



***msufcu***<sup>®</sup>

MSU FEDERAL CREDIT UNION

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2021 Annual Report



**members**



**employees**



**community**

## **about the cover**

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In 2021, MSU Federal Credit Union (MSUFCU) rebranded with a new logo. Our new icon, three ascending lines, was adapted from the “M” in our previous logo and represents our primary stakeholders: members, employees, and community.

The icon also symbolizes flexibility, as we help set the stage for upward growth both today and throughout the various stages of our members’ lives. We recognize that all members — their journeys and dreams — are unique, and we support each individual. For more details about our new look, see pages 14 and 15 in this Annual Report.



## a letter from the board chair & president/ceo

Dear Members,

This past year marked 84 years of MSU Federal Credit Union helping members achieve their dreams. As we reflect on the accomplishments and highlights of the previous year, we appreciate the continued commitment of our members.

In 2021, we welcomed 34,286 new members who joined the Credit Union because of our outstanding member service and convenient digital and branch access. On November 1, we launched our new logo, designed to honor the Credit Union's longstanding relationship with our members while demonstrating our commitment to innovation and evolving our brand to better serve our members.

The past two years provided us many opportunities that resulted in great success. Our assets grew by 17.47% to \$6.71 billion, and we ended 2021 with \$639,019,052 in members' equity. Our Business Services team also reached more than \$400 million in loans and experienced more than 30% growth year-over-year, expanding to serve more business members throughout the state of Michigan.

In June 2021, we opened our 22<sup>nd</sup> location: the Traverse City U.S. 31 Branch. This full-service branch is the second MSUFCU location in northern Michigan and features safe deposit boxes and drive-up Video Tellers.

We first introduced Video Tellers at our branches in 2020, and in 2021, we completed installation, assisting 82,470 members through this new service. We also provided our members with new convenient options for making branch appointments and getting in line before they arrive through our mobile app and website. Plus, members can now apply for loans on the mobile app; we receive between 500 and 800 mobile loan applications per month. We also experienced incredible mortgage growth and expanded mortgage lending to seven additional states.

Each and every day, our 940 employees live our mission to help our members achieve financial success and security, as they purchase their first cars and homes, start their own businesses, and save for their children's futures.

Investing in our communities and serving our members, last year we celebrated the groundbreaking of the East Lansing Building, located at 311 Abbot Road. The new seven-story building is expected to open in spring of 2023, and will include a branch, an ATM, an intern center, office space, and a community room available to nonprofit organizations and our community partners.

MSUFCU's core value of giving back to the community is a vital part of our culture. Last year, the Credit Union supported nearly 350 organizations and their causes through corporate giving as well as through our foundation, the Desk Drawer Fund. Recipients of donations from the Desk Drawer Fund included 104 organizations and individuals within the foundation's five philanthropic pillars of Arts & Culture, Stable Housing, Empowering Youth, Financial Education, and Fostering Entrepreneurialism.

Additionally, the Credit Union supports numerous Michigan State University and Oakland University programs including: the Broad Art Museum, the Center for Multicultural Initiatives, Education/Study Abroad, Meadow Brook Hall, OU ACHIEVE, Wharton Center, and WKAR. Donations to the Universities enhance the services and education they provide, and offer arts and cultural enrichment for students, faculty, staff, and community members.

Credit Union employees work together each year to select and support charities vital to our communities' success. In 2021, employees supported the Firecracker Foundation, New Hope Pet Rescue, REACH Studio Art, and Salus Center, as well as the Credit Union's ongoing charity partner, Capital Area United Way. Employees generously donated \$261,422 of their personal funds, an average of \$278 per employee. In addition to donating funds to local organizations, employees also volunteered their time and talents.

We also embrace our core value of giving back to the community by offering free financial education to our members and the community. In 2021, we held 1,468 virtual and in-person presentations that were attended by 28,449 individuals.

In 2021, we welcomed 188 new employees, and anticipate we will have more than 1,000 employees by the end of 2022.

The Credit Union continues to be an award-winning workplace, receiving numerous awards each year. For the 11<sup>th</sup> consecutive year, MSUFCU was recognized as a Top Workplace by the Detroit Free Press in the large employer category. Additionally, the Credit Union was named a Best Credit Union to Work For<sup>®</sup> by American Banker for the fifth consecutive year; a National Best and Brightest Companies to Work For<sup>®</sup> winner for the sixth consecutive year; and one of the top five Michigan credit unions in Forbes' Best-in-State Credit Unions 2021 list.

On behalf of the Board of Directors and the Credit Union Executive Team, we would like to thank our management team, employees, community partners — and most importantly, our members — for your continued trust in MSU Federal Credit Union.

Sincerely,

**Angela W. Brown**  
Board Chair

**April M. Globes**  
President/CEO



## in memoriam of long-serving board member

**John R. Brick, Ph.D., CFA**  
March 25, 1937 – March 14, 2022

John R. Brick, Ph.D., CFA, and Founder of Brick & Associates Inc., was born in Chicago on March 25, 1937, and passed away at his home in East Lansing on March 14, 2022, at the age of 84. Jack, as he was known, was the youngest child of hard-working Irish immigrants. He did not have the money to attend college, but was fortunate to be awarded a baseball scholarship to the University of Wisconsin-Madison (UW) where he earned his undergraduate and MBA degrees.

After a tour of duty in the U.S. Army and working in the private sector for a few years, Jack returned to UW for his Ph.D. He then joined the Michigan State University (MSU) Broad College of Business as a Professor of Finance and taught undergraduate and graduate courses on financial markets, financial institutions, and bank management for 18 years.

During his tenure at MSU, he published several textbooks and numerous peer-reviewed academic papers, and was also published in the prestigious Journal of Finance. As a result of his reputation and expertise, Jack conducted numerous workshops and training sessions for regulators of financial institutions, trade associations, credit unions, and a European bank association.

Jack was a pioneer in the field of Asset Liability Management (ALM). In 1987, he founded Brick & Associates Inc. (B&A), a credit union consulting firm that would focus on the new, uncharted waters of ALM following the savings and loan crisis of the 1980s. One of his goals for B&A was to assist credit unions in measuring and managing interest rate risk to achieve more financial stability and strength. When asked what it felt like to be a pioneer in his field, he pondered the question and said he felt that he "contributed a little bit." Jack was humble throughout his entire life.

For over four decades, Jack served as a Board member of MSU Federal Credit Union, including one term as Board Chair, and many years as Co-Chair of the Asset Liability Committee. Jack's generosity and volunteerism embodied MSUFCU's core values and as a Board member, Jack supported MSUFCU's continued commitment to helping our members achieve their dreams.

Jack was an advocate of the Credit Union's Desk Drawer Fund foundation and our corporate giving, both of which support numerous community organizations, including those focused on food security and the humane treatment of animals.

We are forever grateful for the wisdom, leadership, and guidance Jack provided to ensure the Credit Union's long-term success.

## board of directors



**Angela Brown**  
*Board Chair*



**Gregory Deppong**  
*Vice Chair*



**Ernest Betts**  
*Treasurer*



**Steven Kurncz**  
*Secretary*



**Bill Beekman**



**John Brick**



**Michael Hudson**



**Elizabeth Lawrence**



**Janet Lillie**



# executive team



**April Clobes**  
President/CEO



**Sara Dolan**  
Chief Financial Officer



**Silvia Dimma**  
Chief Human Resources Officer



**Samantha Amburgey**  
Chief Information Officer



**Steve Owen**  
Chief Legal Counsel



**Deidre Davis**  
Chief Marketing Officer



**Lea Ammerman**  
Chief Operating Officer



**Jim Hunsanger**  
Chief Risk Officer



**Jeffrey Jackson**  
Chief Lending Officer  
Retired February 18, 2022, after 25 years of service



**Whitney Anderson-Harrell**  
Chief Community Development Officer  
Named Elements Financial Credit Union CEO in February 2022

## our mission & core values

We're proud to live our mission to provide superior service to our members and employees while assisting them to achieve financial security, their goals, and ultimately, their dreams.

MSUFCU was established in 1937 to provide a safe place where members could borrow and save money. In 84 years, the Credit Union has grown to \$6.71 billion in assets — making us the 43<sup>rd</sup> largest credit union in the country, and the second largest in the state of Michigan.

From operating out of a desk drawer on MSU's campus to now having 22 branches throughout Greater Lansing, Grand Rapids, Oakland County, and Traverse City; and offering 24/7 account access, we've remained focused on our mission and core values.

