2020 Annual Report

Michigan State University
FEDERAL CREDIT UNION
Building Dreams Together

Our Reason

Each and every day, we live our mission to provide superior service while assisting members and employees to achieve financial security, their goals, and ultimately, their dreams.

TOP WORK PLACES 2020 Detroit Free Press

THE LOUISE HERRING PHILOSOPHY IN ACTION MEMBER SERVICE AWARD

Great Place To Work® Certified JUL 2020–JUL 2021 USA

BEST AND BRIGHTEST COMPANIES TO WORK FOR IN THE NATION WINNER 2020

300,000 Reasons

We're excited to share more than 300,000 members have chosen MSUFCU as their financial institution. Each member has their own unique reason why they chose MSUFCU, and in 2020, we went on a journey to learn those reasons. From their **paychecks depositing into their accounts before they wake up (Reason #12,637)** to finding **surcharge-free ATMs nearly everywhere they go (Reason #74,211)**, we celebrated the 300,000 reasons our members choose us over and over, day after day. The fact that our membership has grown to more than 300,000 is one way we measure our effectiveness in helping community members thrive.

A Letter from the Board Chair

Dear members,

It is clear, 2020 presented all of us with remarkable challenges. From the impact of the global pandemic to the national reckoning of racism and social injustice, MSUFCU's mission and core values have never been more important. This is particularly true when it comes to our commitment to doing what is right, and treating every individual with respect and fairness.

These values have been the foundation of every Credit Union interaction for 83 years, and we are grateful for your continued trust in us to enhance the lives of those in the communities we serve.

In response to the economic impact of the COVID-19 pandemic, MSUFCU offered several financial assistance options to members, giving them peace of mind while helping them maintain their creditworthiness. This included loan deferments and extensions, opportunities to skip payments without fees, and member assistance loans. MSUFCU also increased the ATM withdrawal and eDeposit limits, eliminated the Regulation D transfer limit, and suspended foreclosures. Additionally, MSUFCU launched Savings Builder, a national award-winning savings account designed to help members better prepare for future emergencies and build their emergency funds faster.

Providing more branch accessibility to our members, we expanded our presence in northern Michigan by opening a branch in downtown Traverse City, and broke ground for a second Traverse City location, which is expected to open in June 2021. In the Lansing area, we celebrated the grand opening of MSUFCU's 20th branch location (in Holt), and renovated our Charlotte and Mason branches. In Oakland County, we opened our Sashabaw Branch, and broke ground on the Auburn Hills Regional Office, opening in late 2021.

Internally rooted, MSUFCU's culture continues to thrive because of the value all employees add to the organization. In 2020, MSUFCU was named a Top Workplace in the large employer category by the Detroit Free Press for the eighth consecutive year, and a Top 100 Best Workplace for Women by Fortune magazine for the third consecutive year. Additionally, MSUFCU was named an Excellence Awards Winner by the CUNA HR & Organizational Development Council in the Innovative Staff Development and Management Practices categories for training and development programs and diversity, equity, and inclusion.

On behalf of the Board of Directors, thank you to our loyal members, employees, and community partners for coming together while apart and continuing to support the Credit Union. MSUFCU is a leader in the community because of you.

Sincerely,

Angela W. Brown
Board Chair

Board of Directors

Angela Brown
Board Chair

Gregory Deppong
Vice Chair

Susan Carter
Secretary

Ernest Betts
Treasurer

Bill Beekman

Janet Lillie

John Brick

Michael Hudson

Steven Kurncz

A Letter from the President/CEO

Dear members,

Reflecting on the past year, it is an honor to recognize how much the Credit Union and the work we do matters. When many of us were asked to stay home and local businesses shut down, our support and financial assistance became reasons why more than 300,000 members chose us as their financial institution. I, like many of you, never imagined a year like 2020. Yet, I am incredibly proud of the resiliency of the Credit Union team. Whether masked up and physical distancing or working remotely, our employees safely and seamlessly helped our members — and each other — quickly adapt to the unique circumstances of 2020.

Despite a year of uncertainty, the Credit Union remains financially sound, with net worth at 9.52%. Assets grew by 20.77% to $5.7 billion, and we ended 2020 with $566,056,568 in members' equity. In October, we welcomed our 300,000th member, celebrating our growing membership and that we are helping more community members thrive with the financial resources they need.

Throughout the pandemic, as an essential business, we continued to offer our members branch access via appointments, and drive-through and curbside service during Michigan's stay-at-home order until we were able to safely reopen our lobbies.

We continued to innovate to ensure long-term success, and introduced new ways to serve members including the implementation of Video Tellers at several branches. We also launched Video Chat and expanded Fran's (our virtual assistant) capabilities. These new services provide members with additional opportunities to receive information and perform a variety of transactions from their cars, computers, or smartphones.

As an organization, we are committed to protecting and improving the financial health of the community. And we believe that starts with a supportive environment where individuals are empowered to bring their full, authentic selves, as meaningful contributors, and where diversity, equity, and inclusion are interwoven into all aspects of our work.

On June 1, MSUFCU publicly took a stand against racism and social injustice. When we said we are committed to raising our voices and being part of the solution, we reevaluated our efforts and heightened our focus on putting our words into meaningful actions. These included open forums hosted by our African American Employee Resource Group and the implementation of a Diversity, Equity, and Inclusion (DEI) Council to identify effective mechanisms for initiating and managing impactful DEI programs.

The Credit Union is committed to continuing our ongoing support of community organizations and events that are facilitating critical connections, fighting against racial and social injustice, and educating our communities. In 2020, employees donated $222,101 in personal funds to our charity partners and supported nearly 350 local nonprofit organizations through fundraising and volunteer efforts. MSUFCU and the Desk Drawer Fund benefited our communities with more than $3 million in donations.

It is through our members' commitment to the Credit Union and our employees' service to our members that our organization continued to grow in 2020. I am confident that in 2021, we will continue to be a reason dreams come true for our members and the community.

Sincerely,

April M Clobes

April M. Clobes
President/CEO

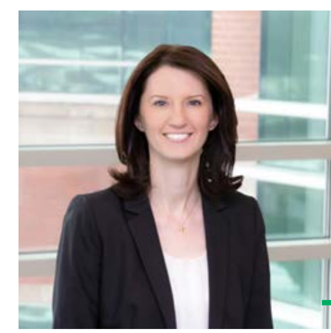
Executive Team

April Clobes
President/CEO

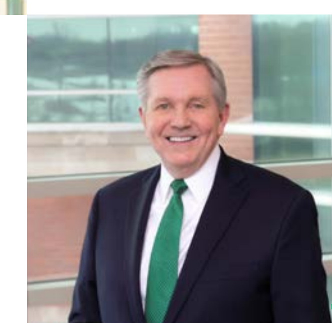
Whitney Anderson-Harrell
Chief Community Development Officer

Sara Dolan
Chief Financial Officer

Silvia Dimma
Chief Human Resources Officer



Samantha Amburgey
Chief Information Officer

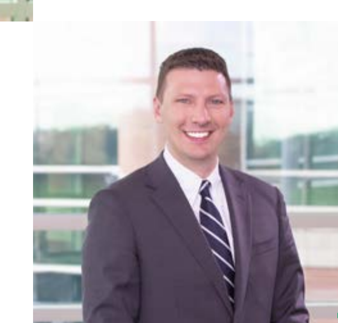


Steve Owen
Chief Legal Counsel

Jeffrey Jackson
Chief Lending Officer

Deidre Davis
Chief Marketing Officer

Lea Ammerman
Chief Operating Officer



Jim Hunsanger
Chief Risk Officer

Reason #1

A safe place to save and borrow money.

