

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

The Credit Union has concluded that the impairment impact of TDRs on its consumer loans (generally lower balance loans having original maturities of 60 months or less and average lives less than 36 months) is insignificant to the consolidated financial statements. As such these impairments are not individually tracked but rather are adequately included in the loss allowance provided on a pooled basis for the consumer loan portfolio.

On March 27, 2020, United States Congress passed into law the Coronavirus Aid, Relief, and Economies Security (CARES) Act. The CARES Act provided relief from accounting requirements under U.S GAAP when modifying loans from borrowers impacted by COVID-19. In order to qualify, the modification must be related to COVID-19, the loan must have been of current payment status as of December 31, 2019, and the modification must be granted prior to the earlier of December 31, 2022 or 60 days after the end of the declared national emergency. Under the CARES Act, these loan modifications would not be considered to be TDRs.

The Credit Union assigns a risk rating to 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

NOTE 1 (continued)

a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Pass: Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management's close attention.

Special Mention: Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

Substandard: Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as Loss are considered uncollectable and anticipated to be charged off.

Loan Servicing and Mortgage Servicing Rights

U.S. GAAP requires UNFCU to recognize as a separate asset the right to service mortgage loans for others. An institution that acquires mortgage servicing rights through either the purchase or the origination of mortgage loans and sells those loans with servicing rights retained must allocate a portion of the cost of the loans to the mortgage servicing rights. UNFCU could elect to either amortize the mortgage servicing rights over the life of the loan or carry the mortgage servicing rights at fair value. Under both methodologies, the mortgage servicing rights would be tested for impairment. UNFCU has elected to initially and subsequently measure the mortgage servicing rights for the consumer mortgage loans using the fair value method. Under the fair value method, the servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

NOTE 1 (continued)

Property and Equipment, net

Land is carried at cost. Leasehold improvements, buildings, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Building, furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over the fair value of net assets acquired in business combinations. Intangible assets with finite useful lives are amortized and goodwill and intangible assets with indefinite lives are not amortized, but rather tested at least annually for impairment.

UNFCU tests goodwill for impairment annually and evaluates changes in circumstances that would more likely than not reduce the fair value of the reporting unit below its carrying amount. No impairment charge were recorded for the years ended December 31, 2022 and 2021.

Long-Lived Assets

U.S. GAAP requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. UNFCU periodically reevaluates the original assumptions and rationale utilized in the establishment of the carrying value and estimated lives of its long-lived assets. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate income from operations and positive cash flow in future periods as well as the strategic significance of the asset in UNFCU's business objectives.

Transfers of Financial Assets

Transfers of financial assets 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 UNFCU, (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) UNFCU does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

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, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases (Topic 842). This standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

NOTE 1 (continued)

The Credit Union adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. As such, a ROU asset of $2,184,314 and a lease liability of $2,179,028 was recorded as of January 1, 2022.

The Credit Union has elected to adopt the package of practical expedients available in the year of adoption. The Credit Union has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Credit Union's ROU assets.

The Credit Union determines if an arrangement is a lease at inception. Operating leases and finance leases are included in other assets and accrued expenses and other liabilities in the consolidated statements of financial position.

ROU assets represent the Credit Union's right to use an underlying asset for the lease term and lease liabilities represent the Credit Union's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Credit Union will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Credit Union has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

The Credit Union has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

National Credit Union Share Insurance Fund 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 federally insured credit union in an amount equal to 1% of its insured member's shares. The deposit would be refunded to UNFCU if its insurance coverage is terminated, if it converts its insurance coverage to another source, or if management of the fund is transferred from the NCUA Board.

NCUSIF Insurance Premium

When assessed, NCUSIF insurance premiums are included in non-interest expense operations. There were no premiums assessed in 2022 or 2021.

In 2022 and 2021, UNFCU received $1,188,000 and $4,812,000 respectively from the NCUSIF as a full recovery for UNFCU's investment in Members United Corporate Credit Union, which were placed into conservation in September 2010.

Members' Shares

Members' shares are the savings deposit accounts of the owners of UNFCU. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of UNFCU upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by UNFCU. Dividend rates are set by UNFCU's Board of Directors.

NOTE 1 (continued)

Non-interest income

UNFCU primarily earns non-interest income from members' share service charges and fees, fees earned for servicing mortgage loans for others, and gains from the sale of mortgage loans. One additional form of non-interest income is commission revenue from insurance brokerage services. Commission revenues are recognized at the latter of the billing or the effective date of the related insurance policies, net of an allowance for estimated policy cancellations. Commission revenues related to installment premiums are recognized periodically as billed. Contingent commissions and commissions on premiums directly billed by insurance carriers are recognized as revenue when the data necessary to reasonably determine such amounts has been obtained. A contingent commission is a commission paid by an insurance carrier that is based on the overall profit and/or volume of the business placed with that insurance carrier. Commissions on premiums billed directly by insurance carriers relate to a large number of small premium transactions, whereby the billing and policy issuance process is controlled entirely by the insurance carrier. Typically, these types of commission revenues cannot be reasonably determined until the cash or the related policy detail is received from the insurance carriers. The income effects of subsequent premium adjustments are recorded when the adjustments become known.

Income Taxes

UNFCU, as a credit union, is exempt, by statute, from federal and state income taxes and the credit union's wholly owned subsidiaries are single member limited liability companies and, as such, are not subject to income tax.

Marketing Costs

Marketing costs are included as part of Operations in the Consolidated Statement of Income and are expensed as incurred. Marketing expenses for 2022 and 2021 amounted to $1,104,159 and $1,017,463 respectively.

Pension Plan

UNFCU has a qualified, noncontributory defined-benefit pension plan covering substantially all of its employees. UNFCU's policy is to fund an amount in excess of the minimum amount required under the Employee Retirement Income Security Act of 1974 ("ERISA").

Other Retirement Plans

Deferred Compensation Plan [Section 457(b)] – The Credit Union has a non-qualified deferred compensation plan for members of management. The Credit Union may make discretionary contributions to the plan and employees are allowed to contribute to the plan. The deferred compensation accounts are shown as both assets and liabilities on the Credit Union's consolidated financial statements and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation arrangement was $3,634,642 and $4,791,478 as of December 31, 2022 and 2021, respectively. There were no deferred compensation expenses for the years ended December 31, 2022 and 2021 respectively.

Deferred Compensation Plan [Section 457(f)] – The Credit Union has non-qualified deferred compensation plans for members of management. Under the terms of the plans, the participants are entitled to the earnings and appreciation on the deferred compensation plan benchmarking investments. The deferred compensation benchmarking investments are shown as assets on the Credit Union's consolidated financial statements and are available to creditors in the event of the Credit Union's liquidation. At December 31, 2022 and 2021, deferred compensation investments totalled $3,424,343 and $4,057,770 respectively, and are invested in mutual funds, bonds, etc. Deferred compensation expenses (revenues) were $157,511 and $218,402 for the years ended December 31, 2022 and 2021 respectively.

NOTE 1 (continued)

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities and pension related adjustments, are reported as a separate component of the members' equity section of the statements of financial condition. For 2022 and 2021, other comprehensive income included adjustments for available-for-sale securities in the amounts of $(27,160) and $(392,817) respectively. Pension related amortization of net loss in the amounts of $1,065,354 and $1,828,503 for 2022 and 2021, respectively, are reflected in non-interest income on the consolidated statements of income.

