



2024

ENVIRONMENTAL, SOCIAL, & GOVERNANCE REPORT

msufcu[®]
MSU FEDERAL CREDIT UNION

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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 2024 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 33-82) 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 Member,

For 87 years, MSUFCU has been committed to serving our members' financial needs and dedicated to empowering members, employees, and the communities we serve to thrive. What started in 1937 in a single desk drawer at Michigan State University (MSU) has grown into a trusted financial institution that continues to evolve while staying true to our mission.

As the Credit Union grows, so does our responsibility to make a meaningful impact. We listen to and learn from our members, employees, and community partners to address the environmental, social, and governance (ESG) challenges that matter most — whether that's promoting financial well-being, investing in sustainable practices, or fostering an inclusive and supportive workplace.

This ESG report reflects the values that guide our decisions and actions. Our key priorities include Providing Financial Education and Access, Supporting our Employees, Impacting our Communities, Protecting our Members, Operating Sustainably, and Engaging Responsibly.

At MSUFCU, we hold ourselves to the highest level of accountability. Our Board of Directors, Supervisory Committee, and governance teams provide oversight to ensure we are financially strong, ethically led, and focused on long-term success all while maintaining strong capital requirements. Our independent audit affirms this commitment, reinforcing the trust you place in us every day.

The impact we create is driven by purpose. From teaching students the importance of financial literacy through our Lansing SAVE partnership to hosting free community financial education events and fostering an environment where our employees can connect and grow, we are proud to contribute to a brighter future.

On behalf of our Board of Directors and Executives, we thank you — our members, employees, and community partners — for being part of our journey. Your trust and engagement inspire us to continue making thoughtful decisions that uphold our ESG commitments and deliver lasting value.

Sincerely,



Gregory Deppong, CPA
Board Chairperson



April M. Clobes
President/CEO

ABOUT MSUFCU

MSUFCU was established over 87 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 five separate brands including MSUFCU, Oakland University Credit Union (OU Credit Union), Pillur Business Solutions (Pillur), Collegiate Credit Union, and AlumniFi, as well as its wholly owned subsidiary, Reseda Group LLC.



Founded
in 1937



Headquartered
in East Lansing, MI



35
Branches

Who We Serve

MSUFCU provides financial services and solutions to the MSU community, Oakland University (OU) community, and their families; the MSUFCU Desk Drawer Foundation 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.



Over \$8.05 Billion
in Assets



379,398
Members

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.



Over 1,300
Employees

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.



2024 BY THE NUMBERS



379,398
Members Worldwide



218
New Employees



1,324
Total Employees



\$240,572
Employee Donations



1,827
Employee
Volunteer Hours



\$803,317
Community Grants



304
Community
Organizations Supported



632
Employee Affinity
Group Participants



7,693
Students Enrolled through
Lansing SAVE Program



933
First-Time Homebuyer
Mortgages Financed

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 2024 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. MSUFCU financial educators taught 1,228 lessons to 26,474 student attendees in Lansing Public Schools classrooms in 2024.

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) in 2023 to reach 81 out of 83 counties in Michigan, and we promoted academic preparedness for 1,289 youth in foster care in 2024.

Launched in 2024, the FUNtivity Zone video series provides youth members with an engaging collection of financial literacy lessons designed to help build healthy financial habits and teach financial concepts at an early age. These fun, kid-friendly videos simplify complex concepts like budgeting, credit, and distinguishing needs from wants.

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 2024, Season 11 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.



431

Financial Education
Presentations



10,899

Financial Education
Attendees



10

Wallet Watch
Episodes Produced



2,256

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 2024, we helped members save \$29,263,820 in interest by refinancing their higher-rate loans to MSUFCU and earn \$12,957,006 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 2024, more than 13,000 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.

\$29,263,820

in Loan Interest Saved

\$259,308,571

in First Mortgage Loans

2,763

New Youth Accounts Opened

714

Members Opened Business
Accounts and Loans

\$12,957,006

in Dividends Earned

933

Mortgages Financed with First-Time
Homebuyer Loan Program

\$68,570,908

in Business Loans

13,744

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.

- 25 Professional Mortgage Loans opened for a total of \$12M in 2024

Opening Doors to Homeownership

In 2024, MSUFCU reinforced its commitment to providing stable and affordable homeownership by introducing several mortgage and home loan enhancements:

- **Streamline Refinance:** Simplified the process for existing MSUFCU mortgage holders to lower their interest rate and potentially shorten their loan term.
- **SmartLine® Home Equity Line of Credit:** Expanded to Illinois, Indiana, Ohio, and Florida, offering more members access to affordable financing for home improvements, debt consolidation, and other financial needs.
- **Expanded Residential Mortgage Construction Loans:** Increased financing up to 90% Loan-to-Value (LTV) on new home builds, reducing upfront costs and providing more flexible lending options.
- **Online Experience Enhancement:** Redesigned the online and mobile home loan dashboard, featuring real-time updates, payment tracking, an amortization calculator, and a dedicated support section.

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.

- 19 Heroes Mortgages opened for a total of \$4.7M in 2024

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.

- 714 businesses secured financing in 2024

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.

- 105 MSU Student Success Loans opened for a total of \$1,755,774 in 2024

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.

- 1,838 MI Saves Loans opened in 2024

Fran — Learning and Growing

Fran is MSUFCU's virtual assistant powered by artificial intelligence. With Fran, members can simply express their needs and she will promptly connect them to the appropriate representatives. Furthermore, Fran 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

The Credit Union has 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 2024, we handled 4,183 TransPerfect interpretation interactions in 56 languages for a total talk time of 82,000 minutes.



Exclusive Membership Benefits

In 2024, as the official credit union for MSU and OU, we continued to offer members exclusive perks that strengthened their connection to their campus communities.

- **Game Day Experiences:** Through partnerships with MSU and OU Athletics and NIL athletes, we offered members exclusive experiences, including meet-and-greets with players, ticket giveaways for basketball games, and free gifts at athletic events.
- **Fine Arts Access:** Members enjoyed early access and discounted tickets to performances at the Wharton Center and Meadow Brook Amphitheatre, ensuring the best seats for must-see shows.
- **MSU Museum Partnership:** While the MSU Museum undergoes renovations, we displayed select exhibitions at our 311 Abbot location in East Lansing. Additionally, we hosted free, youth-exclusive events featuring interactive activities like scavenger hunts, button-making, and more.
- **University-Themed Debit & Credit Cards:** We gave members the chance to show their school spirit with MSU- and OU-branded Visa debit and credit cards, allowing them to represent the Spartans™ or Golden Grizzlies wherever they shopped.

CashBack+

With the launch of CashBack+ in 2024, we made it even easier for members to earn rewards on everyday purchases. This new program allows members to purchase digital gift cards from top brands like Amazon, Walmart, and Starbucks — and earn up to 20% instant cash back. It's a simple way for members to turn their regular shopping into extra savings.

Online Banking Login Enhancement

In 2024, the Credit Union upgraded the ComputerLine login process with a two-step sign-in procedure, adding an additional layer of protection while keeping access to your accounts quick and easy.



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 that we welcome your business and the opportunity to help you learn how to navigate your financial future." — April Clobes



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 2024, we continued to offer a total compensation package including 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 2024, 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 2024, 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 2024, we continued to expand our professional development opportunities for employees through new trainings and lesson plans. Our training curriculum now has more than 550 courses and employees completed more than 81,735 training hours throughout the year — an average of 60 hours per individual.

To encourage leadership in every position, we also offer 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. Our affinity groups are networks of employees drawn together by characteristics, affinities, or professional interests. These groups play a key role in supporting and enriching group members and the organization by offering educational opportunities and promoting a sense of community.



