UNITED NATIONS FEDERAL CREDIT UNION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024
(With Independent Auditor's Report Thereon)

DoerenMayhew
ASSURANCE

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

UNITED NATIONS FEDERAL CREDIT UNION AND SUBSIDIARIES

31 December 2024 and 2023

C O N T E N T S

DoerenMayhew
ASSURANCE

305 West Big Beaver Road, Suite 200
Troy, Michigan 48084
248.244.3000 | doeren.com

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
United Nations Federal Credit Union and Subsidiaries

Opinion

We have audited the consolidated financial statements of United Nations Federal Credit Union and Subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2024 and 2023, 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of United Nations Federal Credit Union and Subsidiaries as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of United Nations Federal Credit Union and Subsidiaries 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 United Nations Federal Credit Union and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 United Nations Federal Credit Union and Subsidiaries' 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 United Nations Federal Credit Union and Subsidiaries' 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.

Doeren Mayhew Assurance

Troy, Michigan
March 28, 2025

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

31 December 2024 and 2023

ASSETS		**2024**		2023
Cash and cash equivalents	**$**	**367,939,540**	$	419,121,217
Investments				
Equity securities		**27,618,561**		20,872,285
Available-for-sale		**1,340,901,533**		1,200,929,862
Held-to-maturity, net		**1,783,118,617**		1,430,650,501
Other		**9,719,121**		8,599,339
Loans held for sale		**6,090,686**		6,699,180
Loans receivable, net of allowance for credit losses of $35,256,443 and $27,769,413 as of December 31, 2024 and 2023, respectively		**5,844,782,651**		5,516,629,669
Accrued interest receivable		**33,012,199**		27,634,511
Property and equipment, net		**93,785,068**		96,618,031
National Credit Union Share Insurance Fund deposit		**73,832,976**		67,572,115
Intangible assets, net of amortization		**-**		713,759
Goodwill		**-**		5,522,886
Other assets		**115,322,346**		94,871,190
Receivable from Northstar, net		**22,874,799**		13,827,662
Total assets	**$**	**9,718,998,097**	$	8,910,262,207
LIABILITIES AND MEMBERS' EQUITY				
Liabilities				
Members' shares	**$**	**8,841,450,588**	$	8,170,415,782
Accrued expenses and other liabilities		**61,492,782**		70,352,282
Total liabilities		**8,902,943,370**		8,240,768,064
Commitments and contingencies (see Note 11 and 12)				
Members' equity				
Retained earnings		**880,728,737**		786,353,951
Accumulated other comprehensive loss		**(64,674,010)**		(116,859,808)
Total members' equity		**816,054,727**		669,494,143
Total liabilities and members' equity	**$**	**9,718,998,097**	$	8,910,262,207

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,

	2024	2023
Interest income		
Interest on loans	**$ 263,808,112**	$ 229,331,927
Interest on investments	**73,520,557**	45,088,542
Interest on cash equivalents	**11,455,360**	6,959,887
Total interest income	**348,784,029**	281,380,356
Interest expense		
Dividends on members' shares	**134,541,271**	98,030,992
Interest on borrowed funds	**54**	578,212
Total interest expense	**134,541,325**	98,609,204
Net interest income	**214,242,704**	182,771,152
Provision for credit losses	**16,900,000**	9,090,000
Net interest income after provision for credit losses	**197,342,704**	173,681,152
Non-interest income		
Service charges and other fees	**54,422,816**	54,072,408
Loan servicing fees	**1,707,125**	1,515,922
Loss on sale of mortgage loans	**(130,700)**	(108,878)
Gain on equity investments	**14,406,751**	2,878,563
Gain on defined benefit pension	**4,705,440**	2,450,818
Gain on sale of subsidiary	**4,380,432**	-
Other non-interest income	**4,544,535**	3,929,751
Total non-interest income	**84,036,399**	64,738,584
Non-interest expense		
Salaries and benefits	**122,084,320**	115,159,552
Operations	**62,233,970**	62,176,378
Occupancy	**7,754,258**	8,180,686
Recapture of Northstar loss	**(5,068,231)**	-
Total non-interest expense	**187,004,317**	185,516,616
Net Income	**$ 94,374,786**	$ 52,903,120

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,

	2024	2023
Net income	**$ 94,374,786**	$ 52,903,120
Other comprehensive income		
Change in pension obligation		
Net gain	**15,546,587**	1,912,369
Amortization of net loss	**978,091**	1,517,381
Change in pension obligation	**16,524,678**	3,429,750
Change in unrealized holding gains (losses) on investments classified as available-for-sale	**35,639,301**	39,681,846
Adjustment for realized (gains) losses on investment securities included in income	**21,819**	274,472
Change in available-for-sale investment	**35,661,120**	39,956,318
Total Other comprehensive gain, net of reclassification adjustments:	**52,185,798**	43,386,068
Comprehensive income	**$ 146,560,584**	$ 96,289,188

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, 2024 and 2023

	Retained Earnings	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance, 31 December 2022	$ 745,485,097	$ (160,245,876)	$ 585,239,221
Cumulative change in accounting principle (Note 1)	(12,034,266)	-	(12,034,266)
Net income	52,903,120	-	52,903,120
Other comprehensive gain, net of reclassification adjustments	-	43,386,068	43,386,068
Balance, 31 December 2023	786,353,951	(116,859,808)	669,494,143
Net income	94,374,786	-	94,374,786
Other comprehensive gain, net of reclassification adjustments	-	52,185,798	52,185,798
Balance, 31 December 2024	$ 880,728,737	$ (64,674,010)	$ 816,054,727