Revenue from Contracts with Customers

The Credit Union recognizes revenue in accordance with Revenue from Contracts with Customers (Topic 606) and does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams such as gain or loss associated with mortgage servicing rights, investment transactions, derivatives, and insurance are also not within the scope of the new guidance. Topic 606 is applicable to noninterest income such as trust and asset management income, deposit related fees, interchange fees, merchant related income, and annuity and insurance commissions. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Noninterest income considered to be within the scope of Topic 606 is discussed below.

Service Charges and Deposit Account Fees: UNFCU earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, wire processing, and ACH fees, are recognized at the time the transaction is executed as that is the point in time

UNFCU fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which UNFCU satisfies the performance obligation.

Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Bankcard Fees: When customers use their debit cards or credit cards to pay merchants for goods or services, UNFCU receives interchange revenue from VISA for UNFCU's processing of each transaction. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network.

Investment Commissions and Fees: UNFCU receives revenue from members for providing advisory service on personal wealth management services. acts as an agent for a third party vendor that provides investment services and products to customers. These fees are part of contractual agreements and the performance obligations are satisfied upon completion of services. The fees are generally a fixed flat annual rate or based on percentage of the account's market value per the contract with the customer and revenue is recognized over time as earned.

Insurance Commissions and Fees: UNFCU's insurance revenue has two distinct performance obligations. The first performance obligation is the selling of the policy as an agent for the carrier. This performance obligation is satisfied upon binding of the policy. The second performance obligation is the ongoing servicing of the policy which is satisfied over the life of the policy. For employee benefits, the payment is typically received monthly. For property and casualty, payments can vary, but are typically received at, or in advance, of the policy period.

NOTE 1 (continued)

Other income: UNFCU recognizes other miscellaneous income through a variety of other revenue streams, including late charges on loans, gains on sales of financial assets, rental income, and other fees related to transactions with depositors. These revenue streams are outside of the scope of ASC 606 and are recognized in accordance with the applicable U.S. generally accepted accounting principles. The performance obligations of these types of fees are satisfied as transactions are completed and revenue is recognized upon transaction execution according to established fee schedules with the customers.

Fair Value Measurement

In accordance with U.S. GAAP, assets and liabilities are classified at fair value in one of the three levels, based on the markets in which the assets are traded and the reliability of the most significant assumptions used to determine fair value. These levels are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that UNFCU has the ability to access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active for identical or similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity are developed using the reporting entities' estimates and assumptions, which are believed to reflect those that market participants would use.

Recent Accounting Pronouncements

In June 2016, the FASB approved ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. In November 2018, the FASB approved ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses. The main objective of the ASUs is to provide consolidated financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB approved ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842). The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2019-10, ASU 2016-13 is effective for the Credit Union for the fiscal year and all interim periods beginning after December 15, 2022. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. Management continues to analyze the model to determine the impact of the adoption of ASU 2016-13 on the consolidated financial statements. Management expects the adoption of ASU 2016-13 to significantly increase the Credit Union's allowance for loan losses.

NOTE 2 - INVESTMENTS

Investments classified as Equity, at fair value, consist of the following:

	31 December	
	2022	2021
Equity Securities	**$ 21,555,453**	$ 33,389,776

Equity gains (losses) are included as part of Other non-interest income in the Consolidated Statements of Income. The net gains (losses) on Equity securities were as follows:

	31 December	
	2022	2021
Unrealized (losses) gains	**$ (9,121,039)**	$ 3,662,934
Realized gains	**2,115,722**	139,868
Net gains on Equity Securities	**$ (7,005,317)**	$ 3,802,802

Investments classified as available-for-sale consist of the following:

31-December 2022	**Cost**	**Gains**	**Losses**	**Value**
US government obligations	**$ 37,681,428**	**$ -**	**$ (3,102,214)**	**$ 34,579,214**
Agency/GSE debt	**1,079,336,405**	**-**	**(122,877,033)**	**956,459,372**
Mortgage-backed securities	**63,871**	**113**	**-**	**63,984**
Corporate Obligations	**76,553,699**	**-**	**(6,292,139)**	**70,261,560**
	$ 1,193,635,403	**$ 113**	**$ (132,271,386)**	**$ 1,061,364,130**

31-December 2021	Cost	Gains	Losses	Value
US government obligations	$ 37,067,305	$ 138,069	$ (526,991)	$ 36,678,383
Agency/GSE debt	1,057,177,508	92,865	(20,594,092)	1,036,676,281
Mortgage-backed securities	68,326	617	-	68,943
Corporate obligations	60,168,873	332,960	(345,809)	60,156,024
	$ 1,154,482,012	$ 564,511	$ (21,466,892)	$ 1,133,579,631

Investments classified as held-to-maturity consist of the following:

31-December 2022	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Bank obligations	**$ 37,821,607**	**$ -**	**$ (2,478,525)**	**$ 35,343,082**
Municipal bonds	**365,592,676**	**-**	**(34,693,536)**	**330,899,140**
Mortgage-backed securities	**799,619,165**	**26,340**	**(78,932,291)**	**720,713,214**
Small Business Administration	**192,284,275**	**105,356**	**(8,147,992)**	**184,241,639**
	$ 1,395,317,723	**$ 131,696**	**$ (124,252,344)**	**$ 1,271,197,075**

NOTE 2 (continued)

31-December 2021	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bank obligations	$ 58,266,350	$ 353,650	$ (385,593)	$ 58,234,407
Municipal bonds	428,699,980	2,742,375	(4,738,756)	426,703,599
Mortgage-backed securities	1,002,047,073	4,195,478	(10,505,233)	995,737,318
Small Business Administration	231,645,507	1,685,814	(1,989,587)	231,341,734
	$ 1,720,658,910	$ 8,977,317	$ (17,619,169)	$ 1,712,017,058

Investments by maturity as of 31 December 2022 are summarized as follows:

	Available-for-Sale		**Held-to-Maturity**	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Less than 1 year maturity	**$ 1,694,116**	**$ 1,680,088**	**$ 39,382,243**	**$ 38,891,923**
1 - 5 years maturity	**1,136,533,359**	**1,011,658,182**	**339,716,879**	**306,804,759**
5 - 10 years maturity	**49,344,056**	**43,178,241**	**24,315,161**	**20,545,540**
Over 10 years maturity	**6,000,000**	**4,783,635**	**-**	**-**
Mortgage-backed securities	**63,872**	**63,984**	**799,619,165**	**720,713,214**
Small Business Administration	**-**	**-**	**192,284,275**	**184,241,639**
	$ 1,193,635,403	**$ 1,061,364,130**	**$ 1,395,317,723**	**$ 1,271,197,075**

Investments by maturity as of 31 December 2021 are summarized as follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Less than 1 year maturity	$ 9,991,804	$ 10,081,200	$ 95,897,575	$ 99,897,332
1 - 5 years maturity	797,985,373	784,226,775	320,864,316	316,160,860
5 - 10 years maturity	342,936,509	335,743,463	70,204,439	68,879,814
Over 10 years maturity	3,500,000	3,459,250	-	-
Mortgage-backed securities	68,326	68,943	1,002,047,073	995,737,318
Small Business Administration	-	-	231,645,507	231,341,734
	$ 1,154,482,012	$ 1,133,579,631	$ 1,720,658,910	$ 1,712,017,058

Expected maturities of mortgage-backed securities and Small Business Administration securities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations and are, therefore, classified separately with no specific maturity date.