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.





Engagement, 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 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 monthly observances, sharing information across our Credit Union through blog postings 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 our workforce by integrating inclusion and belonging across the Credit Union.

Council members partnered with our Learning and Development team to provide insights and recommendations to increase engagement and understanding of inclusion and belonging. The council committee will continue to serve as thought partners to our Learning and Development department, as well as develop engagement activities promoting intentional connection, team bonding, and belonging.

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. In 2024, Affinity Groups donated \$14,675 to 24 mission-aligned nonprofits who are meeting the needs of the communities we serve.

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, Mujeres Latinas en Acción, 3Arts, Metro Detroit Youth Day, Michigan Tech Week, Motor City Pride, Work Skills Artisan Corner Program, WKAR Public Media, and many more. We are proud to be part of and support the positive change our community partners are making.

- \$872,213 in Community Donations
- 304 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.

- 585 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 MSUFCU Desk Drawer Foundation. 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."

2024 Charity Partners

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

- Children's Healing Center
- Lansing Promise
- Michigan Women Forward
- Tri-County Office on Aging
- 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 929 VTO hours to a variety of charities in 2024.

\$240,572

Total Employee Donations

169

Personal Volunteer Hours

929

Volunteer Time Off Hours Used

729

Credit Union Volunteer Hours



MSUFCU DESK DRAWER FOUNDATION

In 2019, the Credit Union introduced the MSUFCU Desk Drawer Foundation (DDF), 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 MSUFCU Desk Drawer Foundation. Since its inception, the Foundation has provided nearly \$3 million in meaningful grants to more than 50 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.

DDF's Philanthropic Pillars

The Arts: Foster access and creativity in the arts to enrich communities.

Entrepreneurship: Empower and educate to encourage entrepreneurs to develop core skills.

Financial Education: Support educational programs that facilitate financial wellness and empower financial freedom.

Stable Housing: Strengthen lives through support of organizations that provide access to safe and reliable housing for individuals and families.

Youth Empowerment: Empower youth to learn, grow, create, and lead.

2024 DDF Impact

\$803,317 in Grants

- \$175,000 — The Arts
- \$63,478 — Entrepreneurship
- \$69,094 — Financial Education
- \$259,886 — Stable Housing
- \$235,859 — Youth Empowerment

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 2024, MSUFCU recycled 72,300 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.



72,300

Total Pounds
Recycled in 2024



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 2025.

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 has been established 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.



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 Selection Policy

The Credit Union has adopted a Supplier Selection Program that encourages and bolsters our relationship with a variety of businesses and is aligned with our core values.



AWARD-WINNING WORKPLACE

MSUFCU has a national reputation for excellence and received many top industry and workplace awards in 2024, 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.

A RECOGNIZED LEADER IN WORKPLACE EXCELLENCE

- **Great Place to Work® — Great Place to Work Certified™**
- **Detroit Free Press Top Workplace — Ranked No. 5 in Large Employer Category**
 - 2024 Top Workplaces USA
 - 2024 Top Workplace in the Financial Services Industry — Ranked No. 16 out of 115
 - Five Culture Excellence Awards

BEST AND BRIGHTEST COMPANY AWARDS

- **National Best and Brightest Companies to Work For®**
- **National Best and Brightest in Wellness** — Received two additional 'Elite' awards demonstrating exceptional innovative practices and high standards in award categories.
- **West Michigan Best and Brightest Companies to Work For®**
- **The Top 101 in the Nation Award** — Recognizing the top-performing workplaces among 500 nominees.
- **The Best and Brightest Iconic Award** — Honoring companies that have been an 'Elite' winner in their regions for five or more years.

COMMITMENT TO EMPLOYEE WELL-BEING AND DEVELOPMENT

- **Mental Health America's Bell Seal for Workplace Mental Health** — Platinum Certification for prioritizing mental wellness.
- **Training Magazine APEX Award** — Ranked No. 9 out of 100 for exceptional employee training and development programs.

EXCELLENCE IN SECURITY AND RISK MANAGEMENT

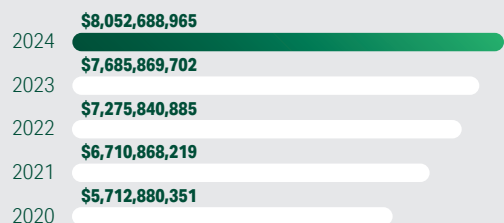
- **Finalist in three Outstanding Security Performance Awards (OSPA):**
 - Outstanding Security Team
 - Outstanding Security Team Training
 - Outstanding In-House Security Manager/Director

APPENDIX

2024 FINANCIAL REPORT

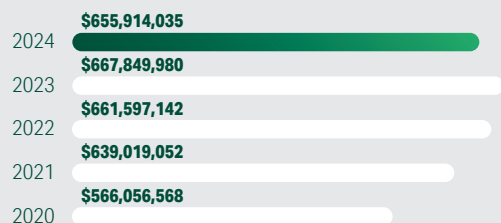
Total Assets

Year ended December 31



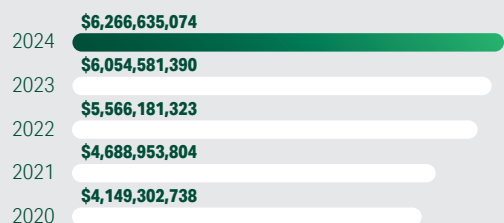
Total Reserves

Year ended December 31



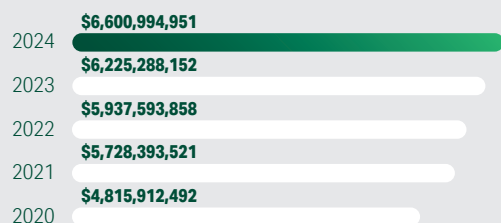
Net Loans

Year ended December 31



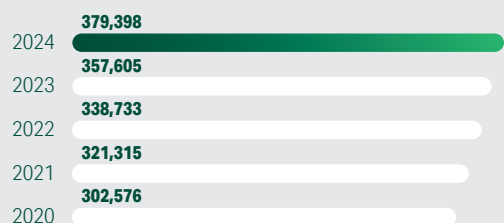
Total Shares

Year ended December 31



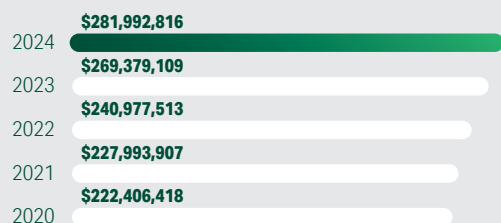
Membership

Year ended December 31



IRAs

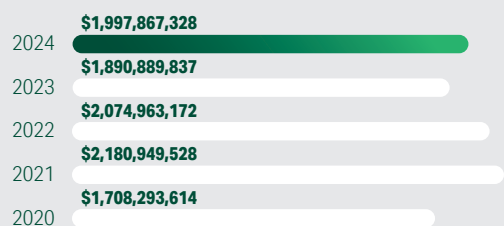
Year ended December 31



IRAs consist of IMMAs and Share Certificates

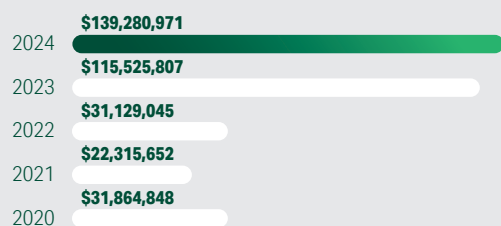
IMMAs

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, 2024 and 2023, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

/s/ Plante & Moran, PLLC

Plante & Moran, PLLC
February 14, 2025

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

See notes to consolidated financial statements.

