

20
23

**ENVIRONMENTAL, SOCIAL,
& GOVERNANCE REPORT**



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ABOUT THIS REPORT

This report covers Michigan State University Federal Credit Union's (MSUFCU) environmental, social, and governance (ESG) priorities and progress through the 2023 fiscal year. The oversight and management of ESG-related matters is the responsibility of the Board of Directors and Executive Management.

This report has been informed by the Global Reporting Initiative ("GRI"), including the GRI Universal Standards released in 2021 and relevant Sector Standards, and the Sustainability Accounting Standards Board ("SASB") reporting standards. The ESG Report Appendices (see pages 32–76) on GRI and SASB map the Credit Union's disclosures related to these frameworks' indicators and recommendations.

We believe an understanding of the ESG matters impacted by our operations is important to ensuring that we maintain a positive impact on our stakeholders and the communities we serve. Our organization's ESG priorities directly align with our Credit Union core values, and we approach these priorities with the same level of dedication and commitment we bring to our work of serving our membership, employees, and communities. These priorities include: Providing Financial Education and Access, Supporting our Employees, Impacting our Communities, Protecting our Members, Operating Sustainably, and Engaging Responsibly.

A MESSAGE FROM THE BOARD CHAIRPERSON AND PRESIDENT/CEO

Dear Members,

In 2023, we marked our 86th year of creating mission moments by providing outstanding products and services to our members. Since our beginning in 1937, operating out of a desk drawer on Michigan State University's (MSU) campus, MSUFCU has been committed to empowering our members, employees, and community partners to achieve their financial goals and dreams. As the Credit Union grows, this commitment deepens.

We listen and respond to our members, employees, and the communities we serve as we address environmental, social, and governmental (ESG) issues — from encouraging sustainable operations to helping remove barriers to financial security.

MSUFCU recognizes the important role it plays in being a good steward and in helping to positively contribute toward these issues. In this ESG report, you will see how our core values and ESG priorities guide us in our efforts to grow sustainably, contribute meaningfully, and operate soundly. These priorities include: Providing Financial Education and Access, Supporting our Employees, Impacting our Communities, Protecting our Members, Operating Sustainably, and Engaging Responsibly.

The Credit Union operates at the highest level of performance to protect our stakeholders. We look to governing bodies, such as our Board of Directors, Supervisory Committee, and other governance committees, to provide sound oversight and promote a culture of accountability, transparency, and ethical conduct. The Credit Union is financially sound and we demonstrate our commitment to financial transparency through our independent audit, which received an unmodified opinion. Our practices allow for consistent, high-quality operations and membership experiences while continuing to grow.

This report provides a deeper understanding of the many ways our Credit Union makes a difference. We are driven by our purpose and mission to help our

employees, members, and communities achieve financial success. Whether it's teaching children the importance of managing money responsibly through our Lansing SAVE partnership, free financial education events in the community, or creating spaces for our employees to connect and learn from one another, we are committed to doing our part to strengthen the communities we serve.

On behalf of the Board of Directors and Executive Team, we would like to thank our management team, employees, community partners – and most importantly, our members. It is because of you that we are driven and committed to making thoughtful decisions that advance our ESG priorities to ensure we continue to earn your trust and provide superior service each and every day.

Sincerely,



A handwritten signature in black ink, appearing to read "G. Deppong".

Gregory Deppong
Board Chairperson



A handwritten signature in black ink, appearing to read "April M. Clobes".

April M. Clobes
President/CEO

ABOUT MSUFCU

Who We Are

MSUFCU was established over 86 years ago to provide a safe place where members could borrow and save money. As a federally chartered credit union, we are committed to making a positive impact by helping members achieve financial security and improve the financial health of our communities.

MSUFCU also proudly operates four separate brands including MSUFCU, Oakland University Credit Union (OU Credit Union), Collegiate Credit Union, and AlumniFi, as well as its wholly owned subsidiary, Reseda Group LLC.



Founded

in 1937



Headquartered

in East Lansing, MI



24

Branches



Over \$7.68 Billion

in Assets



357,605

Members



Over 1,200

Employees

Who We Serve

MSUFCU provides financial services and solutions to the MSU community, Oakland University (OU) community, and their families; Desk Drawer Fund donors; and organizations within the Credit Union's field of membership who have selected MSUFCU as their preferred financial institution.

We have a longstanding history of providing superior service and financial education to individuals who have typically had challenges getting access to financial services. MSUFCU is a low-income designated credit union as defined by the National Credit Union Association (NCUA), serving those most in need of financial access.

What We Offer

We provide a wide-range of financial products and services delivered through our branches, online and mobile banking platforms, call center, digital services, ATM network, video banking, and Co-op shared branching network for consumers and businesses.

Our Mission

To provide superior service while assisting members and employees to achieve financial security, their goals, and ultimately, their dreams.

Our Vision

To create a world-class omnichannel member experience, utilizing personalized digital and human service to deliver accessible financial solutions.

OUR VALUES DRIVE PROGRESS

At MSUFCU, our core values define who we are as an organization and they are the driving force behind everything we do. We uphold these values in every interaction and business operation to meet the needs of our members, employees, and communities we serve. Our core values also serve in partnership with our ESG priorities to guide our efforts to grow sustainably, contribute meaningfully, and operate soundly.



Demonstrate Integrity and Honesty

We hold ourselves personally accountable to maintain the highest standards of behavior. We treat every individual with respect and fairness. We place value on doing what is right, with commitment to being truthful.



Pursue Growth and Development

We are dedicated to individual and organizational development. We provide opportunities for continual advancement through learning, both hands-on and instructionally. Individual growth benefits the entire Credit Union.



Give Back to the Community

We embrace our roles as community leaders and support many charitable initiatives. We are committed to brightening as many lives as possible. Investing in our community helps create a place where people are proud to live and work.



Build a Positive Environment

We promote a fun environment built by optimistic people. We have created a friendly and caring atmosphere where people support one another through recognition and appreciation.



Provide Superior Service

Our mission is to provide superior service with each interaction. We strive to exceed our members' expectations, positively impact their lives, and help them achieve their dreams. Loyalty is built with the relationships we form.



Encourage, Embrace, and Drive Change

Change is essential for our continued success. We actively engage in exploring new ideas and we support choices to improve and maintain constant progress. We accept and embrace renewed focus and direction brought by change.



Cultivate Diversity, Equity, Inclusion, and Belonging

We are committed to creating an equitable environment of inclusion and belonging, where everyone is empowered to bring their full, authentic selves as a meaningful contributor.



Be Passionate and Determined

We are passionate about our mission and our work. We are determined to continue developing our interests and find creative solutions to help our members, our community, and ourselves succeed. We strive to build dreams through our daily actions.



2023 BY THE NUMBERS



357,605

Members Worldwide



296

New Employees



\$264,636

Employee Donations



12,323

Students Enrolled through Lansing SAVE Program



737

Employee Volunteer Hours



1,274

Total Employees



\$792,605

Community Grants



272

Community Organizations Supported



1,199

First-Time Homebuyer Mortgages Financed



536

Employee Affinity Group Participants

PROVIDING FINANCIAL ACCESS AND EDUCATION

OUR APPROACH

Our commitment to making a positive impact in our communities goes beyond our products and services. We understand that financial stability and success starts with having the knowledge to make safe and sound financial decisions. Each year, we host free financial education seminars and provide resources to community members of all ages to promote lifelong financial literacy and empowerment. Our outreach efforts in 2023 allowed us to interact with people face-to-face or virtually, improving the overall financial health of our communities and meeting their needs.

Youth Financial Education

MSUFCU focuses on youth financial education to reach individuals at a formative age and build positive financial habits that will prepare them for a successful and secure future.

In 2014, in collaboration with the City of Lansing and Lansing School District we created the Lansing Student Accounts Valuing Education (SAVE) program, a school-based initiative, free for students in the Lansing School District. Beginning in Kindergarten, students receive an MSUFCU Youth Account in addition to in-classroom learning opportunities provided by MSUFCU Financial Educators. In 2023, our Lansing SAVE program expanded to include kindergarten through ninth graders, reaching a total of 12,323 students through 1,047 lessons.

The Credit Union was involved in several additional financial education initiatives in recent years, such as providing interactive 'Reality Check' events to high school students offering the opportunity to experience real life financial decisions through a guided simulation. We also expanded our partnership with Michigan Youth Opportunities Initiative (MYOI) to reach 81 out of 83 counties in Michigan to promote academic preparedness for 1,162 youth in foster care in 2023.

MSUFCU also focuses on preparing youth for their next steps financially by offering several college preparatory sessions with groups such as Communities in Schools Detroit, MSU's Multicultural Apprenticeship Program (MAP), and Grandparents University.



College Student Financial Education

MSUFCU understands the need to help college students achieve financial independence as they transition into a new stage in their lives. Our financial educators interacted with incoming MSU and OU students and their families providing them with financial education resources through new student orientation, various campus events, and Financial 4.0 seminars.

The Financial 4.0 Mobile app and website provide free financial resources designed to help educate college students and develop a more engaged relationship between them and the Credit Union. These resources promote lifelong financial literacy and empowerment.

Adult Financial Education

Each year, MSUFCU's financial education Seminar Series provides free financial education and resources to our communities. Credit Union members, employees, and individuals in our community are invited to join these sessions, which include a presentation and live Q&A discussion. The Seminar Series has allowed us to extend our reach offering virtual seminars to individuals who may not be located near our physical branches, making education more accessible to all.

In 2023, Season 10 of our 'Wallet Watch' podcast was released, providing listeners with access to informative discussions featuring fintechs in the financial world. Throughout the season, the way finances and technology are ever evolving and working together are highlighted in a way that can help listeners understand the resources available to support their journey.



1,542

Financial Education
Presentations



31,714

Financial Education
Attendees



13

Wallet Watch
Episodes Produced



3,971

Wallet Watch
Episodes Downloaded



PROVIDING FINANCIAL ACCESS

At MSUFCU, it is our mission to help our members achieve financial security. Our products and services help members save for their specific goals, support small businesses, and help make the dream of homeownership a reality. In 2023, we helped members **save \$28,357,685 in interest** by refinancing their higher-rate loans to MSUFCU and **earn \$24,590,539 more in dividends** through MSUFCU's savings products. These funds saved or earned can help our members get one step closer to achieving their next goal and ultimately their dreams.

Creating Financial Security for Life

In recent years, the saving habits and aspirations of our members have evolved. Beyond traditional retirement planning, there's a growing focus on achieving overall financial security. Recognizing this shift, we've developed a range of tailored products and services to address these changing priorities. Moreover, we've adjusted our financial education initiatives to provide support and guidance aligned with our members' evolving financial objectives.

An important part of achieving financial security is being able to pay for unexpected expenses when they arise, such as car repairs or insurance deductibles. Our Savings BuilderSM account helps members develop savings habits and build an emergency savings fund faster by paying higher dividends on initial deposits. This savings account was created to encourage positive savings habits that will set individuals up for long-term financial security. In 2023, more than 8,000 members opened Savings Builder accounts.

The MSUFCU startUp Loan is for entrepreneurs looking to start or grow their Michigan-based business. This loan helps business owners finance the purchase of equipment, expand an existing space, or increase their marketing efforts, making their new business venture more affordable.

\$28,357,685
in Loan Interest Saved

\$24,590,539
in Dividends Earned

\$272,164,438
in First Mortgage Loans

1,199
Mortgages Financed with First-Time Homebuyer Loan Program

2,809
New Youth Accounts Opened

\$198,658,247
in Business Loans

4,564
Members Opened Business Accounts and Loans

8,048
Members Opened Savings Builder Accounts



PROVIDING SOLUTIONS AND SECURITY

At MSUFCU, our commitment to enhancing our members' financial well-being inspires us to continually refine and enhance our products, services, and overall experience. We recognize that each of our members have unique individual needs and require different solutions to achieve their financial goals. As a result, the Credit Union works to offer a broad range of products and services to ensure that everyone in our communities to the necessary financial tools and support to achieve their dreams.

Professional Mortgage Loan

The Professional Mortgage Loan was created to remove barriers to individuals in careers that may require additional educational expenses. This loan offers flexible home purchase financing to members licensed and employed in several professions including medical doctor, dentist, veterinarian, accountant, attorney, optometrist, ophthalmologist, chiropractor, medical resident, and advanced practice provider (physician assistant, nurse practitioner, etc.). This loan requires 3% down plus closing costs, and waives the private mortgage insurance (PMI) requirement.

- **28** Professional Loans funded in 2023

Opening Doors to Homeownership

Building on our effort to offer stable and affordable homeownership, MSUFCU launched several mortgage and home loan product and service enhancements in 2023 including:

- A partnership with **Affiliated Moves** that offers cash back rewards on a real estate agent's commission when a member buys or sells their home, access to experienced agents, and VIP services to connect homeowners with local service providers.
- **Vacant Land Loans** which allow members to purchase land to build a new home or use recreationally.
- Partnering with the **Federal Home Loan Bank of Indianapolis** to provide homeownership grants through the **Neighborhood Impact Program**. This initiative allows members to enhance or repair existing homes within our communities.
- **Expanding loan term options** for conventional mortgages, introducing new fixed- and adjustable-rate terms tailored to better meet the diverse needs of our members.

Heroes Mortgage Loan

MSUFCU's Heroes Mortgage Loan provides our first responders with affordable financing and flexibility to get them into the home of their dreams. This loan is available for home purchases with at least one borrower employed in one of the following fields: Law Enforcement, Fire Department, Medical Care Providers, Education, and Active Duty Military and veterans, retirees, and support staff. Members pay the closing costs up front, may finance up to 100% of the purchase price, and no down payment is required.

- **22** Heroes Mortgages funded in 2023

Business Lending

We recognize that small businesses are vital to maintaining our vibrant communities, and that financing can often be a barrier. MSUFCU is proud to offer a variety of products and services to help businesses thrive. Whether they are looking to start or expand their footprint we offer financing to help them reach their goals. When our small businesses succeed, our economy grows stronger.

- **842** businesses secured financing in 2023

MSU Student Success Loan

MSUFCU has a long-standing partnership with MSU. The Credit Union has played a significant role in providing financial education to the MSU campus community. Our financial experts help college students learn how they can build a solid financial foundation now and for their future. The MSU Student Success Loan is one more way MSUFCU has helped both undergraduate and graduate students achieve their educational goals and dreams. Students must be referred through MSU to apply.

- **69** MSU Student Success Loans opened for a total of **\$426,574** in 2023

Michigan Saves Loan

MSUFCU is one of the select financial institutions that provide financing for the Michigan (MI) Saves program, an innovative governmental program designed to help Michigan consumers afford energy efficiency upgrades. The MI Saves program is used to develop sensible financing, establish a network of qualified contractors, and help link potential customers to energy audit services. This makes energy efficiency accessible to all users throughout the state.

- **1,815** MI Saves Loans opened in 2023

Fran — Learning and Growing

MSUFCU introduced Fran, our virtual assistant powered by artificial intelligence, in October 2019 to elevate our online member service experience. In 2023, Fran expanded her capabilities beyond helping members through our website — she now offers assistance over the phone, too. With Fran, members can simply express their needs and she will promptly connect them to the appropriate representatives. Furthermore, **Fran now offers a “Courtesy Call Back” feature** and proactively engages with members visiting the MSUFCU website, offering helpful information. Continuously evolving, Fran learns through member feedback, ensuring she is always improving the member experience.