Building Dreams Together — Each and Every Day

MSUFCU was founded in 1937 by MSU faculty and staff who needed a place to keep their funds safe and secure. Since then, even through the challenges of 2020, we have remained committed to keeping our members' financial security our top priority. During the early days of the pandemic, as many of our employees transitioned to a mostly remote work environment, we assisted members using new delivery strategies including concierge, curbside, and expanded drive-through service.

As branches opened with limited capacity, our curbside service and in-person appointments became essential for members, many of whom missed the peace of mind that comes from interacting directly with our employees. Our facilities team quickly installed temperature scanners, plexiglass shields, distance markers, instructional signs, and sanitation essentials to help members and employees interact safely.

Above all, we reassured our members that their funds were safe and secure. As a result, we reassured our community that we would get through these difficult times, together. Through our various services and communication channels, we educated our members on the variety of ways they could safely, conveniently, and remotely access their accounts.

Most importantly, we continued to help members. We didn't just loan money — we offered **pandemic assistance (Reason #298,879)** and introduced new products. Knowing how challenging this time was to everyone, we called thousands of members to ask how they were doing, wish them happy birthdays, and ensure they knew how to access their accounts remotely.

PANDEMIC ASSISTANCE

10,601 members received lending assistance	**8,445** deferred loan payments	**6,222** no-fee loan skip-a-pays
1,657 loan extensions	**851** member assistance loans	**840** business paycheck protection program loans

Reason #18,718

Local service. Worldwide access.

Now celebrating more than 300,000 members worldwide, we are committed to providing **personalized service and endless opportunities (Reason #90,427)**. The pandemic affected our business in many ways. However, our mission of helping our members achieve financial security did not change. This meant ensuring our members received the superior service they've always appreciated — whether they made an appointment to visit a branch, or needed remote access because they were traveling for essential work or quarantining at home.

One of the most significant impacts we experienced was the increased volume to our Call Center and eServices departments. Calls were up 77%, and eServices saw a 251% increase in the number of messages over the same week (April 13) the prior year.

KEEPING 302,576 MEMBERS CONNECTED

891 employees	**21** branches	**3,456,976** branch transactions
11,125,318 computerline logins	**31,415,411** mobile app logins	**398,826** chats & messages
2,792,380 atm transactions	**718,770** call center calls	**1,099,826** bill payments
38,067 members enrolled in member2member	**364,897** member2member transfers	**92,131** messages with fran, our virtual assistant

Reason #16,392

I was able to buy my dream home.

We take pride in saving members money. Since 2013, we have helped members save more than $90 million in loan interest by refinancing their high-rate loans from other financial institutions to MSUFCU at lower rates. Additionally, our members have saved more by putting their money into higher-earning deposit accounts. By consistently educating members on our low-rate loans and higher-rate deposit accounts, our members save and earn millions — helping them find financial freedom to make their dreams come true.

$11,051,083
interest saved

$4,270,047
dividends earned

Reason #300,000

It's hard to find good places like MSUFCU, so I plan to be a member forever.

We reached an exciting milestone in 2020 — our membership grew to more than 300,000! With uncertainty around the pandemic, it wasn't initially clear if we would experience another year of membership growth. However, because of our members' continued support and employees' superior service, we welcomed our 300,000th member on October 21, 2020.

Our *300,000 Reasons* membership campaign was twofold: to share with MSUFCU members and community members the thousands of reasons membership truly benefits them, and to reaffirm that our members are the reason we work to help achieve their dreams each and every day. This includes creating new and innovative products, extending service hours, and creating a safe environment when members visit the branches.

With a remarkable history of membership growth and service enhancements, we look forward to staying on this journey of finding more reasons our members chose — and continue to choose — us to be their lifetime financial partner.

Reason #96,845

Always having access to my funds.

At the onset of the pandemic, we noticed a large percentage of our members did not have adequate savings to financially insulate themselves in emergencies. Although we offered a variety of financial assistance and lending options, we also introduced our Savings Builder account designed to help members build their emergency funds faster. With a significant portion of our members having less than $1,000 in their savings accounts, we created this account to provide more opportunities to help our members achieve economic empowerment.

As **an essential business (Reason #312)**, we remained open for branch service. However, the pandemic changed our everyday interactions and increased the need for contactless service. Ensuring our members had multiple opportunities to safely access their funds and receive financial assistance, we introduced Video Tellers at six branches (Berkley, Ortonville, Holt, Charlotte, Mason, and Sashabaw), and launched Video Chat to all members via smartphone and computer. Video Chat expands our exceptional service beyond the geographic footprint of our locations, allowing us to serve members who do not live near a branch in a more personalized, face-to-face manner.

Savings Builder℠

To help our members achieve and maintain financial security, we launched a tiered-rate savings account, Savings Builder. The new savings account pays more on initial deposits to help members save for life's events even faster. By helping members quickly save for unexpected expenses — such as car repairs or medical costs — Savings Builder also helps prevent new or additional debt.

3,396
members opened savings builder accounts

Tap to Pay Technology

We began issuing all of our Visa debit and credit cards with contactless technology for tap-to-pay use — **a faster, easier, and more secure way to pay (Reason #220,401)**. It eliminates physical contact, including the need to enter a PIN. Also, it's faster, taking only one to two seconds to complete transactions compared with up to 45 seconds for cards with chip technology. Tap to pay uses NFC (near field communication). Members tap or hold the card one to two inches above the terminal, and a one-time code is transmitted to complete the transaction.

Video Chat

With Video Chat, members can perform a multitude of transactions face-to-face with our employees from their computers or smartphones. From the **convenience (Reason #10)** of their homes or offices, or even when they are on the go, various transactions can be completed using Video Chat, including opening new accounts, updating personal information, and ordering checks. Members can also transfer funds, initiate wire transfers, and conduct loan transactions.

Video Tellers

MSUFCU introduced Video Tellers to provide members with personalized **drive-up service (Reason #240,891)** from their vehicles. While using the Video Tellers, members are connected with an employee on a video screen and can perform a variety of transactions, including transfers, loan payments, cash and check deposits, cash withdrawals, and much more.

24,357
video teller transactions

Reason #100,806

Stable presence — beautiful, pristine branches.

A Year Filled with Branch Celebrations

As we adjusted our daily operations, we remained committed to our branch expansion promises. It is important our members have as many ways as possible to access their accounts, and providing additional branch locations helps fulfill our mission to help our members achieve financial security.

MSUFCU is renovating current, and building new, branches to provide members with full-service features, including drive-up Video Tellers, 24-hour ATMs, and an integrated branch design that offers sitdown stations rather than a traditional teller line. Our branches are also equipped with tech bars and community boards to provide more member engagement opportunities.