	As of Year End	
	December 31, 2024	December 31, 2023
ASSETS		
Cash and cash equivalents	\$ 301,062,747	\$ 221,319,231
Time deposits with other financial institutions	144,714,000	255,460,000
Investment securities - Marketable securities (Note 4)	7,025,505	7,122,514
Investment securities - Available for sale (Note 4)	517,430,944	512,543,474
Investment securities - Held to maturity - Net (Note 4)	10,824,193	-
Other investments	55,424,152	50,465,297
Loans held for sale	17,827,707	-
Loans to members - Net (Note 5)	6,266,635,074	6,054,581,390
Premises and equipment - Net (Note 6)	363,618,226	291,002,239
Goodwill	59,462,013	12,283,944
Core deposit intangible (Note 7)	5,125,307	-
Employee benefit funding asset	97,665,209	103,070,884
NCUSIF deposit	56,861,550	54,134,827
Other assets	149,012,338	123,885,902
Total assets	\$ 8,052,688,965	\$ 7,685,869,702
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts (Note 8)	\$ 6,562,878,191	\$ 6,212,411,152
Nonmembers' deposits (Note 8)	38,116,760	12,877,000
Borrowings (Note 9)	698,476,332	690,000,000
Postretirement benefit obligations (Note 11)	5,017,591	6,995,445
Accrued expenses and other liabilities	92,286,056	95,736,125
Total liabilities	7,396,774,930	7,018,019,722
Members' Equity	655,914,035	667,849,980
Total liabilities and members' equity	\$ 8,052,688,965	\$ 7,685,869,702

CONSOLIDATED STATEMENT OF INCOME

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2024	December 31, 2023
Interest Income		
Loans	\$ 374,701,685	\$ 312,176,549
Investment securities	20,949,888	15,569,105
Interest-bearing balances with other financial institutions	12,356,364	6,294,298
Total interest income	408,007,937	334,039,952
Interest Expense		
Members' share and savings accounts	138,721,931	114,460,397
Nonmembers' deposits	559,040	1,065,410
Borrowings	30,054,745	21,231,044
Total interest expense	169,335,716	136,756,851
Net Interest Income	238,672,221	197,283,101
Provision for Credit Losses (Notes 5 and 13)	63,165,269	26,496,175
Net Interest Income after Provision for Credit Losses	175,506,952	170,786,926
Noninterest Income		
Fees and charges	19,608,011	21,843,895
Visa interchange	45,509,797	43,649,691
(Loss) income from CUSOs	(1,727)	(228,665)
Net gain on marketable securities	764,656	902,423
Other	24,352,616	18,738,731
Total noninterest income	90,233,353	84,906,075
Noninterest Expense		
Salaries and employee benefits	154,873,303	136,591,174
Occupancy	22,458,678	19,015,600
Operating expenses	90,175,467	79,690,955
Other	19,542,264	15,585,788
Total noninterest expense	287,049,712	250,883,517
Consolidated Net (Loss) Income	\$ (21,309,407)	\$ 4,809,484
Amounts Attributable to Noncontrolling Interest		
Consolidated net (loss) income attributable to:		
Noncontrolling interest	-	(325,908)
Michigan State University Federal Credit Union	(21,309,407)	5,135,392
Consolidated net (loss) income	\$ (21,309,407)	\$ 4,809,484

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2024	December 31, 2023
Consolidated Net (Loss) Income	\$ (21,309,407)	\$ 4,809,484
Other Comprehensive Income		
Unrealized gain on securities:		
Gain arising during the year	9,443,084	13,739,281
Reclassification adjustment for realized loss included in consolidated net (loss) income	26,193	235
Postretirement benefit plan:		
Net prior service cost	(5,079,063)	(3,461,963)
Net gain arising during the year	3,478,227	356,490
Total postretirement benefit plan	(1,600,836)	(3,105,473)
Total other comprehensive income	\$ 7,868,441	\$ 10,633,808
Comprehensive (Loss) Income	(13,440,966)	15,443,292
Amounts Attributable to Noncontrolling Interest		
Comprehensive (loss) income attributable to:		
Noncontrolling interest	\$ -	\$ (325,908)
Michigan State University Federal Credit Union	(13,440,966)	15,769,200
Comprehensive (loss) income	\$ (13,440,966)	\$ 15,443,292

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY

See notes to consolidated financial statements.

	Years Ended December 31, 2024 and 2023						
	Regular Reserve	Equity Acquired in Mergers	Undivided Earnings	Accumulated Other Comprehensive Loss	Total	Noncontrolling Interest	Total Equity
Balance - January 1, 2023	\$ 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 gain 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
Comprehensive (loss) income:							
Net loss	-	-	(21,309,407)	-	(21,309,407)	-	(21,309,407)
Unrealized gain on securities	-	-	-	9,469,277	9,469,277	-	9,469,277
Postretirement benefit plan	-	-	-	(1,600,836)	(1,600,836)	-	(1,600,836)
Equity acquired in merger (Note 16)	-	1,505,021	-	-	1,505,021	-	1,505,021
Balance - December 31, 2024	\$ -	\$ 5,330,927	\$ 675,526,347	\$ (24,943,239)	\$ 655,914,035	\$ -	\$ 655,914,035

CONSOLIDATED STATEMENT OF CASH FLOWS

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2024	December 31, 2023
Cash Flows from Operating Activities		
Consolidated net (loss) income	\$ (21,309,407)	\$ 4,809,484
Adjustments to reconcile consolidated net (loss) income to net cash and cash equivalents from operating activities:		
Depreciation and amortization	20,412,461	19,905,091
Provision for credit losses	63,165,269	26,496,175
Net amortization of securities	1,640,222	1,798,315
Net realized gains on marketable securities	(23,281)	(5,369)
Net unrealized gains on marketable securities	(741,375)	(897,054)
Net loss on sale of available-for-sale securities	26,193	235
Earnings on employee benefits funding assets	(2,238,600)	(2,198,752)
Actuarial gain on postretirement benefit liability	(3,578,691)	(3,227,694)
Net change in:		
Loans held for sale	1,880,850	-
Other assets	(1,471,797)	(15,641,784)
Accrued expenses and other liabilities	(1,304,057)	12,995,566
Net cash and cash equivalents provided by operating activities	56,457,787	44,034,213
Cash Flows from Investing Activities		
Net change in loans	17,428,540	(522,414,460)
Activity in available-for-sale securities:		
Proceeds from sales	1,484,625	146,391
Maturities, prepayments, and calls	165,236,725	90,760,205
Purchases	(89,491,926)	(35,645,958)
Maturities of held-to-maturity securities	2,245,139	-
Activity in other investments - Purchases	(2,721,868)	(3,934,007)
Purchases of split-interest life insurance	(6,124,379)	(16,422,625)
Proceeds from surrender of business owned life insurance	11,448,695	9,057,596
Additions to premises and equipment	(84,235,783)	(48,350,419)
Proceeds from time deposits with other institutions	201,092,000	240,088,000
Purchases of time deposits with other institutions	(90,000,000)	(140,000,000)
Increase in NCUSIF deposit	(2,439,260)	(3,624,127)
Purchases of marketable securities	(1,442,360)	(1,267,338)
Proceeds from sale of marketable securities	2,304,025	1,595,087
Cash paid for acquisitions	(50,796,247)	-
Loss on exit from CUSO	-	127,764
Investment in CUSOs	(12,922,500)	(14,872,531)
Net cash and cash equivalents (used in) investing activities	61,065,426	(444,756,422)

