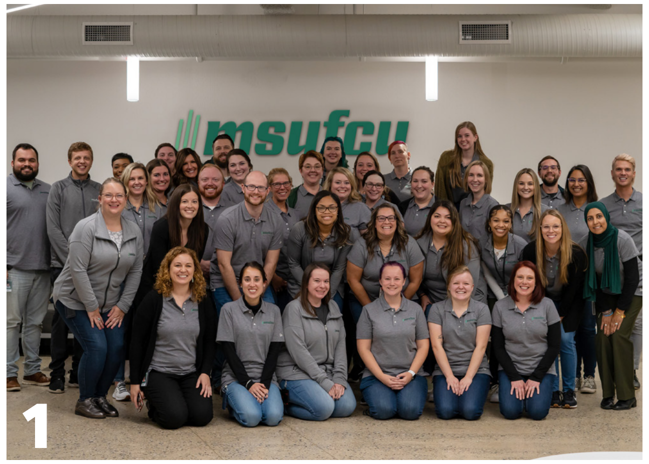
2022

ANNUAL REPORT

msufcu®

MSU FEDERAL CREDIT UNION



1. MSUFCU employees celebrate International Credit Union Day on October 20, 2022. **2.** El Grupo Fiesta! perform during MSUFCU's Juntos Avanzamos Designation Celebration. **3.** Credit Union employees volunteer their time planting trees in partnership with the Michigan Arbor Day Alliance. **4.** Members of the MSU women's basketball team join Angela Brown, MSUFCU Board Member, at the 2022-23 NIL Kick-Off Event at MSUFCU's Headquarters. **5.** An MSUFCU youth member participates in activities during the 2022 annual Kids' Day celebration.

85 Years of Superior Service

1937

Founded by MSU faculty and staff, we operated out of a desk drawer on MSU's campus. The Credit Union was originally named Michigan State College Employees Credit Union.

1958

The Credit Union began operating on Oakland University's (OU) campus after MSU and OU formed a partnership.

1979

We became federally chartered and changed our name to MSU Federal Credit Union.

1985

MSU and OU students were added to our field of membership, and we reached $100 million in assets.

1996

MSUFCU launched its first website: msufcu.org.

2003

We reached $1 billion in assets.

2011

Our mobile app launched, providing members with 24/7 account access.

2022

The Credit Union celebrated our 85th anniversary and opened our Auburn Hills Regional Office and new Headquarters Branch building.

6. A group of founding members gather for a meeting. **7.** MSU students visit the Campus Cash Stop ATM. **8.** The original login screen of MSUFCU's Mobile app.

A Letter from the Board Chairperson & President/CEO

Dear Members,

With many milestones to celebrate, including our 85th anniversary, 2022 was a notable year for the Credit Union. Since 1937, working out of a desk drawer on MSU's campus, our mission to support our local community and help our members achieve their dreams has remained true. Through this annual report, we are excited to share the many achievements of the Credit Union and reflect on the past 85 years of shared history.

Last year, we continued to achieve positive financial growth, ending 2022 with over $7 billion in assets and $661,597,142 in members' equity. The Credit Union also remains well capitalized with a net worth of 9.66%, well above the NCUA's requirement of 7.00%, an important indicator of a financial institution's safety and soundness. Importantly, membership increased by 5.40%; we now serve over 338,000 members worldwide.

In 2022, we celebrated the opening of our new regional office in Auburn Hills, our new Headquarters Branch, and remodeled our Meridian Crossing, Farm Lane, Marsh, and Central Park branches. Each branch features a modern, open layout that welcomes visitors to desks where all personal and business-related transactions can be completed at once to encourage more meaningful interactions between our employees and members.

Beyond our financial, member, and facility growth, the Credit Union welcomed 313 new employees in 2022 and now employs over 1,100 people. It is because of these knowledgeable employees that MSUFCU continues to uphold its reputation for providing superior service. As a result, the Credit Union remains an award-winning workplace. In 2022, we received several top industry and workplace recognitions, including being named a Best Credit Union to Work For® by American Banker for the sixth year, a Top Workplace by the Detroit Free Press for 12 consecutive years, and a National Best and Brightest Companies to Work For® winner for seven consecutive years. MSUFCU has also been certified as a Great Place to Work® for 10 consecutive years.