TransPerfect Interpretation Services

In 2023, the Credit Union partnered with TransPerfect to offer interpretation services over the phone in more than 170 languages including Spanish, Swahili, Arabic, Chinese, Korean, and Cantonese, for members who have a preferred language other than English, with the goal of increasing financial access for all members. In the first 10 days after launch, we handled 68 calls in 10 different languages for a total talk time of over 24 hours.

MSU and OU Athletics Experiences

Utilizing sponsorships and partnerships with MSU and OU Athletics and athletes, MSUFCU has created exclusive experiences for our members to promote increased access and involvement with their favorite college sports teams. These include meeting and interacting with NIL athletes at Credit Union events, ticket giveaways for MSU basketball games, free gifts at our athletic events booths, and much more.

Michigan Homeowner Assistance Fund

MSUFCU partnered with Michigan State Housing Development Authority (MSHDA) on the Michigan Homeowner Assistance Fund (MIHAF) to assist our members who were financially impacted by the COVID-19 pandemic, and more specifically, at risk of mortgage default and foreclosure. The Credit Union was responsible for informing our members of this assistance option at any applicable time in conversation or interaction. Members were required to submit an application to MSHDA and meet certain requirements to receive funds. MIHAF has been exhausted and is now closed. Ultimately, 29 MSUFCU members received delinquent payment assistance for their mortgage loans, totaling just over \$160,000.

Juntos Avanzamos Designation

MSUFCU earned the Juntos Avanzamos designation in June 2022 for its commitment to serving and empowering the Hispanic community. Translated as "Together We Advance," Juntos Avanzamos credit unions help those who remain largely unbanked and vulnerable. This initiative showcases that working together with underserved communities is vital to helping them achieve financial security and independence.

As a Juntos Avanzamos credit union, MSUFCU employs bilingual and culturally competent employees and leaders; accepts alternative forms of identification; and treats all members with respect regardless of immigration status. The Credit Union also has supported and participated in several organizations and programs to support our local Hispanic communities and ensure their financial needs are met, including MSU Migrant Student Services, the Cristo Rey Community Center in Lansing, the annual Cristo Rey Fiesta, and the Adelante Forward magazine.

"Normally when we engage with a credit union, the work can take years. It is a transformative process. But sometimes you find a credit union that has been doing it the whole time," said René Vargas Martínez, Director of Inclusiv, the organization which awards Juntos Avanzamos designations. "MSUFCU is one of those cases where we received the application and the criteria had been met by the organization long before we held our review and awarded the designation."



"The Juntos Avanzamos program has allowed us to demonstrate the work that our Credit Union has been doing for many years, but now we have a visible designation to let everyone in our communities know this is a safe space and that we welcome your business and the opportunity to help you learn how to navigate the financial system here in our community and the U.S."

April Clobes, MSUFCU President/CEO





SUPPORTING OUR EMPLOYEES

OUR APPROACH

Our team members are what makes our organization the Credit Union we are today, just as our members make our work meaningful. We are honored to be a certified Great Place to Work and are proud to invest in our employees so they, in turn, can succeed and bring value to our members and communities. As an organization, we are committed to the financial, personal, professional, and social well-being of our employees. We offer a variety of positions with onsite, hybrid, or remote work location options, competitive wages and benefits, affinity groups to foster belonging and connections, and opportunities for our employees to gain new skills, learn, and grow.

Compensation and Benefits

At MSUFCU we offer competitive wages with outstanding benefits. In 2023, we continued to offer a total compensation package including 100% paid medical, dental, and vision insurance for employees and their families, while matching employee 401(k) contributions. Employees also receive generous paid time off, volunteer time off, and other benefits curated for our employees to add to the positive work environment the Credit Union aims to provide.

Total Compensation Package

Our total compensation package includes market leading healthcare benefits, PTO, and 401(k) match. In addition to a competitive base pay, our positions include these valuable benefits:

- Medical, Dental, and Vision Insurance
- Life Insurance
- Long-term Disability
- Flexible Spending Accounts
- 401(k) Match
- Leave of Absence Programs
- Paid Time Off
- Volunteer Time Off
- 11 Paid Holidays
- Educational Assistance
- Professional Development Opportunities
- Career Advancement Opportunities
- Wellness Offerings and Incentives

Annual Compensation Reviews

In 2023, our Human Resources division completed our annual compensation review, a process where we evaluate each individual job position with a best-in-class benchmarking tool – CompAnalyst from Salary.com. This annual exercise supports our commitment to maintaining competitive wage ranges that are consistent with the market.

During the evaluation, positions are compared to actual salaries paid in the market by companies in similar industries, geographic regions, and company size. As an organization, it is important that we continue to create an environment where our employees can grow, contribute, and feel valued. The review included analysis of more than 780 jobs and as a result, 18% of employees received an adjustment to their pay band, base rate of pay, or both. In 2023, we increased our pay bands by 2% to ensure our pay is competitive. These efforts continue to enforce the goal of remaining competitive with compensation offerings and excelling at attracting and retaining great talent in all of our markets.

Annual Employee Feedback Survey

Each year, Credit Union employees are invited to participate in a Gallup employee engagement survey called Q12. This survey provides insight into how our organization can better meet the needs of all employees. Through this survey we aim to gather employee feedback and once compiled, we discuss the feedback as individual departments in our State of the Team meetings. These conversations ensure every employee is heard and has the proper tools to grow, develop, and succeed.

Parental Leave

We support our employees as they become new parents. Employees are provided up to 12 weeks of paid parental leave for the birth or adoption of a child. This leave includes all employees regardless of gender. The purpose of paid parental leave is to support employees as they begin caring for and bonding with a new member of their family.

Educational Assistance

As a part of our mission to grow and develop, we offer educational assistance for employees to pursue higher education. Employees can be eligible to receive up to \$10,000 of education assistance every calendar year. Approximately 4% of employees take advantage of this benefit.



Learning and Development Opportunities

MSUFCU proudly offers a variety of virtual and in-person trainings for all employees, with course topics ranging from product and service knowledge, providing superior service, safety and security, and more.

In 2023, we continued to expand our professional development opportunities for employees through new trainings and lesson plans. Our training curriculum now has more than 425 courses and employees completed more than 36,900 training hours throughout the year — an average of 29 hours per individual.

To encourage leadership in every position, we rebranded and enhanced our Discovering Leadership program, a six-month virtual cohort that includes four hours of formal learning per month in addition to pre-work, on-the-go assignments, and actionable items to apply to their current roles and responsibilities. Recognizing the importance of setting new leaders up for success, the New Leader program was created to support newly promoted and hired MSUFCU leaders and introduces the Leadership Competency model, focusing on skills that are uniquely needed for new leaders. Lastly, the Leadership Learning Journey, a ten-month series of learning opportunities aimed at current Credit Union managers and assistant managers, seeks to continue to build and enhance manager's competencies to lead self, others, and outcomes. Through these programs, we provide our leaders a space to connect with their coworkers across the organization, helping them learn from one another and form lasting relationships.

Our employee's professional development opportunities do not end with trainings and online courses. Credit Union management and leadership provide opportunities for employees to receive feedback, talk about their development goals, and establish competencies to encourage growth and development through 1:1 coaching sessions. These coaching sessions occur several times a month, encouraging open communication and fostering relationships. Additionally, each quarter, employees and their managers meet to review their progress, assess their goals, and have productive conversations around their development.





Health and Wellness

Our employee's physical and mental well-being is a top priority for MSUFCU. Delivering superior service to our members can best be accomplished by a strong and healthy workforce, and as an organization we continue to make wellness a priority. We believe a supportive work environment — where leadership reinforces a wellness strategy — helps to keep employees motivated and engaged. Wellness and incentive programs can be used to drive and reinforce healthy behaviors, bringing benefits to employees, and the community.

To keep these initiatives top of mind, we developed the CU Healthy program in 2010. CU Healthy is led by the CU Healthy committee, made up of employees from across the Credit Union, and encourages employees to participate in a variety of programs, classes, races, and other activities.

- Quarterly challenges focused on different aspects of an employee's health, such as physical, mental and financial well-being
- Annual flu shot clinic offered conveniently on our headquarters campus
- Initiatives to recognize national observances such as Mental Health Awareness Month
- Quarterly incentive program where employees can earn points for participating in challenges, getting their annual physical, tracking food and exercise and various other activities
- Pay entrance fees for employees participating in sponsored races each year.
- Annual health and wellness fair which invites various health professionals to MSUFCU's headquarters building to meet with employees

MSUFCU is proud to be recognized as a National Best and Brightest in Wellness Award recipient, which honors organizations that make their workplaces, their employees, and the community a healthier place to live and work.

CREATING A CULTURE FOR ALL

At MSUFCU, we promote a culture in which our employees and members have equal opportunities for success. We cultivate diversity, equity, inclusion, and belonging (DEIB) through all aspects of our work and believe that an equitable environment empowers everyone. To further demonstrate our core values, we have 11 Affinity Groups and a Diversity, Equity, Inclusion, and Belonging Council (DEIB Council). They provide an outlet for networking and personal and professional development based on employees' interests and identities to help strengthen our entire organization.



CU ASIA

Asian Society for Innovation and Achievement

Mission: To create a positive space for employees from all walks of life, while highlighting those of Asian descent. We will act as a springboard to support Asian businesses and charities in our community.



CU BOLD

Black Originators, Leaders, and Doers

Mission: To offer personal and professional support where individuals are inspired to enrich their lives while embracing new perspectives, backgrounds, and cultures.



CU BRAVE

Mission: To promote body acceptance and positivity by providing a safe space to share our mental and physical health experiences. Together, we foster feelings of boldness, respect, acceptance, validation, and empowerment.



CU CAPABLE

Mission: To provide resources, information, and support for Credit Union employees, their families, and allies who may be living with disabilities. The Affinity Group is also a source of encouragement, support, and education on being an advocate for those living with a disability.



CU LATINE

Mission: To promote, support, and celebrate Hispanic and Latine culture with our employees to create a safe and inclusive space where we embrace our differences.



CU NEURODIVERGENT

Mission: To foster a safe and collaborative environment for neurodivergent and neurotypical people to educate, remove stigma, and create community for employees and members.



CU PARENT SUPPORT

Mission: To provide a positive and inclusive space to support all parents, families, and caregivers by supplying resources and benefits to encourage and retain employees.



CU PATHWAYS

Mission: To promote, support, and include those pursuing professional development and seeking career guidance within our organization.



CU PRIDE

Mission: To support and promote comradery between LGBTQIA+ employees of the Credit Union, promoting visibility and inclusion of LGBTQIA+ individuals within our organization and overall membership.



CU PRIME

Mission: To inspire and build intergenerational relationships, balancing collective evolution of experience while supporting one another from viewpoints having celebrated birthdays in multiple decades.



CU VETERANS

Mission: To embrace our proud community of employee veterans and allies who support and encourage each other through shared experiences, veteran recruitment, career development, outward engagement, professional growth, and retention.



Diversity, Equity, Inclusion, and Belonging

MSUFCU strives to create an environment where all are treated equitably, provided opportunities, feel valued, and are encouraged to bring their whole selves into credit union spaces. Cultivating a culture of diversity, equity, inclusion, and belonging is a shared responsibility and we are committed to living out our core values by demonstrating respect for each other and acting with integrity in every aspect of our work.

Credit unions were built on the foundational value of people helping people, coming together to share resources and improve financial wellness in our communities. This shared value is built into credit unions, by providing a welcoming and supportive environment for all.

At MSUFCU we celebrate and recognize over 40 DEIB-related monthly observances, sharing information across our Credit Union through a DEIB blog and the Ask Me Anything (AMA) series that allow employees to share perspectives and stories with one another.

DEIB Council

We are proud to offer and support an internal DEIB Council made up of Credit Union employees. This council works to enhance the equality of our workforce by integrating diversity, equity, inclusion, and belonging across the Credit Union.

In July 2022, the DEIB Council started a project that will focus on organizing and guiding quarterly activities for leaders that center around our core values of DEIB. This project will also give leaders at the Credit Union resources throughout the year.

Another project in 2022 was focused on gathering educational resources for members and employees regarding pronouns and preferred names. These resources include how employees can update a member's account if they disclose their pronouns or preferred names.

Affinity Group Community Impact

Our Affinity Groups had a positive impact on the communities we served across Michigan through various activities such as volunteering, hosting donation drives, event sponsorship, and participating in Credit Union-wide giving initiatives. For example, the CU BOLD group donated scarves to the Boys & Girls Club of Lansing, CU Prime collected puzzles to benefit local assisted living homes and schools, and CU Latine Board Members represented the Credit Union at Cafecito Caliente's Latino Business Expo. In 2023, Affinity Groups donated \$9,900 to charitable organizations in our local community.



MSUFCU Cultural Fair: Inclusion through Exploration

In support of our core value to Cultivate Diversity, Equity, Inclusion, and Belonging, the DEIB Council held the first annual MSUFCU Cultural Fair in 2023. The Cultural Fair included a series of videos, activities, and live event sessions to engage employees from every region of the Credit Union.

Weekly Cooking Videos

In order to provide additional support for our 2023 charity partner, the Allen Neighborhood Center, the DEIB Council collaborated with the Center and local restaurant owners who make use of the Center's Incubator Kitchen. Three small businesses were filmed while they prepared their most beloved dishes and explained the cultural importance behind each one. These videos, along with recipe cards, were then shared with MSUFCU employees as a means of experiencing different cultures through food.

Virtual (Live) Cooking Demonstration

Jose Aste, the owner of Tantay, live-streamed while he cooked Ceviche de Pescado for MSUFCU employees followed along from their homes. Those who joined remotely were provided with the ingredients ahead of time, which were purchased from East Side Food Co-op.

Live Ask Me Anything Session

Four Credit Union leaders were panelists at the May AMA Session hosted by the AMA facilitator and DEIB Council member. Panelists shared their familial and cultural traditions, illustrating how they incorporate their lives authentically into the workplace.

Affinity Group Activity Sheet

During the week of the Cultural Fair, employees had the opportunity to receive RISE points by completing two Affinity Group-focused activity sheets. The activity sheets encouraged employees to familiarize themselves with affinity group resources and learn more about the group's impact.

Conversation Cards

The DEIB Council's Engagement and Activities project team developed an activity using conversation cards, which facilitated team discussions guided by Credit Union managers. The activity aimed to foster team bonding and create a space where employees feel comfortable sharing their experiences, cultural backgrounds, and family traditions with their peers.

DEIB Engagement and Activities

DEIB Bingo - Belonging

Prior to the Cultural Fair's Conversation Cards activity, the Engagement and Activities project team helped us celebrate the addition of "belonging" in our diversity, equity, and inclusion efforts. Employees were given the opportunity to fill out a BINGO card containing tasks that broadened their understanding and awareness of the Credit Union's equity and inclusion initiatives, including the Affinity Groups.

Language Access - Better Lobby Language Tracking

After implementing TransPerfect's interpretation services, our Language Access project team provided a recommendation to collect members' preferred language using the Better Lobby system. The objective of this recommendation is to track Credit Union members' preferred languages and improve their overall experience. Currently, this suggestion is being reviewed while we conduct further compliance research and launch written translation services.