At 31 December 2022, there were 828 securities in an unrealized loss position of which 423 have unrealized losses for a period of 12 months or longer and 405 for a period of less than 12 months. At 31 December 2021, the investment portfolio included 419 securities in an unrealized loss position of which 77 had current unrealized losses for a period of 12 months or longer and 342 for a period of less than 12 months. All of these securities are considered to be acceptable

NOTE 2 (continued)

credit risks. Based upon an evaluation of the available evidence, including recent changes in market rates, credit rating information and information obtained from regulatory filings, management believes the decline in fair value for these securities is temporary. In addition, UNFCU has the intent and ability to hold these investment securities, and does not believe it will be required to sell for a period of time sufficient to allow for an anticipated recovery or maturity.

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

31-December 2022	**Fair Value of Securities with Unrealized loss**	**Fair Value of Securities with Unrealized loss**	**Continuous Unrealized Losses Existing for**		
Available-for-Sale	**Less than 12 Months**	**12 Months or Longer**	**Less than 12 Months**	**12 Months or Longer**	**Total Unrealized Losses**
US government obligations	$ 31,628,000	$ 2,951,214	$ (80,047)	$ (3,022,167)	$ (3,102,214)
Federal agencies	36,823,460	919,635,912	(2,673,575)	(120,203,458)	(122,877,033)
Corporate Obligations	39,545,837	30,715,723	(3,269,667)	(3,022,472)	(6,292,139)
	$ 107,997,297	$ 953,302,849	$ (6,023,289)	$ (126,248,097)	$ (132,271,386)
Held-to-Maturity					
Bank Obligations	$ 8,202,945	$ 27,140,138	$ (374,230)	$ (2,104,295)	$ (2,478,525)
Municipal bonds	10,245,911	226,142,229	(5,085,453)	(29,608,083)	(34,693,536)
Mortgage-backed securities	277,057,189	441,331,550	(15,984,148)	(62,948,143)	(78,932,291)
Small Business Administration	61,519,175	103,553,287	(1,540,765)	(6,607,227)	(8,147,992)
	$ 357,025,220	$ 798,167,204	$ (22,984,596)	$ (101,267,748)	$ (124,252,344)

31-December 2021	Fair Value of Securities with Unrealized Loss	Fair Value of Securities with Unrealized Loss	Continuous Unrealized Losses Existing for		
Available-for-Sale	Less than 12 Months	12 Months or Longer	Less than 12 Months	12 Months or Longer	Total Unrealized Losses
US government obligations	$ 33,990,850	$ -	$ (526,991)	$ -	$ (526,991)
Federal agencies	901,475,502	117,619,805	(17,773,837)	(2,820,255)	(20,594,092)
Corporate Obligations	6,829,433	-	(345,809)	-	(345,809)
	$ 942,295,785	$ 117,619,805	$ (18,646,637)	$ (2,820,255)	$ (21,466,892)
Held-to-Maturity					
Bank Obligations	$ 29,243,568	$ -	$ (385,593)	$ -	$ (385,593)
Municipal bonds	247,527,936	5,949,660	(4,571,151)	(167,605)	(4,738,756)
Mortgage-backed securities	625,271,157	26,445,635	(10,012,282)	(492,951)	(10,505,233)
Small Business Administration	115,720,834	26,830,045	(1,173,955)	(815,632)	(1,989,587)
	$ 1,017,763,495	$ 59,225,340	$ (16,142,981)	$ (1,476,188)	$ (17,619,169)

NOTE 2 (continued)

Other investments consist of the following:

	31 December	
	2022	2021
Federal Home Loan Bank Stock	**$ 7,414,200**	$ 7,405,600
Community Money Market Investment Fund -NCB	**250,000**	250,000
Certificates of deposits in credit unions	**260,758**	260,658
	$ 7,924,958	$ 7,916,258

Certificates are generally non-negotiable and non-transferable, and may incur substantial penalties for withdrawal prior to maturity.

NOTE 3 - LOANS

Loans held for sale consist of the following:

	31 December	
	2022	2021
Fixed rate	**$ 2,043,739**	$ 7,319,830
Loans held for sale	**$ 2,043,739**	$ 7,319,830

Loans receivable, net of deferred loan fees (costs) consist of the following:

	31 December	
	2022	2021
Mortgage loans		
Fixed rate	**$ 1,301,885,373**	$ 1,296,790,347
Variable rate	**2,893,434,700**	2,065,761,208
Hybrid/Balloon	**424,790**	437,554
Home equity line of credit, variable rate	**57,693,396**	50,663,536
Loan participations	**4,769,609**	6,599,860
	4,258,207,868	3,420,252,505
Consumer loans		
Auto loans	**12,591,630**	10,273,894
Home improvement	**62,174,006**	49,954,690
Share secured	**16,525,409**	14,863,927
Credit card loans, unsecured	**160,808,797**	146,308,052
Loan participations	**43,158,077**	63,892,444
Consumer loans, primarily unsecured	**473,811,736**	445,942,434
	769,069,655	731,235,441

NOTE 3 (continued)

Commercial loans		
Commercial real estate	**47,639,068**	8,404,929
Real estate participations	**29,600,372**	37,630,862
	77,239,440	46,035,791
Loans, gross	**5,104,516,963**	4,197,523,737
Allowance for loan losses	**(15,248,766)**	(19,798,515)
	$ 5,089,268,197	$ 4,177,725,222

UNFCU has purchased auto, student, home, home improvement and commercial loan participations from various credit unions. All of these loan participations were purchased without recourse. UNFCU has also purchased whole mortgages from credit unions and correspondent brokers. No loans were purchased with deteriorated credit quality.

UNFCU offers variable rate mortgages and balloon mortgages to its members. Variable rate mortgages have an initial introductory rate for either 1, 3, 5, 6, 7, or 10 years. After this period the annual percentage rate adjusts to the fully indexed rate (index plus margin). UNFCU variable rate mortgages have annual and lifetime rate caps to minimize payment shock to borrowers. UNFCU also offers balloon loans to members whereby payments are based on a 30 year amortization but the loan balance becomes due and payable at the end of a specified 7, 10 or 15 year period. Variable rate and balloon mortgages may have significantly different credit risk characteristics than traditional fixed rate mortgages. However, UNFCU believes it has established prudent underwriting standards as well as adequate risk management functions to monitor these additional risks.

The following table shows the activity in the allowance for loan losses for the year ended 31 December 2022:

	Mortgage Loans	**Commercial Loans**	**Consumer Loans**	**Total**
Balance, beginning of the year	**$ 7,914,870**	**$ 337,307**	**$ 11,546,338**	**$ 19,798,515**
Provision (credit) for loan losses	**(3,188,176)**	**535,770**	**2,242,406**	**(410,000)**
Loans charged-off	**-**	**-**	**(5,223,302)**	**(5,223,302)**
Recoveries	**-**	**-**	**1,083,553**	**1,083,553**
Balance at end of year	**$ 4,726,694**	**$ 873,077**	**$ 9,648,995**	**$ 15,248,766**

In 2021, the credit union sold the entire taxi medallion portfolio that resulted in a decrease of $17,758,412 to the allowance for loan losses and a recovery of $2,346,976 on prior loan losses.