As the Credit Union continues to expand its presence throughout the state, we are committed to maintaining our culture of superior service. In November, we welcomed thousands of members to our 85th anniversary celebration at our headquarters campus. As we interacted with members that day, we heard many stories of how the Credit Union has helped them achieve their dreams of homeownership, new cars, and memorable family vacations. Especially gratifying, were the stories shared about how we provide outstanding service and spend time with each member to help with their individual financial needs, and that our team listens and cares about our members.

As an organization, we are dedicated to protecting and improving the financial health of our communities by offering free financial education opportunities for all ages. Throughout the year, we held 1,618 financial education events offering both in person and virtual seminars. Our commitment to providing our community with resources was recognized when we proudly received a 2022 MCUL Louise Herring Philosophy-in-Action Member Service Award.

Furthering our commitment to our members and the community, the Credit Union continued to give back by supporting 292 local organizations, donating $633,767. When we give back through monetary and in-kind donations, we demonstrate our core values and help create a vibrant community for all.

Credit Union employees also selected several community organizations to support throughout the year including Youth Haven Ranch, Love in Deed, Barn Sanctuary, and End Violent Encounters as well as the Credit Union's ongoing charity partner, Capital Area United Way, through volunteer and fundraising efforts. Employees completed 1,534 volunteer hours and donated $271,420, supporting organizations which provide access to arts and culture, educational programs, stable housing, and social services.

The Credit Union is proud to continue our close partnerships with Michigan State University and Oakland University. As part of our support, in 2022 we made a $5.5 million donation, paid over five years, to MSU that will advance three arts programs and bolster the university's arts strategy. Our annual commitment of $650,000 to Oakland University helps support an endowed student scholarship, athletics, and a Dean's Choice Grant Program. Both universities are supported with a variety of signature sponsorships, financial education, and more.

In 2022, the Credit Union was also proud to receive the Juntos Avanzamos designation, which recognizes credit unions committed to empowering and serving Hispanic communities. MSUFCU received this designation from Inclusiv, becoming the second and largest credit union in Michigan to receive this honor. Juntos Avanzamos ("Together We Advance") credit unions help Hispanic and immigrant consumers navigate the U.S. financial system by offering safe, affordable, and relevant financial services to all. At MSUFCU, we believe that working together with underserved communities through initiatives like Juntos Avanzamos is vital to helping those who may be unbanked and vulnerable achieve financial security and independence.

On behalf of the Board of Directors and the Credit Union Executive Team, we would like to thank you for being a member of the Credit Union and for trusting us as your financial partner. It is because of you that we have a remarkable history to share and ongoing success to look forward to for years to come.

Sincerely,

Gregory Deppong, CPA
Board Chairperson

April M. Clobes
President/CEO

Board of Directors

Gregory Deppong, CPA
Chairperson

Janet Lillie, Ph.D.
Vice Chairperson

Steven Kurncz
Secretary

Elizabeth Lawrence
Treasurer

Bill Beekman
Board Member

Ernest Betts, Ph.D.
Board Member

Angela Brown
Board Member

Michael Hudson
Board Member

Quinetta Roberson Connally, Ph.D.
Board Member

Executive Team

April M. Clobes
President/CEO

Lea Ammerman
Chief Operating Officer

Silvia Dimma
Chief Human Resources Officer

Sara Dolan
Chief Financial Officer

Susi Elkins
Chief Community Impact Officer

Jim Hunsanger
Chief Risk Officer

Ami Iceman-Haueter
Chief Research & Digital Experience Officer

Ben Maxim
Chief Digital Strategy & Innovation Officer

Tim Mielak
Chief Information Officer

Steve Owen
Chief Legal Counsel

A Storied History; A Promising Future

Michigan State University Federal Credit Union (MSUFCU) was founded in 1937 by Michigan State University (MSU) faculty and staff who needed a safe place to borrow and save money. In 85 years, the Credit Union has grown to more than 338,000 members, over $7 billion in assets, and over 1,100 employees — making us the 44th largest credit union in the country, and the second largest in the state of Michigan.