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

United Nations Federal Credit Union and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended 31 December,

	2024	2023
Operating activities:		
Net income	$ 94,374,786	$ 52,903,120
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amort of premiums and accretion of discounts on investments	1,856,658	7,172,990
Recapture of Northstar loss	(5,068,231)	-
Realized loss on disposition of available-for-sale investments	21,819	274,472
Proceeds from sale of loans held-for-sale	30,472,638	13,927,652
Origination of loans held-for-sale	(29,864,144)	(18,583,093)
Net loss on sales of loans held-for-sale	116,612	154,442
Net gain on sales of participation loans	(21,050)	-
Provision for credit losses	16,900,000	9,090,000
Amortization of deferred loan costs	2,999,985	2,685,235
Depreciation and amortization	6,238,595	6,561,571
Net gain on Equity Securities	(14,406,751)	(2,878,563)
Net change in:		
Equity Securities	(2,784,518)	3,561,731
Accrued interest receivable	(5,377,688)	(5,036,048)
Other assets	(14,214,511)	(30,396,932)
Receivable from NorthStar	(3,978,906)	(8,403,782)
Accrued expenses and other liabilities	7,665,178	19,128,960
Net cash provided by operating activities	$ 84,930,472	$ 50,161,755
Investing activities:		
Purchases of available-for-sale investments	$ (247,081,849)	$ (116,855,696)
Proceeds from maturities and prepayments of available-for-sale investments	139,756,792	16,758,902
Proceeds from sale of available-for-sale investments	4,223,900	934,465
Purchases of held-to-maturity investments, net	(656,854,225)	(227,950,323)
Proceeds from maturities and prepayments of held-to-maturity investments	301,298,238	184,722,998
Net change in other investments	(1,119,782)	(674,381)
Net change in loans	(348,148,529)	(439,291,149)
Increase in the National Credit Union Share Insurance Fund deposit	(6,260,861)	(5,422,510)
Proceeds from sale of VISA shares	10,444,993	-
Purchases of property and equipment	(3,405,632)	(3,040,362)
Net cash used in investing activities	$ (807,146,955)	$ (590,818,056)
Financing activities:		
Net increase in members' shares	$ 671,034,806	$ 838,588,794
Net cash provided by financing activites	$ 671,034,806	$ 838,588,794
(Decrease) increase in cash and cash equivalents	$ (51,181,677)	$ 297,932,493
Cash and cash equivalents at beginning of year	419,121,217	121,188,724
Cash and cash equivalents at end of year	$ 367,939,540	$ 419,121,217
Supplemental cash flow information:		
Interest paid	$ 134,541,325	$ 98,609,204

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

Risks and Uncertainties

The global geopolitical climate in the first quarter of 2025 has created some uncertainty related to economy and business conditions. The UN community may be affected by potential reductions in funding of certain agencies or programs. Likewise, some members of the credit union may be impacted by job reductions or recessionary conditions in certain UN organizations. These conditions could impact deposit levels and collectability of loans. While the full scope of the changes is not known, UNFCU is closely monitoring the evolving situation. UNFCU is well capitalized and intends to employ risk management and financial modeling practices to adjust for and mitigate any potential impact..

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 and the determination of the allowance for credit losses and the Northstar contingent liabilities.

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.

NOTE 1 (continued)

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 are recorded at fair value with changes in fair value included in earnings.

Securities not classified as "held-to-maturity" or "equity securities" 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.

Allowance for Credit Losses – Investments

Held-to-maturity (HTM) Securities - The allowance for held-to-maturity debt securities is estimated using a CECL methodology. Any expected credit loss is provided through the allowance for credit loss on HTM securities and is deducted from the amortized cost basis of the security so that the balance sheet reflects the net amount UNFCU expects to collect. Nearly all of the Credit Union's HTM debt securities are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies, and have a long history of no credit losses. Accordingly, there is a zero credit loss expectation on these securities. UNFCU's HTM debt securities do contain securities issued by municipal and state governments as well as debts of banking institutions. Those investments are assessed for impairment through reviews of credit data for the issuing entity. An allowance for credit loss is recorded for HTM securities that do not have an explicit or implicit U.S. government guarantee.

Available for sale (AFS) Securities - UNFCU evaluates its available-for-sale investment securities portfolio on a quarterly basis for indicators of impairment. UNFCU assesses whether an impairment has occurred when the fair value of a debt security is less than the amortized cost at the balance sheet date. Management reviews the amount of unrealized loss, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. For those debt securities that UNFCU intends to sell or is more likely than not required to sell, before the recovery of their amortized cost basis, the difference between fair value and amortized cost is considered to be impaired and is recognized in provision for credit losses. For those debt securities that UNFCU does not intend to sell or is not more likely than not required to sell, prior to expected recovery of amortized cost basis, the credit portion of the impairment is recognized through an allowance in provision for credit losses while the noncredit portion is recognized in OCI. In determining the credit portion, UNFCU uses a discounted cash flow analysis, which includes evaluating the timing and amount of the expected cash flows. Non-credit-related impairment results from other factors, including increased liquidity spreads and higher interest rates.

Allowance for credit loss for both HTM and AFS investments was deemed insignificant and intentionally omitted from disclosure.

NOTE 1 (continued)

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 2024 and 2023.

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 2024 and 2023, the stock was not impaired. UNFCU's FHLB stock is included in Other Investments in the accompanying consolidated statements of financial position.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

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 credit losses on loans. 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.

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.