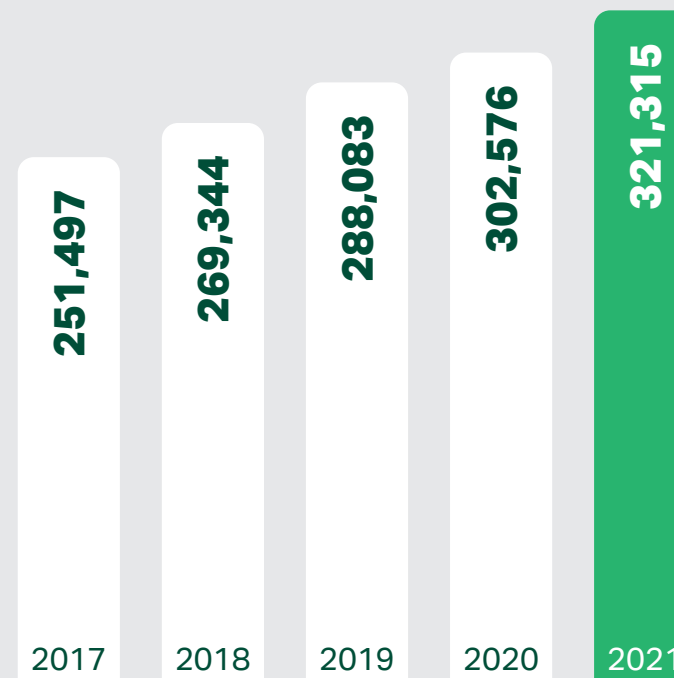
Whether opening a child's first account or helping finance members' first and second homes, we work to provide a personal experience with every interaction. Our growth and success reflects the trust our members have in MSU Federal Credit Union.

As a financial institution, we believe it is our responsibility to protect and improve the financial health of our community. We uphold the following core values to support an environment where everyone is empowered to work together and help make each other's dreams come true.

- Demonstrate Integrity and Honesty**
- Give Back to the Community**
- Provide Superior Service**
- Encourage, Embrace, and Drive Change**
- Pursue Growth and Development**
- Build a Positive Environment**
- Be Passionate and Determined**
- Cultivate Diversity, Equity, and Inclusion**

## building dreams together

### membership growth



**321,315**  
members

**34,286**  
new members

**\$6,710,868,219**  
in assets

**\$4,706,727,460**  
in loans

**\$5,728,393,521**  
in shares

Full financial report begins on page 32.

## helping members achieve their dreams

At MSUFCU, it is our mission to help our members achieve financial security. Since 2013, our members have saved more than \$110 million in loan interest by refinancing their high-rate loans from other financial institutions to MSUFCU at lower rates. Additionally, our members have saved more by putting their money into higher-earning deposit accounts. By continually sharing information about our low-rate loans and higher-rate deposit options, our members save and earn millions — helping them find financial freedom to make their dreams come true.

in 2021, our  
members  
saved  
**\$19,207,838**  
in interest  
&  
earned  
**\$5,421,451**  
in dividends



**1,374** businesses secured financing  
**2,656** members bought new homes  
**3,478** youth members opened accounts  
**7,903** members opened savings builder accounts  
**33,924** members financed new vehicles



**providing superior service**

**2,714,524**  
atm transactions

**1,386,846**  
branch transactions

**773,000**  
call center calls

**436,300**  
chats & emessages

**19,763**  
fran chat conversations  
*September 15 – December 31*

**31,646**  
fran chats exchanged  
*September 15 – December 31*

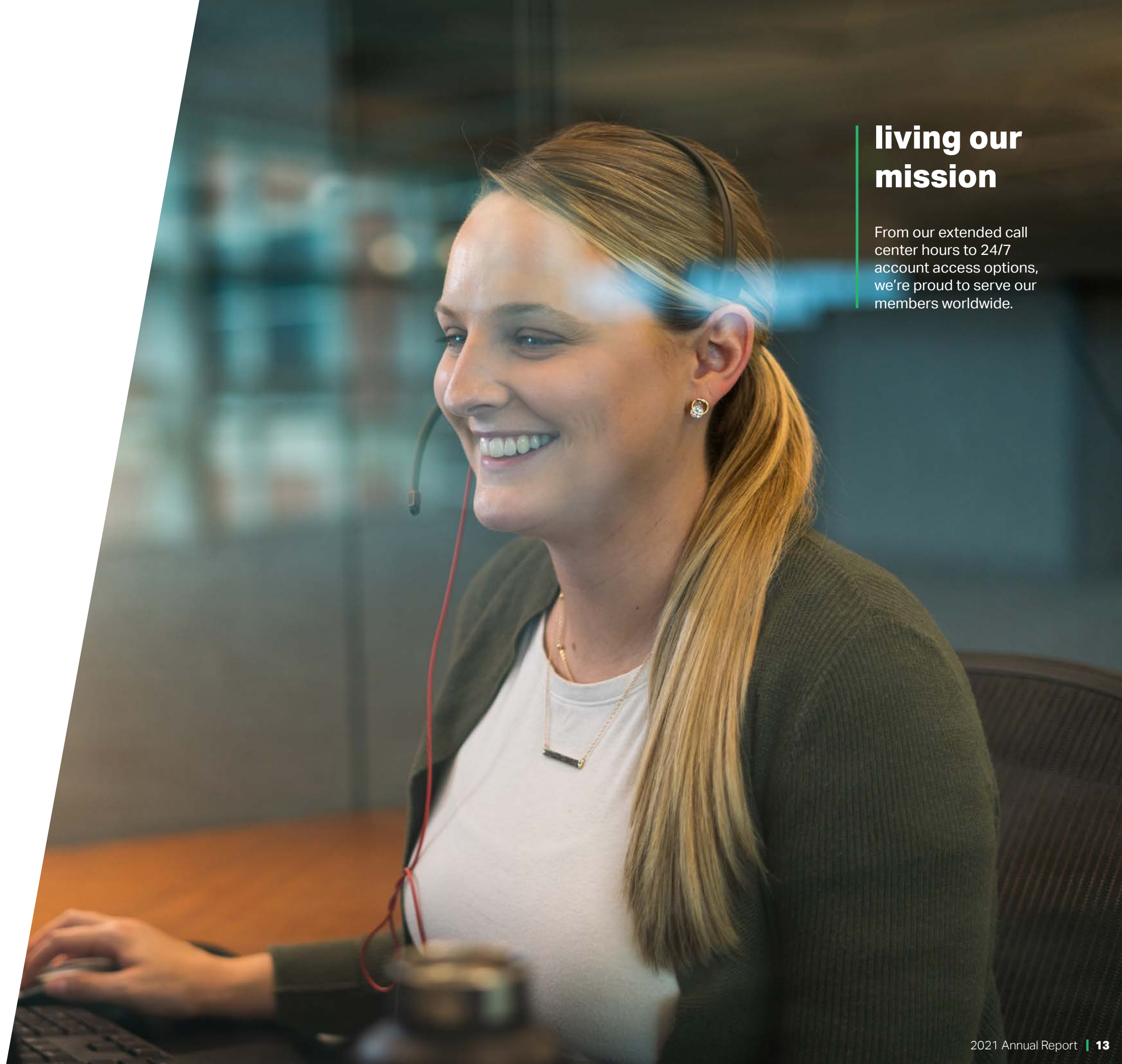
**49,663,961**  
mobile app and  
computerline logins

**82,470**  
video teller interactions

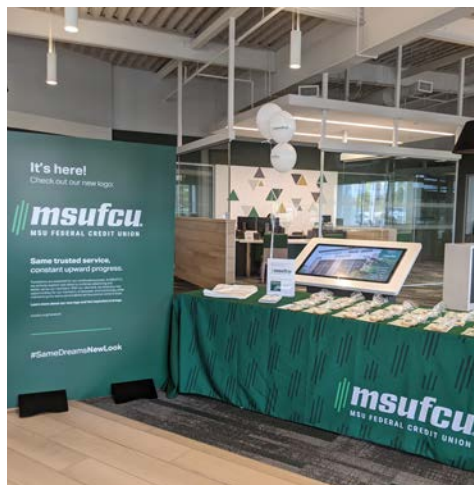
**121,758**  
video teller transactions

**living our mission**

From our extended call center hours to 24/7 account access options, we're proud to serve our members worldwide.







## same dreams, new look

On November 1, 2021, MSUFCU launched a new logo to our members and the communities we serve.

Designed to honor the Credit Union's longstanding brand with our current members, the new logo's lowercase font conveys the same friendly, approachable qualities that are associated with the MSUFCU member experience.