Throughout our history, our growth has been a reflection of the relationships we've built with our members and community partners. We've worked to understand our members' wants and needs and offer innovative products and services to support their financial goals. Whether opening a child's account or helping finance a member's first home, we take pride in providing a unique experience with every interaction.

From operating out of a desk drawer on MSU's campus in 1937 to now offering 24/7 account access and 21 branches located throughout Greater Lansing, Grand Rapids, Oakland County, and Traverse City, we've remained focused on upholding our core values to support an environment where everyone is empowered to work together and help make our members dreams come true.

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

Our Mission

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

Our Vision

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

A new member opens their MSUFCU account at the Auburn Hills Branch.

Building Dreams Together

338,733
Members

37,451
New Members

$7,275,840,885
In Assets

$5,591,722,162
In Loans

$5,937,593,858
In Shares

Full financial report begins on page 26.

Helping Members Achieve Their Dreams

MSUFCU continued fulfilling its mission of helping members achieve their financial goals and dreams in 2022. We were there for our members every step of the way, helping them establish credit with their first credit cards, save for their dream weddings, purchase their first homes, open savings accounts for their children's futures, and so much more. Additionally, we were able to help local entrepreneurs start or grow their own businesses, like our friends at Hooked, a bookstore and cafe in Lansing.

We take pride in saving members money, especially when it helps them accomplish their goals and dreams. In 2022, we provided the opportunity for our members to save $20,543,927 in interest by refinancing their higher rate loans to MSUFCU and earn up to $23,915,228 more in dividends through MSUFCU's savings products. Additionally, our members opened $1,437,461,763 in consumer loans and $232,064,959 in mortgages. By consistently educating our members on ways to save and how to leverage the financial tools at their disposal, they are able to achieve financial freedom, increase their savings, and make purchases they may not have been able to otherwise.

8,270
Members Bought New Homes

34,550
Members Financed New Vehicles

2,478
Youth Members Opened New Accounts

4,082
Members Opened Business Accounts & Loans

5,095
Members Opened Savings Builder℠ Accounts

Providing Superior Service

1,394,962
Branch Transactions

1,462,035
ATM Transactions

790,779
Member2Member℠ Transfers

111,023
Video Teller Interactions

790,935
Call Center Calls

314,350
eMessages & Live Chats

164,854
Fran Chat Messages

10,863,889
ComputerLine® Logins

36,024,922
Mobile App Logins

1. Dr. Matt Grossmann and Dr. Sarah Reckhow, founders of Hooked Bookstore, share their MSUFCU business membership story. **2.** An eServices Specialist helps MSUFCU members over online chat.

Expanding Our Network

It was an exciting year of expansion at MSUFCU. We opened a new regional office in Auburn Hills, transitioned our Headquarters Branch to a new building, and broke ground on our second branch in the Grand Rapids region. Additionally, we renovated four of our existing branches to enhance our member experience and provide superior service for all. These efforts are all part of the Credit Union's long-term growth strategy to meet the needs of our growing membership and create jobs in the communities we serve.

Groundbreaking — Kentwood Branch

The Credit Union hosted a groundbreaking at the site of the future Kentwood Branch on June 24, 2022. The full-service branch, located at 4580 28th St. in Kentwood will offer drive-up Video Tellers, 24-hour ATMs, and a full range of financial products and services when it opens in 2023. The Kentwood Branch will serve nearly 7,500 MSUFCU members living within 10 miles of this new location and create 10 jobs.