CONSOLIDATED STATEMENT OF CASH FLOWS

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2024	December 31, 2023
Cash Flows from Financing Activities		
Net increase in members' shares	\$ 57,077,112	\$ 281,287,294
Net decrease in nonmember draft shares	(22,522,809)	-
(Settlement of) proceeds from issuance of nonmember certificates	(17,334,000)	6,407,000
Proceeds from issuance of Federal Home Loan Bank advances	177,500,000	700,000,000
Repayment of Federal Home Loan Bank advances	(132,500,000)	(705,000,000)
Proceeds from issuance of FRB Bank Term Funding Program advances	270,000,000	100,000,000
Repayment of FRB Bank Term Funding Program advances	(370,000,000)	-
Net cash and cash equivalents (used in) provided by financing activities	(37,779,697)	382,694,294
Net Change in Cash and Cash Equivalents	79,743,516	(18,027,915)
Cash and Cash Equivalents - Beginning of year	221,319,231	239,347,146
Cash and Cash Equivalents - End of year	\$ 301,062,747	\$ 221,319,231
Supplemental Cash Flow Information - Cash paid for interest	\$ 168,982,595	\$ 136,466,583
Significant Noncash Transactions - Transfers from loans to other real estate owned	\$ 362,171	\$ 474,742

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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), including EverGreen 3C, LLC; Foresight Group, LLC; M3 Group, LLC; 1937 Group, LLC; and MSUFCU Desk Drawer Foundation (DDF), a charitable foundation in which the Credit Union is the sole member; and Verte Investments, LLC. 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 across the state of Michigan and northern Illinois.

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, as well as individuals who live, work, worship, or attend school in the state of Michigan and Illinois. Oakland University is served under the registered trade name Oakland University Credit Union. The Credit Union also operates under the trade names Collegiate Credit Union and AlumniFi 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 MSUFCU Desk Drawer Foundation is a charitable foundation formed in 2019 under Section 501(c)(3) of the Internal Revenue Code to support the Credit Union's communities. 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: the arts, entrepreneurship, financial education, stable housing, and youth empowerment.

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 MSUFCU Desk Drawer Foundation 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.

EverGreen 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 EverGreen 3C, LLC. In 2023, EverGreen 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

1937 Group, LLC is a limited liability company formed in 2024 as a special-purpose credit union service organization (CUSO) to hold loans acquired from other institutions that do not meet the regulatory requirements for federal credit unions. Reseda Group, LLC is the single member of 1937 Group, LLC.

Note 2 - Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 valuation of the purchase price allocations and resulting goodwill.

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.

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.

Investments

Debt securities purchased where the Credit Union has both the positive intent and ability to hold to maturity are classified as held to maturity and are recorded at cost, adjusted for amortization of premiums and discounts. Purchase premiums and discounts are recognized in interest income using the interest method. For purchase discounts and premiums on noncallable debt securities, the amounts are recognized into income over the term of

the securities. For premiums on callable debt securities, the premium is amortized into income over the period until the first call date. Cost is determined on the specific identification method for computing realized gains and losses on the sale of investments. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the investments. The Credit Union collectively evaluates investments to determine the allowance for credit losses based on the issuer of the bonds. The Credit Union calculates the allowance 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 the issuer's historical and expected financial performance as well as any changes in credit ratings when making adjustments for reasonable and supportable forecasts.

Debt securities purchased to be held for an indefinite period of time are classified as available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and temporary losses reported in other comprehensive income.

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 that 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 cost 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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 \$31,942,800 and \$29,830,400 of FHLB capital stock at December 31, 2024 and 2023, respectively. In 2024, the Credit Union acquired two community banks that held shares in capital stock at the Federal Home Loan Bank of Chicago in the amount of \$1,736,000 as of December 31, 2024. These shares will be held by the Credit Union until the related outstanding advances have been repaid in 2029. 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 \$1,137,000 and \$1,069,300 as of December 31, 2024 and 2023, respectively. 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, 2024 and 2023. 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, 2024 and 2023. 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. The Credit Union holds \$98,735 in Federal Agriculture Mortgage stock as of December 31, 2024 acquired through another financial institution. 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 \$17,609,617 and \$16,665,596 of stock at December 31, 2024 and 2023, 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, 2024 or 2023.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized in a valuation allowance by charges to income.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of the right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

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 and Illinois. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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 credit losses 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.

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 \$360,365 and \$329,803 as of December 31, 2024 and 2023, 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, 2024 and 2023.

Core Deposit Intangible

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straightline method over the estimated useful lives of the assets. The core deposit intangible is amortized over a period between 2 and 10 years. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. No impairment charge was recognized for the year ended December 31, 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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. The earnings from these policies are used to offset employee benefit expense.

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.

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 \$24,689,960 and \$18,159,363 at December 31, 2024 and 2023, 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, 2024 and 2023, the cash surrender value of the life insurance contracts securing the loan totaled \$24,689,960 and \$18,159,363, 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 deposit and accounts from acquired institutions' customers who have not yet opted into credit

union membership. The brokered certificates of deposit are issued in a variety of amounts, although always less than or equal to \$250,000.

Members' Equity

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

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. For the years ended December 31, 2024 and 2023, accumulated other comprehensive losses were attributable to \$33,810,801 and \$43,280,078 of unrealized losses on available-for-sale securities and \$8,867,562 and \$10,468,398 of unrealized gains on the postretirement benefit plan, respectively.

Services Charges and Fees

Charges to members for transaction-based account maintenance and overdraft services 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. Interchange fees from cardholder transactions conducted through the card payment network are charged when cardholders use the card to conduct point-of-sale transactions, are transaction-based, and are recognized with the processing of the transaction.

Other noninterest income primarily consists of fees from consulting, commercial printing, and direct mail services offered through investments in CUSOs described in Note 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Income is recognized at the time the performance obligation has been fulfilled.

Income Taxes

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

The MSUFCU Desk Drawer Foundation 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, 2024 and 2023, 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.

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 \$1,950,000 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, 2024.

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, 2024 and 2023.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including February 14, 2025, which is the date the consolidated financial statements were available to be issued.

Note 3 - Adoption of New Accounting Pronouncement

Employee Benefit Funding Assets

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, 2024 and 2023

Note 4 - Investment Securities

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

	2024	2023
Marketable securities	\$ 7,025,505	\$ 7,122,514

For the year ended December 31, 2024, there was a total of \$764,656 of net gains on marketable securities, recognized in the consolidated statement of income, which includes \$741,375 of net unrealized gains and \$23,281 in realized gains. For the year ended December 31, 2023, there was a total of \$902,423 in net gains on marketable securities recognized in the consolidated statement of income, which includes \$897,054 in net unrealized gains and \$5,369 in realized gains.

The amortized cost and fair value of available-for-sale and held-to-maturity securities 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	Allowance for Credit Losses
2024					
Available for Sale:					
U.S. government and federal agency obligations	\$ 214,407,875	\$ -	\$ (5,532,688)	\$ 208,875,187	\$ -
Mortgage-backed securities — Residential	240,359,636	288,765	(24,420,896)	216,227,505	-
SBA loan pools	30,147,795	99,095	(568,383)	29,678,507	-
Other debt securities	20,760,521	52,791	(782,247)	20,031,065	-
Subordinated debt securities	9,000,000	-	(1,335,000)	7,665,000	-
Municipal bonds	36,565,918	64,316	(1,676,554)	34,953,680	-
Total available for sale	\$ 551,241,745	\$ 504,967	\$ (34,315,768)	\$ 517,430,944	\$ -
Held to maturity - Municipal bonds	\$ 10,835,028	\$ 121,800	\$ (130,072)	\$ 10,826,756	\$ 10,835

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 4 - Investment Securities (continued)

	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>

At December 31, 2024 and 2023, securities with a carrying value of approximately \$407,695,000 and \$170,605,000, 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. At December 31, 2024, securities with a carrying value of approximately \$38,618,000 were pledged as collateral to secure municipal deposit accounts.