Our new icon, three ascending lines, was adapted from the "M" in our previous logo and represents MSUFCU's primary stakeholders: members, employees, and the communities we serve. It also symbolizes the flexibility the Credit Union provides with support through self-service channels or with help from our employees, setting the stage for upward mobility, both today and in the future.

This rebrand demonstrates our commitment to exploring new ideas and embracing change to better serve our members and communities.

In preparation, we shared information about the upcoming change with our members via social media, email, and our website. We also hosted an internal retirement party to honor the old logo and its part in our history.

We initially revealed the new logo on ComputerLine, our mobile app, website, and social media pages. For a grand reveal, we updated the logo signage at our Headquarters campus on the first day of the logo rollout, and then updated the signage at our Traverse City branches, followed by our Oakland County, Grand Rapids, and Greater Lansing branches.

When each branch unveiled its new signage, we invited members to visit our branches to celebrate and welcome our new logo. Members who visited the event received a new logo item, a brochure with information about the new logo, and a sweet treat.



## enhancing the branch experience

Since 2017, MSUFCU has been transitioning our branch model from traditional teller lines to an integrated branch design that offers sit-down stations to encourage more meaningful interactions between our employees and members.

Both our newly built and renovated branches provide more opportunities to engage with our members through drive-up Video Tellers, 24-hour ATMs, tech bars, and community boards. In 2021, we also expanded our safe deposit box service as well as offered more convenient ways to schedule branch appointments. Now, members can go online, call us, or use the mobile app to make a branch appointment or get in line before they arrive, helping us better serve members' unique needs.

- 1 grand opening
- 2 groundbreakings
- 3 branch renovations



## new branches

Summer 2021 was filled with exciting growth. On June 29, we celebrated the grand opening of our Traverse City U.S. 31 Branch, our second location in northern Michigan (pictured above). This branch features safe deposit boxes and drive-up Video Tellers. On July 13, we broke ground on our East Lansing Building (see pages 18 and 19 for details). And on August 18, we added to our headquarters campus with the groundbreaking of a new branch, which will be relocated from inside our Headquarters Building to its own building (site of the Headquarters Branch pictured left).



# investing in our community

On July 13, MSUFCU held a groundbreaking ceremony for our new building in downtown East Lansing. The new building will house a full-service branch (our East Lansing Branch will be relocated from its current location on Grand River Avenue), an ATM, an intern center, office space, and a community room available to nonprofit organizations and our community partners.

The Credit Union is committed to the East Lansing community and its success, and adding vitality to this space. The building will bring office workers, student interns, and a new branch to the core of East Lansing — helping strengthen other local businesses and creating a more diverse downtown. In addition to the community room, the East Lansing Building will have flexible space to share with our community.

The new building will include an art installation on one of the exterior walls by Shinique Smith, the second artist in the *MSUFCU Artist Studio Series* at the Broad Art Museum, established in 2013. Supporting visiting artists and fine arts education is one way we fulfill our core value of giving back to the community. We believe art creates community connections and helps create a place where people are proud to live, work, and visit.



## opening spring 2023

Located in the heart of East Lansing at 311 Abbot Road on the northwest corner of the Abbot-Albert intersection, the seven-story building will stand 107 feet tall.







## product and service enhancements

We are proud to provide our members with superior service — from 24/7 account access to fraud protection on their credit and debit cards. In 2021, we introduced several new products and services to enhance our members' experiences and strengthen their financial security.

ID Navigator Powered by NortonLifeLock is now available on all MSUFCU Visa Credit Cards. This service provides cardholders with tools to help them stay informed of potential threats to their identities and act quickly if the unexpected happens. We also launched mobile app loan applications for auto loans and credit cards — giving our members more flexibility when they apply for financing.

Additionally, as part of The Lab at MSUFCU (see page 23 for details), we launched MSUFCU CVVkey™ in partnership with Keyno Inc. This app allows members to securely enroll their Visa Credit Cards to receive new and unique CVV2 codes each time they shop online or over the phone.

## mortgages in more states

**12**  
states with mortgage  
lending available

**12,798**  
members with  
mortgages

**\$1,737,162,712**  
in mortgage  
balances

MSUFCU offers a wide range of mortgage products to help members achieve homeownership, including fixed- and adjustable-rate mortgages. In 2020, we expanded our mortgage offerings to four states outside of Michigan, including Florida, Illinois, Indiana, and Ohio. In 2021, we expanded to seven additional states: Arizona, Colorado, Georgia, North Carolina, Pennsylvania, Virginia, and Washington. We also increased our mortgage preapproval rate locks from 90 days to 120 days, guaranteeing our members low rates while they search for and find their dream homes.





## accelerating innovation

In 2020, we launched The Lab at MSUFCU, expanding upon its impact in 2021. The Lab is a center for innovation that turns thoughts and ideas into viable financial technologies (fintechs) to improve our members' experiences. The goal is to identify partners to support and accelerate the Credit Union's strategic initiatives.

Members are also an important part of The Lab, participating in prepilot research, pilot programs, and providing their feedback on the products they tested in the pilot stage. Pilot programs have included Financial Concierge, a virtual assistant integrated in ComputerLine to connect members with a tailored mix of financial resources; ChangEd, a mobile app that helps members pay down student loans faster by using spare change from everyday purchases to make additional payments; and many more.

The Lab provides new digital platforms for us to engage with members as well as allows us to focus on promoting financial wellness and enhance personalized service. These include Spave®, a free all-in-one financial wholeness app that enables anyone to use their everyday purchases to increase their savings as well as give to causes they care about; and MSUFCU FinLife, which provides education and guidance from financial planning experts.

We continue to explore opportunities in an effort to accelerate innovation, together.



## giving back to the community

The Credit Union supports hundreds of charitable organizations through monetary and in-kind donations. These programs include the Michigan Arbor Day Alliance, Meadow Brook Hall, the Diatribe, and Traverse City Opera House, among many others. When we give back, we are supporting our core values of driving change and building a positive environment to help create a vibrant community for all.

Credit Union employees work together each year to nominate and support local charities. In 2021, MSUFUCU raised funds and awareness for four charities: Firecracker Foundation, New Hope Pet Rescue, REACH Studio Art, and Salus Center. Additionally, the Credit Union partners with the Capital Area United Way every year, donating funds from our dress down days and annual payroll deduction campaign.

## our foundation

The Desk Drawer Fund furthers our commitment to the communities we serve within its philanthropic pillars of Arts & Culture, Stable Housing, Empowering Youth, Financial Education, and Fostering Entrepreneurialism. In 2021, our foundation supported 104 organizations and individuals through donations that help create jobs, teach valuable skills, and increase overall quality of life.

**\$261,422**  
raised by employees  
for charity partners

**341**  
organizations  
supported

**\$453,144**  
donated by the  
desk drawer fund



## expanding our sponsorships

In October 2021, we extended our community support by partnering with all eligible players on the MSU women's basketball team, as well as one MSU track and field athlete, through NIL (name, image, and likeness) contracts.

The Credit Union has sponsored Spartan Athletics for more than 12 years, and became the Presenting Partner of Michigan State University Women's Basketball in 2019 as part of our multiyear athletics sponsorship agreement.

By supporting these outstanding student athletes, we believe their efforts will help grow engagement with our products and services. We're honored to build our relationships with this group of on-campus leaders to positively impact the athletes, the MSU community, and the future.



## fostering community connections

The Credit Union proudly serves the Greater Lansing, Oakland County, Grand Rapids, and Traverse City areas. However, our service goes beyond being a financial partner in these communities. Each year, our employees attend, volunteer, and work at charitable and community events. Whether they are volunteering at a cause-related 5K race, planting trees, or teaching children the importance of responsible money management, our employees embrace our role as a community leader and their time and talents help enrich lives.

For the ninth year, the Credit Union celebrated its anniversary by paying it forward to our communities through various acts of kindness. Employees have participated in this tradition each year since the Credit Union's 75<sup>th</sup> anniversary. In 2021, the Credit Union and its foundation, the Desk Drawer Fund, donated \$8,400 to 14 charities and two local heroes during the week of November 14-20. In addition, employees surprised 760 members at branches with gift cards to local establishments.



During MSUFCU's Pay It Forward initiative, employees surprised Lighthouse of Oakland County by donating wish list items.



Our internal departments competed to collect the most diapers for the Firecracker Foundation's perinatal program. Altogether, employees donated 6,800 diapers.



Employees worked with local children at the Impression 5 Design and Build Day to teach them about money in fun and engaging ways.



Each year, Credit Union employees volunteer with the Michigan Arbor Day Alliance to plant trees in the Greater Lansing community.