3 grand openings

2 ground-breakings

2 branch renovations

Traverse City Union St. Branch
Opened: May 27
Ribbon Cutting: June 30

Traverse City U.S. 31 N. Branch
Groundbreaking: June 30
Expected Opening: June 2021

Charlotte Branch Renovation
Completed: July 1

Holt Branch
Opened: July 23
Ribbon Cutting: October 6

Auburn Hills Regional Office
Groundbreaking: October 21
Expected Opening: November 2021

Mason Branch Renovation
Completed: November 1

Sashabaw Branch
Opened: December 21
Ribbon Cutting: March 6, 2021

Reason #190,520

I can bring my authentic self to work.

At MSUFCU, it is important to us to provide a comfortable workplace and member experience, where our employees and members can be their full authentic selves. We build, protect, and support an inclusive environment where all are welcome and all have an equal opportunity for success.

With every interaction, we continue to uphold our core values and fulfill our mission — to provide superior service while assisting members and employees to achieve financial security, their goals, and ultimately, their dreams — and we further supplement our rich and progressive culture through our internal Employee Resource Groups (ERGs).

ERGs continued to expand in 2020, and quickly became places of support, conversation, and belonging for peers and allies. Our newest ERGs — Latine Arriba y Adelante (Latinx/Hispanic) and CU Prime (ages 50+) — joined CU Pride (LGBTQIA+), African American, and CU Parent Support ERGs in supporting employees through the creation of inclusive spaces and a variety of activities and initiatives.

Together, we continued to support one another.

Leading Social Change

In response to racial and social injustice after the tragic death of George Floyd, we stood in solidarity with our Black, Indigenous, people of color, and LGBTQIA+ employees, members, and community members. We hosted racial injustice forums to discuss topics including the Black Lives Matter movement, and provided resources to help employees better understand the necessity of social change.

We also hired a Director of Diversity, Equity, and Inclusion (DEI), and implemented a DEI Council. The DEI Director and DEI Council emphasize our commitment to fostering a workplace where everyone can be their true, authentic selves. We are committed to raising our voices and being part of the solution.

Supporting Local Businesses

MSUFCU understands local businesses are vital to thriving communities. They create opportunities for new talent and growth regionally, energize the economic base, and foster an entrepreneurial spirit among the community members they serve.

As the COVID-19 pandemic continued to impact the communities we serve, in April 2020, we launched #MSUFCUEatsLocal to help support local businesses, and inspire people to do the same and pay kindness forward. Members were encouraged to order takeout or delivery from local restaurants for a chance to win two $25 gift cards to local restaurants — one for the winner and one to pay forward to someone else.

In our effort to fight against social injustice and lift up minority voices, we reintroduced #MSUFCUEatsLocal in July 2020. This second time, we highlighted local Black and LGBTQIA+ owned-and-operated restaurants and businesses.

Additionally, because fitness studios were closed, a local yoga studio held classes at our headquarters campus. The Lansing Symphony Orchestra held several concerts there, as well.

Reason #23,591

MSUFCU gives back to the community.

Although all charitable events looked different in 2020, the Credit Union, our employees, and our Desk Drawer Fund foundation donated more than $3 million to help our local neighbors and organizations when they needed it most. As part of our annual giving, MSUFCU supported hundreds of organizations in the communities where Credit Union employees and members live and work. MSUFCU also redirected funds to support COVID-19 relief programs such as food banks and hospitals. The Desk Drawer Fund benefited 70 donor recipients including nonprofits, organizations, and individuals within its philanthropic pillars of arts and culture, stable housing, empowering youth, financial education, and entrepreneurialism.

Credit Union employees work together each year to select and support local charities throughout the various communities MSUFCU serves. In 2020, employees donated $222,101 in personal funds to the following organizations: Capital Area United Way, the Credit Union's ongoing charity partner that supports programs and services in Greater Lansing; Helping Women Period, which provides feminine hygiene products to homeless and low-income girls and women in Greater Lansing; HQ Runaway and Homeless Youth Drop-In Center, a Grand Rapids-based organization that helps youth ages 14-24 who are living in unsafe or unstable housing; and Oakland County Animal Shelter, which provides shelter and care to more than 4,000 animals each year, attempting to reunite animals with their owners or find them new, loving homes.

MSUFCU's employee fundraising efforts included virtual runs/walks, dress down days, family photos, virtual basket raffles, and more. In addition to donating funds to local organizations, employees volunteered their time and talents. Even with restrictions due to the pandemic, they volunteered more than 500 hours to support more than 345 organizations throughout the communities the Credit Union serves.

The Credit Union seeks to improve the financial health of communities by **empowering individuals to make informed decisions (Reason #102)** about their financial well-being. This is done by providing free financial education seminars, classes, and resources for community members of all ages.

Our financial education team offers seminars and presentations year-round on topics such as budgeting, buying a home, retirement planning, identity theft protection, and credit report awareness. While these sessions are typically held in person, our financial education team transitioned to virtual presentations, continuing to provide financial tips and connect with our members and community. This included launching new Wallet Watch podcast episodes, which reached listeners in 33 countries. We also recognized that parents and guardians needed help finding ways to occupy their children's time, so we introduced the FUNtivity Zone. Youth members can explore fun financial education activities and resources, and submit photos of their completed projects for a chance to win prizes.

457
in-person financial education presentations*

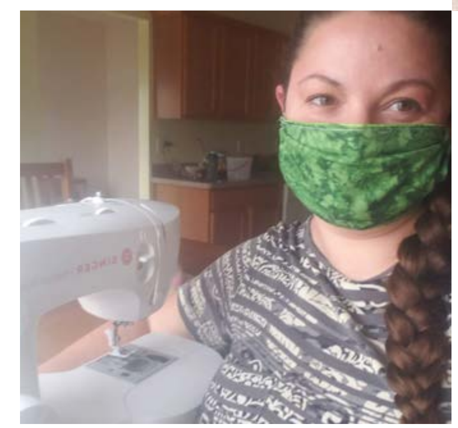
10,733
in-person attendees*

$222,101
raised by employees for charity partners

345
organizations supported

29
wallet watch podcast episodes produced

1,971
episodes downloaded



192
virtual financial education presentations

7,950
virtual attendees

**prior to pandemic*

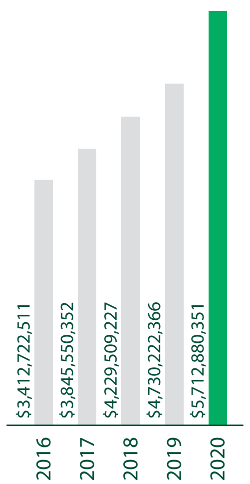
Paying It Forward to the Communities We Serve

Since 2012, MSUFCU employees have celebrated the Credit Union's anniversary with a weeklong Pay It Forward campaign, highlighting our core value of giving back to the community. And in 2020, Pay It Forward remained an impactful and important Credit Union **tradition (Reason #29,309)**. Employees from the Credit Union and our foundation, Desk Drawer Fund, introduced creative, safe, and socially distanced ways to donate to charities and surprise members at branches during the week of November 15-21.

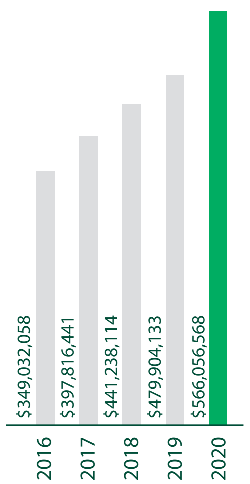
As part of the Pay It Forward initiative and in recognition of our 83 years, the Credit Union donated a total of $8,300 to nonprofit organizations and local heroes selected by employees. Recipients each received between $200 and $500. Each Credit Union branch also received 40 gift cards in $5 increments from businesses near the branches to randomly distribute to members who visited the branches during the week.