IMPACTING OUR COMMUNITIES

OUR APPROACH

As a local credit union, we are deeply rooted in the communities we serve. Our growth and success are a direct result of our members' belief in us as a financial partner. We continue to renew their trust, beyond just offering financial products and services, by making real, significant philanthropic investment in our local areas. Each year, our team finds unique ways to provide resources and education to individuals in the communities we serve, create sustainable programs, and empower others to make a positive difference, making our community a place where all are proud to live and work.

COMMUNITY GIVING

The Credit Union supports many charitable organizations each year through monetary and in-kind grants to drive change and build a better and more vibrant community for all. Whether we are volunteering at a cause-related 5K race or planting trees in a local neighborhood, we embrace our role as community leaders and donate our time and talents to help enrich lives.

Our donations, sponsorships, and initiatives have helped organizations such as the Ronald McDonald House of Mid-Michigan, Girl Scouts Heart of Michigan, WKAR Public Media, the Detroit Institute of Arts, and more. We are proud to be part of and support the positive change our community partners are making.

- **\$792,605** in Community Donations
- **272** Organizations Supported

COMMUNITY ROOMS

Several Credit Union buildings and branches offer use of community rooms and meeting spaces to local programs and organizations for meetings and events. Making these rooms available to the public serves as an in-kind donation to these programs as well as an opportunity for the Credit Union to serve as a central gathering place for community members.

- **403** Community Meetings and Events Hosted

CU INVOLVED

CU Involved is our employee giving program which organizes various volunteer and fundraising opportunities throughout the year. Each year, employees vote on and select local organizations whose causes align with the philanthropic pillars of MSUFCU's foundation, the Desk Drawer Fund. The efforts are completely employee-led and organized through the CU Involved Committee. The committee encourages charitable giving by organizing various workplace initiatives and fundraisers such as employee raffles, sales, competitions, payroll election incentives, and more, for which all proceeds are donated to our charity partners. They also help organize volunteer opportunities, such as assembling food baskets at the local food bank, volunteering at local races and walks, and playground and yard cleanups at different organizations. All of our CU Involved initiatives are designed to further exercise our core value of giving back to the community as well as the credit union philosophy of "people helping people."

2023 Charity Partners

Employees selected the following organizations as our annual charity partners to support with volunteer hours, fundraising efforts, and payroll elections:

- New Day Foundation
- The Davies Project
- Women's Resource Center
- American Cancer Society
- United Way of South Central Michigan

VOLUNTEER TIME OFF

To provide employees with more flexibility and reduce barriers to volunteering, MSUFCU employees have access to volunteer time off (VTO) each year to use as they give back to meaningful organizations. By giving employees the option to volunteer without sacrificing time and pay from their regular work schedules, we are able to help these nonprofit organizations that would not have these resources otherwise. Employees contributed a total of 1,150 VTO hours to a variety of charities in 2023.

\$264,636

Total Employee Donations

309

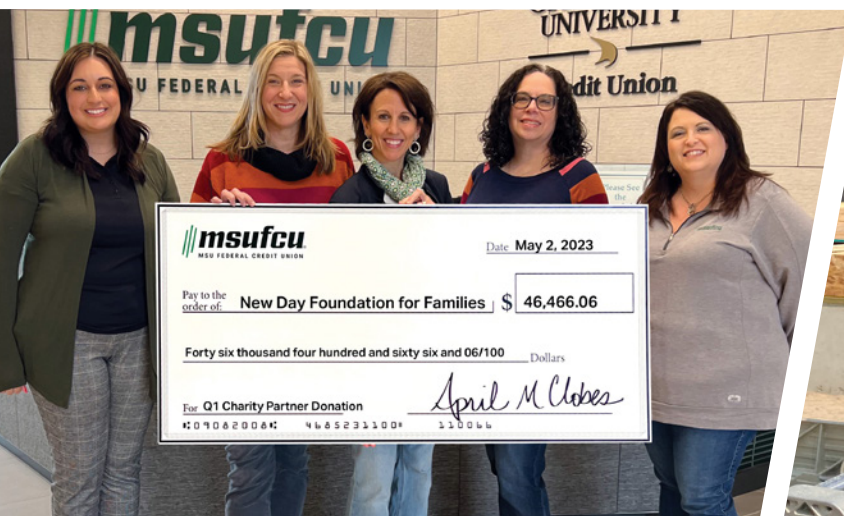
Personal Volunteer Hours

1,150

Volunteer Time Off Hours Used

737

Credit Union Volunteer Hours





DESK DRAWER FUND FOUNDATION

In 2019, the Credit Union introduced the Desk Drawer Fund, a foundation built to support the places and people that make our communities vibrant and strong. In honor of the founding of the Credit Union – in 1937 when eight faculty members founded MSUFCU out of a desk drawer on MSU’s campus – the Foundation was aptly named the Desk Drawer Fund. Since its inception, the Desk Drawer Fund has provided over \$2 million in transformational grants to more than 40 nonprofit organizations in the communities where our members live and work.

The founding idea, we can make a difference together, executed from a single desk drawer those many years ago, remains true today. We are excited to continue empowering those in our community to achieve their goals through the support of our Credit Union members, employees, and community partners.

Habitat For Humanity Grant

The Foundation announced a three-year, \$150,000 grant in 2023 to support Habitat for Humanity Capital Region (HFHCR). The grant enables HFHCR to purchase land for new homes and expand its construction team to build more affordable and accessible homes in the Lansing area.

Desk Drawer Fund Philanthropic Pillars

Arts & Culture — Promotes and strengthens theater and the visual arts while supporting customs, heritage, and artists to enhance creativity.

Empowering Youth — Listens, collaborates, and removes barriers for youth to share their ideas to facilitate stronger communities and future leaders.

Financial Education — Engages and educates community members to take charge of their finances.

Fostering Entrepreneurialism — Empowers and educates entrepreneurs to develop skills and explore programs.

Stable Housing — Ensures support for all community members in securing reliable and safe shelter.

2023 Desk Drawer Fund Impact

\$605,212 Desk Drawer Fund Grants

- **\$100,000** — Arts & Culture
- **\$174,255** — Empowering Youth
- **\$64,107** — Financial Education
- **\$39,000** — Fostering Entrepreneurialism
- **\$227,850** — Stable Housing

20 Organizations Supported

OPERATING SUSTAINABLY

OUR APPROACH

As a member-focused financial institution, MSUFCU recognizes the need to operate responsibly, encourage sustainable solutions, and prepare for climate-related impacts for the benefit of our members and the surrounding communities. We are committed to responsibly growing and maintaining our organization through sustainable initiatives to limit environmental impact. By being mindful of our initiatives and addressing new challenges as they arise, we have implemented strategies from sustainable construction practices to day-to-day recycling initiatives.

We demonstrate our commitment to responsible operations through initiatives like our recycling programs, Headquarters LEED certification, space management practices, Electric Vehicle charging stations, and energy efficiency investments.

Recycling Programs

Multiple recycling opportunities are offered at MSUFCU locations. Materials collected include plastic, paper, metal, and confidential shredded paper. In 2023, MSUFCU recycled 91,423 pounds of materials, preventing them from being unprocessed in a landfill. Along with the typical recycled products, MSUFCU repurposed unused furniture by donating items to area nonprofits.

Shred Day Events

MSUFCU provides members with the opportunity to shred their confidential documents for free through our member Shred Days at convenient local locations. These Shred Day events provide members with a safe environment to dispose of their business, financial, and other sensitive materials.



91,423

Total Pounds
Recycled in 2023



Designing for the Future

Recognized by the U.S. Green Building Council, the MSUFCU Headquarters Building 1 received the Leadership in Energy and Environmental Design or LEED Gold certification. The Credit Union's Headquarters Building 2 was built with LEED principles and certification is pending with anticipation of approval in 2024.

The LEED certifications confirm our dedication to the environment, our members, and the community. Sustainably building MSUFCU's Headquarters ensures managing water usage, optimizing energy efficiencies, and preventing pollutants from entering the atmosphere.

MSUFCU continues to support LEED principles through our construction efforts in order to:

- Prevent pollution and exposure to toxic materials
- Protect and restore water resources
- Promote sustainable and regenerative material cycles
- Enhance individual human health
- Protect and enhance biodiversity and ecosystem services
- Enhance community quality of life
- Reduce the impacts of climate-related events

Energy Efficiency Initiatives

MSUFCU has implemented day-to-day energy efficient programs. Some of these programs include:

- Replacing standard light bulbs with LED bulbs
- Usage of energy efficient products — appliances, sink faucet sensors, and low water usage toilets
- Electronic Vehicle (EV) charging stations at our Headquarters and Auburn Hills Regional Office





ENGAGING RESPONSIBLY

OUR APPROACH

At MSUFCU, we are committed to operating and managing risk in ways that deliver long-term value to our members, employees, and communities. Our governance structures are designed to promote accountability, transparency, and ethical behavior, consistent with our corporate standards and business principles. We regularly evaluate and enhance our governance structures, processes, and controls to make sure we are operating at the highest level of performance.

Board of Directors

MSUFCU is governed by a volunteer Board of Directors who are members of the Credit Union. The Board oversees management and sets the strategies of the Credit Union. Senior management is responsible for executing the strategies set forth by the Board and for day-to-day operations. The Board and senior management recognize the Credit Union's long-term interests are advanced by considering the interests of all stakeholders including members, employees, third-party partners, and the communities we serve.

Board members serve three-year terms, adhering to Federal Credit Union Act requirements and the Credit Union's bylaws. Members also serve on the Nominating Committee and Governance Committee.

Supervisory Committee

Oversight of MSUFCU is the responsibility of the Credit Union's Supervisory Committee, made up of five volunteers who are members of the Credit Union but are not members of the Board of Directors or employees. The Supervisory Committee is responsible for the Credit Union's internal audit program, responds to certain member complaints, and performs investigations related to the Credit Union's whistleblower hotline.

Governance Committees

In order for management and the Board to effectively monitor risks across the Credit Union, a formal Governance Committee structure was created in 2022 to support the Enterprise Risk Management (ERM) program. The Governance structure was designed to account for proper governance over the ERM Program's risk categories. These committees are made up of representatives from the Board of Directors and management, and are designed to identify, monitor, review, and respond to actual or expected risks impacting the Credit Union. The committees supporting the Credit Union's governance and risk management processes include:

- **ERM Committee** — The ERM Committee is a board-level committee that oversees the Credit Union's ERM process by identifying key risk exposures and risk-related opportunities, assessing key exposures, taking actions to mitigate certain risks and capitalize on opportunities, reporting on the Credit Union's risk profile to key decision-making groups, sharing information on risk across the Credit Union, and coordinating other risk management activities.
- **Risk Management Committee** — The Risk Management Committee oversees the Credit Union's ERM process by identifying key risk exposures and risk-related opportunities, assessing key exposures, taking actions to mitigate certain risks and capitalize on opportunities, reporting on the Credit Union's risk profile to key decision-making groups, sharing information on risk across the Credit Union, and coordinating other risk management activities.
- **Asset Liability Management Committee** — The Asset Liability Management Committee (ALCO) monitors the Credit Union's interest rate risk, liquidity position, investment portfolio, and key ratios. ALCO also analyzes new products, pricing strategies, and the impact of changing interest rates on MSUFCU's financial and competitive position.
- **Credit Risk Committee** — The Credit Risk Committee analyzes credit risk within all loan portfolios and evaluates strategies to mitigate potential losses in them. The Committee also oversees MSUFCU's policies and practices as they relate to the identification, assessment, measurement, and management of the Credit Union's credit risk.
- **Fraud Committee** — The Fraud Committee evaluates and responds to external and internal fraud risks facing the Credit Union and its members. The Committee reviews information related to fraudulent activity, tracks fraud trends, and ensures processes, procedures, and systems are in place to adequately mitigate fraud exposure and loss to the Credit Union and members.
- **Governance, Risk and Compliance Committee** — The Governance, Risk and Compliance (GRC) Committee monitors the Credit Union's overall compliance program by reviewing the impact of new laws and regulations, proposed legislation, legal matters affecting the credit union industry, strategic projects, risk assessments, and MSUFCU policies.
- **Information Security Committee** — The Information Security Committee reviews the Credit Union's information security, vulnerability management, ethical hacking, physical security, and social engineering programs. The Committee also reviews strategic projects and associated information security risks, risk assessments, and policies and procedures.
- **Member Experience Committee** — The Member Experience Committee reviews member feedback, complaints, and strategic projects related to member and employee experience. The Committee also reviews internal policies and procedures related to member products and services.
- **Strategy Committee** — The Strategy Committee reviews the Credit Union's strategic projects and is involved in other areas of strategy including project process, goals and objectives creation, and branding strategy.

Enterprise Risk Management Program

MSUFCU operates to meet the financial needs of our members, support our employees, and enhance the communities we serve in a safe and sound manner. As a federally-chartered financial institution, MSUFCU must responsibly manage its strategic and operating risks in order to ensure the Credit Union's goals can be met.

Under the direction of the Board, management has established a formal Enterprise Risk Management (ERM) Program designed to identify, assess, and respond to risks in order to improve the Credit Union's performance and create value. The ERM Program is a crucial part of the Credit Union's governance structure.

The Credit Union's ERM Program considers eight Risk Categories when evaluating strategic objectives, including:

- Compliance
- Liquidity
- Credit
- Reputation
- Information Security
- Strategic
- Interest Rate
- Transaction

These risk categories form the foundation of the ERM Program and provide a consistent framework for evaluating risks and opportunities as part of the Credit Union's governance structure.

The Board has established Risk Appetite Statements that correspond to these risk categories in order to communicate its risk tolerance to management and to facilitate proactive and effective risk management with leaders operating the Credit Union. The ERM Program also performs risk assessments over strategic initiatives and utilizes the Risk Appetite Statements to inform the risk assessment process.

MSUFCU has adopted the Three Lines of Defense Model as part of its corporate governance framework. This model is designed to provide for an effective governance structure for the three lines involved in the comprehensive management of risk. These functions include the functions that own and manage risks, the functions that oversee and provide guidance on the management of risks, and the functions that provide independent and objective assurance of the robustness and appropriateness of risk management and internal controls.

Information Security

MSUFCU is committed to safeguarding and mitigating information security risks through established policies and procedures. Effective information security practices are critical to ensuring that all financial data and personal information maintained by the Credit Union remains safe and protected. MSUFCU maintains a robust Information Security Program designed to prevent, detect, and respond to cybersecurity-related incidents. Our Information Security Program is based on industry-leading information security standards and is tested on a periodic basis by auditors, regulatory examiners, and ethical hacking teams.

MSUFCU has a dedicated Chief Information Security Officer responsible for the ongoing administration of the Credit Union's Information Security Program. The Information Security Program is approved by the Credit Union's Information Security Committee and the Board of Directors receives annual updates regarding the Information Security Program.

We have established incident response processes designed to identify, respond to, and report suspected or actual data security-related incidents that may compromise the confidentiality, integrity or availability of member information. In accordance with Credit Union policy and regulation, we have a process to notify members and our regulators of any data-security incidents.

We educate, train, and test all our employees on how to identify and prevent potential cybersecurity concerns, protect member information, and report any unusual activity or incidents. All employees are required to complete annual cybersecurity training and we perform monthly phishing tests to test the effectiveness of our training and awareness programs.