## sharing financial knowledge with our members and communities

**1,468**  
financial education presentations

**28,449**  
financial education attendees

**14**  
wallet watch episodes produced

**2,574**  
wallet watch podcast listeners

MSUFCU hosts various financial education events on the MSU and OU campuses and throughout our communities. From understanding what a penny or nickel is to learning the ins and outs of buying a home, MSUFCU's financial experts offer virtual and in-person presentations to help community members achieve financial success — at any stage of life. Additionally, our financial education team goes beyond seminars and presentations to connect with people worldwide through our Wallet Watch podcast and the MSUFCU FUNtivity Zone. These outreach efforts allow us to interact with our members while they are at home or on the go, improving the financial health of our communities.





## building a positive environment

At MSUFCU, we promote a culture where our employees and members have equal opportunities for success. We cultivate diversity, equity, and inclusion through all aspects of our work and believe that an equitable environment empowers everyone.

To further demonstrate our core values, we have seven Affinity Groups (formerly known as Employee Resource Groups) and a Diversity, Equity, and Inclusion Council. These groups provide an outlet for networking and personal and professional development based on employees' interests and identities to help strengthen our entire organization.

By celebrating everyone's diverse experiences and perspectives, we provide our members and communities support and opportunities to live authentically and achieve their financial goals and dreams.

Because we prioritize an inclusive workplace and positive member experience, we have earned a national reputation for excellence, and have been recognized with several top industry and workplace awards.

## award-winning workplace

### **Detroit Free Press Top Workplace**

- Ranked #8 in Large Employer Category

### **Forbes' Best Credit Unions in Each State**

- Ranked Top Five in Michigan

### **American Banker's Best Credit Unions to Work For**

### **Best and Brightest Company Awards**

- Best and Brightest Companies to Work For in the Nation
- West Michigan's Best and Brightest Companies to Work For
- Nation's Best and Brightest in Wellness
- Michigan's Best and Brightest in Wellness

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

### **Michigan Credit Union League Awards**

- Louise Herring Philosophy-in-Action Member Service Award — Second Place
- Desjardins Adult Financial Education Award — Honorable Mention
- Desjardins Youth Financial Education Award — Honorable Mention

### **CUNA HR & Organizational Development Council Excellence Awards**

- Management Practices Category for Benefits and Compensation

### **Training Magazine's Top 100 Organizations**

- Ranked #73

### **CUNA Marketing & Business Development Council Diamond Awards**

- Annual Report and Direct Mail Categories

### **Marketing Association of Credit Unions Awards**

- Online and Print Advertising, and Product Development Categories

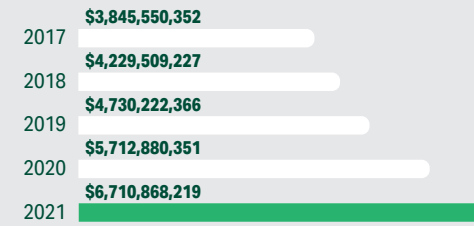
### **Ragan's Crisis Communications Awards**

- Social Justice Category — First Place
- Cause-Related Campaign Category — Honorable Mention
- Social Media Response Category — Honorable Mention

# 2021 financial report

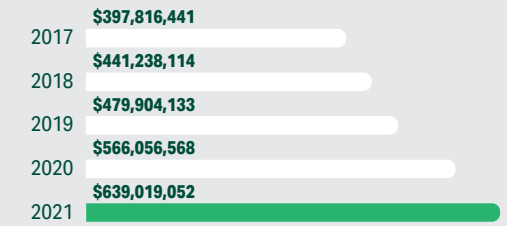
## Total Assets

Year ended December 31



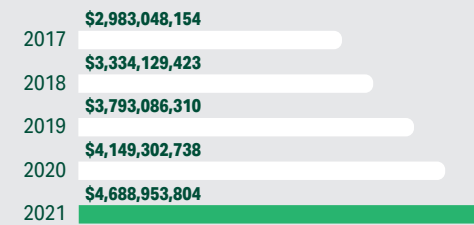
## Total Reserves

Year ended December 31



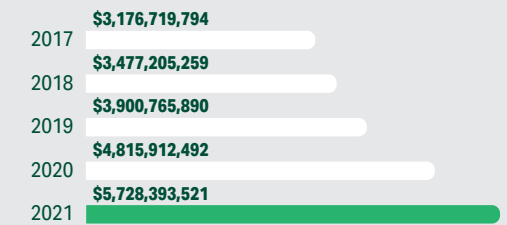
## Net Loans

Year ended December 31



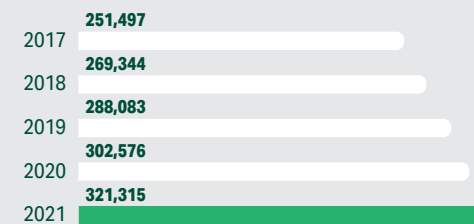
## Total Shares

Year ended December 31



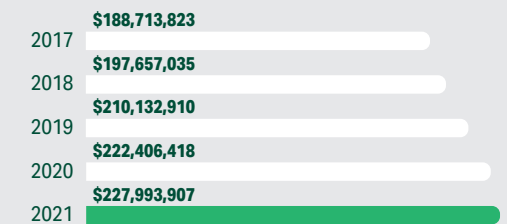
## Membership

Year ended December 31



## IRAs

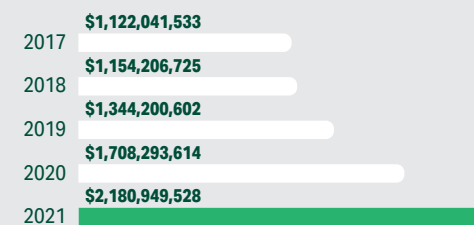
Year ended December 31



IRAs consist of IMMAs and Share Certificates

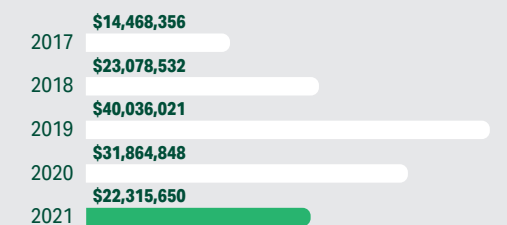
## IMMAs

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, 2021 and 2020 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, 2021 and 2020 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 the generally accepted auditing standards (GAAS) in the United States of America. 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 consolidated 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 11, 2022

## Consolidated Statement of Financial Condition

	At Year End	
	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 375,444,539	\$ 377,141,779
Time deposits with other financial institutions	501,496,000	341,740,000
Investment securities - Available for sale (Note 3)	662,315,982	517,259,704
Investment securities - Marketable securities (Note 3)	27,019,433	-
Other investments	29,859,041	27,793,812
Loans to members - Net (Note 4)	4,688,953,804	4,149,302,738
Premises and equipment - Net (Note 5)	217,047,244	170,462,821
Goodwill	11,059,926	7,836,819
Employee benefit funding asset	100,439,817	51,534,964
NCUSIF deposit	46,876,057	40,270,431
Other assets	50,356,376	29,537,283
Total assets	<b>\$ 6,710,868,219</b>	<b>\$ 5,712,880,351</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities		
Members' share and savings accounts (Note 6)	\$ 5,728,393,521	\$ 4,815,912,492
Borrowings (Note 7)	285,000,000	285,000,000
Postretirement benefit obligations (Note 9)	9,177,985	9,047,164
Accrued expenses and other liabilities	49,277,661	36,864,127
Total liabilities	6,071,849,167	5,146,823,783
Members' Equity		
Regular reserve	17,980,012	17,980,012
Equity acquired in mergers	3,825,906	3,825,906
Undivided earnings	607,368,830	522,225,210
Accumulated other comprehensive income	7,355,560	22,025,440
Noncontrolling interest	2,488,744	-
Total members' equity	639,019,052	566,056,568
Total liabilities and members' equity	<b>\$ 6,710,868,219</b>	<b>\$ 5,712,880,351</b>