NOTE 1 (continued)

Allowance for Credit Losses on Loans

The Credit Union's January 1, 2023, adoption of ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments," resulted in a significant change to the methodology for estimating the allowance. ASU No. 2016-13 replaced the incurred loss methodology with an expected loss methodology that is referred to as the CECL methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance sheet exposures. The Credit Union adopted ASC Topic 326 using the modified retrospective method for all financial assets in scope of the standard. Upon adoption, the Credit Union recorded an increase to Allowance for Credit Losses for loans for approx. $11,600,000 and to Allowance for Credit Losses for held-to-maturity investments for approx. $400,000. A corresponding decrease to retained earnings was recorded in the amount of approx. $12,000,000.

The allowance for credit losses on loans is deducted from the amortized cost basis of a group of financial assets so that the balance sheet reflects the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net income as a credit loss expense or a recapture of credit loss expense. Management estimates the allowance by utilizing models dependent upon loan risk characteristics and economic parameters. Commercial loan risk characteristics include but are not limited to risk ratings, collateral type and maturity type. Consumer loan risk characteristics include but are not limited to FICO scores, LTV, and delinquency status. The economic parameters are developed using available information relating to past events, current conditions, and reasonable and supportable forecasts. The Credit Union's reasonable and supportable forecast period reverts to a historical norm based on inputs within approximately two years. Historical credit experience provides the basis for the estimation of expected credit losses, with adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in the micro and macroeconomic environments. The contractual terms of financial assets are adjusted for expected prepayments.

Loans that do not share risk characteristics are evaluated on an individual basis. These include loans that are in nonaccrual status with balances above management determined materiality thresholds depending on loan class. If a loan is determined to be collateral-dependent, or meets the criteria to apply the collateral-dependent practical expedient, expected credit losses are determined based on the fair value of the collateral at the reporting date, less costs to sell as appropriate. As noted above, collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union maintains an allowance for credit losses on off-balance sheet credit exposures. The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life. The allowance for credit losses on off-balance sheet credit exposures was deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union has elected to exclude accrued interest receivable from the measurement of its allowance for credit loss given the well-defined non-accrual policies in place for all loan portfolios which results in timely reversal of outstanding interest through interest income.

Effective January 1, 2023, the Credit Union adopted ASU 2022-02 Financial Instruments - Credit Losses (Topic 326) Troubled Debt Restructurings (TDR) and Vintage Disclosures, which removed the existing measurement and disclosure requirements for TDR loans and added additional disclosure requirements related to modifications provided to borrowers experiencing financial difficulty. Prior to adoption a change in contractual terms of a loan where a borrower was experiencing financial difficulty and received a concession not available through other sources the loans was required to be disclosed as a TDR, whereas now a borrower that is experiencing financial difficulty and receives a modification in the form of principal forgiveness, interest rate reduction, an other-than-insignificant payment delay or a term extension in the current period needs

NOTE 1 (continued)

to be disclosed. The Credit Union may modify loans to borrowers experiencing financial difficulty as a way of managing risk and mitigating credit loss from the borrower. The Credit Union may make various types of modifications and may in certain circumstances use a combination of modification types in order to mitigate future loss. The amount of defined modifications for consumer loans, given to borrowers experiencing financial difficulty was insignificant and intentionally omitted from disclosure for the year ended December 31, 2024 and 2023. Modifications pertaining to commercial loans have been disclosed in footnote 3.

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 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.

NOTE 1 (continued)

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 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.

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 was recorded for the years ended December 31, 2024 and 2023.

In January of 2024, UNFCU Financial Services LLC, a wholly owned subsidiary of UNFCU, sold its insurance agency operations. The sale of the insurance operations did not have a material impact on the consolidated statement of financial position or the future operations of UNFCU.

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. UNFCU sells mortgage loans to the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Home Loan Bank of New York (FHLB) and financial institutions.

NOTE 1 (continued)

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.

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.

The Credit Union has elected to adopt the 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 non-lease components from lease components and instead accounts for each separate lease component and the non-lease 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.

NOTE 1 (continued)

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.

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.

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 $5,765,850 and $4,743,439 as of December 31, 2024 and 2023, respectively. In line with Section 457(b) there were no deferred compensation expenses for the years ended December 31, 2024 and 2023.

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, 2024 and 2023, deferred compensation investments totaled $4,226,450 and 3,199,036 respectively, and are invested in mutual funds, bonds, etc. In line with Section 457 (f) deferred compensation expenses were $179,395 and $308,270 for the years ended December 31, 2024 and 2023 respectively.

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.

Revenue from Contracts with Customers

The Credit Union recognizes revenue in accordance with Revenue from Contracts with Customers (Topic 606) which 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.

NOTE 1 (continued)

Service Charges 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 a third party for providing advisory service on personal wealth management services. 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.

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.

Reclassification

Certain amounts reported in the 2023 financial statements have been reclassified to conform with the 2024 presentation. There were no changes to total equity or net earnings as a result of the aforementioned.

NOTE 2 - INVESTMENTS

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

	31 December	
	2024	2023
Equity Securities	**$ 27,618,561**	$ 20,872,285

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	
	2024	2023
Unrealized gains	**$ 4,585,882**	$ 4,397,169
Realized losses	**(624,123)**	(1,518,606)
Net gains on Equity Securities	**$ 3,961,759**	$ 2,878,563

Gain on equity investments totaled $14,406,751 as reported on the statements of income, for the year ended December 31, 2024, which includes the gain of $10,444,993 recognized from the sale of VISA B stock.