We also require certain third-party vendors to comply with information security and control standards defined by the Credit Union, as well as with applicable laws and regulations.

Privacy

We recognize the importance of securing our members' personal data and the need to be transparent about our data collection and usage practices.

As a federally-chartered credit union, we collect, process, use, share, and disposition our members' personal and financial data every day. MSUFCU has established processes and procedures to manage our members' data in accordance with relevant laws and regulations. MSUFCU publishes its privacy policies on its public website at msufcu.org.

Physical Security

Physical access control is essential for ensuring the safety of our employees and members, as well as to safeguard the confidentiality and integrity of our members' information. The Credit Union has a dedicated Physical Security Team responsible for maintaining a robust physical security program for all Credit Union locations. MSUFCU operates a secured environment, with a wide range of external and internal access controls, including intrusion detection systems, cameras, alarms, and various other controls. MSUFCU also employs visitor management controls, remote monitoring of locations, and incident reporting for unusual activity.

All employees receive training to promote a shared culture of safety and security at the Credit Union. Employees receive annual training on the following security-related topics:

- Safety and Security Awareness
- Active Violence Response
- Law Enforcement Contact
- Robbery Prevention
- De-escalation

STRONG STEWARDSHIP

MSUFCU has robust corporate governance and ethics policies, committees, and programs in place that ensure our compliance with the rules and regulations governing credit unions in general, and our Credit Union more specifically. When members and employees can show up authentically while achieving financial success and security, this makes for a more effective, efficient, and healthy Credit Union.

Conflict of Interest Policy

The Credit Union defines a conflict of interest as a situation in which a person or organization has competing interests, financial or otherwise, that could affect their decision-making. The Board of Directors and all committee members are required to disclose any conflicts and disclosure conflicts are reviewed by the Board annually. All employees must report any conflicts to the Human Resources department and management, documenting by using the Conflict of Interest in Employment Form. All potential conflicts of interest are thoroughly reviewed and resolutions implemented to eliminate such issues.

We also have policies prohibiting relatives of Executive Management, the President/CEO, members of the Board of Directors, and members of the Supervisory Committee from being hired at the Credit Union.

Code of Conduct — Bank Bribery Act Policy

The Credit Union requires full compliance by its Board of Directors, officers, committee members, agents, and employees with the Federal Bank Bribery Amendments Act as interpreted by the National Credit Union Administration (NCUA). The Credit Union's policy prohibits individuals from soliciting or receiving, for themselves or their families, anything of value or benefit, or accepting a business opportunity in connection with the business of the Credit Union unless fully disclosed to the Board of Directors in accordance with the Credit Union's Conflict of Interest Policy.

Anti-Discrimination Policies in Employee Manual

MSUFCU has a deep belief in a workplace in which employees can work and be their authentic selves free from discrimination in any form. All decisions made regarding recruiting, hiring, promotions, assignments, training, termination, benefits, and other terms of employment will be made without discrimination on the basis of race, religion, color, sex, national origin, disability, age, height, weight, marital status, veteran status, sexual orientation, gender identity or expression, or any other classification as prohibited by law.

Employees may not be discriminated against in employment because of a disability that can be reasonably accommodated to enable them to perform the job. We are proud to be an equal opportunity workplace where diversity is supported and all have the opportunity to succeed. If this policy is violated, the Credit Union takes swift corrective action, commensurate with the severity of the violation, up to and including termination of employment of those in violation.

Whistleblower Hotline

MSUFCU has a confidential whistleblower process that allows an employee to file a confidential report for situations involving misconduct, fraud, abuse, and any other workplace violation as part of its overall governance program. All submissions to the whistleblower hotline are reported to the Supervisory Committee and investigated by the Credit Union's Internal Audit Department.

Succession Planning for Board and Key Members of Management

MSUFCU has established robust succession plans that help the Credit Union identify, develop, and retain key personnel. The Credit Union's succession planning process is designed to ensure continuity and effective performance of the Credit Union. The Board of Directors formally reviews the Credit Union's succession plans on a regular basis.

Anti-Money Laundering

The Credit Union is committed to participating in law enforcement efforts to combat money laundering, human trafficking, the funding of terrorist activities, and other financial crimes. MSUFCU has a designated Bank Secrecy Act (BSA) Officer and has implemented a risk-based anti-money laundering program designed to comply with anti-money laundering laws and regulations.

Public Policy Engagement

The Credit Union actively monitors legislative and regulatory developments at the federal and state levels that impact the credit union industry. Legislation changes and regulatory actions can have significant effects on how the Credit Union is able to operate and serve its members. Management participates in a variety of advocacy efforts with elected officials and regulators in an effort to ensure decision makers understand how changes will impact the Credit Union and our members. The Credit Union participates in advocacy efforts with America's Credit Unions (formerly the National Association of Federally-Insured Credit Unions (NAFCU) and Credit Union National Association (CUNA), National Association of Credit Union Service Organizations (NACUSO), National Association of State Credit Union Supervisors (NASCUS), and Michigan Credit Union League (MCUL).

Supplier Diversity Policy

The Credit Union has adopted a Supplier Diversity Program that encourages and bolsters our relationships with a variety of businesses, including those that are BIPOC-, women-, disabled-, veteran-, and LGBTQIA+ owned. The policy is aligned with our Diversity, Equity, Inclusion, and Belonging efforts and helps us pursue initiatives of an equitable and inclusive environment within our organization and communities.



AWARD-WINNING WORKPLACE

MSUFCU has a national reputation for excellence and received many top industry and workplace awards in 2023, some for several consecutive years. These honors serve as a celebration of efforts to make our Credit Union the best possible place for our employees to work and our members to do business.

Great Place to Work® — Great Place to Work Certified™

American Banker's Best Credit Unions to Work For® — Ranked No. 12

Detroit Free Press Top Workplace — Ranked No. 4 in Large Employer Category

- 2023 Top Workplaces USA
- 2023 Top Workplace in the Financial Services Industry — Ranked No. 40 out of 121
- Recipient of 10 Culture Excellence Awards

Best and Brightest Company Awards

- National Best and Brightest Companies to Work For®
- Michigan's Best and Brightest in Wellness
- West Michigan Best and Brightest Companies to Work For®

Training Magazine APEX Award — Ranked No. 13 out of 100

Best Companies Group and COLOR Magazine — Inclusive Workplace

Mental Health America's Bell Seal for Workplace Mental Health — Gold

Michigan Breastfeeding — Friendly Workplace

Michigan Healthy Worksite Award — Honorable Mention

Finalist in three Outstanding Security Performance Awards (OSPA):

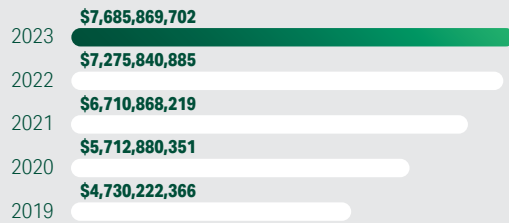
- Outstanding Security Team
- Outstanding Security Team Training
- Outstanding In-House Security Manager/Director

APPENDIX

FINANCIAL REPORT

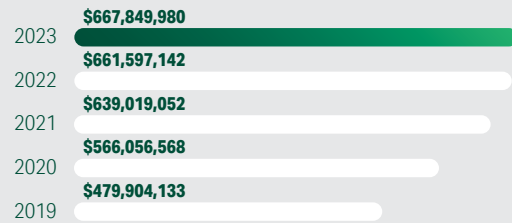
Total Assets

Year ended December 31



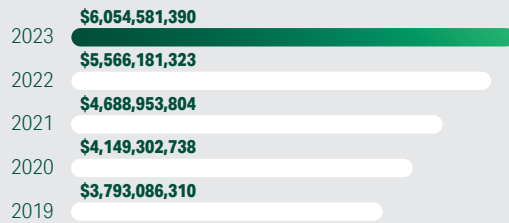
Total Reserves

Year ended December 31



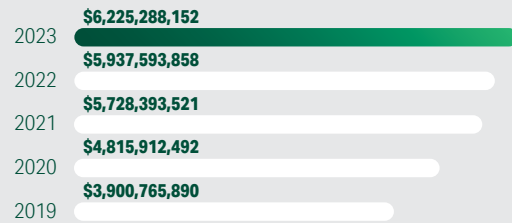
Net Loans

Year ended December 31



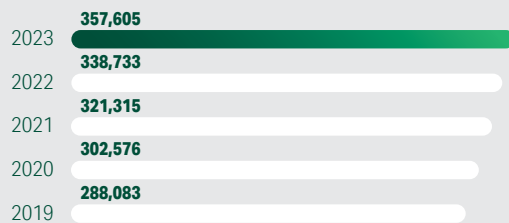
Total Shares

Year ended December 31



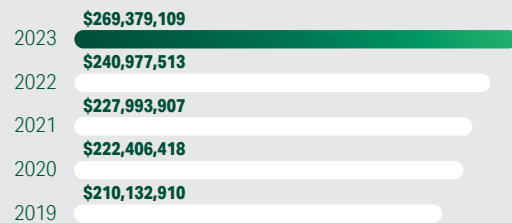
Membership

Year ended December 31



IRAs

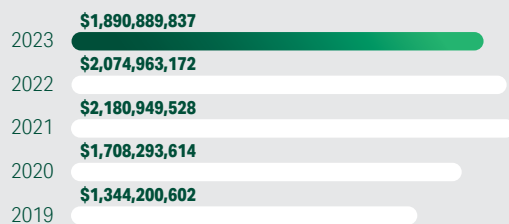
Year ended December 31



IRAs consist of IMMAs and Share Certificates

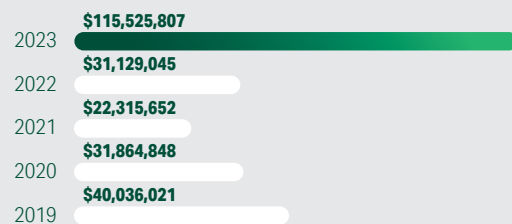
IMMAs

Year ended December 31



Dividends Paid, All Savings

Year ended December 31



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors — Michigan State University Federal Credit Union

Opinion

We have audited the consolidated financial statements of Michigan State University Federal Credit Union and its subsidiaries (the "Credit Union"), which comprise the consolidated statement of financial condition as of December 31, 2023, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the year 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 the Credit Union as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Credit Union and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 3 to the consolidated financial statements, the Credit Union has changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Accounting Standards Codification 326: Financial Instruments - Credit Losses (ASC 326). The Credit Union adopted the new credit loss standard using the modified retrospective method such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Report on Prior Year Consolidated Financial Statements

The consolidated financial statements of Michigan State University Federal Credit Union and its subsidiaries as of December 31, 2022, were audited by other auditors, who expressed an unmodified opinion on those statements on March 21, 2023.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

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

/s/ Plante & Moran, PLLC

Plante & Moran, PLLC
February 21, 2024

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	\$ 221,319,231	\$ 239,347,146
Time deposits with other financial institutions	255,460,000	355,548,000
Investment securities - Available for sale (Note 4)	512,543,474	555,863,617
Investment securities - Marketable securities (Note 4)	7,122,514	6,547,604
Other investments	50,465,297	46,531,290
Loans to members - Net (Note 5)	6,054,581,390	5,566,181,323
Premises and equipment - Net (Note 6)	291,002,239	254,348,571
Goodwill	12,283,944	12,283,944
Employee benefit funding asset	103,070,884	109,929,728
NCUSIF deposit	54,134,827	50,510,700
Other assets	123,885,902	78,748,962
Total assets	\$ 7,685,869,702	\$ 7,275,840,885
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts (Note 7)	\$ 6,212,411,152	\$ 5,931,123,858
Nonmembers' deposits (Note 7)	12,877,000	6,470,000
Borrowings (Note 8)	690,000,000	595,000,000
Postretirement benefit obligations (Note 10)	6,995,445	7,117,666
Accrued expenses and other liabilities	95,736,125	74,532,219
Total liabilities	7,018,019,722	6,614,243,743
Members' Equity	667,849,980	661,597,142
Total liabilities and members' equity	\$ 7,685,869,702	\$ 7,275,840,885

CONSOLIDATED STATEMENT OF INCOME

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2023	December 31, 2022
Interest Income		
Loans	\$ 312,176,549	\$ 228,648,502
Investment securities	15,569,105	9,596,732
Interest-bearing balances with other financial institutions	6,294,298	1,207,302
Total interest income	334,039,952	239,452,536
Interest Expense		
Members' share and savings accounts	114,460,397	31,112,260
Nonmembers' deposits	1,065,410	16,785
Borrowings	21,231,044	9,599,278
Total interest expense	136,756,851	40,728,323
Net Interest Income	197,283,101	198,724,213
Provision for Credit Losses (Notes 5 and 12)	26,496,175	21,933,794
Net Interest Income after Provision for Credit Losses	170,786,926	176,790,419
Noninterest Income		
Fees and charges	21,843,895	21,954,908
VISA interchange	43,649,691	41,106,780
(Loss) income from CUSOs	(228,665)	2,426,191
Net gain on marketable securities	902,423	10,753,586
Other	18,738,731	18,683,038
Total noninterest income	84,906,075	94,924,503
Noninterest Expense		
Salaries and employee benefits	136,591,174	106,578,291
Occupancy	19,015,600	15,135,032
Operating expenses	79,690,955	68,517,851
Other	15,585,788	8,104,610
Total noninterest expense	250,883,517	198,335,784
Consolidated Net Income	\$ 4,809,484	\$ 73,379,138
Amounts Attributable to Noncontrolling Interest		
Consolidated net (loss) income attributable to:		
Noncontrolling interest	(325,908)	(490,600)
Michigan State University Federal Credit Union	5,135,392	73,869,738
Consolidated net income	\$ 4,809,484	\$ 73,379,138

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2023	December 31, 2022
Consolidated Net Income	\$ 4,809,484	\$ 73,379,138
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on securities -		
Gain (loss) arising during the year	13,739,281	(50,220,393)
Postretirement benefit plan:		
Net gain arising during the year	356,490	2,250,907
Reclassification adjustment - Net actuarial loss	(3,461,963)	(2,831,562)
Total postretirement benefit plan	(3,105,473)	(580,655)
Total other comprehensive income (loss)	10,633,808	(50,801,048)
Comprehensive Income	\$ 15,443,292	\$ 22,578,090
Amounts Attributable to Noncontrolling Interest		
Comprehensive (loss) income attributable to:		
Noncontrolling interest	\$ (325,908)	\$ (490,600)
Michigan State University Federal Credit Union	15,769,200	23,068,690
Comprehensive income	\$ 15,443,292	\$ 22,578,090

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY

See notes to consolidated financial statements.