The following table shows the activity in the allowance for loan losses for the year ended 31 December 2021:

	Mortgage Loans	Commercial Loans	Consumer Loans	Total
Balance, beginning of the year	$ 7,317,823	$ 17,023,385	$ 11,242,903	$ 35,584,111
Provision (credit) for loan losses	597,047	(542,434)	4,204,079	4,258,692
Loans charged-off	-	(18,490,620)	(5,391,381)	(23,882,001)
Recoveries	-	2,346,976	1,490,737	3,837,713
Balance at end of year	$ 7,914,870	$ 337,307	$ 11,546,338	$ 19,798,515

NOTE 3 (continued)

The following table shows the ending balance of allowance for loan losses by loan type and the allowance for loan losses based on the impairment method used at 31 December 2022:

	Allowance for Credit Losses		**Loan Balances**	
	Individually Evaluated for Impairment Ending Balance	**Collectively Evaluated for Impairment Ending Balance**	**Individually Evaluated for Impairment Ending Balance**	**Collectively Evaluated for Impairment Ending Balance**
Mortgage loans	**$ 1,668,333**	**$ 3,058,361**	**$ 17,129,471**	**$ 4,241,078,397**
Consumer loans	**-**	**9,648,995**	**-**	**769,069,655**
Commercial loans	**-**	**873,077**	**-**	**77,239,440**
Total	**$ 1,668,333**	**$ 13,580,433**	**$ 17,129,471**	**$ 5,087,387,492**

The following table shows the ending balance of allowance for loan losses by loan type and the allowance for loan losses based on the impairment method used at 31 December 2021:

	Allowance for Credit Losses		Loan Balances	
	Individually Evaluated for Impairment Ending Balance	Collectively Evaluated for Impairment Ending Balance	Individually Evaluated for Impairment Ending Balance	Collectively Evaluated for Impairment Ending Balance
Mortgage loans	$ 1,527,290	$ 6,387,580	$ 15,605,445	$ 3,404,647,060
Consumer loans	-	11,546,338	-	731,235,441
Commercial loans	-	337,307	-	46,035,791
Total	$ 1,527,290	$ 18,271,225	$ 15,605,445	$ 4,181,918,292

The following table shows an age analysis of loans at 31 December 2022:

	Current	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**Greater than 90 Days**	**Total Loans**
Mortgage loans	**$ 4,243,047,045**	**$ 13,403,921**	**$ 583,911**	**$ 1,172,991**	**$ 4,258,207,868**
Consumer loans	**751,478,749**	**9,569,303**	**3,259,388**	**4,762,215**	**769,069,655**
Commercial loans	**77,239,440**	**-**	**-**	**-**	**77,239,440**
Total	**$ 5,071,765,234**	**$ 22,973,224**	**$ 3,843,299**	**$ 5,935,206**	**$ 5,104,516,963**

The following table shows an age analysis of loans at 31 December 2021:

	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Loans
Mortgage loans	$ 3,403,286,499	$ 14,014,035	$ 1,115,433	$ 1,836,538	$ 3,420,252,505
Consumer loans	720,700,583	6,787,900	1,701,820	2,045,138	731,235,441
Commercial loans	46,035,791	-	-	-	46,035,791
Total	$ 4,170,022,873	$ 20,801,935	$ 2,817,253	$ 3,881,676	$ 4,197,523,737

NOTE 3 (continued)

The following table shows the recorded investment, unpaid principal balance, allocated allowance for loan losses and interest income recognized for loans that were considered impaired at 31 December 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Mortgage loans	**$ 1,884,000**	**$ 1,756,902**	**$ -**	**$ 2,014,520**	**$ 19,893**
With an allowance recorded:					
Mortgage loans	**15,372,569**	**15,372,569**	**1,668,333**	**15,211,446**	**150,213**
Commercial loans	**-**	**-**	**-**	**-**	**89,978**
Total impaired loans	**$ 17,256,569**	**$ 17,129,471**	**$ 1,668,333**	**$ 17,225,966**	**$ 260,084**

The following table shows the recorded investment, unpaid principal balance, allocated allowance for loan losses and interest income recognized for loans that were considered impaired at 31 December 2021:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Mortgage loans	$ 3,156,612	$ 2,951,971	$ -	$ 2,978,969	$ 27,853
With an allowance recorded:					
Mortgage loans	12,653,474	12,653,474	1,527,290	12,151,474	113,616
Commercial loans	-	-	-	9,623,266	89,978
Total impaired loans	$ 15,810,086	$ 15,605,445	$ 1,527,290	$ 24,753,709	$ 231,447

The following table shows our loans that are on non-accrual status and 90 days or more past due and still accruing interest as of 31 December:

	2022	2021
Loans 90 days or more past due and still accruing:		
Consumer loans	**$ 1,032,590**	$ 327,936
Total	**1,032,590**	327,936
Non-accrual loans:		
Mortgage loans	**1,172,991**	1,836,538
Consumer loans	**3,729,625**	1,717,202
Total	**4,902,616**	3,553,740
Total past due loans	**$ 5,935,206**	$ 3,881,676

Mortgage loans secured by residential real estate properties of which formal proceedings are in process of foreclosure for the years ending 31 December 2022 and 2021 were $961,015 and $0, respectively.

NOTE 3 (continued)

Section 4013 of the CARES Act allows institutions to provide COVID-19 loan modification program designed to give members in good standing more access to financial services and products during this difficult time. This includes allowing institutions to provide forbearance agreements, interest rate modifications, repayment plans and any other similar arrangements that defers or delays the payment of principal or interest while suspending the accounting requirements under ASC 310-40 Trouble Debt Restructuring. No modifications classified under Section 4013 of the CARES act were made in 2022. The following table summarizes such modifications during 2021:

	2021		Modifications classified under Section 4013 of the CARES Act outstanding as of December 31 2021	
	Number of Loans	Loan Balance	Number of Loans	Loan Balance
Mortgage Loans	72	$ 33,684,358	5	$ 1,200,725
	72	$ 33,684,358	5	$ 1,200,725

The following table summarizes the activity related to information on troubled debt restructuring that occurred during 2022 and 2021:

Modifications Approved During 2022

Troubled Debt Restructurings	**Number of Contracts**	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**	**Subsequent Number of TDR that Defaulted**	**Pre-modification Outstanding Recorded Investment**	**Post-modification Outstanding Recorded Investment**
Mortgage	**1**	**$ 2,359,000**	**$ 2,359,000**	**-**	**$ -**	**$ -**
Consumer	**9**	**$ 586,930**	**$ 586,393**	**3**	**$ 62,230**	**$ 62,230**

Modifications Approved During 2021

Troubled Debt Restructurings	Number of Contracts	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment	Subsequent Number of TDR that Defaulted	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment
Mortgage	4	$ 5,068,664	$ 5,068,664	-	$ -	$ -
Consumer	9	$ 516,535	$ 516,535	5	$ 156,020	$ 156,020

NOTE 3 (continued)

Commercial risk rating by risk profile as of 31 December 2022 are summarized as follows:

Risk Rating:	**Real Estate Originated**	**Real Estate Participation**	**Total**
Pass	**$ 47,639,068**	**$ 24,411,493**	**$ 72,050,561**
Special Mention	**-**	**5,188,879**	**5,188,879**
Substandard	**-**	**-**	**-**
Doubtful	**-**	**-**	**-**
Loss	**-**	**-**	**-**
Total	**$ 47,639,068**	**$ 29,600,372**	**$ 77,239,440**

Commercial risk rating by risk profile as of 31 December 2021 are summarized as follows:

Risk Rating:	Real Estate Originated	Real Estate Participation	Total
Pass	$ 8,404,929	$ 37,630,862	$ 46,035,791
Special Mention	-	-	-
Substandard	-	-	-
Doubtful	-	-	-
Loss	-	-	-
Total	$ 8,404,929	$ 37,630,862	$ 46,035,791

NOTE 4 - LOAN SERVICING

Mortgage loans serviced for other institutions are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at 31 December 2022 and 2021 were approximately $386,219,796 and $388,028,319 respectively.