## Consolidated Statement of Income

	Years Ended	
	December 31, 2021	December 31, 2020
<b>Interest Income</b>		
Loans - Including fees	\$ 196,425,193	\$ 188,210,918
Investment securities	9,658,490	9,422,514
Interest-bearing balances with other financial institutions	379,829	965,646
Total interest income	206,463,512	198,599,078
<b>Interest Expense</b>		
Members' share and savings accounts	22,315,650	31,864,848
Borrowings	6,456,729	6,766,073
Total interest expense	28,772,379	38,630,921
<b>Net Interest Income</b>	177,691,133	159,968,157
<b>Provision for Loan Losses (Note 4)</b>	699,155	13,391,510
<b>Net Interest Income after Provision for Loan Losses</b>	176,991,978	146,576,647
<b>Noninterest Income</b>		
Fees and charges	18,503,474	15,478,333
Visa interchange	36,601,005	27,727,078
Income from CUSOs	11,376	-
Other	9,352,580	4,154,059
Total noninterest income	64,468,435	47,359,470
<b>Noninterest Expense</b>		
Salaries and employees benefits	79,347,621	79,120,231
Occupancy	12,056,115	11,710,747
Operating expenses	57,279,664	50,830,511
Other	7,894,649	2,550,419
Total noninterest expense	156,578,049	144,211,908
<b>Consolidated Net Income</b>	<b>\$ 84,882,364</b>	<b>\$ 49,724,209</b>
<b>Amounts Attributable to Noncontrolling Interest</b>		
Consolidated net income attributable to:		
Noncontrolling interest	(261,256)	-
Michigan State University Federal Credit Union	85,143,620	49,724,209
Consolidated net income	<b>\$ 84,882,364</b>	<b>\$ 49,724,209</b>



## Consolidated Statement of Comprehensive Income

## Consolidated Statement of Members' Equity

	Years Ended		Years Ended December 31, 2021 and 2020							
	December 31, 2021	December 31, 2020	Regular Reserve	Equity Acquired in Mergers	Undivided Earnings	Accumulated Other Comprehensive (Loss) Income	Total	Noncontrolling Interest	Total Equity	
<b>Consolidated Net Income</b>	\$ 84,882,364	\$ 49,724,209								
<b>Other Comprehensive (Loss) Income</b>										
Unrealized (loss) gain on securities:										
(Loss) gain arising during the year	(11,998,309)	5,055,359								
Reclassification adjustment for realized gain included in net income	(14,521)	(5,482)								
Total unrealized (loss) gain on securities	(12,012,830)	5,049,877								
Postretirement benefit plan:										
Net gain arising during the year	30,739	30,429,721								
Reclassification adjustment - Net actuarial (loss) gain	(2,687,789)	948,628								
Total postretirement benefit plan	(2,657,050)	31,378,349								
Total other comprehensive (loss) income	(14,669,880)	36,428,226								
<b>Comprehensive Income</b>	<b>\$ 70,212,484</b>	<b>\$ 86,152,435</b>								
<b>Amounts Attributable to Noncontrolling Interest</b>										
Comprehensive income attributable to:										
Noncontrolling interest	(261,256)	-								
Michigan State University Federal Credit Union Comprehensive income	70,473,740	86,152,435								
	<b>70,212,484</b>	<b>86,152,435</b>								
			<b>Balance - January 1, 2020</b>	\$ 17,980,012	\$ 3,825,906	\$ 472,501,001	\$ (14,402,786)	\$ 479,904,133	\$ -	\$ 479,904,133
			Comprehensive income:							
			Net income	-	-	49,724,209	-	49,724,209	-	49,724,209
			Unrealized gain on securities	-	-	-	5,049,877	5,049,877	-	5,049,877
			Postretirement benefit plan	-	-	-	31,378,349	31,378,349	-	31,378,349
			<b>Balance - December 31, 2020</b>	17,980,012	3,825,906	522,225,210	22,025,440	566,056,568	-	566,056,568
			Comprehensive income:							
			Net income	-	-	85,143,620	-	85,143,620	(261,256)	84,882,364
			Unrealized loss on securities	-	-	-	(12,012,830)	(12,012,830)	-	(12,012,830)
			Postretirement benefit plan	-	-	-	(2,657,050)	(2,657,050)	-	(2,657,050)
			Minority interest in equity	-	-	-	-	-	2,750,000	2,750,000
			<b>Balance - December 31, 2021</b>	<b>\$ 17,980,012</b>	<b>\$ 3,825,906</b>	<b>\$ 607,368,830</b>	<b>\$ 7,355,560</b>	<b>\$ 636,530,308</b>	<b>\$ 2,488,744</b>	<b>\$ 639,019,052</b>

## Consolidated Statement of Cash Flows

## Consolidated Statement of Cash Flows

	Years Ended	
	December 31, 2021	December 31, 2020
<b>Cash Flows from Operating Activities</b>		
Consolidated net income	\$ 84,882,364	\$ 49,724,209
Adjustments to reconcile consolidated net income to net cash from operating activities:		
Depreciation and amortization	13,620,741	13,502,682
Provision for loan losses	699,155	13,391,510
Net amortization of securities	3,555,682	1,398,839
Net realized gains on marketable securities	(590,451)	-
Net gain on sale of available-for-sale securities	(14,521)	(5,482)
Gain on disposal of premises and equipment	(1,499,895)	(396,674)
Earnings on employee benefits funding assets	(1,771,397)	(1,387,229)
Actuarial (gain) loss on postretirement benefit liability	(2,526,229)	3,264,207
Net change in:		
Other assets	(5,083,801)	(3,769,144)
Accrued expenses and other liabilities	12,916,685	4,473,090
Net cash provided by operating activities	104,188,333	80,196,008
<b>Cash Flows from Investing Activities</b>		
Activity in available-for-sale securities:		
Proceeds from sales	1,733,699	5,008,150
Maturities, prepayments, and calls	208,454,032	176,834,101
Purchases	(370,797,999)	(349,261,587)
Activity in other investments - Purchases	(2,065,229)	(11,624,512)
Net change in loans	(540,350,221)	(369,971,950)
Proceeds from the sale of premises and equipment	-	2,049,868
Additions to premises and equipment	(48,778,360)	(35,162,606)
Proceeds from time deposits with other institutions	143,344,000	245,000,000
Purchases of time deposits with other institutions	(303,100,000)	(421,740,000)
Increase in NCUSIF deposit	(6,605,626)	(6,737,693)
Purchases of marketable securities	(27,948,225)	-
Proceeds from sale of marketable securities	1,519,243	-
Purchases of employee benefit funding assets	(47,133,456)	(4,842,330)
Investment in CUSOs	(26,638,460)	-
Net cash used in investing activities	(1,018,366,602)	(770,448,559)

	Years Ended	
	December 31, 2021	December 31, 2020
<b>Cash Flows from Financing Activities</b>		
Net increase in members' shares	\$ 912,481,029	\$ 915,146,602
Proceeds from issuance of Federal Home Loan Bank advances	10,000,000	30,000,000
Repayment of Federal Home Loan Bank advances	(10,000,000)	(25,000,000)
Net cash provided by financing activities	912,481,029	920,146,602
<b>Net Change in Cash and Cash Equivalents</b>	(1,697,240)	229,894,051
<b>Cash and Cash Equivalents</b> - Beginning of year	377,141,779	147,247,728
<b>Cash and Cash Equivalents</b> - End of year	<b>\$ 375,444,539</b>	<b>\$ 377,141,779</b>
<b>Supplemental Cash Flow Information</b> - Cash paid for interest		
<b>Significant Noncash Transactions</b>		
Transfers from loans to other real estate owned	\$ 28,783,547	\$ 38,640,718
Acquisition of premises and equipment in relation to investment in CUSOs	702,088	364,012
	11,376,754	-



**Note 1 - Nature of Business**

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

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

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

The Desk Drawer Fund is a charitable foundation formed in 2019 under Section 501(c)(3) of the Internal Revenue Code to support the Credit Union's communities. DDF provides members and employees with a source to perform charitable giving that makes a visible difference in the community that focuses on five philanthropic pillars: Arts & Culture, Stable Housing, Empowering Youth, Financial Education, and Fostering Entrepreneurialism.

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.

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.

**Note 2 - Significant Accounting Policies****Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the fair value of investments, and the expense and related liabilities for postretirement benefits. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

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

**Time Deposits with Other Financial Institutions**

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

**Note 2 - Significant Accounting Policies (Continued)****Investment Securities**

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

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

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

**Other Investments**

The Credit Union, as a member of the Federal Home Loan Bank (FHLB) of Indianapolis, is required to maintain an investment in the capital stock of the FHLB. The Credit Union held \$13,725,000 of FHLB capital stock at December 31, 2021 and 2020. The stock is redeemable at par by the FHLB and, therefore, is carried at cost and periodically evaluated for impairment. The Credit Union records cash and stock dividends in interest income — investment securities on the consolidated statement of income.

Other investments also include the Credit Union's investment in Alloya Corporate Credit Union's (Alloya), Corporate Central Credit Union's (Corporate Central), and Corporate One Federal Credit Union's (Corporate One) permanent capital base, which is required to be maintained for full participation as a

member of the corporate credit unions. The Alloya deposit was \$1,069,300 as of December 31, 2021 and 2020. 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, 2021 and 2020. 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 made in 2021 and was \$900,000 as of December 31, 2021. The deposit is not insured by the NCUSIF. Interest on the deposit is paid quarterly based on available earnings at interest rates approved by Corporate One's board of directors.