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

31-December 2024	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
US government obligations	**$ 86,537,211**	**$ 176,404**	**$ (724,722)**	**$ 85,988,893**
Agency/GSE debt	**1,196,169,329**	**157,979**	**(54,787,455)**	**1,141,539,853**
Mortgage-backed securities	**11,272,680**	**118,983**	**(5,895)**	**11,385,768**
Corporate obligations	**103,576,148**	**270,807**	**(1,859,936)**	**101,987,019**
	$ 1,397,555,368	**$ 724,173**	**$ (57,378,008)**	**$ 1,340,901,533**

31-December 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
US government obligations	$ 52,815,875	$ 139,116	$ (2,032,115)	$ 50,922,876
Agency/GSE debt	1,148,381,821	69,215	(87,315,343)	1,061,135,693
Mortgage-backed securities	4,016,004	45,926	(436)	4,061,494
Corporate obligations	88,031,117	213,961	(3,435,279)	84,809,799
	$ 1,293,244,817	$ 468,218	$ (92,783,173)	$ 1,200,929,862

As of 31 December 2024 and 2023, there was no indication of credit related impairment for available-for-sale investment securities.

NOTE 2 (continued)

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

31-December 2024	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bank obligations	**$ 20,212,648**	**$ -**	**$ (383,648)**	**$ 19,829,000**
Municipal bonds	**412,436,896**	**543,859**	**(13,639,718)**	**399,341,037**
Mortgage-backed securities	**1,235,410,661**	**2,384,826**	**(59,606,779)**	**1,178,188,708**
Small Business Administration	**115,058,412**	**1,430**	**(5,078,210)**	**109,981,632**
	$ 1,783,118,617	**$ 2,930,115**	**$ (78,708,355)**	**$ 1,707,340,377**

31-December 2023	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Bank obligations	$ 34,117,249	$ -	$ (1,515,569)	$ 32,601,680
Municipal bonds	361,875,063	534,371	(22,437,716)	339,971,718
Mortgage-backed securities	880,092,626	1,530,838	(67,740,166)	813,883,298
Small Business Administration	154,565,563	21,473	(6,722,521)	147,864,515
	$ 1,430,650,501	$ 2,086,682	$ (98,415,972)	$ 1,334,321,211

Investments by maturity as of 31 December 2024 are summarized as follows:

	Available-for-Sale		**Held-to-Maturity**	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Less than 1 year maturity	**$ 576,560,535**	**$ 566,134,952**	**$ 113,442,639**	**$ 111,939,617**
1 - 5 years maturity	**802,209,328**	**756,505,516**	**319,206,905**	**307,230,420**
5 - 10 years maturity	**4,012,825**	**3,670,877**	**-**	**-**
Over 10 years maturity	**3,500,000**	**3,204,420**	**-**	**-**
Mortgage-backed securities	**11,272,680**	**11,385,768**	**1,235,410,661**	**1,178,188,708**
Small Business Administration	**-**	**-**	**115,058,412**	**109,981,632**
	$ 1,397,555,368	**$ 1,340,901,533**	**$ 1,783,118,617**	**$ 1,707,340,377**

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.

NOTE 2 (continued)

At 31 December 2024, there were 983 securities in an unrealized loss position of which 868 have unrealized losses for a period of 12 months or longer and 115 for a period of less than 12 months. At 31 December 2023, the investment portfolio included 776 securities in an unrealized loss position of which 292 had current unrealized losses for a period of 12 months or longer and 484 for a period of less than 12 months. All of these securities are considered to be acceptable 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, no credit related impairment was identified.

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 2024 and 2023 are as follows:

31-December 2024	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	$ 4,982,132	$ 35,207,298	$ (14,959)	$ (709,763)	$ (724,722)
Federal agencies	30,316,552	1,024,953,455	(99,476)	(54,687,979)	(54,787,455)
Mortgage-backed securities	2,655,235	-	(5,895)	-	(5,895)
Corporate Obligations	23,189,192	32,865,670	(200,193)	(1,659,743)	(1,859,936)
	$ 61,143,111	$ 1,093,026,423	$ (320,523)	$ (57,057,485)	$ (57,378,008)
Held-to-Maturity					
Bank Obligations	$ -	$ 19,829,000	$ -	$ (383,648)	$ (383,648)
Municipal bonds	68,394,321	253,839,301	(519,556)	(13,120,162)	(13,639,718)
Mortgage-backed securities	314,212,113	540,857,556	(3,464,959)	(56,141,820)	(59,606,779)
Small Business Administration	14,211,744	93,602,321	(57,194)	(5,021,016)	(5,078,210)
	$ 396,818,178	$ 908,128,178	$ (4,041,709)	$ (74,666,646)	$ (78,708,355)

NOTE 2 (continued)

31-December 2023	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	$ 1,849,164	$ 32,793,900	$ (42,751)	$ (1,989,364)	$ (2,032,115)
Federal agencies	942,396,152	59,620,187	(81,379,251)	(5,936,092)	(87,315,343)
Mortgage-backed securities	234,195	-	(436)	-	(436)
Corporate Obligations	20,371,779	37,957,023	(851,794)	(2,583,485)	(3,435,279)
	$ 964,851,290	$ 130,371,110	$ (82,274,232)	$ (10,508,941)	$ (92,783,173)
Held-to-Maturity					
Bank Obligations	$ 8,349,130	$ 24,252,550	$ (162,722)	$ (1,352,847)	$ (1,515,569)
Municipal bonds	73,778,336	232,099,668	(3,232,406)	(19,205,310)	(22,437,716)
Mortgage-backed securities	265,356,870	403,810,816	(16,761,531)	(50,978,635)	(67,740,166)
Small Business Administration	55,176,331	83,711,514	(712,769)	(6,009,752)	(6,722,521)
	$ 402,660,667	$ 743,874,548	$ (20,869,428)	$ (77,546,544)	$ (98,415,972)

The securities in an unrealized loss position as of December 31, 2024 and 2023 were temporarily impaired due to the current interest rate environment and not due to increased credit risk. Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market price of securities and the possibility of temporary unrealized losses. Investments in U.S. Government and Federal agency securities, and Federal agency mortgage-backed securities as issues by the U.S. Government agencies and U.S. Government sponsored enterprises and carry the full faith and credit of the U.S. Government. The Credit Union reviews all of its debt securities for impairment at least quarterly. Investments in corporate and municipal bonds carry credit risk and are evaluated on a regular basis based on changes in the outlook on the underlying debtors. All investment securities as of December 31, 2024 and 2023, were rated above investment grade. The Credit Union has determined there was no credit-related impairment related to these debt securities as of December 31, 2024 and 2023.