UNFCU records Mortgage Servicing Rights ("MSR") when mortgage loans are sold and UNFCU retains the right to service the loans. MSR's are recorded at fair value, with changes in fair value recorded in Non-interest income. MSR valuations are sensitive to interest rate and prepayment risk.

The assumptions used in determining the fair value of capitalized mortgage servicing rights were as follows:

	2022	2021
Prepayment rate	**4.57%**	5.73%
Discount rate	**7.57%**	7.50%

NOTE 4 (continued)

The changes in fair value of MSRs during 2022 and 2021 were as follows:

		2022		2021
Balance, beginning of period	$	4,294,780	$	2,229,907
Originations		926,378		2,143,197
Gain (Loss) on changes in fair value		(281,347)		(78,324)
Balance, end of period	$	4,939,811	$	4,294,780

All changes in fair value are as a result of changes to valuation model inputs and assumptions.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment are summarized as follows:

	31 December			
		2022		2021
Land	$	12,159,400	$	12,159,400
Building		105,175,821		104,913,857
Furniture and equipment		45,122,922		43,001,402
Leasehold improvements		10,432,842		10,420,293
Property and equipment, gross		172,890,985		170,494,952
Accumulated depreciation and amortization		(72,888,618)		(66,299,911)
Property and equipment, net	$	100,002,367	$	104,195,041

The fully depreciated assets removed from property and equipment for 2022 and 2021 amounted to $0 and $4,549,674, respectively. Assets that have not yet been placed in-service but included in property and equipment for 2022 and 2021 amounted to $985,809 and $484,782 respectively.

For the years ended 31 December 2022 and 2021, depreciation expense was $6,588,707 and $7,101,471 , respectively.

NOTE 6 – LEASES

The cost components of the Credit Union's operating leases were as follows for the year ending December 31, 2022:

		2022		2021
Operating Lease Cost	$	1,569,291	$	1,405,654
Short-Term Lease Cost		453,530		453,530
Total Lease Cost	$	2,022,821	$	1,859,184

NOTE 6 (continued)

The following table summarizes other information related to the Credit Union's operating leases for the year ending December 31, 2022:

		2022
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	**$**	**1,569,291**
Operating Cash Flows from Operating Leases		**3,044,000**
Initial Recognition of Right-of-Use Assets		**2,184,314**
Initial Recognition of Lease Liabilities		**2,179,028**
Weighted-Average Remaining Lease Term - Operating Leases, in Years		**3.1 years**
Weighted-Average Discount Rate - Operating Leases		**0.41%**

A maturity analysis of annual discounted cash flows for lease liabilities as of December 31, 2022, is as follows:

Year Ending December 31,		Operating Lease
2023	$	1,132,824
2024		913,272
2025		661,327
2026		324,958
2027		298,318
Thereafter		414,602
Total Lease Payments		3,745,301
Present Value Discount		(41,507)
Total	$	3,703,794

NOTE 7 – INTANGIBLE ASSETS

Intangible assets are comprised of the following at 31 December 2022 and 2021:

		2022		2021	Useful Life
Expirations	**$**	**2,874,329**	$	2,874,329	20 years
Tradenames		**97,832**		97,832	Indefinite
		2,972,161		2,972,161	
Accumulated amortization		**(2,121,529)**		(1,970,969)	
Intangible assets, net	**$**	**850,632**	$	1,001,192	

Expirations refer to the ownership of insurance policy renewal rights for individual clients that are placed with third party insurance carriers.

Amortization expense for the years ended 31 December 2022 and 2021 was $150,560 and $164,247, respectively. All amortization was recorded in selling, general, and administrative expense in the Consolidated Statements of Income.

NOTE 7 (continued)

The annual estimated amortization expense for the UNFCU's acquired intangible assets for the next five years and thereafter is as follows:

Year ending 31 December		
2023	$	136,873
2024		123,186
2025		109,498
2026		95,811
2027		82,124
Thereafter		205,308
	$	752,800

NOTE 8 - RENTAL INCOME

UNFCU leases office space to third parties. Rental income for the years ended December 2022 and 2021 from these operating leases was approximately $4,127,000 and $4,127,000 for the years ended December 2022 and 2021, and is included in other non-interest income.

Future minimum rental payments under operating leases with initial or remaining terms of one year or more at 31 December 2022 are as follows:

Year ending 31 December		
2023	$	4,593,250
2024		4,593,250
2025		4,070,908
2026		4,023,422
2027		3,973,904
Thereafter		15,697,513
	$	36,952,247

NOTE 9 - MEMBERS' SHARES

Members' shares are summarized as follows:

	31 December			
		2022		2021
Regular shares	**$**	**3,240,115,137**	$	3,276,103,389
Checking accounts		**1,266,157,079**		1,151,224,117
High Yield Savings		**1,543,520,915**		1,279,685,855
Individual retirement shares		**7,702,735**		8,079,835
Individual retirement certificates		**5,122,225**		5,100,940
Certificates		**1,254,274,086**		1,105,216,612
Other		**14,934,811**		13,835,305
	$	**7,331,826,988**	$	6,839,246,053

NOTE 9 (continued)

Shares by maturity as of 31 December 2022 are summarized as follows:

No contractual maturity	$	6,072,430,677
0 - 1 year maturity		525,342,544
1 - 2 years maturity		283,085,460
2 - 3 years maturity		208,645,919
3 - 4 years maturity		36,020,426
4 - 5 years maturity		206,301,962
	$	7,331,826,988

Regular shares, checking accounts, money market, individual retirement shares, and other account shares have no contractual maturity. Certificate accounts have maturities of five years or less.

The aggregate amount of uninsured shares at 31 December 2022 and 2021 is approximately $956,263,959 and $848,991,950, respectively.

The aggregate amount of certificates in denominations of $250,000 or more at 31 December 2022 and 2021 is approximately $315,303,096 and $248,105,079, respectively.

NOTE 10 - BORROWED FUNDS

UNFCU has a demand loan agreement with FHLB. This FHLB demand loan calls for the pledging of federal agency debentures as collateral for any advances. The approved limit of the FHLB demand loan is up to 30% of UNFCU's total assets. In the event that more would be needed, UNFCU must seek and obtain an exception approval from FHLB to a maximum of 50% of total assets, with interest charged at a rate determined by the lender on a periodic basis.

UNFCU also has a demand loan agreement with the Federal Reserve Bank ("FRB"). This FRB demand loan calls for the pledging of federal agency debentures to a maximum of 50% of the total assets, with interest charged at a rate determined by the lender on a periodic basis.

There were no borrowings outstanding pursuant to either agreement at 31 December, 2022 and 2021.