Grand Opening — Headquarters Branch

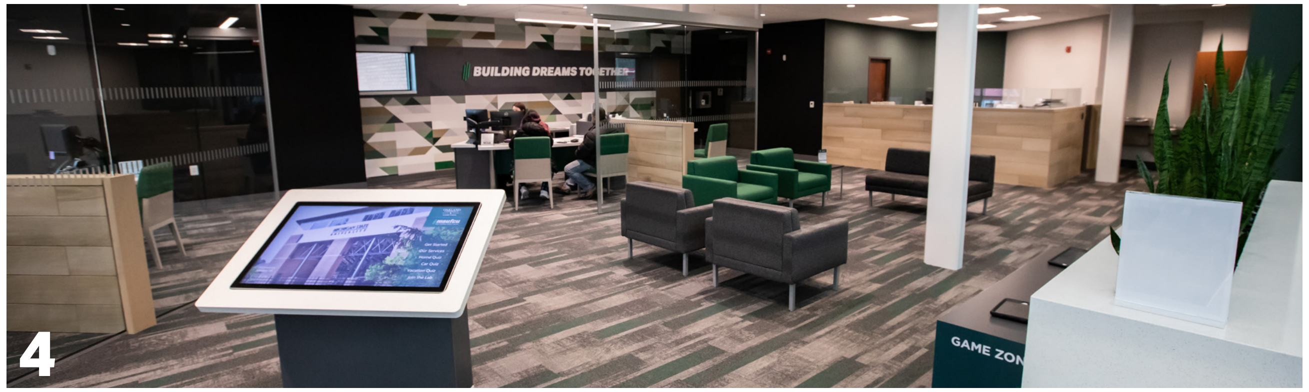
The Credit Union's new Headquarters Branch, which opened in September 2022, is located at 3775 Coolidge Road in East Lansing. The full-service branch features drive-up Video Tellers, 24-hour ATMs, and an integrated branch design that offers sit-down desks rather than a traditional teller line. The desks are staffed by employees who are universally trained to handle a wide variety of transactions, from opening new accounts to processing loan applications.

Grand Opening — Auburn Hills Regional Office

The Credit Union celebrated the grand opening of its Auburn Hills Regional Office in February 2022. The new three-story building houses a dual-branded MSUFCU and Oakland University Credit Union branch and other Credit Union departments. This regional office replaces the previous Auburn Hills Branch and is a central part of the Credit Union's long-term growth strategy to better serve our existing and potential members in southeast Michigan. It also has a community room that community partners can use for health fairs, seminars, board meetings, blood drives, and more.

Renovated Branches — Central Park | Farm Lane | Marsh | Meridian Crossing

In 2022, we renovated four Lansing-area branches, introducing a new layout to improve the member experience. With the updated design, members are invited to one-on-one desks at which they can conduct all of their business with a Financial Services Representative. The open layout provides the same features as our other branches, including the ability to print debit and credit cards, conduct account transactions, complete loan applications, and more.



1. April Clobes, MSUFCU President/CEO; Lea Ammerman, MSUFCU Chief Operating Officer; Erin Bowdell, VP of Infrastructure Planning and Facilities; Gregory Deppong, MSUFCU Board Chair; and Janet Lillie, MSUFCU Board Vice Chair, join community partners to celebrate the groundbreaking of our Kentwood Branch. **2.** Headquarters Branch **3.** Auburn Hills Regional Office **4.** Marsh Branch

Opening in 2023

The Credit Union is excited to preview our three new locations, which will open during the spring of 2023, including our downtown Detroit Congress St. Branch, a branch in Kentwood, Michigan, and our building in downtown East Lansing.

Congress St. Branch in Downtown Detroit

Our downtown Detroit branch is located at 243 W. Congress St., at the corner of Congress St. and Washington Blvd., in the historic Marquette Building. The branch will provide existing members with the accessible financial services they know and trust in another convenient location while connecting the Credit Union with Detroit residents and welcoming them as members.

Kentwood Branch Near Grand Rapids

The Kentwood Branch will serve as our second full-service location in the Grand Rapids region. The Kentwood Branch will offer additional account access and convenience to members who live and work in the area. We're growing in the region to better serve our members and potential members.

East Lansing Building

The seven-story building, located in the heart of downtown East Lansing, will include a Credit Union branch (our East Lansing Branch will be relocated from its current location on East Grand River Avenue); an ATM; MSUFCU office space; and a community room available for nonprofit organizations and our partners.