The amortized cost and fair value of investment securities by contractual maturity at December 31, 2024, are as follows:

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 180,219,415	\$ 176,138,201	\$ 3,038,109	\$ 3,045,908
Due in one through five years	66,315,277	62,773,086	5,738,919	5,801,045
Due in five years through ten years	24,096,216	22,934,935	1,715,000	1,680,357
Due after ten years	10,103,406	9,678,710	343,000	299,446
Total	280,734,314	271,524,932	10,835,028	10,826,756
Mortgage-backed securities — Residential	240,359,636	216,227,505	-	-
SBA loan pools	30,147,795	29,678,507	-	-
Total	<u>\$ 551,241,745</u>	<u>\$ 517,430,944</u>	<u>\$ 10,835,028</u>	<u>\$ 10,826,756</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 4 - Investment Securities (continued)

Proceeds from sales of investment securities were \$3,788,650, gross realized gains were \$318,469, and gross realized losses were \$321,381 for the year ended December 31, 2024. 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.

Information pertaining to investment securities with gross unrealized losses at December 31, 2024 and 2023, 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
2024				
Available for Sale:				
U.S. government and federal agency obligations	\$ (113,636)	\$ 7,009,253	\$ (5,419,052)	\$ 201,865,934
Mortgage-backed securities — Residential	(659,625)	65,087,021	(23,761,271)	113,987,916
SBA loan pools	(87,647)	6,358,992	(480,736)	13,248,770
Other debt securities	(49,413)	3,197,031	(732,834)	11,961,256
Subordinated debt	(275,000)	4,725,000	(1,060,000)	2,940,000
Municipal bonds	(1,676,554)	9,582,423	-	-
Total available for sale	\$ (2,861,875)	\$ 95,959,720	\$ (31,453,893)	\$ 344,003,876
Held to maturity - Municipal bonds	\$ (130,072)	\$ 3,121,337	\$ -	\$ -
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

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 560 and 321 investment securities in an unrealized loss position at December 31, 2024 and 2023, respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 5 - Loans and Allowance for Credit Losses

A summary of the balances of loans follows:

	2024	2023
Consumer	\$ 3,081,662,661	\$ 3,109,868,760
Mortgage	2,363,700,220	2,264,440,997
Business	877,094,581	713,337,311
Total loans	6,322,457,462	6,087,647,068
Less allowance for loan losses	59,721,505	37,762,657
Plus net deferred loan costs	3,899,117	4,696,979
Net loans	<u>\$ 6,266,635,074</u>	<u>\$ 6,054,581,390</u>

In the ordinary course of business, the Credit Union has granted loans to principal officers and directors and their affiliates amounting to approximately \$3,357,000 and \$3,136,000 as of the years ended December 31, 2024 and 2023, respectively.

The Credit Union's activity in the allowance for credit losses for the years ended December 31, 2024 and 2023, by loan segment, is summarized below:

YEAR ENDED DECEMBER 31, 2024					
	Beginning Balance	Charge-offs	Recoveries	Provision	Ending Balance
Allowance for credit losses:					
Consumer:					
Secured	\$ 9,885,047	\$ (15,157,616)	\$ 1,528,509	\$ 22,855,650	\$ 19,111,590
Unsecured	22,192,311	(26,664,587)	1,753,770	35,889,647	33,171,141
Other	2,552,726	(3,180,506)	727,635	3,943,510	4,043,365
Mortgage:					
First mortgages	1,142,550	(20,785)	-	3,095	1,124,860
Home equity	73,383	\$ (33,000)	\$ 105,026	\$ (4,460)	\$ 140,949
Business:					
Visa and commercial vehicle	316,762	(280,879)	8,614	274,730	319,227
Other business loans	1,599,878	(878,783)	509,075	580,203	1,810,373
Total	<u>\$ 37,762,657</u>	<u>\$ (46,216,156)</u>	<u>\$ 4,632,629</u>	<u>\$ 63,542,375</u>	<u>\$ 59,721,505</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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	<u>\$ 29,032,855</u>	<u>\$ 4,866,046</u>	<u>\$ (26,501,533)</u>	<u>\$ 3,412,977</u>	<u>\$ 26,952,312</u>	<u>\$ 37,762,657</u>

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 table presents the amortized cost basis of loans by credit quality indicator and class as of December 31, 2024 and 2023. Performing loans are less than two months past due and nonperforming loans are greater than 60 days or more past due as of December 31, 2024 and 2023.

	DECEMBER 31, 2024			DECEMBER 31, 2023		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer:						
Secured	\$ 2,118,653,511	\$ 29,521,511	\$ 2,148,175,022	\$ 2,259,726,066	\$ 22,665,284	\$ 2,282,391,350
Unsecured	722,286,890	11,329,276	733,616,166	659,822,593	8,404,412	668,227,005
Other	209,938,831	2,395,745	212,334,576	171,776,742	1,603,348	173,380,090
Mortgage:						
First mortgages	2,039,637,791	6,909,169	2,046,546,960	1,994,093,431	6,550,566	2,000,643,997
Home equity	309,868,381	\$ 1,367,905	\$ 311,236,286	\$ 256,167,407	\$ 639,791	\$ 256,807,198
Business:						
Visa and commercial vehicle	18,924,169	113,148	19,037,317	19,722,909	45,226	19,768,135
Other business loans	852,146,779	3,263,473	855,410,252	690,631,628	494,644	691,126,272
Total	<u>\$ 6,271,456,352</u>	<u>\$ 54,900,227</u>	<u>\$ 6,326,356,579</u>	<u>\$ 6,051,940,776</u>	<u>\$ 40,403,271</u>	<u>\$ 6,092,344,047</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

The Credit Union has certain nonperforming loans considered to be collateral dependent. The amortized cost of these loans are approximately \$7,600,000 and \$5,700,000 at December 31, 2024 and 2023, respectively, 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.

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, 2024 and 2023:

	Not Graded	Acceptable	Special Mention	Substandard	Doubtful	Total
2024						
Business loans	\$ 19,094,748	\$ 751,489,068	\$ 80,709,679	\$ 23,154,074	\$ -	\$ 874,447,569
2023						
Business loans	\$ 19,842,055	\$ 665,668,367	\$ 24,553,843	\$ 830,142	\$ -	\$ 710,894,407

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, 2024 and 2023

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

Age Analysis of Past-due Loans

The Credit Union's age analysis of past-due loans at December 31, 2024 and 2023, by loan segment and class, is summarized below:

	30-59 Days Past Due	60-89 Days Past Due	90 or More Days	Total	Current	Total Loans
2024						
Consumer:						
Secured	\$ 30,250,192	\$ 11,304,074	\$ 18,217,437	\$ 59,771,703	\$ 2,088,403,319	\$ 2,148,175,022
Unsecured	8,835,926	3,177,289	8,151,987	20,165,202	713,450,964	733,616,166
Other	2,173,172	1,192,182	1,203,563	4,568,917	207,765,659	212,334,576
Mortgage:						
First mortgages	8,043,371	2,986,559	3,922,610	14,952,540	2,031,594,420	2,046,546,960
Home equity	1,904,635	702,437	665,468	3,272,540	307,963,746	311,236,286
Business:						
Visa and commercial vehicle	133,988	36,493	76,655	247,136	18,790,181	19,037,317
Other business loans	858,226	58,747	3,204,726	4,121,699	851,288,553	855,410,252
Total	\$ 52,199,510	\$ 19,457,781	\$ 35,442,446	\$ 107,099,737	\$ 6,219,256,842	\$ 6,326,356,579
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