Years Ended December 31, 2023 and 2022

	Regular Reserve	Equity Acquired in Mergers	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Noncontrolling Interest	Total Equity
Balance - January 1, 2022	\$ 17,980,012	\$ 3,825,906	\$ 607,368,830	\$ 7,355,560	\$ 636,530,308	\$ 2,488,744	\$ 639,019,052
Comprehensive income (loss):							
Net income (loss)	-	-	73,869,738	-	73,869,738	(490,600)	73,379,138
Unrealized loss on securities	-	-	-	(50,220,393)	(50,220,393)	-	(50,220,393)
Postretirement benefit plan	-	-	-	(580,655)	(580,655)	-	(580,655)
Balance - December 31, 2022	17,980,012	3,825,906	681,238,568	(43,445,488)	659,598,998	1,998,144	661,597,142
Cumulative effect of change in accounting principle (Note 3)	-	-	(7,518,218)	-	(7,518,218)	-	(7,518,218)
Comprehensive income (loss):							
Net income (loss)	-	-	5,135,392	-	5,135,392	(325,908)	4,809,484
Unrealized loss on securities	-	-	-	13,739,281	13,739,281	-	13,739,281
Postretirement benefit plan	-	-	-	(3,105,473)	(3,105,473)	-	(3,105,473)
Transfer - Net	(17,980,012)	-	17,980,012	-	-	-	-
Dissolution of minority interest	-	-	-	-	-	(1,672,236)	(1,672,236)
Balance - December 31, 2023	\$ -	\$ 3,825,906	\$ 696,835,754	\$ (32,811,680)	\$ 667,849,980	\$ -	\$ 667,849,980

CONSOLIDATED STATEMENT OF CASH FLOWS

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2023	December 31, 2022
Cash Flows from Operating Activities		
Consolidated net income	\$ 4,809,484	\$ 73,379,138
Adjustments to reconcile consolidated net income to net cash and cash equivalents from operating activities:		
Depreciation and amortization	19,905,091	15,739,116
Provision for credit losses	26,496,175	21,933,794
Net amortization of securities	1,798,315	3,648,598
Net realized (gains) losses on marketable securities	(5,369)	122,707
Net unrealized (gains) losses on marketable securities	(897,054)	900,638
Net loss on sale of available-for-sale securities	235	3,365
Loss (gain) on disposal of premises and equipment	123,606	(17,863)
Earnings on employee benefits funding assets	(2,198,752)	(2,058,996)
Actuarial gain on postretirement benefit liability	(3,227,694)	(2,640,974)
Net change in:		
Other assets	(15,641,784)	(17,508,139)
Accrued expenses and other liabilities	12,995,566	25,254,558
Net cash and cash equivalents provided by operating activities	44,157,819	118,755,942
Cash Flows from Investing Activities		
Net change in loans	(522,414,460)	(899,161,313)
Activity in available-for-sale securities:		
Proceeds from sales	146,391	175,000
Maturities, prepayments, and calls	90,760,205	78,014,091
Purchases	(35,645,958)	(21,609,082)
Activity in other investments - Purchases	(3,934,007)	(20,672,249)
Purchases of split-interest life insurance	(16,422,625)	-
Proceeds from the sale of premises and equipment	6,800	725,000
Proceeds from surrender of business owned life insurance	9,057,596	379,765
Additions to premises and equipment	(48,480,825)	(53,747,580)
Proceeds from time deposits with other institutions	240,088,000	241,948,000
Purchases of time deposits with other institutions	(140,000,000)	(96,000,000)
Increase in NCUSIF deposit	(3,624,127)	(3,634,643)
Purchases of marketable securities	(1,267,338)	(1,808,037)
Proceeds from sale of marketable securities	1,595,087	21,256,521
Purchases of employee benefit funding assets	-	(7,810,680)
Loss (gain) on exit from CUSO	127,764	(2,485,444)
Proceeds from CUSOs	-	4,458,499
Investment in CUSOs	(14,872,531)	(14,081,520)
Net cash and cash equivalents used in investing activities	(444,880,028)	(774,053,672)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2023	December 31, 2022
Cash Flows from Financing Activities		
Net increase in members' shares	\$ 281,287,294	\$ 202,730,337
Proceeds from issuance of nonmember certificates	6,407,000	6,470,000
Proceeds from issuance of Federal Home Loan Bank advances	700,000,000	1,055,000,000
Repayment of Federal Home Loan Bank advances	(705,000,000)	(745,000,000)
Proceeds from issuance of FRB Bank Term Funding Program advances	100,000,000	-
Net cash and cash equivalents provided by financing activities	382,694,294	519,200,337
Net Change in Cash and Cash Equivalents	(18,027,915)	(136,097,393)
Cash and Cash Equivalents - Beginning of year	239,347,146	375,444,539
Cash and Cash Equivalents - End of year	\$ 221,319,231	\$ 239,347,146
Supplemental Cash Flow Information - Cash paid for interest	\$ 136,466,583	\$ 40,147,550
Significant Noncash Transactions - Transfers from loans to other real estate owned	\$ 474,742	\$ 192,689

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 1 - Nature of Business

The consolidated financial statements include the accounts of Michigan State University Federal Credit Union (the "Credit Union"); Reseda Group LLC, a wholly owned holding company for investments in credit union service organizations (CUSOs); and Desk Drawer Fund (DDF), a charitable foundation in which the Credit Union is the sole member. Intercompany accounts and transactions were eliminated in consolidation.

Michigan State University Federal Credit Union is a federally chartered credit union regulated by the National Credit Union Administration (NCUA) and insured by the National Credit Union Share Insurance Fund (NCUSIF). The Credit Union operates branches in the metropolitan Lansing, Detroit, Grand Rapids, and Traverse City areas; and Oakland County.

The Credit Union grants consumer loans (including credit card loans), various types of mortgage loans, and business loans to its members. The Credit Union's primary field of membership includes students, alumni, and employees of Michigan State University and Oakland University. Oakland University is served under the registered trade name Oakland University Credit Union. The majority of member loans are secured by collateral, including, but not limited to, members' shares, vehicles, real estate, and other consumer assets. Deposit services include interest-bearing and non-interest-bearing checking accounts, savings accounts, money market accounts, certificates, and IRAs. Other services include mobile applications and computer and phone transactions, as well as automated teller machines.

The Desk Drawer Fund (DDF) is a charitable foundation formed in 2019 under Section 501(c)(3) of the Internal Revenue Code to support the Credit Union's communities. The DDF provides members and employees with a source to perform charitable giving that makes a visible difference in the community that focuses on five philanthropic pillars: arts and culture, stable housing, empowering youth, financial education, and fostering entrepreneurialism.

Verte Investments LLC is a single-member limited liability company formed in 2023 to support a minority investment in the redevelopment of the Fisher Building in Detroit, Michigan, and recognition of associated historic tax credits. The DDF is the single member of Verte Investments LLC.

Reseda Group LLC is a single-member limited liability company formed in 2021 to support the Credit Union's investments in CUSOs. Reseda Group LLC makes investments in, or creates, CUSOs that will complement the products and services available to members across the credit union industry and enhance operational efficiencies through investments in

our supply chain and strategic partnerships with fintech companies.

Ever Green 3C LLC is a single-member limited liability company formed in 2021 to provide consulting services related to financial education; community development and corporate philanthropy; and diversity, equity, and inclusion. Reseda Group LLC is the single member of Ever Green 3C LLC. In 2023, Ever Green 3C LLC was dissolved as a separate entity and the products and services are now offered through Reseda Group LLC.

Foresight Group LLC is a single-member limited liability company formed in 2021 to provide commercial printing, direct mail services, and promotion items to credit unions and various other industries. Reseda Group LLC is the single member of Foresight Group LLC.

Spave LLC is a limited liability company formed in 2021 to provide a financial application that allows users to use everyday spending to fuel savings growth and charitable giving. Reseda Group LLC is the majority owner of Spave LLC. The ownership interests of other parties in Spave LLC are presented as noncontrolling interest in the consolidated financial statements. In 2023, Spave LLC was dissolved, and the minority interest was divested. Reseda Group LLC retained the intellectual property to continue the financial application as a product line rather than a separate entity.

M3 Group LLC is a limited liability company formed in 2022 to provide public relations, branding, and advertising agency services. Reseda Group LLC is the single member of M3 Group LLC.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the fair value of investments, and the expense and related liabilities for postretirement benefits. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, funds on deposit with other financial institutions, federal funds sold, and interest-bearing deposits with other financial institutions with original maturities of 90 days or less. Net cash flows are reported for member loan and share accounts.

Time Deposits with Other Financial Institutions

Time deposits with other financial institutions consist of certificates of deposit with contractual maturities of five years or less.

Investment Securities

Securities are classified as available for sale when they might be sold before maturity. Securities classified as available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income and as a separate component of members' equity. Interest income includes amortization or accretion of purchase premium or discount. Premiums and discounts on securities are amortized or accreted on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Certain premiums on callable debt securities are amortized over the period through the call date or maturity date, whichever is earliest. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

The Credit Union evaluates available for sale securities for impairment each reporting period. When evaluating available for sale securities for impairment, the Credit Union first considers if the fair value of the security is less than its amortized cost. If the fair value is less than the amortized cost, the Credit Union next evaluates whether it intends to sell, or if it is more likely than not it will be required to sell the security before it recovers its amortized cost basis. If either criteria is met, an impairment loss is recognized through earnings. If neither criteria is met, the Credit Union then assesses whether the decline in fair value is due to credit losses or other factors. If the Credit Union determines a credit loss exists, the Credit Union compares the present value of the cash flows expected to be collected to the amortized cost basis. An allowance for credit loss is recognized for the amount the amortized costs basis of the security exceeds the present value of the expected future cash flows, limited by the amount of the unrealized loss on the security at that date.

Investments in marketable securities are reported at fair value, with unrealized gains and losses included in earnings.

Other Investments

The Credit Union, as a member of the Federal Home Loan Bank (FHLB) of Indianapolis, is required to maintain an investment in the capital stock of the FHLB. The Credit Union held \$29,830,400 and \$27,848,900 of FHLB capital stock at December 31, 2023 and 2022, respectively. The stock is redeemable at par by the FHLB and, therefore, is carried at cost and periodically evaluated for impairment. The Credit Union records cash and stock dividends in interest income - investment securities on the consolidated statement of income.

Other investments also include the Credit Union's investment in Alloya Corporate Credit Union's (Alloya), Corporate Central Credit Union's (Corporate Central), and Corporate One Federal Credit Union's (Corporate One) permanent capital base, which is required to be maintained for full participation as a member of the corporate credit unions. The Alloya deposit was \$1,069,300 as of December 31, 2023 and 2022. The deposit is not insured by the NCUSIF. Interest on the deposit is paid quarterly based on available earnings at interest rates approved by Alloya's board of directors. In the event a member credit union withdraws from Alloya, the deposit would be repaid in one installment three years after notice of withdrawal is given. The Corporate Central deposit was \$2,000,000 as of December 31, 2023 and 2022. The deposit is not insured by the NCUSIF. Interest on the deposit is paid quarterly based on available earnings at interest rates approved by Corporate Central's board of directors. The deposit is not callable except during optional call periods specified by Corporate Central's board of directors and is subject to prior written approval by the NCUA. The Corporate One deposit was \$900,000 as of December 31, 2023 and 2022. The deposit is not insured by the NCUSIF. Interest on the deposit is paid quarterly based on available earnings at interest rates approved by Corporate One's board of directors.

In 2020, the Credit Union became a member of the NCUA Central Liquidity Facility, which required a stock purchase determined by asset size. The Credit Union held \$16,665,597 and \$14,713,090 of stock at December 31, 2023 and 2022, respectively. The Credit Union has the ability to borrow money from the NCUA via the Central Liquidity Facility, which is an instrument of monetary policy that allows eligible institutions to borrow money from the NCUA to meet temporary shortages of liquidity. The interest rate for advances will be the borrowing rate in effect on the date of the borrowings. The Credit Union has no borrowings outstanding as of December 31, 2023 or 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 2 - Significant Accounting Policies (continued)

Loans

The Credit Union grants mortgage, commercial, and consumer loans to members. A substantial portion of the loan portfolio is represented by loans throughout the State of Michigan. The ability of the Credit Union's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan's yield using the interest method.

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

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. Any interest payments received on nonaccrual loans are accounted for as a reduction to the unpaid principal balance of the nonaccrual loan for financial reporting purposes. If a loan is returned to accrual, the interest payments previously received continue to be reported as a reduction of the unpaid principal balance until the loan is paid off, at which time the interest payments are recognized in interest income.

Allowance for Credit Losses

An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the loans. The Credit Union collectively evaluates notes receivable to determine the allowance for credit losses based on portfolio performance, collateral values, and remaining lives. The Credit Union elected not to include accrued interest receivable in the calculation of expected credit losses.

Loans that do not share similar risk characteristics with other loans are evaluated individually. When repayment of collateral is expected to be dependent on the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral as of the reporting date.

The Credit Union calculates the allowance for credit losses

using an expected loss model that considers the Credit Union's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Credit Union considers trends in unemployment rates, housing values, and member behavior when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for doubtful accounts in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. Notes are considered delinquent if the repayment terms are not met.

For 2022, the Credit Union's allowance for loan losses was evaluated on a regular basis by management and was based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation was inherently subjective, as it required estimates that were susceptible to significant revision as more information became available. The allowance consisted of both specific and general reserve components. The specific component related to loans that were classified as impaired. A specific allowance was established for impaired loans when the discounted cash flows (or collateral value or observable market price) of the impaired loan was lower than the carrying value of that loan. The general component covered nonimpaired loans and was based on historical loss experience adjusted for qualitative factors.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and initially recorded at the fair value of the real estate, less estimated costs to sell, through a charge to the allowance for loan losses, if necessary. Subsequent to foreclosure, valuations are periodically performed by management, and writedowns required by changes in estimated fair value are charged against earnings through a valuation allowance and reported in other noninterest expenses. The carrying value of foreclosed assets, included in other assets on the consolidated statement of financial condition, was \$329,803 and \$700,181 as of December 31, 2023 and 2022, respectively.

Premises and Equipment

Land and land improvements are carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation, computed on 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 shorter of the lease term or the life of the leasehold improvements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Goodwill

The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill is not amortized but rather is assessed at least on an annual basis for impairment.

No impairment charge was recognized during the years ended December 31, 2023 and 2022.

Employee Benefit Funding Assets

The Credit Union has purchased life insurance policies on certain key officers. Business-owned life insurance is recorded at its cash surrender value or the amount that can be realized upon immediate liquidation. Additionally, the Credit Union carries certificates at cost plus accrued interest.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1 percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA board.

NCUSIF Insurance Premium

A credit union is required to pay an annual insurance premium equal to one-twelfth of 1 percent of its total insured shares, unless the payment is waived or reduced by the NCUA board. The NCUA board waived the 2023 and 2022 insurance premiums.

Other Assets

The Credit Union has entered into an agreement and granted loans to fund life insurance premium payments for certain key employees. The loans are nonrecourse and are collateralized by the assignment of the respective life insurance policies. The policies are owned by the executive, and the key employee has sole control over the listed beneficiaries. The total value of the loans included in other assets was \$18,159,363 and \$1,649,906 at December 31, 2023 and 2022, respectively. The key employees may use other funds to pay back the loan; however, the split death benefit of the life insurance policy is intended to be the primary source of repayment. At December 31, 2023 and 2022, the cash surrender value of the life insurance contracts securing the loan totaled \$18,159,363 and \$1,649,906, respectively.

Members' and Nonmembers' Share and Savings Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share accounts is based on the available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by management and approved by the board of directors based on an evaluation of current and future market conditions.

Nonmembers' shares include negotiated brokered certificates of deposits. The brokered certificates of deposits issued through the Primary Financial SimpliCD program are issued in a variety of amounts, although always less than or equal to \$250,000.

Members' Equity

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest. The Credit Union elected to transfer the statutory reserve to undivided earnings during 2023.

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes.