Other investments consist of the following:

	31 December	
	2024	2023
Federal Home Loan Bank Stock	**$ 9,208,200**	$ 8,088,500
Community Money Market Investment Fund - NCB	**250,000**	250,000
Certificates of deposits in credit unions	**260,921**	260,839
	$ 9,719,121	$ 8,599,339

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	
	2024	2023
Fixed rate	**$ 6,090,686**	$ 6,699,180
Loans held for sale	**$ 6,090,686**	$ 6,699,180

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

	31 December	
	2024	2023
Mortgage loans		
Fixed rate	**$ 1,162,098,713**	$ 1,240,868,646
Variable rate	**3,749,581,560**	3,364,973,229
Hybrid/Balloon	**306,347**	411,261
Home equity line of credit, variable rate	**70,473,496**	63,372,822
Loan participations	**3,827,867**	4,622,527
	4,986,287,983	4,674,248,485
Consumer loans		
Auto loans	**16,104,488**	17,332,913
Home improvement	**69,456,456**	67,272,144
Share secured	**19,481,773**	18,188,282
Credit card loans, unsecured	**172,751,188**	167,936,708
Loan participations	**40,226,778**	26,290,460
Consumer loans, primarily unsecured	**502,372,941**	497,750,373
	$ 820,393,624	$ 794,770,880
Commercial loans		
Commercial real estate	**$ 45,143,341**	$ 46,488,300
Real estate participations	**28,214,146**	28,891,417
	73,357,487	75,379,717
Loans, gross	**5,880,039,094**	5,544,399,082
Allowance for loan losses	**(35,256,443)**	(27,769,413)
Loans receivable, net	**$ 5,844,782,651**	$ 5,516,629,669

NOTE 3 (continued)

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.

As of December 31, 2024, the Allowance for Credit Loss (ACL) totaled approx. $35,300,000, up approx. $7,500,000 compared to December 31, 2023. Additional reserves of $6,900,000 were added to the allowance to account for the impairment and devaluation of commercial real estate loans. The remaining net increase was mainly driven by changes in the macroeconomic forecasts, specifically the inflationary pressures leading to sharp increases in interest rates, and increases in delinquent loan payments.

The following table shows the activity in the allowance for credit losses on loans for the year ended 31 December 2024:

	Mortgage Loans	Commercial Loans	Consumer Loans	Off Balance Sheet	Total
Balance, beginning of the year	**$ 2,619,925**	**$ 1,240,068**	**$ 23,609,420**	**$ 300,000**	**$ 27,769,413**
Provision (credit) for loan losses	**(69,629)**	**7,417,709**	**9,551,920**	**-**	**16,900,000**
Loans charged-off	**(37,834)**	**-**	**(12,154,817)**	**-**	**(12,192,651)**
Recoveries	-	**-**	**2,779,681**	**-**	**2,779,681**
Balance at end of year	**$ 2,512,462**	**$ 8,657,777**	**$ 23,786,204**	**$ 300,000**	**$ 35,256,443**

The following table shows the activity in the allowance for credit losses on loans for the year ended 31 December 2023:

Balance, beginning of the year	$ 4,726,694	$ 873,077	$ 9,648,995	$ -	$ 15,248,766
CECL Implementation	(1,861,777)	57,917	13,096,729	300,000	11,592,869
Provision (credit) for loan losses	(244,992)	309,074	9,135,918	-	9,200,000
Loans charged-off	-	-	(9,470,788)	-	(9,470,788)
Recoveries	-	-	1,198,566	-	1,198,566
Balance at end of year	$ 2,619,925	$ 1,240,068	$ 23,609,420	$ 300,000	$ 27,769,413

NOTE 3 (continued)

The following table shows an age analysis of loans at 31 December 2024:

	Current	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**Greater than 90 Days**	**Total Loans**
Mortgage loans	**$4,969,284,198**	**$ 14,799,311**	**$ 617,332**	**$ 1,587,142**	**$ 4,986,287,983**
Consumer loans	**802,212,576**	**9,121,932**	**2,729,389**	**6,329,727**	**820,393,624**
Commercial loans	**56,204,919**	**17,152,568**	**-**	**-**	**73,357,487**
Total	**$5,827,701,693**	**$ 41,073,811**	**$ 3,346,721**	**$ 7,916,869**	**$ 5,880,039,094**

The following table shows an age analysis of loans at 31 December 2023:

	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days	Total Loans
Mortgage loans	$4,656,314,333	$ 14,652,663	$ 1,943,973	$ 1,337,516	$ 4,674,248,485
Consumer loans	776,387,138	10,335,909	3,377,220	4,670,613	794,770,880
Commercial loans	75,379,717	-	-	-	75,379,717
Total	$5,508,081,188	$ 24,988,572	$ 5,321,193	$ 6,008,129	$ 5,544,399,082

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:

	2024	2023
Loans 90 days or more past due and still accruing:		
Consumer loans	**$ 1,765,761**	$ 1,107,409
Total	**1,765,761**	1,107,409
Non-accrual loans:		
Mortgage loans	**1,587,142**	1,337,516
Consumer loans	**4,563,966**	3,563,204
Total	**6,151,108**	4,900,720
Total past due loans	**$ 7,916,869**	$ 6,008,129

Mortgage loans secured by residential real estate properties of which formal proceedings are in process of foreclosure for the years ending 31 December 2024 and 2023 were $1,587,142 and $1,337,516, respectively.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. Historical loss information provides the basis for the estimation of expected credit losses, with adjustments made for differences in loan risk characteristics and economic parameters.