Financial and Member Growth

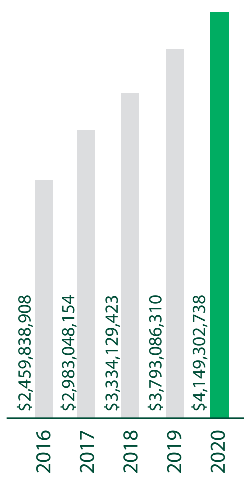
Total Assets
Year ended December 31



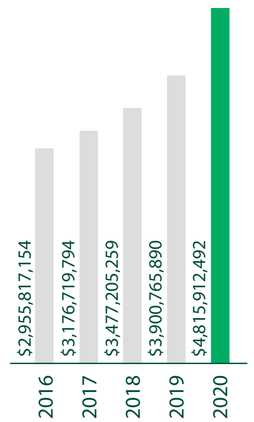
Total Reserves
Year ended December 31



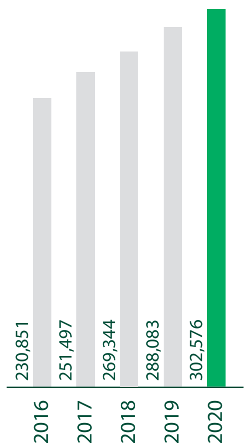
Net Loans
Year ended December 31



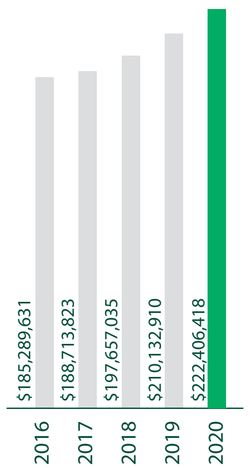
Total Shares
Year ended December 31



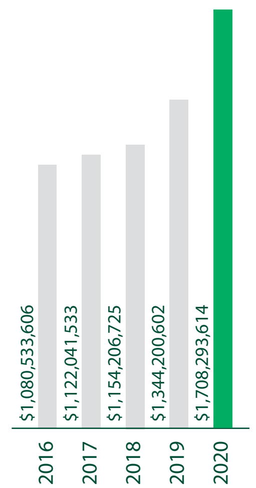
Membership
Year ended December 31



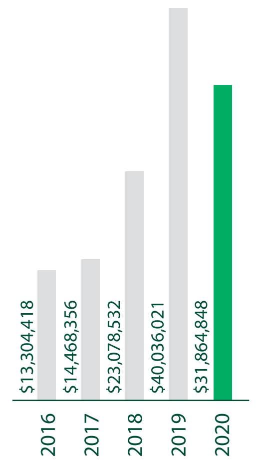
IRAs*
Year ended December 31



IMMAs
Year ended December 31



Dividends Paid, All Savings
Year ended December 31



*IRAs consist of IMMAs and Share Certificates

Independent Auditor's Report

To the Board of Directors
Michigan State University Federal Credit Union

We have audited the accompanying consolidated financial statements of Michigan State University Federal Credit Union and its subsidiary (the "Credit Union"), which comprise the consolidated statement of financial condition as of December 31, 2020 and 2019 and the related consolidated statements of income and comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Michigan State University Federal Credit Union and its subsidiary as of December 31, 2020 and 2019 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Plante & Moran, PLLC

Plante & Moran, PLLC
February 5, 2021

Consolidated Statement of Financial Condition

	AT YEAR END	
	DECEMBER 31, 2020	DECEMBER 31, 2019
ASSETS		
Cash and cash equivalents	$ 377,141,779	$ 147,247,728
Time deposits with other financial institutions	341,740,000	165,000,000
Investment securities - Available for sale (Note 3)	517,259,704	346,183,848
Other investments	27,793,812	16,169,300
Loans to members - Net (Note 4)	4,149,302,738	3,793,086,310
Premises and equipment - Net (Note 5)	170,462,821	150,456,091
Goodwill	7,836,819	7,836,819
Business-owned life insurance	51,534,964	45,305,405
NCUSIF deposit	40,270,431	33,532,738
Other assets	29,537,283	25,404,127
Total assets	**$ 5,712,880,351**	**$ 4,730,222,366**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts (Note 6)	$ 4,815,912,492	$ 3,900,765,890
Borrowings (Note 7)	285,000,000	280,000,000
Postretirement benefit obligations (Note 9)	9,047,164	37,161,306
Accrued expenses and other liabilities	36,864,127	32,391,037
Total liabilities	5,146,823,783	4,250,318,233
Members' Equity	566,056,568	479,904,133
Total liabilities and members' equity	**$ 5,712,880,351**	**$ 4,730,222,366**

See notes to consolidated financial statements.

Consolidated Statement of Income and Comprehensive Income

	YEARS ENDED	
	DECEMBER 31, 2020	DECEMBER 31, 2019
Interest Income		
Loans - Including fees	$ 188,210,918	$ 174,941,390
Investment securities	9,422,514	11,447,009
Interest-bearing balances with other financial institutions	965,646	1,745,228
Total interest income	198,599,078	188,133,627
Interest Expense		
Members' share and savings accounts	31,864,848	40,036,021
Borrowings	6,766,073	6,385,224
Total interest expense	38,630,921	46,421,245
Net Interest Income	159,968,157	141,712,382
Provision for Loan Losses (Note 4)	13,391,510	14,888,051
Net Interest Income after Provision for Loan Losses	146,576,647	126,824,331
Noninterest Income		
Fees and charges	15,478,333	18,544,380
VISA interchange	27,727,078	26,259,537
NCUSIF rebate	-	388,095
Other	4,154,059	3,357,192
Total noninterest income	47,359,470	48,549,204
Noninterest Expense		
Salaries and employees benefits (Note 9)	79,120,231	70,804,989
Occupancy (Note 5)	11,710,747	10,799,445
Operating expenses	50,830,511	48,232,062
Other	2,550,419	8,056,678
Total noninterest expense	144,211,908	137,893,174
Consolidated Net Income	49,724,209	37,480,361
Other Comprehensive Income (Loss)		
Unrealized gain (loss) on securities	5,049,877	8,357,635
Postretirement benefit plan:		
Net gain (loss) arising during the year	30,429,721	(7,574,667)
Reclassification adjustment - Net actuarial loss	948,628	402,690
Total postretirement benefit plan	31,378,349	(7,171,977)
Total other comprehensive income	36,428,226	1,185,658
Comprehensive Income	**$ 86,152,435**	**$ 38,666,019**

See notes to consolidated financial statements.