There were no loans past due greater than 90 days and accruing interest as of December 31, 2024 and 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

Nonaccrual Loans

The Credit Union's loans on nonaccrual status at December 31, 2024 and 2023, by loan segment and class, are summarized below:

	2024			2023		
	Nonaccrual Loans with No ACL	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans	Nonaccrual Loans with No ACL	Total Nonaccrual Loans	Interest Income Recognized During the Period on Nonaccrual Loans
Consumer:						
Secured	\$ -	\$ 18,217,437	\$ -	\$ -	\$ 13,227,366	\$ -
Unsecured	-	8,151,987	-	-	5,935,788	-
Other	-	1,203,563	-	-	1,030,227	-
Mortgage:						
First mortgages	-	3,922,610	-	-	3,519,872	-
Home equity	-	\$ 665,468	\$ -	\$ -	404,814	-
Business:						
Visa and commercial vehicle	-	76,655	-	-	22,614	-
Other business loans	-	3,204,726	-	-	444,463	-
Total	\$ -	\$ 35,442,446	\$ -	\$ -	\$ 24,585,144	\$ -



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

Modifications

The following tables present the amortized cost basis as of December 31, 2024 and 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, 2024

	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	\$ -	- %	\$ 10,295,428	0.48 %
Unsecured	271,063	0.04	1,831,379	0.25
Other	-	-	627,686	0.30
Mortgage:				
First mortgages	806,269	0.04	-	-
Home equity	28,641	0.01	-	-
Business:				
Visa and commercial vehicle	31,212	0.16	-	-
Other business loans	-	-	884	-
Total	\$ 1,137,185	0.25 %	\$ 12,755,377	1.03 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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	0.10 %
Unsecured	307,424	0.10	1,533,559	0.20
Other	-	-	138,786	0.10
Mortgage:				
First mortgages	319,587	-	-	-
Home equity	47,343	-	-	-
Business:				
Visa and commercial vehicle	123,565	0.10	-	-
Other business loans	56,129	-	13,433,910	1.90
Total	\$ 854,048	0.20 %	\$ 16,986,151	2.30 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 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	Provided for reduced payments for up to 6 months, with the current reductions required at final maturity date.	-
Home equity	Provided for reduced payments for up to 7 months, with the current reductions required at final maturity date.	-
Business - Visa and commercial vehicle	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.	-
Other business loans	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>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, 2024 and 2023

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

The following tables present 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, 2024

	Other Than Insignificant Payment Delays	Other Than Insignificant Term Extensions
Consumer:		
Secured	\$ -	\$ 4,739,529
Unsecured	297,791	644,235
Other	-	177,059
Mortgage:		
First mortgages	546,830	-
Home equity	5,988	-
Business:		
Visa and commercial vehicle	33,825	-
Other business loans	\$ 28,915	\$ 1,769
Total	913,349	5,562,592

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

The following tables present 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, 2024

	Current	30-89 Days	Greater Than 90 Days	Total
Consumer:				
Secured	\$ 7,268,269	\$ 2,136,090	\$ 891,069	\$ 10,295,428
Unsecured	1,681,685	249,823	170,934	2,102,442
Other	420,998	192,360	14,328	627,686
Mortgage:				
First mortgages	681,586	66,151	58,532	806,269
Home equity	28,641	-	-	28,641
Business:				
Visa and commercial vehicle	31,212	-	-	31,212
Other business loans	-	-	884	884
Total	\$ 10,112,391	\$ 2,644,424	\$ 1,135,747	\$ 13,892,562

DECEMBER 31, 2023

	Current	30-89 Days	Greater Than 90 Days	Total
Consumer:				
Secured	\$ 1,130,244	\$ 550,807	\$ 198,845	\$ 1,879,896
Unsecured	1,449,143	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	\$ 9,498,374	\$ 7,506,305	\$ 835,520	\$ 17,840,199

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 6 - Premises and Equipment

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

	2024	2023
Land	\$ 25,435,041	\$ 21,347,232
Buildings and building improvements	255,801,659	234,695,728
Furniture, fixtures, equipment, and software	60,943,612	52,059,737
Leasehold improvements	24,578,453	4,476,533
Software development in progress	457,501	-
Construction in progress	51,036,728	15,085,149
Leased space - Right of use	13,487,214	15,243,695
Total cost	431,740,208	342,908,074
Accumulated depreciation	(68,121,982)	(51,905,835)
Net premises and equipment	\$ 363,618,226	\$ 291,002,239

The Credit Union had outstanding contract commitments as of December 31, 2024 for planned construction of new branches and offices totaling approximately \$350,000.

Depreciation and amortization expense for 2024 and 2023 totaled approximately \$19,825,000 and \$19,905,000, 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 2 to 19 years (with a weighted-average remaining term of 9.60 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, with a weighted-average discount rate of 4.10 percent.

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

As of December 31, 2024 and 2023, the Credit Union recognized right-of-use assets of \$13,487,214 and \$15,243,695, respectively, related to operating leases within property and equipment on the consolidated statement of financial condition. As of December 31, 2024 and 2023, the Credit Union recognized lease liabilities of \$14,003,355 and \$15,507,168, 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, 2024 and 2023.

Rental expense for the years ended December 31, 2024 and 2023 for facilities leased under operating leases totaled \$2,070,538 and \$1,296,093, respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 6 - Premises and Equipment (continued)

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2024 pertaining to premises and equipment, future minimum rent commitments under various operating leases are as follows:

Years Ending	Amount
2025	\$ 2,251,882
2026	2,209,625
2027	1,922,375
2028	1,871,713
2029	1,787,925
Thereafter	7,665,767
Total	17,709,287
Less amount representing interest	(3,705,932)
Present value of net minimum lease payments	\$ 14,003,355

Note 7 - Acquired Intangible Assets and Goodwill

Intangible assets of the Credit Union at December 31, 2024 are summarized as follows:

	2024	
	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets - Core deposit intangible	\$ 5,607,179	\$ 481,872

Amortization expense for intangible assets totaled \$481,872 for the year ended December 31, 2024.

Estimated amortization expense for the years ending December 31 is as follows:

Years Ending	Amount
2025	\$ 796,285
2026	713,285
2027	471,618
2028	471,618
2029	471,618
Thereafter	2,200,883
Total	\$ 5,125,307

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 7 - Acquired Intangible Assets and Goodwill (continued)

The recorded amounts of goodwill at December 31, 2024 and 2023 are as follows:

2024	2023
\$ 59,462,013	\$ 12,283,944

Note 8 - Members' and Nonmembers' Share and Savings Accounts

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

	2024	2023
Regular shares	\$ 714,954,513	\$ 703,359,185
Share draft	825,602,100	807,622,257
Money market checking	193,278,844	148,395,452
Insured money management accounts	1,997,867,328	1,890,889,837
Business deposits	650,638,607	495,870,529
Share certificates	2,180,536,799	2,166,273,892
Total members' share and savings accounts	6,562,878,191	6,212,411,152
Nonmembers' deposits	38,116,760	12,877,000
Total members' and nonmembers' share and savings accounts	\$ 6,600,994,951	\$ 6,225,288,152

The NCUSIF insures members' shares and savings accounts. For the years ended December 31, 2024 and 2023, 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, 2024 and 2023 were approximately \$464,006,000 and \$530,114,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 8 - Members' and Nonmembers' Share and Savings Accounts (continued)

At December 31, 2024, scheduled maturities of members' share certificates and nonmembers' certificates are as follows:

Years Ending	Members' Share Certificates	Nonmembers' Deposits
2025	\$ 1,706,483,200	\$ 13,604,000
2026	174,519,673	7,003,000
2027	106,251,073	-
2028	61,653,099	-
2029	101,972,210	-
Thereafter	29,657,544	-
Total	\$ 2,180,536,799	\$ 20,607,000

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, 2024 and 2023 was approximately \$5,151,000 and \$3,873,000, respectively.