In 2020, the Credit Union became a member of the NCUA Central Liquidity Facility, which required a stock purchase determined by asset size. The Credit Union held \$12,164,741 and \$10,999,512 of stock at December 31, 2021 and 2020, 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, 2021 or 2020.

**Loans**

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

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

**Note 2 - Significant Accounting Policies (Continued)**

as an adjustment of the related loan's yield using the interest method.

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

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

**Allowance for Loan Losses**

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

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

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

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

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

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

**Note 2 - Significant Accounting Policies (Continued)**

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

**Foreclosed Assets**

Assets acquired through, or in lieu of, loan foreclosure are held for sale and initially recorded at the fair value of the real estate, less estimated costs to sell, through a charge to the allowance for loan losses, if necessary. Subsequent to foreclosure, valuations are periodically performed by management, and write-downs required by changes in estimated fair value are charged against earnings through a valuation allowance and reported in other noninterest expenses. The carrying value of foreclosed assets, included in other assets on the consolidated statement of financial condition, was \$1,128,957 and \$774,328 as of December 31, 2021 and 2020, 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, 2021 and 2020.

**Employee Benefit Funding Assets**

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

**NCUSIF Deposit**

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

**NCUSIF Insurance Premium**

A credit union is required to pay an annual insurance premium equal to one-twelfth of 1 percent of its total insured shares, unless the payment is waived or reduced by the NCUA board. The NCUA board waived the 2021 and 2020 insurance premiums.

**Members' Share and Savings Accounts**

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

**Members' Equity**

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

**Income Taxes**

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

The Desk Drawer Fund is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by DDF and recognize a tax liability if DDF has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities. Management has analyzed the tax positions taken by DDF and has concluded that, as of December 31, 2021 and 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the



**Note 2 - Significant Accounting Policies (Continued)**

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.

**Other Comprehensive Income**

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available-for-sale securities and amounts recognized related to postretirement benefit plans (gains and losses, prior service costs, and transition assets or obligations), are reported as a direct adjustment to the equity section of the consolidated statement of financial condition. Such items, along with net income, are considered components of comprehensive income.

**Loan Commitments and Related Financial Instruments**

Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and business letters of credit, issued to meet member financing needs. The face amount for these items represents the exposure to loss before considering member collateral or ability to repay. Such financial instruments are recorded when they are funded.

Reseda Group, LLC has an outstanding commitment of \$7,500,000 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, 2021.

**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, 2021 and 2020.

**Upcoming Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases, which will supersede the current

lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Credit Union's year ending December 31, 2022, and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is not expected to have a significant effect on the Credit Union's consolidated financial statements. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes increased disclosures and various changes to the accounting and measurement of financial assets, including the Credit Union's loans and available-for-sale debt securities. Each financial asset presented on the consolidated statement of financial condition would have a unique allowance for credit losses valuation account that is deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this ASU also eliminate the probable initial recognition threshold in current U.S. generally accepted accounting principles (GAAP) and instead reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The new credit loss guidance will be effective for the Credit Union's year ending December 31, 2023. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the first reporting period in which the guidance is effective. A prospective transition approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date. The Credit Union is still quantifying the impact of the new standard but expects it to have a significant impact on the consolidated financial statements.

**Note 2 - Significant Accounting Policies (Continued)**

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

**Subsequent Events**

The consolidated financial statements and related disclosures include evaluation of events up through and including February 11, 2022, which is the date the consolidated financial statements were available to be issued.

**Note 3 - Investment Securities**

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

	2021	2020
Marketable securities	\$ 27,019,433	\$ -

For the year ended December 31, 2021, there was a total of \$590,451 gains on marketable securities, which includes \$551,428 of net unrealized gains, recognized in the consolidated statement of income.

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>2021</b>				
Available for Sale:				
U.S. government and federal agency obligations	\$ 376,922,889	\$ 476,994	\$ (5,040,974)	\$ 372,358,909
Mortgage-backed securities — Residential	220,088,685	976,081	(3,152,394)	217,912,372
SBA loan pools	53,200,055	281,830	(229,822)	53,252,063
Negotiable certificates of deposit	250,000	2,608	-	252,608
Corporate bonds	18,653,319	40,105	(153,394)	18,540,030
Total	<u>\$ 669,114,948</u>	<u>\$ 1,777,618</u>	<u>\$ (8,576,584)</u>	<u>\$ 662,315,982</u>
<b>2020</b>				
Available for Sale:				
U.S. government and federal agency obligations	\$ 320,473,635	\$ 2,794,939	\$ (2,190)	\$ 323,266,384
Mortgage-backed securities — Residential	155,898,198	2,879,117	(296,937)	158,480,378
SBA loan pools	35,424,007	111,411	(281,211)	35,254,207
Negotiable certificates of deposit	250,000	8,735	-	258,735
Total	<u>\$ 512,045,840</u>	<u>\$ 5,794,202</u>	<u>\$ (580,338)</u>	<u>\$ 517,259,704</u>

**Note 3 - Investment Securities (Continued)**

At December 31, 2021 and 2020, securities with a carrying value of approximately \$61,380,000 and \$146,996,000, respectively, were pledged as collateral to secure borrowed funds, and a security with a carrying value of approximately \$5,000,000 was pledged to the discount window.

The amortized cost and fair value of investment securities classified as available for sale by contractual maturity at December 31, 2021 are as follows:

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ 30,738,283	\$ 30,935,261
Due in one through five years	358,347,091	353,509,243
Due in five years through ten years	6,740,834	6,707,043
Total	395,826,208	391,151,547
Mortgage-backed securities — Residential SBA loan pools	220,088,685	217,912,372
	53,200,055	53,252,063
Total	<u>\$ 669,114,948</u>	<u>\$ 662,315,982</u>

Proceeds from sales of investment securities were \$1,733,699, gross realized gains were \$19,821, and gross realized losses were \$5,300 for the year ended December 31, 2021. Proceeds from sales of investment securities classified as available for sale were \$5,008,150, gross realized gains were \$5,482, and there were no gross realized losses for the year ended December 31, 2020.



**Note 3 - Investment Securities (Continued)**

Information pertaining to investment securities with gross unrealized losses at December 31, 2021 and 2020, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	LESS THAN 12 MONTHS		12 MONTHS OR GREATER	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
<b>2021</b>				
Available for Sale:				
U.S. government and federal agency obligations	\$ (4,911,914)	\$ 337,007,329	\$ (129,060)	\$ 4,870,940
Mortgage-backed securities —				
Residential	(2,504,007)	135,244,856	(648,387)	28,565,305
SBA loan pools	(38,676)	5,197,866	(191,146)	9,645,765
Corporate bonds	(153,394)	13,875,039	-	-
Total	\$ (7,607,991)	\$ 491,325,090	\$ (968,593)	\$ 43,082,010
<b>2020</b>				
Available for Sale:				
U.S. government and federal agency obligations	\$ (2,190)	\$ 4,997,810	\$ -	\$ -
Mortgage-backed securities —				
Residential	(296,937)	40,078,846	-	-
SBA loan pools	(281,211)	21,420,153	-	-
Total	\$ (580,338)	\$ 66,496,809	\$ -	\$ -

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 219 and 12 investment securities in an unrealized loss position at December 31, 2021 and 2020, respectively.

**Note 4 - Loans to Members**

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

	2021	2020
Consumer	\$ 2,383,415,705	\$ 2,094,588,229
Mortgage	1,899,041,471	1,730,361,091
Business	424,270,284	346,584,218
Total loans	4,706,727,460	4,171,533,538
Less allowance for loan losses	18,847,985	24,257,618
Plus net deferred loan costs	1,074,329	2,026,818
Net loans	\$ 4,688,953,804	\$ 4,149,302,738

In the ordinary course of business, the Credit Union has granted loans to executive officers, supervisory committee members, and directors and their affiliates amounting to approximately \$3,069,000 and \$2,657,000 as of December 31, 2021 and 2020, respectively.

During 2020, the Credit Union funded loans under the Small Business Administration (SBA) Paycheck Protection Program (PPP) designed to provide liquidity to small businesses during the COVID-19 pandemic. The loans are guaranteed by the SBA, and loan proceeds to borrowers are forgivable by the SBA if certain criteria are met. There was approximately \$3,030,000 and \$34,713,000 of PPP loans included on the consolidated statement of financial condition as of December 31, 2021 and 2020, respectively. PPP processing fees received from the SBA were deferred along with the loan origination costs and recognized as interest income using the effective yield method. Upon forgiveness of a loan and resulting repayment by the SBA, any unrecognized net fee for a given loan is recognized as interest income.