Consolidated Statement of Members' Equity

	YEARS ENDED DECEMBER 31, 2020 AND 2019				
	Regular Reserve	**Equity Acquired in Mergers**	**Undivided Earnings**	**Accumulated Other Comprehensive Loss**	**Total**
Balance - January 1, 2019	$ 17,980,012	$ 3,825,906	$ 435,020,640	$ (15,588,444)	$ 441,238,114
Comprehensive income:					
Net income	-	-	37,480,361	-	37,480,361
Unrealized loss on securities	-	-	-	8,357,635	8,357,635
Postretirement benefit plan	-	-	-	(7,171,977)	(7,171,977)
Balance - December 31, 2019	17,980,012	3,825,906	472,501,001	(14,402,786)	479,904,133
Comprehensive income:					
Net income	-	-	49,724,209	-	49,724,209
Unrealized gain on securities	-	-	-	5,049,877	5,049,877
Postretirement benefit plan	-	-	-	31,378,349	31,378,349
Balance - December 31, 2020	**$ 17,980,012**	**$ 3,825,906**	**$ 522,225,210**	**$ 22,025,440**	**$ 566,056,568**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

	YEARS ENDED	
	DECEMBER 31, 2020	**DECEMBER 31, 2019**
Cash Flows from Operating Activities		
Consolidated net income	$ 49,724,209	$ 37,480,361
Adjustments to reconcile consolidated net income to net cash from operating activities:		
Depreciation and amortization	13,502,682	10,420,443
Provision for loan losses	13,391,510	14,888,051
Net amortization of securities	1,398,839	811,213
Net gain on sale of available-for-sale securities	(5,482)	-
Gain on disposal of premises and equipment	(396,674)	-
Earnings on business-owned life insurance	(1,387,229)	(1,284,388)
Actuarial loss on postretirement benefit liability	3,264,207	2,380,504
Net change in:		
Other assets	(3,769,144)	855,603
Accrued expenses and other liabilities	4,473,090	8,934,008
Net cash provided by operating activities	80,196,008	74,485,795
Cash Flows from Investing Activities		
Activity in available-for-sale securities:		
Proceeds from sales	5,008,150	-
Maturities, prepayments, and calls	176,834,101	117,377,222
Purchases	(349,261,587)	(67,211,049)
Activity in other investments - Purchases	(11,624,512)	(2,000,000)
Net change in loans	(369,971,950)	(475,375,490)
Proceeds from the sale of premises and equipment	2,049,868	-
Additions to premises and equipment	(35,162,606)	(23,941,056)
Proceeds from time deposits with other institutions	245,000,000	135,000,000
Purchases of time deposits with other institutions	(421,740,000)	(160,000,000)
Increase in NCUSIF deposit	(6,737,693)	(2,644,659)
Purchases of business-owned life insurance	(4,842,330)	(1,125,660)
Net cash used in investing activities	(770,448,559)	(479,920,692)

Consolidated Statement of Cash Flows

	Years Ended December 31, 2020	Years Ended December 31, 2019
Cash Flows from Financing Activities		
Net increase in members' shares	$ 915,146,602	$ 423,560,631
Proceeds from issuance of Federal Home Loan Bank advances	30,000,000	67,000,000
Repayment of Federal Home Loan Bank advances	(25,000,000)	(47,000,000)
Net cash provided by financing activities	920,146,602	443,560,631
Net Change in Cash and Cash Equivalents	229,894,051	38,125,734
Cash and Cash Equivalents - Beginning of year	147,247,728	109,121,994
Cash and Cash Equivalents - End of year	**$ 377,141,779**	**$ 147,247,728**
Supplemental Cash Flow Information		
Cash paid for interest	$ 38,640,718	$ 46,409,179
Transfers from loans to other real estate owned	364,012	1,530,552

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

DECEMBER 31, 2020 + 2019

NOTE 1 - Nature of Business

The consolidated financial statements include the accounts of Michigan State University Federal Credit Union (the "Credit Union") and Desk Drawer Fund (DDF), a single-member 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.

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 telephone transactions, as well as automated teller machines.

The Desk Drawer Fund 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.

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 loan losses, the fair value of investments, and the expense and related liabilities for postretirement benefits. Actual results could differ from those estimates.

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 nonmembership capital deposits with corporate credit unions 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. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

NOTE 2 - Significant Accounting Policies (Continued)

Declines in the fair value of securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (a) the length of time and the extent to which the fair value has been less than cost, (b) the financial condition and near-term prospects of the issuer, and (c) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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 $13,725,000 and $13,050,000 of FHLB capital stock at December 31, 2020 and 2019, 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 and comprehensive income.

Other investments also include the Credit Union's investment in Alloya Corporate Credit Union's (Alloya) and Corporate Central Credit Union's (Corporate Central) 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, 2020 and 2019. 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 made in 2019 and was $2,000,000 as of December 31, 2020 and 2019. 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.

In 2020, the Credit Union became a member of the NCUA Central Liquidity Facility, which required a stock purchase of $10,999,512. 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, 2020.

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 loan 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

NOTE 2 - Significant Accounting Policies (Continued)

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

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the 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 is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of both specific and general reserve components. The specific component relates to loans that are classified as impaired. A specific allowance is established for impaired loans when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonimpaired loans and is based on historical loss experience adjusted for qualitative factors.

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

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual consumer loans or residential mortgages for impairment disclosures unless the loan is a troubled debt restructuring.

A troubled debt restructuring of a loan is undertaken to improve the likelihood that the loan will be repaid in full under the modified terms in accordance with a reasonable repayment schedule and is classified as impaired. All modified loans are evaluated to determine whether the loan should be reported as a troubled debt restructuring (TDR). A loan is a TDR when the Credit Union, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower by modifying or renewing a loan under terms that the Credit Union would not otherwise consider. To make this determination, the Credit Union must determine whether (a) the borrower is experiencing financial difficulties and (b) the Credit Union granted the borrower a concession. This determination requires consideration of all of the facts and circumstances surrounding the modification. An overall general decline in the economy or some level of deterioration in a borrower's financial condition does not inherently mean the borrower is experiencing financial difficulties.

Some of the factors considered by management when determining whether a borrower is experiencing financial difficulties are (a) is the borrower currently in default on any of its debts, (b) has the borrower declared or is the borrower in the process of declaring bankruptcy, and (c) absent the current modification, would the borrower likely default.

NOTE 2 - Significant Accounting Policies (Continued)

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 write- downs 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 $774,328 and $991,057 as of December 31, 2020 and 2019, 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.

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, 2020 and 2019.

Business-owned Life Insurance
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.

NCUSIF Deposit
The deposit in the National Credit Union Share Insurance Fund (NCUSIF) 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 2020 and 2019 insurance premiums.

Members' 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.

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.

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, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition

NOTE 2 - Significant Accounting Policies (Continued)

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.

Other Comprehensive Income
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.

Loan 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.

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, 2020 and 2019.

New Accounting Pronouncement
On January 1, 2019, the Credit Union adopted Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, which established principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of the Credit Union's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans and investment securities, as well as revenue related to mortgage servicing activities. As a result, the adoption was not significant to the consolidated financial statements.

<u>Fees and Charges</u>
These represent fees from deposit customers for transaction-based, account maintenance, and overdraft services. These fees are recognized at the time of the transaction when the performance obligation has been fulfilled. Account maintenance fees and account analysis fees are earned over the course of a month, representing the period of the performance obligation, and are recognized monthly.

<u>Visa Interchange Income</u>
This represents interchange fees from cardholder transactions conducted through the card payment network. Cardholders use the card to conduct point-of-sale transactions that produce interchange fees. The fees are transaction based and the fee is recognized with the processing of the transaction.