The Desk Drawer Fund is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by DDF and recognize a tax liability if DDF has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities. Management has analyzed the tax positions taken by DDF and has concluded that, as of December 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. DDF is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Reseda Group LLC is a wholly owned limited liability company and is considered a disregarded entity for tax purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 2 - Significant Accounting Policies (continued)

Other Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available-for-sale securities and amounts recognized related to postretirement benefit plans (gains and losses, prior service costs, and transition assets or obligations), are reported as a direct adjustment to the equity section of the consolidated statement of financial condition. Such items, along with net income, are considered components of comprehensive income. For the year ended December 31, 2023, accumulated other comprehensive losses were attributable to \$43,280,078 of unrealized losses on available-for-sale securities and \$10,468,398 of unrealized gain on the postretirement benefit plan.

Loan and Other Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments such as commitments to make loans and business letters of credit, issued to meet member financing needs. The face amount for these items represents the exposure to loss before considering member collateral or ability to repay. Such financial instruments are recorded when they are funded. The Credit Union maintains an allowance for credit losses on unfunded loan commitments. The allowance is determined using a methodology similar to that used to determine the allowance for credit losses on loans, modified to include an estimation of the probability of funding.

Reseda Group LLC has an outstanding commitment of \$2,850,000 to fund future capital calls in relation to a certain CUSO investment. Additional capital calls have not been made by the fund as of December 31, 2023.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements at December 31, 2023 and 2022.

Reclassification

Certain 2022 amounts have been reclassified to conform to the 2023 presentation.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including February 21, 2024, which is the date the consolidated financial statements were available to be issued.

The Credit Union merged in Gabriels Community Credit Union effective January 1, 2024. The primary reason for the merger was the proximity of the branches acquired to current credit union members, as well as the potential growth opportunities. The acquisition will add approximately \$29.56 million in assets acquired and liabilities assumed. The Credit Union will gain a branch location in Jackson, Michigan, and the existing Gabriels Community Credit Union field of membership.

Note 3 - Adoption of New Accounting Pronouncement

As of January 1, 2023, the Credit Union adopted Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU includes increased disclosures and various changes to the accounting and measurement of financial assets, including the Credit Union's loans and available-for-sale debt securities. Under the standard, each financial asset presented on the statement of financial condition has a unique allowance for credit losses valuation account that is deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this ASU also eliminated the probable initial recognition threshold and, instead, reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The ASU was applied using a modified retrospective transition method to the beginning of the first reporting period in which the guidance is effective. The standard resulted in a cumulative effect of change in accounting principle adjustment of \$7,518,218 to undivided earnings, a \$4,866,046 increase to the allowance for credit losses, and a \$2,652,172 increase to other liabilities to establish a reserve for unfunded loan commitments on January 1, 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 4 - Investment Securities

The fair value of marketable securities at December 31 is as follows:

	2023	2022
Marketable securities	\$ 7,122,514	\$ 6,547,604

For the year ended December 31, 2023, there was a total of \$902,423 of net gains on marketable securities, recognized in the consolidated statement of income, which includes \$897,054 of net unrealized gains and \$5,369 in realized gains. For the year ended December 31, 2022, there was a total of \$10,753,586 in net gains on marketable securities recognized in the consolidated statement of income, which includes \$1,026,710 in net unrealized losses and \$11,780,296 in realized gains. The realized gain of \$11,780,296 as of December 31, 2022 was a result of the sale of 44,811 VISA Class B common stock shares with \$0 cost basis.

The amortized cost and fair value of securities available for sale and gross unrealized gains and losses recognized in accumulated and other comprehensive loss at December 31 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2023				
Available for Sale:				
U.S. government and federal agency obligations	\$ 337,548,421	\$ -	\$ (15,604,144)	\$ 321,944,277
Mortgage-backed securities — Residential	158,568,232	-	(24,246,490)	134,321,742
SBA loan pools	31,296,757	-	(1,269,756)	30,027,001
Other debt securities	19,410,142	47,488	(1,202,974)	18,254,656
Subordinated debt securities	9,000,000	-	(1,004,202)	7,995,798
Total	<u>\$ 555,823,552</u>	<u>\$ 47,488</u>	<u>\$ (43,327,566)</u>	<u>\$ 512,543,474</u>
2022				
Available for Sale:				
U.S. government and federal agency obligations	\$ 366,241,703	\$ -	\$ (27,054,787)	\$ 339,186,916
Mortgage-backed securities — Residential	181,387,590	-	(27,511,059)	153,876,531
SBA loan pools	42,266,469	263,583	(264,166)	42,265,886
Other debt securities	18,987,214	3,178	(1,930,788)	17,059,604
Subordinated debt securities	4,000,000	-	(525,320)	3,474,680
Total	<u>\$ 612,882,976</u>	<u>\$ 266,761</u>	<u>\$ (57,286,120)</u>	<u>\$ 555,863,617</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 4 - Investment Securities (continued)

At December 31, 2023 and 2022, securities with a carrying value of approximately \$170,605,000 and \$41,347,000, respectively, were pledged as collateral to secure borrowed funds, and a security with a carrying value of approximately \$5,000,000 was pledged to the discount window.

The amortized cost and fair value of investment securities by contractual maturity at December 31, 2023 are as follows:

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ 187,213,663	\$ 181,200,198
Due in one through five years	175,951,883	164,381,906
Due in five years through ten years	2,793,017	2,612,627
Total	365,958,563	348,194,731
Mortgage-backed securities — Residential	158,568,232	134,321,742
SBA loan pools	31,296,757	30,027,001
Marketable securities	6,374,529	7,122,514
Total	\$ 562,198,081	\$ 519,665,988

Proceeds from sales of investment securities were \$1,741,478, gross realized gains were \$115,161, and gross realized losses were \$109,792 for the year ended December 31, 2023. Proceeds from sales of investment securities were \$2,931,521, gross realized gains were \$113,156, and gross realized losses were \$239,228 for the year ended December 31, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 4 - Investment Securities (continued)

Information pertaining to investment securities with gross unrealized losses at December 31, 2023 and 2022, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	LESS THAN 12 MONTHS		MORE THAN 12 MONTHS	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
2023				
Available for Sale:				
U.S. government and federal agency obligations	\$ -	\$ -	\$ (15,604,144)	\$ 321,944,277
Mortgage-backed securities — Residential	-	-	(24,246,490)	134,321,742
SBA loan pools	(97,669)	7,987,509	(1,172,087)	22,039,492
Other debt securities	(2,448)	329,625	(1,200,526)	15,327,288
Subordinated debt	(300,000)	4,700,000	(704,202)	3,295,798
Total	\$ (400,117)	\$ 13,017,134	\$ (42,927,449)	\$ 496,928,597
2022				
Available for Sale:				
U.S. government and federal agency obligations	\$ (528,169)	\$ 19,548,580	\$ (26,526,618)	\$ 319,638,336
Mortgage-backed securities — Residential	(1,558,055)	22,006,689	(25,953,004)	131,869,842
SBA loan pools	(123,633)	4,845,698	(140,533)	11,199,593
Other debt securities	(489,970)	4,931,733	(1,440,818)	11,208,876
Subordinated debt	(525,320)	3,474,680	-	-
Total	\$ (3,225,147)	\$ 54,807,380	\$ (54,060,973)	\$ 473,916,647

Unrealized losses on investment securities have not been recognized into income because the issuers' bonds are of high credit quality, the Credit Union has the intent and ability to hold the securities for the foreseeable future, and the declines in fair value are primarily due to increased market interest rates and market volatility. The fair values are expected to recover as the bonds approach their maturity dates. There are 321 and 341 investment securities in an unrealized loss position at December 31, 2023 and 2022, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 5 - Loans and Allowance for Credit Losses

A summary of the balances of loans follows:

	2023	2022
Consumer	\$ 3,109,868,762	\$ 2,872,693,476
Mortgage	2,264,440,998	2,155,609,906
Business	713,337,310	563,418,780
Total loans	6,087,647,070	5,591,722,162
Less allowance for loan losses	37,762,657	29,032,855
Plus net deferred loan costs	4,696,977	3,492,016
Net loans	\$ 6,054,581,390	\$ 5,566,181,323

In the ordinary course of business, the Credit Union has granted loans to principal officers and directors and their affiliates amounting to \$3,136,000 and \$3,164,000 as of the years ended December 31, 2023 and 2022, respectively.

The Credit Union's activity in the allowance for credit losses for the years ended December 31, 2023 and 2022, by loan segment, is summarized below:

YEAR ENDED DECEMBER 31, 2023

	Beginning Balance	Adoption of Accounting Pronouncement	Charge-offs	Recoveries	Provision	Ending Balance
Allowance for credit losses:						
Consumer:						
Secured	\$ 5,974,451	\$ 5,465,717	\$ (9,178,219)	\$ 1,441,995	\$ 6,181,103	\$ 9,885,047
Unsecured	10,559,873	4,848,650	(15,073,907)	1,232,110	20,625,585	22,192,311
Other	1,069,887	716,603	(1,973,811)	610,062	2,129,985	2,552,726
Mortgage:						
First mortgages	1,942,615	(19,157)	-	-	(780,908)	1,142,550
Home equity	221,486	\$ (48,617)	\$ -	\$ 124,583	\$ (224,069)	\$ 73,383
Business:						
VISA and commercial vehicle	131,429	9,500	(218,199)	3,048	390,984	316,762
Other business loans	9,133,114	(6,106,650)	(57,397)	1,179	(1,370,368)	1,599,878
Total	\$ 29,032,855	\$ 4,866,046	\$ (26,501,533)	\$ 3,412,977	\$ 26,952,312	\$ 37,762,657

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 5 - Loans and Allowance for Credit Losses (continued)

YEAR ENDED DECEMBER 31, 2022

	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Allowance for credit losses:					
Consumer	\$ 10,710,915	\$ (14,296,741)	\$ 2,753,072	\$ 18,436,965	\$ 17,604,211
Mortgage	494,482	(99,893)	31,069	1,738,443	2,164,101
Business	7,642,588	(140,281)	3,850	1,758,386	9,264,543
Total	\$ 18,847,985	\$ (14,536,915)	\$ 2,787,991	\$ 21,933,794	\$ 29,032,855

YEAR ENDED DECEMBER 31, 2022

	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Ending Allowance Balance
Ending allowance attributable to loans:			
Consumer	\$ -	\$ 17,604,211	\$ 17,604,211
Mortgage	15,395	2,148,706	2,164,101
Business	21,208	9,243,335	9,264,543
Total	\$ 36,603	\$ 28,996,252	\$ 29,032,855

YEAR ENDED DECEMBER 31, 2022

	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total Loans
Loans:			
Consumer	\$ -	\$ 2,872,693,476	\$ 2,872,693,476
Mortgage	8,136,442	2,147,473,464	2,155,609,906
Business	31,762	563,387,018	563,418,780
Total	\$ 8,168,204	\$ 5,583,553,958	\$ 5,591,722,162

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 5 - Loans and Allowance for Credit Losses (continued)

Credit Quality Disclosures

The Credit Union categorizes each loan into credit risk categories based on the contractual aging status of the loan and payment activity. Such assessments are completed at the end of each reporting period.

The following tables present the amortized cost basis of loans, which for 2023 includes net deferred loan costs, evaluated by contractual aging at December 31, 2023 and 2022. Performing loans are less than two months past due and nonperforming loans are greater than 60 days or more past due at December 31, 2023 and 2022.

	DECEMBER 31, 2023			DECEMBER 31, 2022		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer:						
Secured	\$ 2,259,726,066	\$ 22,665,284	\$ 2,282,391,350	\$ 2,217,524,639	\$ 13,710,725	\$ 2,231,235,364
Unsecured	659,822,593	8,404,412	668,227,005	461,339,725	4,121,192	465,460,917
Other	171,776,742	1,603,348	173,380,090	175,060,064	937,131	175,997,195
Mortgage:						
First mortgages	1,994,093,431	6,550,566	2,000,643,997	1,928,775,882	4,544,895	1,933,320,777
Home equity	256,167,407	\$ 639,791	\$ 256,807,198	\$ 221,932,132	\$ 356,997	\$ 222,289,129
Business:						
VISA and commercial vehicle	19,722,909	45,226	19,768,135	-	-	-
Other business loans	690,631,628	494,644	691,126,272	-	-	-
Total	\$ 6,051,940,776	\$ 40,403,271	\$ 6,092,344,047	\$ 5,004,632,442	\$ 23,670,940	\$ 5,028,303,382

The Credit Union has certain nonperforming loans considered to be collateral dependent. The amortized cost of these loans are approximately \$5,700,000 at December 31, 2023, and are secured by commercial or residential real estate.

For business loans, the Credit Union also categorizes each loan into credit risk categories based on current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. The Credit Union uses the following definitions for credit risk ratings for business loans:

Acceptable

Credits not covered by the below definitions are pass credits, which are not considered to be adversely rated.

Special Mention

Loans classified as special mention, or watch credits, have a potential weakness or weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 5 - Loans and Allowance for Credit Losses (continued)

Substandard

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution may 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 characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Business credit cards and commercial vehicle loans are not risk rated.

The following tables present the amortized cost basis of business loans by credit quality indicator as of December 31, 2023 and 2022:

	Not Graded	Acceptable	Special Mention	Substandard	Doubtful	Total
2023						
Business loans	\$ 19,768,135	\$ 665,742,287	\$ 24,553,843	\$ 806,021	\$ 24,121	\$ 710,894,407
2022						
Business loans	\$ 17,086,238	\$ 512,695,803	\$ 33,040,068	\$ 591,809	\$ 4,862	\$ 563,418,780

Other business loans rated as doubtful in the table above are considered to be collateral dependent and presented at fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 5 - Loans and Allowance for Credit Losses (continued)

Age Analysis of Past-due Loans

The Credit Union's age analysis of the amortized cost basis and unpaid principal balance of past-due loans at December 31, 2023 and 2022, by loan segment and class, is summarized below:

	30-59 Days Past Due	60-89 Days Past Due	90 or More Days	Total Past Due	Current	Total Loans
2023						
Consumer:						
Secured	\$ 22,474,165	\$ 9,437,918	\$ 13,227,366	\$ 45,139,449	\$ 2,237,251,901	\$ 2,282,391,350
Unsecured	7,533,568	2,468,624	5,935,788	15,937,980	652,289,025	668,227,005
Other	1,667,850	573,121	1,030,227	3,271,198	170,108,892	173,380,090
Mortgage:						
First mortgages	10,577,054	3,030,694	3,519,872	17,127,620	1,983,516,377	2,000,643,997
Home equity	1,409,899	234,977	404,814	2,049,690	254,757,508	256,807,198
Business:						
VISA and commercial vehicle	260,418	22,612	22,614	305,644	19,462,491	19,768,135
Other business loans	6,583,178	50,181	444,463	7,077,822	684,048,450	691,126,272
Total	\$ 50,506,132	\$ 15,818,127	\$ 24,585,144	\$ 90,909,403	\$ 6,001,434,644	\$ 6,092,344,047
2022						
Consumer:						
Secured	\$ 17,965,164	\$ 7,346,867	\$ 6,363,858	\$ 31,675,889	\$ 2,199,559,475	\$ 2,231,235,364
Unsecured	4,962,666	1,571,564	2,549,628	9,083,858	456,377,059	465,460,917
Other	1,404,454	443,872	493,259	2,341,585	173,655,610	175,997,195
Mortgage:						
First mortgages	5,452,763	1,989,619	2,555,276	9,997,658	1,923,323,119	1,933,320,777
Home equity	743,765	78,349	278,648	1,100,762	221,188,367	222,289,129
Business	727,422	51,842	31,762	811,026	562,607,754	563,418,780
Total	\$ 31,256,234	\$ 11,482,113	\$ 12,272,431	\$ 55,010,778	\$ 5,536,711,384	\$ 5,591,722,162

There were no loans past due greater than 90 days and accruing interest as of December 31, 2023 and 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 5 - Loans and Allowance for Credit Losses (continued)

Nonaccrual Loans

The Credit Union's amortized cost basis and unpaid principal balance of loans on nonaccrual status at December 31, 2023 and 2022, by loan segment and class, are summarized below:

	2023			2022	
	Nonaccrual Loans with No ACL	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans	Total Nonaccrual Loans	
Consumer:					
Secured	\$ -	\$ 13,227,366	\$ -	\$ 6,363,858	
Unsecured	-	5,935,788	-	2,549,628	
Other	-	1,030,227	-	493,259	
Mortgage:					
First mortgages	-	3,519,872	-	2,555,276	
Home equity	-	\$ 404,814	\$ -	\$ 278,648	
Business:					
VISA and commercial vehicle	-	22,614	-	-	
Other business loans	-	444,463	-	31,762	
Total	\$ -	\$ 24,585,144	\$ -	\$ 12,272,431	

Troubled Debt Restructurings

Prior to the adoption of ASC 326, a modification of a loan constitutes a troubled debt restructuring (TDR) when a borrower is experiencing financial difficulty and the modification constitutes a concession. The Credit Union offers various types of concessions when modifying a loan; however, forgiveness of principal is rarely granted. As of December 31, 2022, the Credit Union had 16 loans with an unpaid principal balance of approximately \$1,541,000 considered to be troubled debt restructurings.