**Note 4 - Loans to Members (Continued)**

The Credit Union's activity in the allowance for loan losses for the years ended December 31, 2021 and 2020, by loan segment, is summarized below:

	YEAR ENDED DECEMBER 31, 2021			
	Consumer	Mortgage	Business	Total
Beginning balance	\$ 15,362,650	\$ 1,206,368	\$ 7,688,600	\$ 24,257,618
Charge-offs	(9,116,277)	(36,765)	(26,950)	(9,179,992)
Recoveries	2,752,810	133,662	184,732	3,071,204
Provision	1,711,732	(808,783)	(203,794)	699,155
Ending balance	<u>\$ 10,710,915</u>	<u>\$ 494,482</u>	<u>\$ 7,642,588</u>	<u>\$ 18,847,985</u>
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	\$ -	\$ 11,539	\$ 345,481	\$ 357,020
Collectively evaluated for impairment	10,710,915	482,943	7,297,107	18,490,965
Ending allowance balance	<u>\$ 10,710,915</u>	<u>\$ 494,482</u>	<u>\$ 7,642,588</u>	<u>\$ 18,847,985</u>
Loans:				
Individually evaluated for impairment	\$ -	\$ 4,946,868	\$ 1,649,768	\$ 6,596,636
Collectively evaluated for impairment	2,383,415,705	1,894,094,603	422,620,516	4,700,130,824
Total loans	<u>\$ 2,383,415,705</u>	<u>\$ 1,899,041,471</u>	<u>\$ 424,270,284</u>	<u>\$ 4,706,727,460</u>

**Note 4 - Loans to Members (Continued)**

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



**Note 4 - Loans to Members (Continued)**

As of December 31, 2021 and 2020, the Credit Union had 16 and 21 loans with a balance of approximately \$1,604,000 and \$2,160,000, respectively, considered to be troubled debt restructurings. These loans are classified as impaired loans and individually evaluated for impairment. The allowance allocated to these loans at December 31, 2021 and 2020 is \$9,985 and \$167,640, respectively. In almost all cases, these loans were delinquent and being provided for in the allowance for loan losses computation, and, as a result, the restructuring of these loans did not add a material amount to the allowance for loan losses upon their modification. Modifications agreed to by the Credit Union consisted of term extensions and lowered interest rates. No principal or interest was forgiven. During 2021 and 2020, loans classified as troubled debt restructurings that ultimately defaulted were not material to the consolidated financial statements.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed into law. Among other things, the CARES Act suspended the requirements related to accounting for TDRs for certain loan modifications related to the COVID-19 pandemic. The relief on accounting for TDRs was extended through January 1, 2022, through the Consolidated Appropriations Act signed into law in December 2020. As a result of the pandemic, the Credit Union provided a modification program to borrowers that included certain concessions such as interest only or payment deferrals. As of December 31, 2020, there were loans of approximately \$8,000,000 that remained under a modification agreement but are not disclosed as TDRs. Regardless of whether a modification is classified as a TDR, the Credit Union continues to apply policies for risk rating, accruing interest, and classifying loans as impaired. These modifications include deferred payments, extensions, skip-a-pay, and loans granted under our Member Assistance Loan program. There were no such loans remaining under a modification agreement as of December 31, 2021.

The Credit Union also classifies delinquent residential real estate loans as impaired loans and individually evaluates these for impairment. As of December 31, 2021 and 2020, these delinquent loans had a balance of approximately \$3,343,000 and \$3,238,000, respectively.

Individual business loans are evaluated for impairment. At December 31, 2021, the Credit Union had impaired business loans of approximately \$1,650,000. Of the total impaired business loans, outstanding principal balances of \$1,622,822 have a related allowance totaling \$345,481 recorded. At December 31, 2020, the Credit Union had impaired business loans of approximately \$6,844,000, of which \$255,107 had related allowances totaling \$236,225 recorded.

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2021 and 2020.

**Credit Quality Indicators**

The credit quality indicators used for monitoring performance by the Credit Union are primarily performance based and include past-due status and nonaccrual status for smaller-balance homogenous loans. Commercial loans are individually evaluated for impairment if past due or performing and assigned a six or seven risk rating.

**Note 4 - Loans to Members (Continued)****Age Analysis of Past-due Loans**

The Credit Union's age analysis of past-due loans at December 31, 2021 and 2020, by loan segment and class, is summarized below:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans
<b>2021</b>						
Consumer:						
Secured	\$ 9,728,250	\$ 3,179,581	\$ 2,934,336	\$ 15,842,167	\$ 1,870,615,741	\$ 1,886,457,908
Unsecured	3,306,398	864,608	1,447,354	5,618,360	378,158,959	383,777,319
Other	941,202	189,735	227,247	1,358,184	111,822,294	113,180,478
Mortgage:						
First mortgage	3,480,658	1,231,049	1,672,453	6,384,160	1,730,778,552	1,737,162,712
Home equity	928,227	117,823	321,188	1,367,238	160,511,521	161,878,759
Business	2,573	179,501	5,894	187,968	424,082,316	424,270,284
Total	<u>\$ 18,387,308</u>	<u>\$ 5,762,297</u>	<u>\$ 6,608,472</u>	<u>\$ 30,758,077</u>	<u>\$ 4,675,969,383</u>	<u>\$ 4,706,727,460</u>
<b>2020</b>						
Consumer:						
Secured	\$ 9,513,856	\$ 2,138,477	\$ 2,332,436	\$ 13,984,769	\$ 1,620,926,298	\$ 1,634,911,067
Unsecured	2,577,573	697,380	1,049,564	4,324,517	360,436,215	364,760,732
Other	618,206	150,253	98,539	866,998	94,049,432	94,916,430
Mortgage:						
First mortgage	3,033,051	1,382,626	1,345,720	5,761,397	1,567,222,647	1,572,984,044
Home equity	428,570	149,427	359,706	937,703	156,439,344	157,377,047
Business	776,265	111,942	5,344	893,551	345,690,667	346,584,218
Total	<u>\$ 16,947,521</u>	<u>\$ 4,630,105</u>	<u>\$ 5,191,309</u>	<u>\$ 26,768,935</u>	<u>\$ 4,144,764,603</u>	<u>\$ 4,171,533,538</u>

There were no loans past due greater than 90 days and accruing interest as of December 31, 2021 and 2020.

**Nonaccrual Loans**

The Credit Union's loans on nonaccrual status at December 31, 2021 and 2020, by loan segment and class, are summarized below:

	2021	2020
Consumer:		
Secured	\$ 2,934,336	\$ 2,332,436
Unsecured	1,447,354	1,049,564
Other	227,247	98,539
Mortgage:		
First mortgage	1,672,453	1,345,720
Home equity	321,188	359,706
Business	5,894	5,344
Total	<u>\$ 6,608,472</u>	<u>\$ 5,191,309</u>

**Note 5 - Premises and Equipment**

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

	2021	2020
Land	\$ 19,005,538	\$ 18,201,514
Buildings and building improvements	154,983,052	143,732,341
Furniture, fixtures, equipment, and software	37,677,320	29,767,662
Leasehold improvements	1,812,202	3,213,441
Construction in progress	46,895,081	16,623,341
<b>Total cost</b>	<b>260,373,193</b>	<b>211,538,299</b>
Accumulated depreciation	(43,325,949)	(41,075,478)
<b>Net premises and equipment</b>	<b>\$ 217,047,244</b>	<b>\$ 170,462,821</b>

As of December 31, 2021, the Credit Union had outstanding contract commitments for planned construction of new branches and offices totaling approximately \$37,400,000.

Depreciation and amortization expense for 2021 and 2020 totaled approximately \$13,621,000 and \$13,503,000, respectively.

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

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2021 pertaining to premises and equipment, future minimum rent commitments under various operating leases are as follows:

Years Ending	Amount
2022	\$ 480,545
2023	619,648
2024	514,981
2025	520,848
2026	514,099
Thereafter	1,672,290
<b>Total</b>	<b>\$ 4,322,411</b>

The land on which a branch location is located is leased from Michigan State University for \$1. The lease expires in the year 2110. The cost of such rentals is not included above. Total rent expense was approximately \$536,000 and \$286,000 during 2021 and 2020, respectively.