Note 9 - Borrowings

The Credit Union has combined advances from the Federal Home Loan Banks of Indianapolis and Chicago totaling \$698,500,000 and \$590,000,000 at December 31, 2024 and 2023, respectively. The advances require monthly interest payments based on the rate offered at the time each advance was taken. The interest rates range from 0.00 percent to 5.24 percent on balances outstanding, with a weighted-average interest rate of 3.76 percent at December 31, 2024. The interest rates ranged from 0.68 to 5.48 percent on balances outstanding, with a weighted-average interest rate of 3.56 percent at December 31, 2023. The advances are collateralized by mortgage loans and investment securities of approximately \$2.06 billion and \$1.22 billion as of December 31, 2024 and 2023, respectively. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the FHLB.

The Credit Union has \$1,804,410,600 and \$1,711,246,900 in combined additional borrowing capacity with the Federal Home Loan Banks of Indianapolis and Chicago at December 31, 2024 and 2023, 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 accrued interest at a rate of 4.85 percent, due at repayment or maturity. The advances were collateralized by investment securities of approximately \$135,000,000. There were no prepayment penalties. During 2024, the Credit Union advanced \$270,000,000 at an interest at a rate of 4.76 percent. The advances were paid off during 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 9 - Borrowings (continued)

Future obligations of the advances are as follows at December 31, 2024:

Years Ending	Amount
2025	\$ 55,000,000
2026	85,500,000
2027	126,500,000
2028	181,500,000
2029	200,000,000
Thereafter	50,000,000
Total	<u>\$ 698,500,000</u>

Note 10 - Lines of Credit

Under a line of credit agreement with Alloya Corporate Credit Union, the Credit Union has available borrowings of \$43,465,000 and \$53,465,000 at December 31, 2024 and 2023, respectively. There were no amounts outstanding on the line of credit at December 31, 2024 and 2023. 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 and Chicago advances. The Credit Union guaranteed \$10,000,000 on the line of credit on behalf of an entity invested through Reseda Group, LLC at December 31, 2024.

As of December 31, 2024, 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, 2024 and 2023.

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, 2024 or 2023.

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, 2024 or 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 11 - 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

	2024	2023
Accumulated benefit obligation	\$ 5,017,591	\$ 6,995,445

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

	2024	2023
Net loss	\$ (4,762,554)	\$ (8,240,781)
Unrecognized prior service cost	13,630,116	18,709,179
Total recognized in other comprehensive income	\$ 8,867,562	\$ 10,468,398

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

	2024	2023
Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid:		
Net periodic benefit cost	\$ (3,288,527)	\$ (2,953,173)
Employer contributions	290,198	278,384
Benefits paid	(290,198)	(278,384)
Other changes in plan assets and benefit obligations recognized in other comprehensive income:		
Net gain	3,478,227	2,103,966
Prior service cost	(5,079,063)	(5,209,439)
Total recognized in other comprehensive income	(1,600,836)	(3,105,473)
Total recognized in net periodic benefit cost and other comprehensive income	\$ (4,889,363)	\$ (6,058,646)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 11 - 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 loss into net periodic benefit cost over the next fiscal year is \$891,753. The estimated prior service credit for the postretirement benefit plan that will be accreted from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year is \$5,236,726.

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

	2024	2023
Discount rate	5.25 %	5.75 %

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
2025	\$ 338,949
2026	332,375
2027	319,506
2028	327,515
2029	323,333
Thereafter	1,658,033
Total	<u>\$ 3,299,711</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 12 - Retirement Plans

All full-time and part-time employees age 18 or older are eligible to contribute to the Credit Union's 401(k) plan. Employer contributions begin upon hire with a vesting element tied to hours worked. Employees may contribute up to 100 percent of their compensation (subject to IRS limits). 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 \$9,303,000 and \$7,970,000 for 2024 and 2023, 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 13 - 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 years ended December 31, 2024 and 2023, the Credit Union recorded a provision recovery for credit losses for unfunded commitments of approximately \$445,000 and \$456,000, respectively. At December 31, 2024 and 2023, the liability for credit losses on unfunded loan commitments included in other liabilities was approximately \$1,751,000 and \$2,196,000, respectively.

As of December 31, 2024 and 2023, the following financial instruments whose contract amounts represent credit risk were outstanding:

	2024	2023
Commitments to grant mortgage and consumer loans	\$ 75,825,000	\$ 66,623,800
Commitments to grant business loans	68,951,000	16,679,000
Unfunded commitments under lines of credit	1,566,702,000	1,545,865,000
Unfunded commitments under overdraft protection programs	130,592,000	127,523,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 13 - Off-balance-sheet Activities (continued)

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 14 - Minimum Regulatory Capital Requirements

The Credit Union is subject to various regulatory capital requirements administered by the National Credit Union Administration (NCUA). Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional, discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of its 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 following table) of net worth to total assets (as defined in the regulations). Under the regulations, a credit union is considered complex when it has more than \$500 million in assets. Complex credit unions are required to calculate a risk-based capital (RBC) ratio, which establishes whether or not the Credit Union will be considered well-capitalized under the regulatory framework.

A complex credit union that maintains a minimum net worth ratio of 9 percent and that meets other qualifying criteria is eligible to opt into the Complex Credit Union Leverage Ratio (CCULR) framework. The CCULR provides a simplified measure of capital adequacy for federally insured, natural-person credit unions classified as complex. A complex credit union that opts into the CCULR framework need not calculate a RBC ratio. A qualifying complex credit union that opts into the CCULR framework and maintains the minimum net worth ratio is considered well-capitalized. 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.

During 2024, the Credit Union fell below the minimum net worth ratio required to calculate the CCULR and consequently calculates a RBC ratio as of December 31, 2024. Management believes, as of December 31, 2024 and 2023, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2024, the most recent notification from the NCUA categorized the Credit Union as well-capitalized under the regulatory framework for prompt corrective action. To be categorized as well-capitalized, a credit union must maintain minimum net worth and RBC ratio(s), as set forth in the following table. There are no conditions or events since the notification that management believes have changed the Credit Union's category.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 14 - Minimum Regulatory Capital Requirements (continued)

The Credit Union's actual capital amounts and ratios as of December 31, 2024 and 2023 are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Actual	Ratio	Actual	Ratio	Actual	Ratio
As of December 31, 2024						
Net worth	\$ 680,857,274	8.48 %	\$ 483,000,000	6.00 %	\$ 564,000,000	7.00 %
RBC	620,756,142	10.82	458,868,751	8.00	573,585,938	10.00
As of December 31, 2023						
CCULR	705,698,866	9.18	-	-	692,181,000	9.00

Note 15 - 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 15 - Fair Value Measurements (continued)

The following tables present information about the Credit Union's assets measured at fair value on a recurring basis at December 31, 2024 and 2023 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, 2024				
	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, 2024
Marketable securities	\$ 7,025,505	\$ -	\$ -	\$ 7,025,505
Available-for-sale securities:				
U.S. government and federal agency obligations	-	208,875,187	-	208,875,187
Mortgage-backed securities — Residential	-	216,227,505	-	216,227,505
SBA loan pools	-	29,678,507	-	29,678,507
Other debt securities	-	20,031,065	-	20,031,065
Subordinated debt securities	-	7,665,000	-	7,665,000
Municipal bonds	-	34,953,680	-	34,953,680
Total available-for-sale securities	-	517,430,944	-	517,430,944
Total assets	\$ 7,025,505	\$ 517,430,944	\$ -	\$ 524,456,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 15 - Fair Value Measurements (continued)

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

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, 2024

	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, 2024
Collateral dependent individually evaluated loans	\$ -	\$ -	\$ 7,156,799	\$ 7,156,799
Foreclosed assets	-	-	360,365	360,365



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 15 - Fair Value Measurements (continued)

	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

Note 16 - Business Combinations

Gabriels Community Credit Union

On January 1, 2024, the Credit Union merged all of the assets and liabilities of Gabriels Community Credit Union into the Credit Union. 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 assumed assets and liabilities were recorded at fair value. No consideration was paid in connection with the merger of Gabriels Community Credit Union.