Upcoming Accounting Pronouncements
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash

NOTE 2 - Significant Accounting Policies (Continued)

flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Credit Union's year ending December 31, 2022. The new lease standard is not expected to have a significant effect on the Credit Union's consolidated financial statements. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: 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. Each financial asset presented on the consolidated statement of financial condition would have 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 eliminate the probable initial recognition threshold in current U.S. generally accepted accounting principles (GAAP) and instead reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The new credit loss guidance will be effective for the Credit Union's year ending December 31, 2023. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. Early adoption for all institutions is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Credit Union is still quantifying the impact of the new standard but expects it to have a significant impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment*. The standard simplifies the subsequent measurement of goodwill, requiring only a single-step quantitative test to identify and measure impairment based on the excess of a reporting unit's carrying amount over its fair value instead of the current two-step test. A qualitative assessment may still be completed first to determine if a quantitative impairment test is required. This standard is effective on a prospective basis for fiscal years beginning after December 15, 2022. The Credit Union does not expect the adoption of the new standard to have a significant impact on its consolidated financial statements.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including February 5, 2021, which is the date the consolidated financial statements were available to be issued.

NOTE 3 - Investment Securities

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
2020				
Available for Sale:				
U.S. government and federal agency obligations	$ 320,473,635	$ 2,794,939	$ (2,190)	$ 323,266,384
Mortgage-backed securities — Residential	155,898,198	2,879,117	(296,937)	158,480,378
SBA loan pools	35,424,007	111,411	(281,211)	35,254,207
Negotiable certificates of deposit	250,000	8,735	-	258,735
Total	$ 512,045,840	$ 5,794,202	$ (580,338)	$ 517,259,704
2019				
Available for Sale:				
U.S. government and federal agency obligations	$ 221,210,712	$ 1,644,704	$ (61,160)	$ 222,794,256
Mortgage-backed securities — Residential	124,559,149	25,774	(1,448,945)	123,135,978
Negotiable certificates of deposit	250,000	3,614	-	253,614
Total	$ 346,019,861	$ 1,674,092	$ (1,510,105)	$ 346,183,848

At December 31, 2020 and 2019, securities with a carrying value of approximately $146,996,000 and $211,486,000, 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 contractual scheduled maturities of securities available for sale at December 31, 2020 are as follows

	Amortized Cost	Fair Value
Due in one year or less	$ 91,418,569	$ 92,383,078
Due in one through five years	229,305,066	231,142,042
Mortgage-backed securities — Residential	155,898,198	158,480,377
SBA loan pools	35,424,007	35,254,207
Total	$ 512,045,840	$ 517,259,704

Proceeds from sales of investment securities were $5,008,150, gross realized gains were $5,482, and there were no gross realized losses for the year ended December 31, 2020. There were no sales of investment securities for the year ended December 31, 2019.

NOTE 3 - Investment Securities (Continued)

Information pertaining to investment securities with gross unrealized losses at December 31, 2020 and 2019, 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		12 MONTHS OR GREATER	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
2020				
Available for Sale:				
U.S. government and federal agency obligations	$ (2,190)	$ 4,997,810	$ -	$ -
Mortgage-backed securities — Residential	(296,937)	40,078,846	-	-
SBA loan pools	(281,211)	21,420,153	-	-
Total	$ (580,338)	$ 66,496,809	$ -	$ -
2019				
Available for Sale:				
U.S. government and federal agency obligations	$ (2,959)	$ 4,619,169	$ (58,201)	$ 44,777,844
Mortgage-backed securities — Residential	(334,449)	25,510,292	(1,114,496)	84,022,054
Total	$ (337,408)	$ 30,129,461	$ (1,172,697)	$ 128,799,898

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 were 12 and 50 investment securities in an unrealized loss position at December 31, 2020 and 2019, respectively.

Notes to Consolidated Financial Statements
DECEMBER 31, 2020 + 2019

NOTE 4 - Loans to Members

A summary of the balances of loans at December 31 follows:

	2020	2019
Consumer	$ 2,094,588,229	$ 1,964,353,951
Mortgage	1,730,361,091	1,583,127,967
Business	346,584,218	264,181,447
Total loans	4,171,533,538	3,811,663,365
Less allowance for loan losses	24,257,618	23,182,142
Plus net deferred loan costs	2,026,818	4,605,087
Net loans	$ 4,149,302,738	$ 3,793,086,310

In the ordinary course of business, the Credit Union has granted loans to executive officers, supervisory committee members, and directors and their affiliates amounting to approximately $2,657,000 and $2,465,000 as of December 31, 2020 and 2019, respectively.

During 2020, the Credit Union funded loans under Small Business Administration (SBA) Paycheck Protection Program (PPP) designed to provide liquidity to small businesses during the COVID-19 pandemic. The loans are guaranteed by the SBA, and loan proceeds to borrowers are forgivable by the SBA if certain criteria are met. As of December 31, 2020, there were approximately $34,713,000 PPP loans included on the consolidated statement of financial condition. PPP processing fees received from the SBA totaling approximately $1,676,000 were deferred along with the loan origination costs and recognized as interest income using the effective yield method. Upon forgiveness of a loan and resulting repayment by the SBA, any unrecognized net fee for a given loan is recognized as interest income.

NOTE 4 - Loans to Members (Continued)

The Credit Union's activity in the allowance for loan losses for the years ended December 31, 2020 and 2019, by loan segment, is summarized below:

YEAR ENDED DECEMBER 31, 2020	Consumer	Mortgage	Business	Total
Beginning balance	$ 16,158,098	$ 891,479	$ 6,132,565	$ 23,182,142
Charge-offs	(13,291,043)	(178,463)	(1,609,788)	(15,079,294)
Recoveries	2,688,970	46,375	27,915	2,763,260
Provision	9,806,625	446,977	3,137,908	13,391,510
Ending balance	$ 15,362,650	$ 1,206,368	$ 7,688,600	$ 24,257,618
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	$ -	$ 57,988	$ 252,567	$ 310,555
Collectively evaluated for impairment	15,362,650	1,148,380	7,436,033	23,947,063
Ending allowance balance	$ 15,362,650	$ 1,206,368	$ 7,688,600	$ 24,257,618
Loans:				
Individually evaluated for impairment	$ -	$ 5,397,479	$ 6,844,127	$ 12,241,606
Collectively evaluated for impairment	2,094,588,229	1,724,963,612	339,740,091	4,159,291,932
Total loans	$ 2,094,588,229	$ 1,730,361,091	$ 346,584,218	$ 4,171,533,538

Notes to Consolidated Financial Statements
DECEMBER 31, 2020 + 2019

NOTE 4 - Loans to Members (Continued)

YEAR ENDED DECEMBER 31, 2019	Consumer	Mortgage	Business	Total
Beginning balance	$ 15,554,404	$ 724,513	$ 3,580,674	$ 19,859,591
Charge-offs	(13,594,561)	(202,048)	(519,292)	(14,315,901)
Recoveries	2,629,482	119,975	944	2,750,401
Provision	11,568,773	249,039	3,070,239	14,888,051
Ending balance	$ 16,158,098	$ 891,479	$ 6,132,565	$ 23,182,142
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	$ -	$ 595,923	$ 1,754,825	$ 2,350,748
Collectively evaluated for impairment	16,158,098	295,556	4,377,740	20,831,394
Ending allowance balance	$ 16,158,098	$ 891,479	$ 6,132,565	$ 23,182,142
Loans:				
Individually evaluated for impairment	$ -	$ 9,116,131	$ 3,863,369	$ 12,979,500
Collectively evaluated for impairment	1,964,353,951	1,574,011,836	260,318,078	3,798,683,865
Total loans	$ 1,964,353,951	$ 1,583,127,967	$ 264,181,447	$ 3,811,663,365