1. Congress St. Branch **2.** Kentwood Branch **3.** East Lansing Building

Enhancing Products for Financial Success

At MSUFCU, we strive to improve and expand our products and services year after year to ensure we are supporting our members and strengthening their financial security. In 2022, we introduced several new solutions to help them achieve their dreams.

Pay Bills Upgrade

Pay Bills, our online bill payment system, received a full redesign to make it more user friendly and easier to navigate, equipping members with a more refined tool to address their finances.

Instant Decision on Loans

Thanks to our 'Instant Decision' process enhancement, MSUFCU members receive immediate decisions on loan applications through ComputerLine and the mobile app.

New Mobile App Capabilities

Members can now apply for Visa Credit Cards and auto loans as well as submit joint loan applications through the mobile app. These enhanced technology features give members faster on-the-go access to the financial tools they need.

Expanded Mortgage Offerings

To further assist members with finding their dream home, MSUFCU began offering mortgages in eight additional states (20 total), including Alabama, Kentucky, Minnesota, Missouri, Oregon, South Carolina, Tennessee, and Wisconsin.

The Credit Union also debuted two flexible home financing options, **Heroes** and **Professionals Mortgages**, for individuals serving our communities as first responders, health care professionals, military members, and more.

MSU Student Success Loan

The Credit Union designed and launched a new loan to empower MSU students with a more flexible solution to pay for their education. The loan includes special maximums per semester and deferred payments for six months after graduation or withdrawal from the university, among other benefits.

1. An MSUFCU member celebrates her graduation from MSU. **2.** MSUFCU and OU Credit Union financial educators host an episode of our Wallet Watch podcast.

Empowering Members Through Financial Education

Our commitment to making a positive impact in our communities goes beyond our products and services. We also offer financial education to community members of all ages, at no cost. Every year, our financial education team hosts virtual and in-person presentations on topics such as budgeting, retirement planning, credit report awareness, and more, to help members and nonmembers achieve financial success. Our Lansing SAVE program expanded from K-6 classrooms to K-7 classrooms in the Lansing School District to reach more students. We taught a total of 1,067 lessons in 2022.

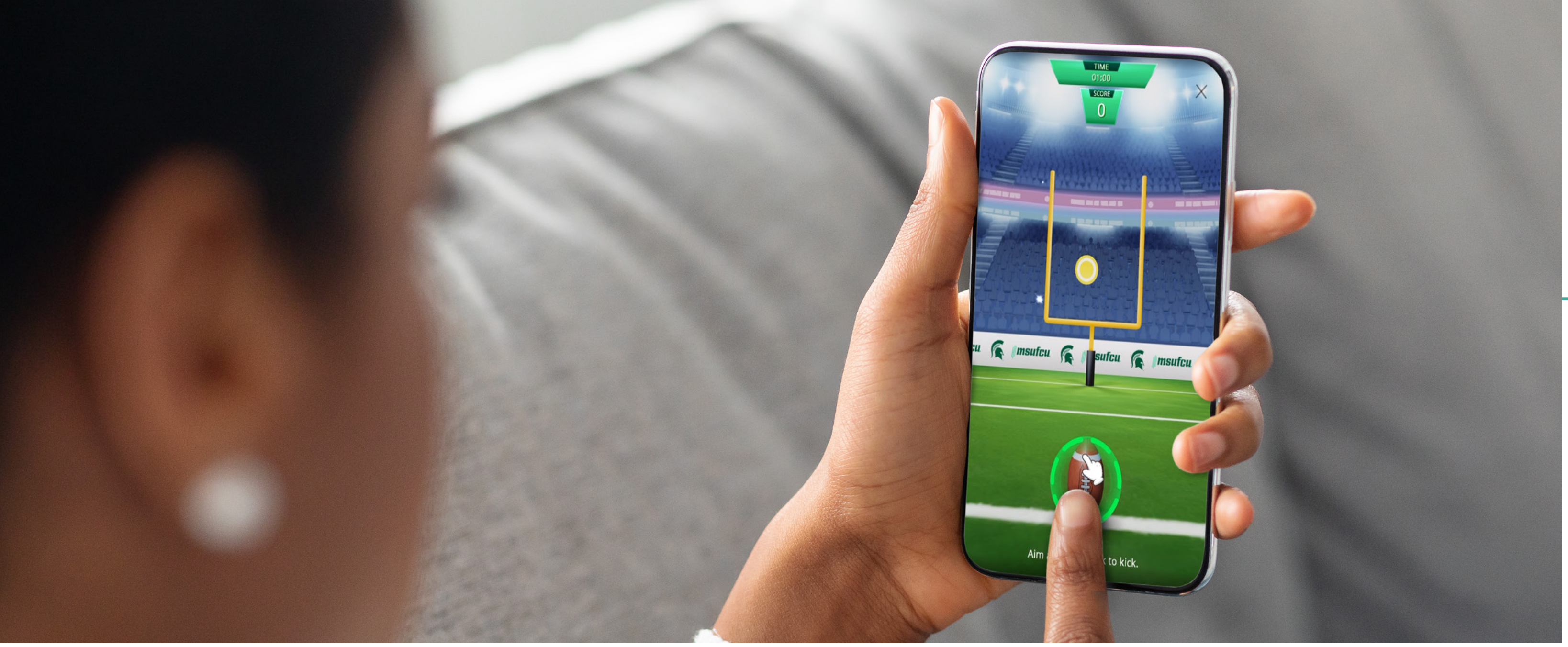
Additionally, the Credit Union hosts our own Wallet Watch podcast to extend our educational outreach. The podcast provides listeners with access to informative discussions with subject matter experts to help empower those individuals to make informed decisions about their financial well-being. We produced podcast episodes in 2022 covering topics including, creating personal financial goals, how to teach your children about money, and others.