The following table summarizes the merger-date fair values of the assumed assets, liabilities, and equity:

Cash	\$ 1,502,446
Investments	633,753
Loans	22,558,093
Premises and equipment	1,785,000
NCUSIF deposit	287,463
Core deposit intangible	891,000
Other assets	156,479
Financial liabilities - Deposits	(25,710,925)
Other liabilities	(598,288)
Equity acquired in merger	(1,505,021)
Total	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 16 - Business Combinations (continued)

Algonquin State Bank

On September 1, 2024, the Credit Union acquired all of the assets and liabilities of Algonquin State Bank. The assumed assets and liabilities were recorded at fair value. Consideration in the amount of \$20,845,350 was paid in connection with the acquisition of Algonquin State Bank. The primary reason for the acquisition was for potential growth opportunities in the state of Illinois.

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 9,581,584
Investments	34,908,628
Loans	75,312,457
Premises and equipment	3,350,000
Core deposit intangible	2,489,595
Other assets	4,692,020
Financial liabilities - Deposits	(118,397,981)
Other liabilities	(170,530)
Total identifiable net assets	<u>11,765,773</u>
Goodwill	<u>9,079,577</u>
Total	<u>\$ 20,845,350</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 16 - Business Combinations (continued)

McHenry Savings Bank

On September 1, 2024, the Credit Union acquired all of the assets and liabilities of McHenry Savings Bank. The assumed assets and liabilities were recorded at fair value. Consideration in the amount of \$43,486,064 was paid in connection with the acquisition of McHenry Savings Bank. The primary reason for the acquisition was for potential growth opportunities in the state of Illinois.

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	\$ 4,851,136
Investments	54,556,123
Loans	215,607,976
Premises and equipment	4,860,000
Core deposit intangible	2,226,584
Other assets	3,784,686
Financial liabilities - Deposits	(214,379,534)
Borrowings	(63,381,658)
Other liabilities	(414,076)
Total identifiable net assets	<u>7,711,237</u>
Goodwill	<u>35,774,827</u>
Total	<u>\$ 43,486,064</u>

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	2024 ESG Report (p. 4, 26) 2024 Annual Report (p. 3, 4) https://www.msufcu.org/about/
2-2	Entities included in the organization's sustainability reporting	2024 ESG Report (p. 2, 4)
2-3	Reporting period, frequency and contact point	2024 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	2024 ESG Report (p. 4) 2024 Annual Report (p. 4, 11) 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	2024 ESG Report (p. 6) 2024 Annual Report (p. 6)
2-9	Governance structure and composition	2024 ESG Report (p. 26-28) 2024 Annual Report (p. 5)
2-11	Chair of the highest governance body	2024 Annual Report (p. 5)

GRI STANDARDS

INDICATOR	DISCLOSURE TITLE	SOURCE
2-12	Role of the highest governance body in overseeing the management of impacts	2024 ESG Report (p. 28-30)
2-13	Delegation of responsibility for managing impacts	2024 ESG Report (p. 2)
2-14	Role of the highest governance body in sustainability reporting	2024 ESG Report (p. 2)
2-15	Conflicts of Interest	2024 ESG Report (p. 30)
2-19	Remuneration policies	2024 ESG Report (p. 26)
2-20	Process to determine remuneration	2024 ESG Report (p. 26)
2-22	Statement on sustainable development strategy	2024 ESG Report (p. 3)
2-25	Process to remediate negative impacts	2024 ESG Report (p. 26-28, 31)
2-26	Mechanisms for seeking advice and raising concerns	2024 ESG Report (p. 26-31)
2-28	Membership associations	2024 ESG Report (p. 30)
3-2	List of material topics	See p. 77-82 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	2024 ESG Report (p. 6, 9-12, 33-76) 2024 Annual Report (p. 2, 7, 8, 23-66) https://www.msufcu.org/reports/
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GRI STANDARDS

INDICATOR	DISCLOSURE TITLE	SOURCE
201-3	Defined benefit plan obligations and other retirement plans	2024 ESG Report (p. 14) https://www.msufcu.org/benefits
Indirect Economic Impacts		
203-1	Infrastructure investments and services supported	2024 ESG Report (p. 6-8, 21-25) 2024 Annual Report (p. 10-24) https://www.msufcu.org/organizationimpact/ https://www.msufcu.org/volunteering
203-2	Significant indirect economic impacts	2024 ESG Report (p. 6-8, 21-25) 2024 Annual Report (p. 12-21) https://www.msufcu.org/organizationimpact/ https://www.msufcu.org/volunteering
Anti-Corruption		
205-2	Communication and training about anti-corruption policies and procedures	2024 ESG Report (p. 26, 30-31) 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	2024 ESG Report (p. 25)
302-4	Reduction of energy consumption	2024 ESG Report (p. 25)
Biodiversity		
304-2	Significant impacts of activities, products, and services on biodiversity	2024 ESG Report (p. 24-25)

GRI STANDARDS

INDICATOR	DISCLOSURE TITLE	SOURCE
Waste		
306-4	Waste diverted from disposal	2024 ESG Report (p. 24)
Employment		
401-1	New employee hires and employee turnover	2024 ESG Report (p. 6)
Occupational Health and Safety		
403-6	Promotion of worker health	2024 ESG Report (p. 14-17) https://www.msufcu.org/benefits
Training and Education		
404-2	Programs for upgrading employee skills and transition assistance programs	2024 ESG Report (p. 15-16) https://www.msufcu.org/training
404-3	Percentage of employees receiving regular performance and career development reviews	2024 ESG Report (p. 14-15) https://www.msufcu.org/training
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	2024 Annual Report (p. 5)
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	2024 ESG Report (p. 6-8, 21-25) 2024 Annual Report (p. 12-21) 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	2024 ESG Report (p. 31)
FN-CB-230a.2 FN-CF-230a.3	Description of approach to identifying and addressing data security risks	2024 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	2024 Annual Report (p. 5)
Commercial Banks		
FN-CB-000.A	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	2024 ESG Report (p. 62-63) 2024 Annual Report (p. 52-53)
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	2024 ESG Report (p. 6, 9-11, 37, 52-61) 2024 Annual Report (p. 27, 41-51)
FN-CB-240a.1	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	2024 ESG Report (p. 10-12, 52-61) 2024 Annual Report (p. 8, 41-51)



SASB STANDARDS

METRIC CODE	METRIC	SOURCE
FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked or underserved customers	2024 ESG Report (p. 7-9) 2024 Annual Report (p. 15-16) 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	2024 ESG Report (p. 6, 9-11, 37, 52-61) 2024 Annual Report (p. 27, 41-51)
Mortgage Finance		
FN-MF-000.A	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	2024 ESG Report (p. 6, 9-10, 37, 52-61) 2024 Annual Report (p. 8, 27, 41-51)



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