NOTE 4 - Loans to Members (Continued)

As of December 31, 2020 and 2019, the Credit Union had 21 and 24 loans with a balance of approximately $2,160,000 and $2,508,000, respectively, considered to be troubled debt restructurings. These loans are classified as impaired loans and individually evaluated for impairment. The allowance allocated to these loans at December 31, 2020 and 2019 is $167,640 and $204,936, respectively. In almost all cases, these loans were delinquent and being provided for in the allowance for loan losses computation, and, as a result, the restructuring of these loans did not add a material amount to the allowance for loan losses upon their modification. Modifications agreed to by the Credit Union consisted of term extensions and lowered interest rates. No principal or interest was forgiven. During 2020 and 2019, loans classified as troubled debt restructurings that ultimately defaulted were not material to the consolidated financial statements.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed into law. Among other things, the CARES Act suspended the requirements related to accounting for TDRs for certain loan modifications related to the COVID-19 pandemic. As a result of the pandemic, the Credit Union provided a modification program to borrowers that included certain concessions such as interest only or payment deferrals. As of December 31, 2020, there were approximately $8,000,000 of loans that remained under a modification agreement but are not disclosed as TDRs. Regardless of whether a modification is classified as a TDR, the Credit Union continues to apply policies for risk rating, accruing interest, and classifying loans as impaired. These modifications include deferred payments, extensions, skip-a-pay, and loans granted under our Member Assistance Loan program.

The Credit Union also classifies delinquent residential real estate loans as impaired loans and individually evaluates these for impairment. As of December 31, 2020 and 2019, these delinquent loans had a balance of approximately $3,238,000 and $6,608,000, respectively.

Individual business loans are evaluated for impairment. At December 31, 2020, the Credit Union had impaired business loans of approximately $6,844,000. Of the total impaired business loans, $255,107 of outstanding principal balances have a related allowance totaling $236,225 recorded. At December 31, 2019, the Credit Union had impaired business loans of approximately $3,863,000, of which $2,512,000 had related allowances totaling $1,754,825 recorded.

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2020 and 2019.

Credit Quality Indicators

The credit quality indicators used for monitoring performance by the Credit Union are primarily performance based and include past-due status and nonaccrual status.

Notes to Consolidated Financial Statements
DECEMBER 31, 2020 + 2019

NOTE 4 - Loans to Members (Continued)

Age Analysis of Past-due Loans

The Credit Union's age analysis of past-due loans at December 31, 2020 and 2019, by loan segment and class, is summarized below:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans
2020						
Consumer:						
Secured	$ 9,513,856	$ 2,138,477	$ 2,332,436	$ 13,984,769	$ 1,620,926,298	$ 1,634,911,067
Unsecured	2,577,573	697,380	1,049,564	4,324,517	360,436,215	364,760,732
Other	618,206	150,253	98,539	866,998	94,049,432	94,916,430
Mortgage:						
First mortgage	3,033,051	1,382,626	1,345,720	5,761,397	1,567,222,647	1,572,984,044
Home equity	428,570	149,427	359,706	937,703	156,439,344	157,377,047
Business	776,265	111,942	5,344	893,551	345,690,667	346,584,218
Total	$ 16,947,521	$ 4,630,105	$ 5,191,309	$ 26,768,935	$ 4,144,764,603	$ 4,171,533,538
2019						
Consumer:						
Secured	$ 10,436,226	$ 3,025,963	$ 3,500,800	$ 16,962,989	$ 1,457,330,710	$ 1,474,293,699
Unsecured	3,577,093	1,300,166	2,188,476	7,065,735	402,296,217	409,361,952
Other	465,823	156,148	278,270	900,241	79,798,059	80,698,300
Mortgage:						
First mortgage	3,808,140	1,430,587	2,006,009	7,244,736	1,402,338,567	1,409,583,303
Home equity	608,399	361,284	386,172	1,355,855	172,188,809	173,544,664
Business	197,869	72,244	611,515	881,628	263,299,819	264,181,447
Total	$ 19,093,550	$ 6,346,392	$ 8,971,242	$ 34,411,184	$ 3,777,252,181	$ 3,811,663,365

There were no loans past due greater than 90 days and accruing interest as of December 31, 2020 and 2019.

Nonaccrual Loans

The Credit Union's loans on nonaccrual status at December 31, 2020 and 2019, by loan segment and class, are summarized below:

	2020	2019
Consumer:		
Secured	$ 2,332,436	$ 3,500,800
Unsecured	1,049,564	2,188,476
Other	98,539	278,270
Mortgage:		
First mortgage	1,345,720	2,006,009
Home equity	359,706	386,172
Business	5,344	611,515
Total	$ 5,191,309	$ 8,971,242

NOTE 5 - Premises and Equipment

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

	2020	2019
Land	$ 18,201,514	$ 18,741,646
Buildings and building improvements	143,732,341	134,562,843
Furniture, fixtures, equipment, and software	29,767,662	27,508,121
Leasehold improvements	3,213,441	3,085,170
Construction in progress	16,623,341	4,186,196
Total cost	211,538,299	188,083,976
Accumulated depreciation	(41,075,478)	(37,627,885)
Net premises and equipment	$ 170,462,821	$ 150,456,091

As of December 31, 2020, the Credit Union had outstanding contract commitments for planned construction of new branch offices totaling approximately $24,900,000.

Depreciation and amortization expense for 2020 and 2019 totaled approximately $13,503,000 and $10,420,000, respectively.

The Credit Union leases certain branch offices. One of the lease commitments is with Michigan State University and expires in 2026.

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2020 pertaining to premises and equipment, future minimum rent commitments under various operating leases are as follows:

Years Ending	Amount
2021	$ 360,930
2022	287,396
2023	292,150
2024	259,988
2025	261,959
Thereafter	297,080
Total	$ 1,759,503

The land on which a branch location is located is leased from Michigan State University for $1. The lease expires in the year 2110. The cost of such rentals is not included above. Total rent expense was approximately $286,000 and $381,000 during 2020 and 2019, respectively.

Notes to Consolidated Financial Statements
DECEMBER 31, 2020 + 2019

NOTE 6 - Members' Shares and Savings Accounts

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

	2020	2019
Regular shares	$ 719,468,094	$ 505,510,120
Share draft	736,509,667	561,416,304
Money market checking	118,554,173	90,182,462
Insured money management accounts	1,708,293,614	1,344,200,602
Business deposits	359,388,304	289,999,384
Share certificates	1,173,698,640	1,109,457,018
Total members' share and savings accounts	$ 4,815,912,492	$ 3,900,765,890

The aggregate amounts of members' share and savings accounts in denominations of $250,000 or more at December 31, 2020 and 2019 were approximately $699,622,000 and $569,811,000, respectively.