Total credit lines available based on assets pledged as of 31 December:

		2022		2021
FRB	**$**	**142,674,092**	$	53,378,007
FHLB		**505,740,234**		21,948,978
	$	**648,414,326**	$	75,326,985

NOTE 11 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Other comprehensive loss is comprised of the following at 31 December, 2022 and 2021:

		2022		2021
Pension losses	$	**27,974,603**	$	24,819,193
Unrealized (gains)/losses on available-for-sale securities		**132,271,273**		20,902,381
	$	**160,245,876**	$	45,721,574

NOTE 12 - OFF-BALANCE SHEET ACTIVITIES

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

UNFCU's exposure to credit loss is represented by the contractual amount of these commitments. UNFCU follows the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

Outstanding loan commitments at 31 December 2022 and 2021 total approximately $66,641,535 and $134,987,152 , respectively.

Unfunded loan commitments under lines of credit are summarized as of 31 December 2022 and 2021 follows:

		2022		2021
Home Equity	$	**43,547,000**	$	39,230,000
Credit Card		**491,275,000**		489,149,000
Other Consumer		**60,332,000**		60,765,000
Home Renovation		**3,436,000**		3,602,000
International home build		**5,180,000**		5,061,000
Participation		**183,000**		4,923,000
	$	**603,953,000**	$	602,730,000

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

Unfunded commitments under home equity lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which UNFCU is committed.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

UNFCU is a party to various legal actions normally associated with 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 UNFCU.

NOTE 14 - EMPLOYEE BENEFIT PLANS

UNFCU sponsors a defined benefit pension plan for the benefit of its employees. The plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with UNFCU and compensation levels at retirement. Contributions to the plan reflect benefits attributed to employees' services to date, as well as services expected to be performed in the future. Plan assets consist primarily of investments in common/collective trust funds.

	2022	2021
Benefit obligation	**$ 73,467,830**	$ 90,910,588
Fair value of plan assets	**104,336,807**	125,250,123
Funded status	**30,868,977**	34,339,535
Accumulated benefit obligation	**$ 61,022,458**	$ 79,171,887

	31 December	
	2022	2021
Net pension cost	**$ 315,148**	$ 2,378,261
Employer contribution	**-**	15,000,000
Benefit payment	**1,435,170**	4,357,284

Amounts recognized in the statement of financial condition consist of:

	31 December	
	2022	2021
Other Assets	**$ 30,868,977**	$ 34,339,535

Amounts recognized in accumulated other comprehensive loss consist of:

	31 December	
	2022	2021
Other losses	**$ 27,974,603**	$ 24,819,193
Prior service cost	**-**	-
	$ 27,974,603	$ 24,819,193

Amounts recognized in net periodic benefit cost and other comprehensive income:

	31 December	
	2022	2021
Net period benefit cost	**$ 315,148**	$ 2,378,261
Total recongnized in other comprehensive income	**3,155,410**	(6,779,707)
Total recognized in net periodic benefit cost and other comprehensive income	**$ 3,470,558**	$ (4,401,446)

NOTE 14 (continued)

The following are the amounts in accumulated other comprehensive income recognized in the fiscal year ending 31 December 2022 and expected to be recognized as components of net periodic pension cost over the next fiscal year ending 31 December 2023:

	31 December	
	2022	2023
Other Losses	**$ 1,065,534**	$ 1,517,381
Prior service cost	**$ -**	$ -

	31 December	
	2022	2021
Assumptions used to determine benefit obligation		
Discount rate	**5.25%**	3.00%
Rate of compensation increase	**3.75%**	2.25%

	31 December	
	2022	2021
Assumptions used to determine net pension cost		
Discount rate	**5.25%**	3.00%
Expected long-term return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**3.75%**	2.25%

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

At 31 December 2022, and 2021, the assets of UNFCU's pension plan were invested in the CUNA Mutual Retirement Pension Fund (the "Fund"). The Fund has an investment strategy of investing 65% of its assets in equity securities and 35% of its assets in debt securities.

UNFCU's pension investment strategies are targeted to produce a total return that, when combined with UNFCU's contributions to the plan, will maintain the fund's ability to meet all required benefit obligations. Risk is controlled through diversification of asset types and investments in domestic and international equities, fixed income securities and cash.

Defined benefit pension plan assets measured at fair value on a recurring basis at of 31 December 2022 are summarized below:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significnat Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**31 December 2022**
Cash Equivalents	**$ 221,312**	**$ -**	**$ -**	**$ 221,312**
Bond Funds	**36,388,232**	**-**	**-**	**36,388,232**
Mutual Funds	**67,727,263**	**-**	**-**	**67,727,263**
Total	**$ 104,336,807**	**$ -**	**$ -**	**$ 104,336,807**

NOTE 14 (continued)

Defined benefit pension plan assets measured at fair value on a recurring basis at of 31 December 2021 are summarized below:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significnat Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2022
Cash Equivalents	$ 59,942	$ 713,031	$ -	$ 772,973
Bond Funds	43,595,428		-	43,595,428
Mutual Funds	80,881,722		-	80,881,722
Total	$ 124,537,092	$ 713,031	$ -	$ 125,250,123

UNFCU made pension contributions of $0 and $15,000,000 to the plan in 2022 and 2021, respectively. There are no contributions expected for 2023.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year ending 31 December	
2023	$ -
2024	852,964
2025	1,047,868
2026	1,373,012
2027	1,891,155
5 Years Thereafter	15,124,605
	$ 20,289,604

UNFCU has a 401(k) retirement plan that allows employees to defer a portion of their salary. UNFCU matches a portion of employees' wage reductions. Costs are accrued and funded on a current basis. UNFCU contributed $4,061,240 and $3,741,097, respectively, to the plan for the years ended 31 December 2022 and 2021.

UNFCU has deferred compensation agreements with members of the management team that provides benefits payable to these employees if they remain employed by UNFCU until age 65 or age 55 with five years of service as defined by the agreements. The benefits are subject to forfeiture if employment is terminated on or before the third anniversary of the initial plan election as defined in the agreement.

NOTE 15 - CAPITAL REQUIREMENTS

UNFCU 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 UNFCU's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, UNFCU must meet specific capital guidelines that involve quantitative measures of UNFCU's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting principles. UNFCU's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require UNFCU to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. Further, credit unions over $10,000,000 in assets are also required to calculate a Risk-Based Net Worth ("RBNW") requirement which establishes whether or not UNFCU will be considered "complex" under the regulatory framework. UNFCU's RBNW requirements as of 31 December 2021 was 7.80%. The minimum requirement to be considered "complex" under the regulatory framework is 6%. Management believes, as of 31 December 2021, that UNFCU meets all capital adequacy requirements to which it is subject.

As of 31 December 2021, the NCUA categorized UNFCU as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," UNFCU must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

UNFCU's net worth ratio was 9.29% in 2021. Because the RBNW requirement is less than the net worth ratio, UNFCU retains its original category. Further, in performing its calculation of total assets, the NCUA allows credit unions to use the quarter end asset balance as the denominator in the calculation or an average asset balance. UNFCU used the quarter-end balance option.

Effective March 2022, the NCUA adopted the risk-based capital calculation which applies only to federally-insured, natural person credit unions with quarter-end total assets exceeding $500 million who do not qualify for, or opt into, the complex credit union leverage ratio (CCULR) framework described in §702.104(d). UNFCU did not opt into the CCULR framework.

As of December 31, 2022, the most recent call reporting period, the NCUA categorized the Credit Union initially as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets. In addition, the credit union, if complex, must maintain a minimum risk-based capital ratio of 10% or greater. There are no conditions or events since that notification that management believes have changed the institution's category.