An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. The effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, therefore a change to the allowance for credit losses is generally not recorded upon modification.

NOTE 3 (continued)

Typically, the type of concessions granted include term extensions, principal forgiveness, interest rate reduction, deferment of principal payments, or a combination of modifications. In 2024 there were two commercial loans for which UNFCU granted either term extensions, deferment of prinicipal payments or combined attribute loan modifications. As of December 31, 2024 total balance of modified commercial loans was $11,796,513, both loans were over 30 days delinquent. There were no modifications for commercial loans granted in 2023.

UNFCU monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Loans that are over 30 days delinquent are considered in default.

Commercial risk rating by risk profile as of 31 December 2024 are summarized as follows:

Risk Rating:	**Real Estate Originated**	**Real Estate Participation**	**Total**
Pass	**$ 45,143,341**	**$ 2,082,253**	**$ 47,225,594**
Special Mention	**-**	**-**	**-**
Substandard	**-**	**20,770,780**	**20,770,780**
Doubtful	**-**	**5,361,113**	**5,361,113**
Loss	**-**	**-**	**-**
Total	**$ 45,143,341**	**$ 28,214,146**	**$ 73,357,487**

Commercial risk rating by risk profile as of 31 December 2023 are summarized as follows:

Risk Rating:	Real Estate Originated	Real Estate Participation	Total
Pass	$ 46,488,300	$ 23,801,881	$ 70,290,181
Special Mention	-	-	-
Substandard	-	5,089,536	5,089,536
Doubtful	-	-	-
Loss	-	-	-
Total	$ 46,488,300	$ 28,891,417	$ 75,379,717

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 2024 and 2023 were approximately $406,372,436 and $375,735,185 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:

	2024	2023
Prepayment rate	**5.12%**	5.05%
Discount rate	**8.09%**	8.03%

The changes in fair value of MSRs during 2024 and 2023 were as follows:

	2024	2023
Balance, beginning of period	**$ 4,891,471**	$ 4,939,811
Originations	**801,555**	573,830
Loss on changes in fair value	**(444,886)**	(622,170)
Balance, end of period	**$ 5,248,140**	$ 4,891,471

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	
	2024	**2023**
Land	**$ 12,159,400**	$ 12,159,400
Building	**105,839,161**	105,712,811
Furniture and equipment	**49,953,819**	46,986,488
Leasehold improvements	**8,134,818**	8,400,967
Property and equipment, gross	**176,087,198**	173,259,666
Accumulated depreciation and amortization	**(82,302,130)**	(76,641,635)
Property and equipment, net	**$ 93,785,068**	$ 96,618,031

For the years ended 31 December 2024 and 2023, depreciation expense was $6,238,595 and $6,424,698 respectively.

NOTE 6 – LEASES

The cost components of the Credit Union's operating leases were as follows:

	2024	2023
Operating Lease Cost	**$ 1,159,595**	$ 1,348,842
Short-Term Lease Cost	**453,530**	453,530
Total Lease Cost	**$ 1,613,125**	$ 1,802,372

The following table summarizes other information related to the Credit Union's operating leases for the year ending December 31, 2024 and 2023:

	2024	2023
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	**$ 3,057,419**	$ 3,258,998
Weighted-Average Remaining Lease Term - Operating Leases, in Years	**3.1 years**	3.1 years
Weighted-Average Discount Rate - Operating Leases	**1.00%**	0.63%

A maturity analysis of annual discounted cash flows for lease liabilities as of December 31, 2024, is as follows:

	Year Ending December 31,	Operating Lease
	2025	$ 966,010
	2026	635,711
	2027	558,425
	2028	480,087
	2029	432,340
	Thereafter	82,920
Total Lease Payments		3,155,493
Present Value Discount		(82,973)
Total		$ 3,072,520

NOTE 7 - RENTAL INCOME

UNFCU leases office space to third parties. Rental income for the years ended December 2024 and 2023 from these operating leases was approximately $4,155,000 and $4,134,000, respectively, 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 2024 are as follows:

Year Ending December 31,		
2025	$	4,070,940
2026		4,023,455
2027		3,973,934
2028		3,429,202
2029		2,396,616
Thereafter		9,871,696
	$	27,765,843

NOTE 8 - MEMBERS' SHARES

Members' shares are summarized as follows:

	31 December			
	2024		2023	
Regular shares	**$**	**2,690,013,145**	$	2,837,651,317
Checking accounts		**1,332,116,029**		1,262,536,542
High Yield Savings		**1,818,072,125**		1,509,981,529
Individual retirement shares		**6,075,323**		6,691,840
Individual retirement certificates		**7,598,137**		7,113,180
Certificates		**2,971,227,366**		2,531,413,773
Other		**16,348,463**		15,027,601
	$	**8,841,450,588**	$	8,170,415,782

Shares by maturity as of 31 December 2024 are summarized as follows:

No contractual maturity	$	5,862,625,085
0 - 1 year maturity		2,464,607,530
1 - 2 years maturity		220,355,021
2 - 3 years maturity		198,761,157
3 - 4 years maturity		64,186,079
4 - 5 years maturity		30,915,716
	$	8,841,450,588

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 certificates in denominations of $250,000 or more at 31 December 2024 and 2023 was $832,924,717 and $696,206,138, respectively.