At December 31, 2020, scheduled maturities of share certificates are as follows:

Years Ending	Amount
2021	$ 643,032,598
2022	197,237,666
2023	127,196,244
2024	124,516,416
2025	73,297,257
Thereafter	8,418,459
Total	$ 1,173,698,640

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, 2020 and 2019 was approximately $2,706,000 and $2,874,000, respectively.

NOTE 7 - Borrowings

The Credit Union has advances from the Federal Home Loan Bank (FHLB) of Indianapolis totaling $285,000,000 and $280,000,000 at December 31, 2020 and 2019, respectively. The advances require monthly interest payments based on the rate offered at the time each advance was taken. The interest rates range from 0.32 percent to 3.34 percent on balances outstanding, with a weighted-average interest rate of 2.29 percent at December 31, 2020. The interest rates ranged from 1.34 to 3.34 percent on balances outstanding, with a weighted-average interest rate of 2.41 percent at December 31, 2019. The advances are collateralized by qualifying securities and mortgage loans as of December 31, 2020. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the FHLB.

The Credit Union has approximately $1,366,214,000 and $1,082,889,000 in additional borrowing capacity with the Federal Home Loan Bank of Indianapolis at December 31, 2020 and 2019, respectively.

Future obligations of the advances are as follows at December 31, 2020:

Years Ending	Amount
2021	$ 10,000,000
2022	15,000,000
2023	40,000,000
2024	35,000,000
2025	35,000,000
Thereafter	150,000,000
Total	$ 285,000,000

NOTE 8 - Line 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, 2020 and 2019. There were no amounts outstanding on the line of credit at December 31, 2020 and 2019. 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. On January 1, 2019, the available borrowings under this line-of-credit agreement were reduced to a maximum of 50 times the Credit Union's capital share account held at Alloya.

As of December 31, 2020, 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, 2020.

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, 2020 or 2019.

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, 2020.

Notes to Consolidated Financial Statements
DECEMBER 31, 2020 + 2019

NOTE 9 - 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 on or 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

	Postretirement Benefits	
	2020	2019
Accumulated benefit obligation	$ 9,047,164	$ 37,161,306

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

	Postretirement Benefits	
	2020	2019
Net loss	$ 17,525,920	$ 14,566,773
Unrecognized prior service cost	(34,337,496)	-
Total recognized in other comprehensive (loss) income	$ (16,811,576)	$ 14,566,773

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

	Postretirement Benefits	
	2020	2019
Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid	$ 3,862,513	$ 2,878,901
Net periodic benefit cost	783,222	496,542
Employer contributions	(783,222)	(496,542)
Benefits paid		
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Loss) Income		
Net loss	2,959,147	7,171,977
Unrecognized prior service cost	(34,337,496)	-
Total recognized in other comprehensive (loss) income	(31,378,349)	7,171,977
Total recognized in net periodic benefit cost and other comprehensive (loss) income	$ (27,515,836)	$ 10,050,878

NOTE 9 - Postretirement Benefit Plans (Continued)

The service costs were included as a component of salaries and employee benefits on the consolidated statement of income and comprehensive 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 (loss) income into net periodic benefit cost over the next fiscal year is $2,521,650. The estimated prior service credit for the postretirement benefit plan that will be accreted from accumulated other comprehensive (loss) income 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:

	2020	2019
Discount rate	2.50%	3.50%

Assumed Healthcare Cost Trend Rates at December 31, 2019

	2019
Healthcare cost trend rate assumed for next year, pre-65	8.50 %
Healthcare cost trend rate assumed for next year, post-65	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %
Year that the rate reaches the ultimate trend rate, pre-65/post-65	2036/2030

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. Evaluation of a change in the assumed health care cost trend rates is no longer applicable due to the amendment to the plan.

Cash Flow

<u>Contributions and Estimated Future Benefit Payments</u>

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
2021	$ 399,481
2022	385,605
2023	369,855
2024	387,224
2025	391,233
Thereafter	2,017,618

Notes to Consolidated Financial Statements
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NOTE 10 - Retirement Plans

All full-time and part-time employees are eligible to contribute to the Credit Union's 401(k) plan. Employees who have been on staff for at least 12 months, have worked at least 1,000 hours, and are 21 years of age or older are eligible for the Credit Union's matching contribution. Employees may contribute up to 100 percent of their compensation (subject to IRS limits), and the Credit Union will make a matching contribution equal to 200 percent of the employee's 401(k) elective deferral contributions up to 5 percent of the employees' salaries. The 401(k) plan expense was approximately $4,569,000 and $4,074,000 for 2020 and 2019, 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.

NOTE 11 - 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.

As of December 31, 2020 and 2019, the following financial instruments whose contract amounts represent credit risk were outstanding:

	2020	2019
Commitments to grant mortgage and consumer loans	$ 57,680,000	$ 42,380,000
Commitments to grant business loans	4,878,000	5,897,000
Unfunded commitments under lines of credit	1,219,638,000	1,071,690,000
Unfunded commitments under overdraft protection programs	109,058,000	100,413,000

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.

NOTE 12 - 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 Credit Union's RBNWR ratio as of December 31, 2020 and 2019 was 5.70 percent and 5.75 percent, respectively. The minimum ratio to be considered complex under the regulatory framework is 6 percent. Management believes, as of December 31, 2020 and 2019, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2020, the most recent call reporting period, and December 31, 2019, the Credit Union was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Credit Union must maintain a minimum net worth ratio of 7.00 percent of assets. There are no conditions or events since the notification that management believes have changed the Credit Union's category.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2020						
Net worth	$ 544,031,128	9.52 %	$ 342,772,821	6.00 %	$ 399,901,625	7.00 %
As of December 31, 2019						
Net worth	494,306,919	10.45	283,813,342	6.00	331,115,566	7.00

Because the RBNWR is less than the net worth ratio, the Credit Union retains its original category. Furthermore, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

NOTE 13 - 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.

The following tables present information about the Credit Union's assets measured at fair value on a recurring basis at December 31, 2020 and 2019 and the valuation techniques used by the Credit Union to determine those fair values.

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.

NOTE 13 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis			
2020	**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**
U.S. government and federal agency obligations	$ -	$ 323,266,384	$ -	$ 323,266,384
Mortgage-backed securities — Residential	-	158,480,378	-	158,480,378
SBA loan pools		35,254,207		35,254,207
Negotiable certificates of deposit	-	258,735	-	258,735
Total available-for-sale securities	$ -	$ 517,259,704	$ -	$ 517,259,704
2019				
U.S. government and federal agency obligations	$ -	$ 222,794,256	$ -	$ 222,794,256
Mortgage-backed securities — Residential	-	123,135,978	-	123,135,978
Negotiable certificates of deposit	-	253,614	-	253,614
Total available-for-sale securities	$ -	$ 346,183,848	$ -	$ 346,183,848

The Credit Union also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets include impaired loans and foreclosed assets.

	Assets Measured at Fair Value on a Nonrecurring Basis			
	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**
2020				
Impaired loans	$ -	$ -	$ 11,931,051	$ 11,931,051
Foreclosed assets	-	-	774,328	774,328
2019				
Impaired loans	-	-	10,628,752	10,628,752
Foreclosed assets	$ -	$ -	$ 991,057	$ 991,057

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