There were no loans modified as troubled debt restructurings within the previous 12 months that became 30 days or more past due during the year ended December 31, 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 5 - Loans and Allowance for Credit Losses (continued)

Modifications

The following table presents the amortized cost basis as of December 31, 2023 of the loans modified to borrowers experiencing financial difficulty disaggregated by class of financing receivable and type of concession granted during the reporting period:

	DECEMBER 31, 2023			
	Other Than Insignificant Payment Delays		Other Than Insignificant Term Extensions	
	Amortized Cost Basis	Percent of Total Class of Financing Receivable	Amortized Cost Basis	Percent of Total Class of Financing Receivable
Consumer:				
Secured	\$ -	- %	\$ 1,879,896	0.08 %
Unsecured	307,424	0.05	1,533,559	0.23
Other	-	-	138,786	0.08
Mortgage:				
First mortgages	319,587	0.02	-	-
Home equity	47,343	0.02	-	-
Business:				
VISA and commercial vehicle	123,565	0.06	-	-
Other business loans	56,129	0.01	13,433,910	1.94
Total	\$ 854,048	0.16 %	\$ 16,986,151	2.33 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 5 - Loans and Allowance for Credit Losses (continued)

The following table presents the financial effect by type of modification made to borrowers experiencing financial difficulty and class of financing receivable:

	YEAR ENDED DECEMBER 31, 2023	
	Other Than Insignificant Payment Delays	Other Than Insignificant Term Extensions
Consumer - Secured	-	<p>Provided 3-or 4-month payment deferrals through standard deferral program, up to twice within the year. The deferred payments were added to the end the loan term. Some deferrals still required interest-only payments, while others deferred the full monthly payment amount.</p> <p>Alternatively, provided reduced monthly payment amounts and extended the term of the loan up to 12 months, as part of a debt management plan with the borrowers.</p>
Consumer - Unsecured	<p>Provided 3- or 4-month payment deferrals through standard deferral program, up to twice within the year. The deferred payments were added to the end the loan term. Some deferrals still required interest-only payments, while others deferred the full monthly payment amount.</p> <p>Alternatively, provided reduced monthly payment amounts and extended the term of the loan up to 12 months, as part of a debt management plan with the borrowers.</p>	<p>Provided 3- or 4-month payment deferrals through standard deferral program, up to twice within the year. The deferred payments were added to the end the loan term. Some deferrals still required interest-only payments, while others deferred the full monthly payment amount.</p> <p>Alternatively, provided reduced monthly payment amounts and extended the term of the loan up to 12 months, as part of a debt management plan with the borrowers.</p>
Consumer - Other	-	<p>Provided 3- or 4-month payment deferrals through standard deferral program, up to twice within the year. The deferred payments were added to the end the loan term. Some deferrals still required interest-only payments, while others deferred the full monthly payment amount.</p> <p>Alternatively, provided reduced monthly payment amounts and extended the term of the loan up to 12 months, as part of a debt management plan with the borrowers.</p>
First mortgages	<p>Provided for reduced payments for up to 6 months, with the current reductions required at final maturity date.</p>	-
Home equity	<p>Provided for reduced payments for up to 7 months, with the current reductions required at final maturity date.</p>	-
Business - VISA and commercial vehicle	<p>Provided for reduced payments for up to 3 months, with the current reductions required later in the term of the debt, in some cases still requiring interest-only payments during the deferral period.</p>	-
Other business loans	<p>Provided for reduced payments for up to 3 months, with the current reductions required later in the term of the debt, in some cases still requiring interest-only payments during the deferral period.</p>	<p>Provided for term extensions up to 12 months, deferring either the required regularly monthly payments to be added to the end of the contractual loan term, or deferring the balloon payment at scheduled maturity up to 12 months.</p>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 5 - Loans and Allowance for Credit Losses (continued)

The following table presents the period-end amortized cost basis of financing receivables that have had a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty:

	DECEMBER 31, 2023	
	Other Than Insignificant Payment Delays	Other Than Insignificant Term Extensions
Consumer:		
Secured	\$ -	\$ 1,437,300
Unsecured	244,627	520,300
Other	-	76,451
Mortgage - Home equity	47,343	-
Business:		
VISA and commercial vehicle	60,405	-
Other business loans	29,057	1,728,018
Total	\$ 381,432	\$ 3,762,069

The following table presents the period-end amortized cost basis of loans that have been modified in the past 12 months to borrowers experiencing financial difficulty by payment status and class of receivable:

	DECEMBER 31, 2023			
	Current	30-89 Days	Greater Than 90 Days	Total
Consumer:				
Secured	\$ 1,130,094	\$ 550,807	\$ 198,845	\$ 1,879,896
Unsecured	1,449,063	209,038	182,802	1,840,983
Other	129,448	9,338	-	138,786
Mortgage:				
First mortgages	90,083	229,504	-	319,587
Home equity	-	-	47,343	47,343
Business:				
VISA and commercial vehicle	81,522	42,043	-	123,565
Other business loans	6,617,934	6,465,575	406,530	13,490,039
Total	\$ 9,498,144	\$ 7,506,305	\$ 835,520	\$ 17,840,199

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 6 - Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment is as follows:

	2023	2022
Land	\$ 21,347,232	\$ 21,317,065
Buildings and building improvements	234,695,728	197,003,858
Furniture, fixtures, equipment, and software	52,059,737	42,006,911
Leasehold improvements	4,476,533	1,477,253
Construction in progress	15,085,149	36,209,457
Leased space - Right of use	15,243,695	7,035,355
Total cost	342,908,074	305,049,899
Accumulated depreciation	(51,905,835)	(50,701,328)
Net premises and equipment	\$ 291,002,239	\$ 254,348,571

The Credit Union had outstanding contract commitments as of December 31, 2023 for planned construction of new branches and offices totaling approximately \$25,926,000.

Depreciation and amortization expense for 2023 and 2022 totaled approximately \$19,905,000 and \$15,739,000, respectively.

The Credit Union enters into leases in the normal course of business primarily for office operations, locations, and branches. The Credit Union's leases have remaining terms ranging from 3 to 20 years, some of which include renewal or termination options to extend the lease for up to 20 years and some of which include options to terminate the lease within 1 year. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 1.51 percent to 5.34 percent.

The land on which a branch is located is leased from Michigan State University for \$1. The lease expires in 2110.

As of December 31, 2023 and 2022, the Credit Union recognized right-of-use assets of \$15,243,695 and \$7,035,355, respectively, related to operating leases within property and equipment on the consolidated statement of financial condition. As of December 31, 2023 and 2022, the Credit Union recognized lease liabilities of \$15,507,168 and \$7,064,014, respectively, related to operating leases within other liabilities on the consolidated statement of financial condition. The Credit Union had no finance leases as of December 31, 2023 and 2022.

Rental expense for the years ended December 31, 2023 and 2022 for facilities leased under operating leases totaled \$1,296,093 and \$962,638, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 6 - Premises and Equipment (continued)

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2023, pertaining to premises and equipment, future minimum rent commitments under various operating leases are as follows:

Years Ending	Amount
2024	\$ 2,070,538
2025	2,251,882
2026	2,209,625
2027	1,922,375
2028	1,871,713
Thereafter	9,453,692
Total	19,779,825
Less amount representing interest	(4,272,657)
Present value of net minimum lease payments	\$ 15,507,168

Note 7 - Members' and Nonmembers' Share and Savings Accounts

A summary of members' and nonmembers' share and savings accounts at December 31 is as follows:

	2023	2022
Regular shares	\$ 703,359,185	\$ 817,289,361
Share draft	807,622,257	847,746,687
Money market checking	148,395,452	145,486,472
Insured money management accounts	1,890,889,837	2,074,963,172
Business deposits	495,870,529	465,893,968
Share certificates	2,166,273,892	1,579,744,198
Total members' share and savings accounts	6,212,411,152	5,931,123,858
Nonmembers' deposits	12,877,000	6,470,000
Total members' and nonmembers' share and savings accounts	\$ 6,225,288,152	\$ 5,937,593,858

The NCUSIF insures members' shares and savings accounts. For the years ended December 31, 2023 and 2022, legislation provides minimum NCUSIF coverage of \$250,000 on member share accounts. This includes all account types, such as regular share, share draft, money market, money management, business, and certificates of deposit. The aggregate amount of time deposit accounts in denominations of \$250,000 or more at December 31, 2023 and 2022, were approximately \$530,114,000 and \$353,080,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 7 - Members' and Nonmembers' Share and Savings Accounts (continued)

At December 31, 2023, scheduled maturities of members' share certificates and nonmembers' deposits are as follows:

Years Ending	Members' Share Certificates	Nonmembers' Deposits
2024	\$ 1,401,226,227	\$ 6,122,000
2025	428,968,372	748,000
2026	106,481,297	6,007,000
2027	89,910,922	-
2028	56,644,761	-
Thereafter	83,042,313	-
Total	\$ 2,166,273,892	\$ 12,877,000

In the normal course of business, the Credit Union's directors, supervisory committee members, and executive officers maintain share accounts. The total amount of these shares at December 31, 2023 and 2022 was approximately \$3,873,000 and \$3,211,000, respectively.

Note 8 - Borrowings

The Credit Union has advances from the Federal Home Loan Bank of Indianapolis totaling \$590,000,000 and \$595,000,000 at December 31, 2023 and 2022, respectively. The advances require monthly interest payments based on the rate offered at the time each advance was taken. The interest rates range from 0.68 percent to 5.48 percent on balances outstanding, with a weighted-average interest rate of 3.56 percent at December 31, 2023. The interest rates ranged from 0.68 to 4.71 percent on balances outstanding, with a weighted-average interest rate of 3.47 percent at December 31, 2022. The advances are collateralized by mortgage loans and investment securities of approximately \$1.22 billion as of December 31, 2023. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the FHLB.

The Credit Union has \$1,711,246,900 and \$1,486,427,600 in additional borrowing capacity with the Federal Home Loan Bank of Indianapolis at December 31, 2023 and 2022, respectively.

The Credit Union established access to the Federal Reserve Bank Term Funding Program in 2023. The Bank Term Funding Program was created to provide access to liquidity and offers terms up to one year. As of December 31, 2023, advances totaling \$100,000,000 were outstanding. The advances accrue interest at a rate of 4.85 percent, due at repayment or maturity. The advances are collateralized by investment securities of approximately \$135,000,000 as of December 31, 2023. There are no prepayment penalties.

The Credit Union has \$35,000,000 in additional borrowing capacity with the Bank Term Funding Program at December 31, 2023.

Future obligations of the advances are as follows at December 31, 2023:

Years Ending	Amount
2024	\$ 205,000,000
2025	55,000,000
2026	65,000,000
2027	110,000,000
2028	120,000,000
Thereafter	135,000,000
Total	\$ 690,000,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 9 - Lines of Credit

Under a line of credit agreement with Alloya Corporate Credit Union, the Credit Union has available borrowings of \$53,465,000 at December 31, 2023 and 2022. There were no amounts outstanding on the line of credit at December 31, 2023 and 2022. Alloya has a blanket pledge on all credit union assets as collateral for borrowings on this line of credit. Alloya rescinds any rights to qualifying assets pledged as collateral on the Federal Home Loan Bank of Indianapolis advances.

As of December 31, 2023, the Credit Union has available borrowings of \$60,000,000 at Corporate Central Credit Union. This line of credit is secured by the Credit Union's deposits held at Corporate Central Credit Union. There were no amounts outstanding on the line of credit at December 31, 2023 and 2022.

The Credit Union also has access to discount window borrowings from the Federal Reserve Bank of Chicago. There is no specific borrowing limit or maturity/expiration date for the relationship. The amount that can be borrowed is subject to full collateralization by the acceptable pledging of assets acceptable to the Federal Reserve Bank of Chicago. The interest rate for any discount window borrowings will be the published discount borrowing rate in effect on the date of the borrowing. The discount window borrowings are governed in accordance with the terms and conditions established in an agreement between the Credit Union and the Federal Reserve Bank of Chicago. There were no outstanding borrowings under this agreement at December 31, 2023 or 2022.

In 2020, the Credit Union established the ability to borrow money from the NCUA via the Central Liquidity Facility, which is an instrument of monetary policy that allows eligible institutions to borrow money from the NCUA to meet temporary shortages of liquidity. The interest rate for advances will be the borrowing rate in effect on the date of the borrowings. The Credit Union has no borrowings outstanding as of December 31, 2023 or 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 10 - Postretirement Benefit Plans

In 2020, the Credit Union amended the postretirement benefit plan to provide a stipend as reimbursement for health and dental insurance to eligible retirees and their existing spouses in addition to a \$5,000 death benefit to a designated beneficiary. Employees hired before December 31, 2009, and their existing spouse, are eligible for these benefits after retiring at age 62 with at least 15 years of service or at least 25 years of service without regard to age. Employees hired after January 1, 2010, will not be eligible for postretirement benefits. The Credit Union records postretirement benefits that require the accrual of expected costs of retiree benefits during the years that the employees render the necessary service to be entitled to receive such postretirement benefits of the plan.