**Note 6 - Members' Share and Savings Accounts**

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

	2021	2020
Regular shares	\$ 860,460,099	\$ 719,468,094
Share draft	835,448,073	736,509,667
Money market checking	150,531,848	118,554,173
Insured money management accounts	2,180,949,528	1,708,293,614
Business deposits	445,760,591	359,388,304
Share certificates	1,255,243,382	1,173,698,640
<b>Total members' share and savings accounts</b>	<b>\$ 5,728,393,521</b>	<b>\$ 4,815,912,492</b>

The aggregate amount of time deposit accounts in denominations of \$250,000 or more at December 31, 2021 and 2020 were approximately \$286,036,000 and \$194,227,000, respectively.

At December 31, 2021, scheduled maturities of share certificates are as follows:

Years Ending	Amount
2022	\$ 703,983,615
2023	179,061,560
2024	149,571,750
2025	82,586,157
2026	131,660,033
Thereafter	8,380,267
<b>Total</b>	<b>\$ 1,255,243,382</b>

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, 2021 and 2020 was approximately \$3,459,000 and \$2,706,000, respectively.



**Note 7 - Borrowings**

The Credit Union has advances from the Federal Home Loan Bank of Indianapolis totaling \$285,000,000 at December 31, 2021 and 2020. The advances require monthly interest payments based on the rate offered at the time each advance was taken. The interest rates range from 0.01 percent to 3.34 percent on balances outstanding, with a weighted-average interest rate of 2.21 percent at December 31, 2021. The interest rates ranged from 0.32 to 3.34 percent on balances outstanding, with a weighted-average interest rate of 2.29 percent at December 31, 2020. The advances are collateralized by qualifying securities and mortgage loans as of December 31, 2021. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the FHLB.

The Credit Union has \$1,674,244,500 and \$1,366,213,800 in additional borrowing capacity with the Federal Home Loan Bank of Indianapolis at December 31, 2021 and 2020, respectively.

Future obligations of the advances are as follows at December 31, 2021:

Years Ending	Amount
2022	\$ 15,000,000
2023	40,000,000
2024	35,000,000
2025	35,000,000
2026	35,000,000
Thereafter	125,000,000
Total	<u>\$ 285,000,000</u>

**Note 8 - Line of Credit**

Under a line of credit agreement with Alloya Corporate Credit Union, the Credit Union has available borrowings of \$53,465,000 at December 31, 2021 and 2020. There were no amounts outstanding on the line of credit at December 31, 2021 and 2020. Alloya has a blanket pledge on all credit union assets as collateral for borrowings on this line of credit. Alloya rescinds any rights to qualifying assets pledged as collateral on the Federal Home Loan Bank of Indianapolis advances.

As of December 31, 2021, 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, 2021.

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, 2021 or 2020.

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, 2021 or 2020.

**Note 9 - Postretirement Benefit Plans**

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

**Obligations and Funded Status**

	Postretirement Benefits	
	2021	2020
Accumulated benefit obligation	\$ 9,177,985	\$ 9,047,164

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

	Postretirement Benefits	
	2021	2020
Net loss	\$ 14,973,531	\$ 17,525,920
Unrecognized prior service cost	(29,128,057)	(34,337,496)
Total recognized in other comprehensive (loss) income	<u>\$ (14,154,526)</u>	<u>\$ (16,811,576)</u>

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

	Postretirement Benefits	
	2021	2020
<b>Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid</b>		
Net periodic benefit cost	\$ (2,220,636)	\$ 3,862,513
Employer contributions	301,176	783,222
Benefits paid	(301,176)	(783,222)
<b>Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Loss) Income</b>		
Net (gain) loss	(2,552,389)	2,959,147
Unrecognized prior service cost	5,209,439	(34,337,496)
Total recognized in other comprehensive (loss) income	<u>2,657,050</u>	<u>(31,378,349)</u>
Total recognized in net periodic benefit cost and other comprehensive (loss) income	<u>\$ 436,414</u>	<u>\$ (27,515,836)</u>

**Note 9 - Postretirement Benefit Plans (Continued)**

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

The estimated net loss for the postretirement benefit plan that will be amortized from accumulated other comprehensive (loss) income into net periodic benefit cost over the next fiscal year is \$2,377,130. The estimated prior service credit for the postretirement benefit plan that will be accreted from accumulated other comprehensive (loss) income into net periodic benefit cost over the next fiscal year is \$5,209,439.

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

	2021	2020
Discount rate	2.75%	2.50%

**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
2022	\$ 402,481
2023	386,296
2024	412,612
2025	416,842
2026	427,262
Thereafter	2,132,757

**Note 10 - Retirement Plans**

All full-time and part-time employees are eligible to contribute to the Credit Union's 401(k) plan. Employees who have been on staff for at least 12 months, have worked at least 1,000 hours, and are 18 years of age or older are eligible for the Credit Union's matching contribution. Employees may contribute up to 100 percent of their compensation (subject to IRS limits), and the Credit Union will make a matching contribution equal to 200 percent of the employee's 401(k) elective deferral contributions up to 5 percent of the employees' salaries. The 401(k) plan expense was approximately \$4,858,000 and \$4,569,000 for 2021 and 2020, respectively. The administrative costs of the plan are paid from plan assets.

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

**Note 11 - Off-Balance-Sheet Activities**

***Credit-related Financial Instruments***

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

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

As of December 31, 2021 and 2020, the following financial instruments whose contract amounts represent credit risk were outstanding:

	2021	2020
Commitments to grant mortgage and consumer loans	\$ 74,245,000	\$ 57,680,000
Commitments to grant business loans	2,734,000	4,878,000
Unfunded commitments under lines of credit	1,299,704,000	1,219,638,000
Unfunded commitments under overdraft protection programs	116,861,000	109,058,000

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Credit Union, is based on management's credit evaluation of the member.

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



**Note 12 - Minimum Regulatory Capital Requirements**

The Credit Union is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items, as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined) to total assets (as defined). Credit unions are also required to calculate a risk-based net worth requirement (RBNWR) that establishes whether or not the Credit Union will be considered complex under the regulatory framework. The Credit Union's RBNWR ratio as of December 31, 2021 and 2020 was 5.89 percent and 5.70 percent, respectively. The minimum ratio to be considered complex under the regulatory framework is 6 percent. Management believes, as of December 31, 2021 and 2020, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2021, the most recent call reporting period, and December 31, 2020, the Credit Union was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Credit Union must maintain a minimum net worth ratio of 7.00 percent of assets. There are no conditions or events since the notification that management believes have changed the Credit Union's category.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2021</b>						
Net worth	\$ 629,174,748	9.37 %	\$ 402,652,000	6.00 %	\$ 469,761,000	7.00 %
<b>As of December 31, 2020</b>						
Net worth	544,031,128	9.52	342,773,000	6.00	399,902,000	7.00

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

**Note 13 - Fair Value Measurements**

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

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

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

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

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

The following tables present information about the Credit Union's assets measured at fair value on a recurring basis at December 31, 2021 and 2020 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, 2021			
	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
Marketable securities	\$ 27,019,433	\$ -	\$ -	\$ 27,019,433
Available-for-sale securities:				
U.S. government and federal agency obligations	-	372,358,909	-	372,358,909
Mortgage-backed securities — Residential	-	217,912,372	-	217,912,372
SBA loan pools	-	53,252,063	-	53,252,063
Negotiable certificates of deposit	-	252,608	-	252,608
Corporate bonds	-	18,540,030	-	18,540,030
Total available-for-sale securities	-	662,315,982	-	662,315,982
Total assets	\$ 27,019,433	\$ 662,315,982	\$ -	\$ 689,335,415

**Note 13 - Fair Value Measurements (Continued)**

Assets Measured at Fair Value on a Recurring Basis at December 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31
Available-for-sale securities:				
U.S. government and federal agency obligations	\$ -	\$ 323,266,384	\$ -	\$ 323,266,384
Mortgage-backed securities — Residential	-	158,480,378	-	158,480,378
SBA loan pools	-	35,254,207	-	35,254,207
Negotiable certificates of deposit	-	258,735	-	258,735
Total available-for-sale securities	\$ -	\$ 517,259,704	\$ -	\$ 517,259,704

The Credit Union also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets include impaired loans and foreclosed assets. The Credit Union has estimated the fair values of these assets based primarily on Level 3 inputs. Impaired 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, 2021				
	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
Impaired loans	\$ -	\$ -	\$ 6,239,616	\$ 6,239,616
Foreclosed assets	-	-	1,128,957	1,128,957

Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31
Impaired loans	\$ -	\$ -	\$ 11,931,051	\$ 11,931,051
Foreclosed assets	-	-	774,328	774,328