NOTE 9 - 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. The amount pledged as collateral in FHLB in 2024 and 2023 was $894,704,000 and $902,204,000, respectively.

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. The amount pledged as collateral in FRB in 2024 and 2023 was $162,775,000 and $141,780,000, respectively.

There were no borrowings outstanding pursuant to either agreement at 31 December, 2024 and 2023.

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

	2024	2023
FRB	**$ 151,886,460**	$ 131,031,292
FHLB	**788,687,639**	770,306,918
	$ 940,574,099	$ 901,338,210

NOTE 10 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Other comprehensive loss is comprised of the following at 31 December, 2024 and 2023:

	2024	2023
Pension losses	**$ 8,020,174**	$ 24,544,853
Unrealized losses on available-for-sale securities	**56,653,836**	92,314,955
	$ 64,674,010	$ 116,859,808

NOTE 11 - 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 2024 and 2023 total approximately $68,054,588 and $65,238,855, respectively.

NOTE 11 (continued)

Unfunded loan commitments under lines of credit are summarized as of 31 December 2024 and 2023 follows:

		2024		2023
Home Equity	**$**	**58,593,000**	$	51,652,000
Credit Card		**525,877,000**		501,228,000
Other Consumer		**59,496,000**		60,113,000
Home Renovation		**2,675,000**		2,610,000
International home build		**4,425,000**		4,803,000
	$	**651,066,000**	$	620,406,000

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 12 - 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 13 - 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.

	31 December			
		2024		2023
Benefit obligation	**$**	**81,572,226**	$	86,661,747
Fair value of plan assets		**144,423,602**		133,554,878
Funded status	**$**	**62,851,376**	$	46,893,131
Accumulated benefit obligation	**$**	**67,310,170**	$	69,833,105

NOTE 13 (continued)

	31 December	
	2024	2023
Net pension cost	**$ 566,434**	$ 2,405,596
Employer contribution	**-**	15,000,000
Benefit payment	**2,003,527**	2,428,569

Amounts recognized in the statement of financial condition consist of:

	31 December	
	2024	2023
Other Assets	**$ 62,851,376**	$ 46,893,131

Amounts recognized in accumulated other comprehensive loss consist of:

	31 December	
	2024	2023
Other Losses	**$ 8,020,174**	$ 24,544,853

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

	31 December	
	2024	2023
Net period benefit cost	**$ 566,434**	$ 2,405,596
Total recongnized in other comprehensive income	**(16,524,678)**	(3,429,750)
Total recognized in net periodic benefit cost and other comprehensive income	**$ (15,958,244)**	$ (1,024,154)

Net period benefit costs consists of:

	31 December	
	2024	2023
Service cost	**$ 5,271,871**	$ 4,856,414
Interest cost	**4,333,087**	3,857,061
Expected return on assets	**(10,016,615)**	(7,825,260)
Other Losses	**$ 978,091**	$ 1,517,381
Net period benefit cost	**$ 566,434**	$ 2,405,596

The following are the amounts in accumulated other comprehensive income recognized in the fiscal year ending 31 December 2024 and expected to be recognized as components of net periodic pension cost over the next fiscal year ending 31 December 2025:

	31 December	
	2024	2025
Other Losses	**$ 978,091**	$ -

NOTE 13 (continued)

Assumptions used to determine benefit obligation:

	31 December	
	2024	2023
Discount rate	**5.75%**	5.00%
Rate of compensation increase	**3.75%**	3.75%

Assumptions used to determine net pension cost:

	31 December	
	2024	2023
Discount rate	**5.75%**	5.00%
Expected long-term return on plan assets	**7.50%**	7.50%
Rate of compensation increase	**3.75%**	3.75%

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 2024, and 2023, 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 2024 are summarized below:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	**Significnat Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**31 December 2024**
Cash Equivalents	**$ -**	**$ -**	**$ -**	**$ -**
Bond Funds	**51,239,657**	**-**	**-**	**51,239,657**
Mutual Funds	**93,183,945**	**-**	**-**	**93,183,945**
Total	**$ 144,423,602**	**$ -**	**$ -**	**$ 144,423,602**

NOTE 13 (continued)

Defined benefit pension plan assets measured at fair value on a recurring basis at of 31 December 2023 are summarized below:

	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	$ 1,811	$ -	$ -	$ 1,811
Bond Funds	46,773,538	-	-	$ 46,773,538
Mutual Funds	86,779,529	-	-	$ 86,779,529
Total	$ 133,554,878	$ -	$ -	$ 133,554,878

UNFCU made pension contributions of $0 and $15,000,000 to the plan in 2024 and 2023, respectively. There are no contributions expected for 2025.

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

Year Ending December 31,	
2025	$ 7,761,401
2026	4,990,828
2027	7,068,892
2028	5,653,738
2029	6,339,437
Thereafter	29,951,782
	$ 61,766,078

UNFCU has a 401(k) retirement plan that allows employees to defer a portion of their salary. UNFCU matches a portion of employees' wage deferment. Costs are accrued and funded on a current basis. UNFCU contributed $4,488,244 and $4,667,472 respectively, to the plan for the years ended 31 December 2024 and 2023.

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 14 - 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. As of 31 December 2024, 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.