NOTE 15 (continued)

The Credit Union's actual capital amounts and ratios are also presented in the table following.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
31-Dec-22						
Net Worth	**$ 745,485,097**	**9.35%**	**$ 478,303,157**	**6.00%**	**$ 558,020,350**	**7.00%**
Risk-Based Capital Ratio	**$ 692,210,740**	**16.58%**	**$ 334,033,114**	**8.00%**	**$ 417,541,392**	**10.00%**
31-Dec-21						
Net Worth	$ 700,506,581	9.29%	$ 478,303,157	6.00%	$ 558,020,350	7.00%
Risk-Based Net Worth Requirement	$ 621,794,104	7.80%	N/A	N/A	N/A	N/A

The Credit Union's Risk-Based Assets per the Call report was $4,175,413,919 as of 31 December 2022.

NOTE 16 - RELATED PARTY TRANSACTIONS

In the normal course of business, UNFCU extends credit to directors, supervisory committee members and executive officers at UNFCU standard rates and terms. The aggregate loans to related parties at 31 December 2022 and 2021 amounted to approximately $6,926,571 and $7,415,287 , respectively. Deposits from related parties at 31 December 2022 and 2021 amounted to approximately $ 4,692,610 and $ 4,255,062, respectively.

NOTE 17 - FAIR VALUE OF FINANCIAL INSTRUMENTS

UNFCU generally holds its earning assets, other than securities available-for-sale, to maturity and settles it liabilities at maturity. However, fair value estimates are made at a specific point in time and are based on relevant market information. These estimates do not reflect any premium or discount that could result from offering for sale at one time the UNFCU's entire holdings of a particular instrument. Accordingly, as assumptions change, such as interest rates and prepayments, fair value estimates change and these amounts may not necessarily be realized in an immediate sale.

Disclosure of fair value does not require fair value information for items that do not meet the definition of a financial instrument or certain other financial instruments specifically excluded from its requirements. These items include property and equipment, leases, foreclosed properties, and equity.

Further, fair value disclosure does not attempt to value future income or business. These items may be material and accordingly, the fair value information presented does not purport to represent, nor should it be construed to represent, the underlying "market" or franchise value of UNFCU.

NOTE 17 (continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

A description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the classification of the instruments pursuant to the valuation hierarchy, is as follows:

Equity: Securities classified as equity are reported using Level 1 inputs. Level 1 securities generally include equity securities valued based on quoted market prices in active markets. UNFCU equity securities include common stocks, exchange traded fund, options, preferred stocks and trading debt securities.

Available-for-sale: Securities classified as available-for-sale are reported using Level 1 and Level 2 inputs. UNFCU included US Treasuries in the Level 1 category. Level 2 instruments include U.S. government agency obligations, state and municipal bonds, mortgage-backed securities, collateralized mortgage obligations and corporate bonds. For these securities, UNFCU obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Mortgage servicing rights: The fair value of mortgage servicing rights is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Held for sale loans: Loans in this category are those that have been originated with the intent to be sold in the secondary market. These loans include those with and without sale commitment and are valuated based on end of day market price. The Credit Union uses an independent pricing source for continual pricing for best executed market data.

Derivative loan commitments: Mortgage loan commitments are considered derivative loan commitments if the loan that will result from the exercise of the commitment will be held for sale upon funding. The credit union enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Credit Union to lend funds to a potential borrower at a specified interest rate and within a specific period of time, generally up to 60 days after inception of the rate lock.

Outstanding derivative loan commitments expose the credit union to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases.

Forward loan sale commitments: To protect against the price risk inherent in derivative loan commitments, the credit union utilizes forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. With a forward loan sale contract, the Credit Union commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded.

NOTE 17 (continued)

Common call options: UNFCU sells call options on common equity positions within its equity portfolio. These call options are used to generate additional investment income and to mitigate the risk of price volatility in those securities. With a common call option, the Credit Union commits to deliver common equity shares of a specified quantity if the strike price is reached. If the strike price is not reached, the option expires. UNFCU receives a premium for selling these options. There were outstanding call options as of December 31, 2022 or 2021.

Hedges: Hedges in this category consist of to-be-announced mortgage backed-securities (TBA), which are forward agreements to purchase or sell mortgage backed-securities with the settlement date being in the future and with the specific security unknown until settlement. The credit union purchased TBA to hedge against the price risk of its mortgages prior to sale. Fair value measurements for TBA are provided by an independent pricing service.

Assets measured at fair value on a recurring basis at 31 December 2022 are summarized below:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Others Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2022
Mortgage Servicing Rights	$ -	$ -	$ 4,939,811	$ 4,939,811
Held For Sale Loans	-	2,043,739	-	2,043,739
Derivative Loan Commitments	-	10,714	-	10,714
Equity Securities:				
Common Stock	8,767,696	-	-	8,767,696
Exchange Traded Funds	1,123,056	-	-	1,123,056
Options	-	-	322,476	322,476
Preferred Stock	-	-	-	-
Preferred Equities	11,342,225	-	-	11,342,225
Total Equity Securities	21,232,977	-	322,476	21,555,453
Investment securities available-for-sale:				
US government obligations	34,579,214	-	-	34,579,214
Federal Agencies	-	956,459,372	-	956,459,372
Mortgage backed securities	-	63,984	-	63,984
Corporate Obligations	-	70,261,560	-	70,261,560
Total investment securities available-for-sale	$ 34,579,214	$ 1,026,784,916	$ -	$ 1,061,364,130

NOTE 17 (continued)

Assets measured at fair value on a recurring basis at 31 December 2021 are summarized below:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Others Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2021
Mortgage Servicing Rights	$ -	$ -	$ 4,294,780	$ 4,294,780
Held For Sale Loans	-	7,319,830	-	7,319,830
Derivative Loan Commitments	-	18,071	-	18,071
Equity Securities:				
Common Stock	17,307,689	-	-	17,307,689
Exchange Traded Funds	1,469,952	-	-	1,469,952
Options	-	-	399,570	399,570
Preferred Stock	-	2,544,475	-	2,544,475
Preferred Equities	11,668,090	-	-	11,668,090
Total Equity Securities	30,445,731	2,544,475	399,570	33,389,776
Investment securities available- for-sale:				
US government obligations	36,678,383	-	-	36,678,383
Federal Agencies	-	1,036,676,281	-	1,036,676,281
Mortgage backed securities	-	68,943	-	68,943
Corporate Obligations	-	60,156,024	-	60,156,024
Total investment securities available for sale	$ 36,678,383	$ 1,096,901,248	$ -	$ 1,133,579,631

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of the recorded investment in the loan or market value. The loans identified as impaired are real estate secured.

Market value is determined by using the value of the collateral securing the loans and is therefore classified as a level 3 hierarchy. The value of the real estate is determined by qualified independent licensed appraisers contracted by UNFCU to perform the assessment. The appraised value is then discounted based upon management's experience, which includes estimated disposal costs, understanding of the customer and the customer's business as well as economic conditions. Impaired loans are reviewed and evaluated on a quarterly basis for additional impairment and adjusted accordingly, based upon pertinent conditions.