Obligations and Funded Status

	2023	2022
Accumulated benefit obligation	\$ 6,995,445	\$ 7,117,666

Amounts recognized in accumulated other comprehensive income (loss) consist of the following:

	2023	2022
Net loss	\$ (8,240,781)	\$ (10,344,747)
Unrecognized prior service cost	18,709,179	23,573,871
Total recognized in other comprehensive income (loss)	\$ 10,468,398	\$ 13,229,124

Components of net periodic benefit cost and other amounts recognized in other comprehensive income (loss) are as follows:

	2023	2022
Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid:		
Net periodic benefit cost	\$ (2,953,173)	\$ (2,346,545)
Employer contributions	278,384	295,770
Benefits paid	(278,384)	(295,770)
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):		
Net gain	2,103,966	4,628,784
Unrecognized prior service cost	(5,209,439)	(5,209,439)
Total recognized in other comprehensive income (loss)	(3,105,473)	(580,655)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	\$ (6,058,646)	\$ (2,927,200)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 10 - Postretirement Benefit Plans (continued)

The service costs were included as a component of salaries and employee benefits on the consolidated statement of income. The other components of net periodic benefit cost are insignificant.

The estimated net loss for the postretirement benefit plan that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year is \$1,394,305. The estimated prior service credit for the postretirement benefit plan that will be accreted from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year is \$5,209,439.

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the years ended December 31 are as follows:

	2023	2022
Discount rate	5.75 %	5.25 %

Cash Flow

Contributions and Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid. Expected contributions from the Credit Union are substantially the same as projected benefit payments.

Years Ending	Amount
2024	\$ 463,996
2025	470,571
2026	471,944
2027	453,175
2028	461,160
Thereafter	2,407,848
Total	\$ 4,728,694

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 11 - Retirement Plans

All full-time and part-time employees ages 18 or older are eligible to contribute to the Credit Union's 401(k) plan. Employees were required to have been on staff for at least 12 months and have worked at least 1,000 hours to be eligible for the Credit Union's matching contribution for the 2022 plan year. Effective January 1, 2023, employer contributions began upon hire with a vesting element tied to hours worked. Employees may contribute up to 100 percent of their compensation (subject to IRS limits). During 2022, the Credit Union contributed 200 percent of the first 5 percent of base compensation that a participant contributed to the plan. Effective January 1, 2023, the Credit Union will contribute 2 percent of base compensation, regardless of participant contribution status, as well as 200 percent of the first 4 percent of base compensation that a participant contributes to the plan. The 401(k) plan expense was approximately \$7,970,000 and \$5,451,000 for 2023 and 2022, respectively. The administrative costs of the plan are paid from plan assets.

The Credit Union also has a 457(b) plan for certain key employees to allow these employees to defer income in excess of the 401(k) plan contribution limits. The Credit Union does not make any contributions to this plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 12 - Off-balance Sheet Activities

Credit-related Financial Instruments

The Credit Union is a party to credit-related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members. These financial instruments include commitments to extend credit, standby letters of credit, and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial condition.

The Credit Union's exposure to credit loss is represented by the contractual amount of these commitments. The Credit Union follows the same credit policies in making commitments as it does for on-balance sheet instruments.

The Credit Union maintains an allowance for credit losses on unfunded loan commitments. The allowance is determined using a methodology similar to that used to determine the allowance for credit losses on loans, modified to include an estimation of the probability of funding. On January 1, 2023, the Credit Union recorded an adjustment to record a liability for credit losses for unfunded loan commitments of approximately \$2,652,000 with the adoption of ASU No. 2016-13. For the year ended December 31, 2023, the Credit Union recorded a provision recovery for credit losses for unfunded commitments of approximately \$456,000. At December 31, 2023, the liability for credit losses on unfunded loan commitments included in other liabilities was approximately \$2,196,000.

As of December 31, 2023 and 2022, the following financial instruments whose contract amounts represent credit risk were outstanding:

	2023	2022
Commitments to grant mortgage and consumer loans	\$ 66,623,800	\$ 83,717,000
Commitments to grant business loans	16,679,000	9,211,000
Unfunded commitments under lines of credit	1,545,865,000	1,499,120,000
Unfunded commitments under overdraft protection programs	127,523,000	123,111,000

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. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Credit Union, is based on management's credit evaluation of the member.

Unfunded commitments under overdraft protection agreements are commitments for possible future extensions of credit to existing members. These lines of credit are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 13 - Minimum Regulatory Capital Requirements

The Credit Union is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items, as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth 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 the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined) to total assets (as defined). Credit unions are also required to calculate a risk-based net worth requirement (RBNWR) that establishes whether or not the Credit Union will be considered complex under the regulatory framework. The minimum ratio to be considered complex under the regulatory framework is 6 percent.

On January 1, 2022, the Credit Union adopted the Complex Credit Union Leverage Ratio (CCULR). This final rule provides a simplified measure of capital adequacy for federally insured, natural-person credit unions classified as complex. Under the final rule, a complex credit union that maintains a minimum net worth ratio, and that meets other qualifying criteria, is eligible to opt into the CCULR framework if they have a minimum net worth ratio of 9 percent. A complex credit union that opts into the CCULR framework need not calculate a risk-based capital ratio under the NCUA Board's October 29, 2015, risk-based capital final rule, as amended on October 18, 2018. A qualifying complex credit union that opts into the CCULR framework and maintains the minimum net worth ratio is considered well capitalized. The final rule also makes several amendments to update the NCUA's October 29, 2015, risk-based capital final rule including addressing asset securitizations issued by credit unions, clarifying the treatment of off-balance sheet exposures, deducting certain mortgage servicing assets from a complex credit union's risk-based capital numerator, revising the treatment of goodwill, and amending other asset risk weights. The Credit Union's CCULR ratio as of December 31, 2023, includes the CECL transition provision, a phase-in of the CECL day-one adjustment over a three-year transition period, in accordance with Section 702.703 of the NCUA regulations.

Management believes, as of December 31, 2023 and 2022, that the Credit Union meets all capital adequacy requirements to which it is subject. As of December 31, 2023, the most recent call reporting period, and December 31, 2022, the Credit Union was categorized as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the notification that management believes have changed the Credit Union's category.

	Actual		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio
As of December 31, 2023				
CCULR	\$ 705,698,866	9.18 %	\$ 692,181,000	9.00 %
As of December 31, 2022				
CCULR	703,044,486	9.66	654,825,000	9.00

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 14 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Credit Union has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Credit Union's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following tables present information about the Credit Union's assets measured at fair value on a recurring basis at December 31, 2023 and 2022, and the valuation techniques used by the Credit Union to determine those fair values:

Assets Measured at Fair Value on a Recurring Basis at December 31, 2023

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Marketable securities	\$ 7,122,514	\$ -	\$ -	\$ 7,122,514
Available-for-sale securities:				
U.S. government and federal agency obligations	-	321,944,277	-	321,944,277
Mortgage-backed securities — Residential	-	134,321,742	-	134,321,742
SBA loan pools	-	30,027,001	-	30,027,001
Other debt securities	-	18,254,656	-	18,254,656
Subordinated debt	-	7,995,798	-	7,995,798
Total available-for-sale securities	-	512,543,474	-	512,543,474
Total assets	\$ 7,122,514	\$ 512,543,474	\$ -	\$ 519,665,988

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 14 - Fair Value Measurements (continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2022

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
Marketable securities	\$ 6,547,604	\$ -	\$ -	\$ 6,547,604
Available-for-sale securities:				
U.S. government and federal agency obligations	-	339,186,916	-	339,186,916
Mortgage-backed securities — Residential	-	153,876,531	-	153,876,531
SBA loan pools	-	42,265,886	-	42,265,886
Other debt securities	-	17,059,604	-	17,059,604
Subordinated debt	-	3,474,680	-	3,474,680
Total available-for-sale securities	-	555,863,617	-	555,863,617
Total assets	\$ 6,547,604	\$ 555,863,617	\$ -	\$ 562,411,221

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

Note 14 - Fair Value Measurements (continued)

The Credit Union also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets include individually evaluated loans and foreclosed assets. The Credit Union has estimated the fair values of these assets based primarily on Level 3 inputs. Collateral dependent individually evaluated loans are generally valued using the fair value of collateral provided by third-party appraisals. These valuations include assumptions related to cash flow projections, discount rates, and recent comparable sales. Fair value of foreclosed assets is primarily based upon appraised value or management's estimate of the value. The numerical range of unobservable inputs for these valuation assumptions is not meaningful.

Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2023

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Collateral dependent individually evaluated loans	\$ -	\$ -	\$ 5,585,654	\$ 5,585,654
Foreclosed assets	-	-	329,803	329,803

Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2022

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
Impaired loans	\$ -	\$ -	\$ 8,131,601	\$ 8,131,601
Foreclosed assets	-	-	700,181	700,181

GRI STANDARDS

This report references the Global Reporting Initiative's (GRI) Standards. GRI is a globally recognized sustainability reporting standard, providing comprehensive universal standards on environmental, social, and governance issues. We have referenced GRI Standards that correspond to our areas of greatest impact.

INDICATOR	DISCLOSURE TITLE	SOURCE
General Disclosures		
2-1	Organizational details	2023 ESG Report (p. 4, 26) 2023 Annual Report (p. 1, 6) https://www.msufcu.org/about/
2-2	Entities included in the organization's sustainability reporting	2023 ESG Report (p. 2, 4)
2-3	Reporting period, frequency and contact point	2023 ESG Report (p. 2)
2-5	External assurance	We have not received external assurance for this report.
2-6	Activities, value chain and other business relationships	2023 ESG Report (p. 5) 2023 Annual Report (p. 18, 19) The Credit Union offers a wide range of financial products and services, deposits, loans banking, wealth management, mortgage and other financial services to consumers, businesses, municipalities, and other legal entities. As a federally-chartered credit union, we provide services to members throughout the United States and internationally. Our customers include consumers, businesses, governments and municipalities, and not-for-profit organizations.
2-7	Employees	2023 ESG Report (p. 6) 2023 Annual Report (p. 6)
2-9	Governance structure and composition	2023 ESG Report (p. 26-28) 2023 Annual Report (p. 4) https://www.msufcu.org/management/
2-11	Chair of the highest governance body	2023 Annual Report (p. 4) https://www.msufcu.org/management/

GRI STANDARDS

INDICATOR	DISCLOSURE TITLE	SOURCE
2-12	Role of the highest governance body in overseeing the management of impacts	2023 ESG Report (p. 28-30)
2-13	Delegation of responsibility for managing impacts	2023 ESG Report (p. 2)
2-14	Role of the highest governance body in sustainability reporting	2023 ESG Report (p. 2)
2-15	Conflicts of Interest	2023 ESG Report (p. 29)
2-19	Remuneration policies	2023 ESG Report (p. 26)
2-20	Process to determine remuneration	2023 ESG Report (p. 26)
2-22	Statement on sustainable development strategy	2023 ESG Report (p. 3)
2-25	Process to remediate negative impacts	2023 ESG Report (p. 26-28, 31)
2-26	Mechanisms for seeking advice and raising concerns	2023 ESG Report (p. 26-30)
2-28	Membership associations	2023 ESG Report (p. 30)
3-2	List of material topics	See p. 71-76 of this appendix.
3-3	Management approach	Management of material topics is included in the relevant topical standards included in this appendix.

Economic Performance

201-1	Direct economic value generated and distributed	2023 ESG Report (p. 6, 9-11, 33-70) 2023 Annual Report (p. 6, 8, 9, 27-64) https://www.msufcu.org/annual_reports/
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GRI STANDARDS

INDICATOR	DISCLOSURE TITLE	SOURCE
201-3	Defined benefit plan obligations and other retirement plans	2023 ESG Report (p. 13) https://www.msufcu.org/benefits
Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	2023 ESG Report (p. 6-8, 21-25) 2023 Annual Report (p. 10-24) https://www.msufcu.org/organizationimpact/ https://www.msufcu.org/volunteering
203-2	Significant indirect economic impacts	2023 ESG Report (p. 6-8, 21-25) 2023 Annual Report (p. 10-24) https://www.msufcu.org/organizationimpact/ https://www.msufcu.org/volunteering
Anti-Corruption		
205-2	Communication and training about anti-corruption policies and procedures	2023 ESG Report (p. 26, 29-30) https://www.msufcu.org/policiestraining The Credit Union's Policy Manual addresses anticorruption including the Company's Code of Conduct, anti-bribery, and Conflicts of Interest. The Policy Manual is communicated to and acknowledged by all employees at least annually as required by the Credit Union.
302-1	Energy consumption within the organization	2023 ESG Report (p. 25)
302-4	Reduction of energy consumption	2023 ESG Report (p. 25)
Biodiversity		
304-2	Significant impacts of activities, products, and services on biodiversity	2023 ESG Report (p. 24-25)

GRI STANDARDS

INDICATOR	DISCLOSURE TITLE	SOURCE
Waste		
306-4	Waste diverted from disposal	2023 ESG Report (p. 24)
Employment		
401-1	New employee hires and employee turnover	2023 ESG Report (p. 6)
Occupational Health and Safety		
403-6	Promotion of worker health	2023 ESG Report (p. 13-16) https://www.msufcu.org/benefits
Training and Education		
404-2	Programs for upgrading employee skills and transition assistance programs	2023 ESG Report (p. 14-15) https://www.msufcu.org/training
404-3	Percentage of employees receiving regular performance and career development reviews	2023 Annual Report (p. 13-14) https://www.msufcu.org/training
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	2023 Annual Report (p. 4-5) https://www.msufcu.org/management/
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	2023 ESG Report (p. 6-8, 21-25) 2023 Annual Report (p. 10-24) https://www.msufcu.org/organizationimpact/ https://www.msufcu.org/volunteering

SASB STANDARDS

This report references the Sustainability Accounting Standards Board's (SASB) Commercial Banks, Consumer Finance, and Mortgage Finance standards. SASB is a globally recognized reporting standard, enabling companies to identify, address, and communicate industry-specific financially material sustainability topics. Certain information is not disclosed because that information is not considered material or is privileged or confidential, could cause a competitive disadvantage if publicly disseminated, or is not currently collected in a manner consistent with the related SASB metric.

METRIC CODE	METRIC	SOURCE
Topics In Multiple Sector Standards		
FN-AC-510a.2 FN-CB-510a.2 FN-IB-510.2	Description of whistleblower policies and procedures	2023 ESG Report (p. 30)
FN-CB-230a.2 FN-CF-230a.3	Description of approach to identifying and addressing data security risks	2023 ESG Report (p. 26-28)
FN-AC-330a.1 FN-IB-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals and (4) all other employees	2023 Annual Report (p. 4, 5) https://www.msufcu.org/management/
Commercial Banks		
FN-CB-000.A	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	2023 ESG Report (p. 60-61) 2023 Annual Report (p. 54-55)
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	2023 ESG Report (p. 6, 9-11, 36, 50-58) 2023 Annual Report (p. 30, 44-52)
FN-CB-240a.1	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	2023 ESG Report (p. 9-11, 50-58) 2023 Annual Report (p. 8, 44-52)

SASB STANDARDS

METRIC CODE	METRIC	SOURCE
FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked or underserved customers	2023 ESG Report (p. 7-9) 2023 Annual Report (p. 16-17) https://www.msufcu.org/fin40/home/
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business and (c) corporate	2023 ESG Report (p. 6, 9-11, 36, 50-58) 2023 Annual Report (p. 30, 44-52)
Mortgage Finance		
FN-MF-000.A	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	2023 ESG Report (p. 6, 9-10, 36, 50-58) 2023 Annual Report (p. 8, 30, 44-52)



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