Effective 1 January 2023, the date UNFCU adopted ASC Topic 326 (CECL), the CECL transition provision was implemented to lessen the immediate impact on the Credit Union's net worth categorization. The 31 December 2024 and 31 December 2023 provision of $3,971,308 and $8,062,959, respectively was determined by applying an NCUA percentage to the total CECL transition amount. It is used to increase retained earnings and total assets over a 12 quarter period, from the time of adoption.

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	
31-Dec-24	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net Worth	**$ 884,700,044**	**9.10%**	**$ 583,378,164**	**6.00%**	**$ 680,607,858**	**7.00%**
Risk-Based Capital Ratio	**$ 842,483,601**	**17.34%**	**$ 388,704,751**	**8.00%**	**$ 485,880,938**	**10.00%**
31-Dec-23						
Net Worth	$ 794,416,910	8.91%	$ 535,099,510	6.00%	$ 624,282,762	7.00%
Risk-Based Capital Ratio	$ 740,646,002	16.29%	$ 363,644,019	8.00%	$ 454,555,024	10.00%

The Credit Union's Risk-Based Assets per the Call report was $4,858,809,386 and $4,545,550,236 as of 31 December 2024 and 31 December 2023, respectively.

NOTE 15 - 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 2024 and 2023 amounted to approximately $6,487,350 and $6,378,082, respectively. Deposits from related parties at 31 December 2024 and 2023 amounted to approximately $3,717,259 and $4,155,796, respectively.

NOTE 16 - 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.

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.

NOTE 16 (continued)

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.

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 no outstanding call options as of December 31, 2024 or 2023.

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.

NOTE 16 (continued)

Assets measured at fair value on a recurring basis at 31 December 2024 are summarized below:

	Fair Value Measurement Using			
Assets	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Others Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2024
Mortgage Servicing Rights	$ -	$ -	$ 5,248,140	$ 5,248,140
Held For Sale Loans	-	6,090,686	-	6,090,686
Derivative Loan Commitments	-	52,501	-	52,501
Equity Securities:				
Common Stock	14,848,431	-	-	14,848,431
Exchange Traded Funds	563,640	-	-	563,640
Preferred Stock	12,206,490	-	-	12,206,490
Total Equity Securities	27,618,561	-	-	27,618,561
Investment securities available-for-sale:				
US government obligations	85,988,893	-	-	85,988,893
Federal Agencies	-	1,141,539,853	-	1,141,539,853
Mortgage backed securities	-	11,385,768	-	11,385,768
Corporate Obligations	-	101,987,019	-	101,987,019
Total investment securities available-for-sale	$ 85,988,893	$ 1,254,912,640	$ -	$ 1,340,901,533

NOTE 16 (continued)

Assets measured at fair value on a recurring basis at 31 December 2023 are summarized below:

	Fair Value Measurement Using			
Assets	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Others Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	31 December 2023
Mortgage Servicing Rights	$ -	$ -	$ 4,891,471	$ 4,891,471
Held For Sale Loans	-	6,699,180	-	6,699,180
Derivative Loan Commitments	-	19,262	-	19,262
Equity Securities:				
Common Stock	9,846,895	-	-	9,846,895
Exchange Traded Funds	622,776	-	-	622,776
Options	-	-	40,194	40,194
Preferred Stock	10,362,420	-	-	10,362,420
Total Equity Securities	20,832,091	-	40,194	20,872,285
Investment securities available-for-sale:				
US government obligations	50,922,876	-	-	50,922,876
Federal Agencies	-	1,061,135,692	-	1,061,135,692
Mortgage backed securities	-	4,061,494	-	4,061,494
Corporate Obligations	-	84,809,800	-	84,809,800
Total investment securities available for sale	$ 50,922,876	$ 1,150,006,986	$ -	$ 1,200,929,862

NOTE 17 – 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, 2024 and 2023:

	31 December			
		2024		2023
In scope of ASC 606				
Services charges	**$**	**34,948,577**	$	29,897,480
Bankcard fees		**19,067,310**		17,510,882
Investment Commissions and Fees		**406,929**		257,630
Insurance Commissions and Fees		**-**		6,406,416
Total		**54,422,816**		54,072,408
Non-interest income not within the scope of ASC 606 (a)		**29,613,583**		10,666,176
	$	**84,036,399**	$	64,738,584

(a) 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 18 – 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 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. 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 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 26 March 2021 NFS was put into liquidation by the court.

As of 31 December 2024, and 31 December 2023, assignments of $75,296,019 and $71,317,113 were recorded for assigned contracts with corresponding reserves totaling $52,421,220 and $57,489,451, respectively. The net asset recorded of $22,874,799 and $13,827,662 as of 31 December 2024 and 2023, respectively, is the amount UNFCU Advisors expects to collect on the contracts. During the year ended 31 December 2024, UNFCU Advisors determined the expected value of the contracts increased by $5,068,231. As a result, a reversal of the provision for Northstar loss was recorded. There was no change in the expected value during the year ended 31 December 2023.

As of 31 December 2024, it was estimated that known, but unassigned contracts with NFS totaled $14,015,269.

NOTE 19 – ANNUAL CONTRIBUTION TO UNFCU FOUNDATION

The Credit Union makes contributions to the UNFCU Foundation annually from some of its investment portfolio earnings. Each month 51% of charitable donations portfolio earnings are allocated to the Foundation. These contributions were $645,000 and $335,000 for 2024 and 2023, respectively. The UNFCU Foundation is a separate legal entity operating as a public charity.

NOTE 20 - SUBSEQUENT EVENTS

UNFCU evaluated subsequent events through March 28, 2025, the date the financial statements were available to be issued.