NOTE 17 (continued)

Assets measured at fair value on a non-recurring basis at 31 December 2022 are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2022
Impaired Loans	**$ -**	**$ -**	**$ 13,704,236**	**$ 13,704,236**
	$ -	**$ -**	**$ 13,704,236**	**$ 13,704,236**

Assets measured at fair value on a non-recurring basis at 31 December 2021 are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2021
Impaired Loans	$ -	$ -	$ 11,126,184	$ 11,126,184
	$ -	$ -	$ 11,126,184	$ 11,126,184

NOTE 18 – REVENUE FROM CONTRACTS WITH CUSTOMERS

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2022 and 2021:

	2021	2020
In scope of ASC 606		
Services charges	**$ 28,631,986**	$ 22,571,203
Bankcard fees	**16,276,655**	13,119,334
Investment Commissions and Fees	**507,869**	2,380,376
Insurance Commissions and Fees	**6,342,134**	7,032,067
Total	**51,758,644**	45,102,980
Non-interest income not within the scope of ASC 606 (a)	**4,473,559**	19,575,367
	$ 56,232,203	$ 64,678,347

This revenue is not within the scope of ASC 606, and includes fees related to mortgage banking operations, gain on sale of loans, gains on sale of securities, revenue from investments, and various other transactions.

NOTE 19 – CONTRACTS WITH NORTHSTAR FINANCIAL SERVICES (BERMUDA) LTD

From 2010-2019 certain members who were also clients of UNFCU Advisors LLC, UNFCU's wholly-owned subsidiary, invested in trust contracts ("Contract Holders") from Northstar Financial Services (Bermuda) LTD ("NFS"). In August 2018, NFS was acquired by Eli Global, a North Carolina based conglomerate that shortly thereafter proceeded to restructure NFS's investment portfolio by making investments in its own affiliated companies. These investments were not market observable or liquid.

In September 2019, NFS ceased honoring redemption requests. Consequently, Contract Holders could not withdraw their funds from NFS. On 8 October 2019, NFS sent a letter to the Contract Holders notifying them of a temporary liquidity constraint. NFS made sporadic payments to Contract Holders after the liquidity constraints began. As liquidity constraints at NFS remained into June of 2020, members continued to be unable to redeem their investments in NFS. Given the hardship this posed and the unique circumstances surrounding the change in ownership, the UNFCU Board of Directors approved a line of credit to UNFCU Advisors in June 2020 which provided UNFCU Advisors the ability to take an assignment of the receivables due under the redeemed contracts and advance funds to those members.

Members who held matured fixed contracts were offered the opportunity to receive payment for the full value of their contract in exchange for assigning their contract to UNFCU Advisors.

On 25 September 2020, NFS was placed into provisional liquidation by petition of their regulator. Joint provisional liquidators were appointed to assess the financial condition of the company and safeguard Contract Holders' interests. On 26 March 2021 NFS was put into liquidation by the court.

As of 31 December 2021, UNFCU Advisors had accepted assignments of $38,536,617 of matured fixed contracts. Based upon asset values provided by the Joint Provisional Liquidators in Bermuda, the net value of the receivable was estimated to be $10,019,520. A reserve of $28,517,097 was recorded as of 31 December 2021. As of 31 December 2021, due to the unknown economic conditions and potential impact on operations from the pandemic, Management and the Board of Directors determined that it was reasonably possible that UNFCU would accept future assignments. Management did not recognize any future liability for assignments and related reserves as a result of that determination.

In 2022, UNFCU Advisors continued to take assignments of matured fixed contracts. In addition, UNFCU Advisors clients were reporting financial hardship caused by the protracted liquidation proceedings in Bermuda and requested that the Board fund assignments of matured variable contracts. In June of 2022, the UNFCU Board of Directors approved an increase in the line of credit to UNFCU Advisors, which provided UNFCU Advisors the ability to continue to take assignments of the receivables due under the redeemed fixed and variable contracts, and to advance funds to those members.

As of 31 December 2022, reserves of $41,052,136 were recorded for fixed and variable matured assigned contracts totaling $62,913,332. A total of $25,824,639 remains in additional contracts that have not yet matured or have not yet been assigned. As of 31 December 2022, Management and the Board of Directors determined that given the low percentage of assignments not yet funded, it is probable that UNFCU will continue to provide funding for UNFCU Advisors to take assignment of all contracts as they mature. Accordingly, an additional reserve of $16,437,315 on potential future payments has been recorded.

NOTE 19 (continued)

As of 31 December 2022, and 31 December 2021, the following reserves have been taken:

	2022			2021		
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Assigned	**$ 53,237,402**	**$ 9,675,930**	**$ 62,913,332**	$ 38,536,617	$ -	$ 38,536,617
Value	**15,305,753**	**6,555,443**	**21,861,196**	10,019,520	-	10,019,520
Reserve	**$ 37,931,649**	**$ 3,120,487**	**$ 41,052,136**	$ 28,517,097	$ -	$ 28,517,097
Unassigned	**$ 20,791,897**	**$ 5,032,742**	**$ 25,824,639**	$ 35,492,682	$ 14,708,672	$ 50,201,354
Value	**5,977,670**	**3,409,654**	**9,387,324**	35,492,682	14,708,672	50,201,354
Reserve	**$ 14,814,227**	**$ 1,623,088**	**$ 16,437,315**	$ -	$ -	$ -
Total Contracts	**$ 74,029,299**	**$ 14,708,672**	**$ 88,737,971**	$ 74,029,299	$ 14,708,672	$ 88,737,971
Value	**21,283,423**	**9,965,097**	**31,248,520**	45,512,202	14,708,672	60,220,874
Reserve	**$ 52,745,876**	**$ 4,743,575**	**$ 57,489,451**	$ 28,517,097	$ -	$ 28,517,097

The above valuations and reserves are based on information received from the joint provisional liquidators. As of 31 December 2022, the value of the fixed contract receivable applied is $0.2875 cents per dollar and the value of the variable contract receivable applied is $0.6775 cents per dollar. The fixed and variable contracts are backed by different assets causing different valuations.

The value of the fixed contract receivable of $0.2875 cents per dollar is derived from the average of four scenarios ranging from $0.16 to $0.43. The value of the variable contract receivable of $0.6775 cents per dollar is derived from the average of four scenarios ranging from $0.30 to $1.00. The scenarios were provided by the joint provisional liquidators.

As of 31 December 2021, the value of receivable was between $0.13-0.39 per dollar. To calculate a reserve for the $38,536,617 receivable, the repayment amount was estimated at $0.26 cents per dollar, which represents the average of $0.13 and $0.39.

UNFCU and UNFCU Advisors will continue to actively pursue all avenues to collect the full amount of the assigned contracts and future commitments, however, there can be no guarantee of the amount ultimately collected.

While reserves have been recorded on the total amount of all contracts, funds will be paid out as contracts mature and assignments are assumed by UNFCU Advisors.

As of 31 December 2022, the following are the known, but unassigned fixed and variable contracts with NFS:

Maturity	**Unassigned Contracts - Estimated (millions)**	
	Fixed	**Variable**
Past Maturity	$ 10.9	$ 2.3
2023	6.9	2.4
2024	1.9	0.3
Unknown	1.1	-
Total	$ 20.8	$ 5.0

NOTE 20 – ANNUAL CONTRIBUTION TO UNFCU FOUNDATION

The Credit Union makes contributions to the UNFCU Foundation annually from some of its investment portfolio earnings. These contributions were $335,000 in 2022 and $543,000 in 2021. The UNFCU Foundation is a separate legal entity operating as a public charity.

NOTE 21 - SUBSEQUENT EVENTS

UNFCU evaluated subsequent events through 23 March 2023, the date the financial statements were available to be issued.