1,618
Financial Education Presentations

31,989
Financial Education Attendees

12
Wallet Watch Episodes Produced

2,557
Wallet Watch Episodes Downloaded



Accelerating Innovation

Launched in 2020, The Lab at MSUFCU was established to identify, create, and develop opportunities for innovation at the Credit Union. The Lab at MSUFCU turns ideas into advanced financial technologies (fintechs) for the benefit of our members and employees, and as a strategic mission of the Credit Union. To identify these technologies, we listen to the needs of our members and what financial tools they believe would improve their experiences and ability to make the most of their money.

Expanding on its impact, The Lab at MSUFCU developed several new pilot programs and digital platforms in 2022, including Nickels, Otomo, Spave, Silvur, and our MSUFCU Game Day experience created in partnership with Flow Networks, pictured above. These programs allow the Credit Union to engage with members, promote financial wellness, and enhance our personalized service in new ways. Members also play an important collaborative role with The Lab at MSUFCU, participating in pre-pilot research and pilot programs and providing their feedback on the products they tested in the pilot stage.

10
Pilots Initiated

7,500+
Member Pilot Participants

6
Pilots Completed

640+
Members on Pilot Panel

Building Better Together

Reseda Group helps credit unions across the industry remain relevant and competitive while delivering the best products and services to their employees and member-owners. Driven by a shared goal of building better – everything – for members, Reseda Group invests in strategic fintech partners developing new technologies and digital resources to explore how we can partner to revolutionize the way people engage with their money.

Reseda Group is a wholly-owned credit union service organization (CUSO) of MSUFCU and is proud to bring credit union industry platforms and solutions to market with help from our wholly-owned and majority-owned partners.

Foresight Group is a commercial printer that specializes in high-quality printing, direct mail, promotional materials, signage, and display advertisements.

Spave is a free, all-in-one financial wholeness app that enables members to use their everyday purchases to increase their savings and give to causes they care about.

M3 Group is a fully integrated, digitally focused, strategically driven branding and marketing agency that develops engaging and visually compelling content.

Ever Green 3C partners with credit unions to create meaningful, loyal relationships with their members, communities, and employees through financial education solutions.

Investing in Our Community

From MSU and Oakland University to Greater Lansing, Metro Detroit, Grand Rapids, and Traverse City, our passion to serve the communities where we operate is a core value of our organization. As a credit union, and as individual employees, our team finds unique ways to provide resources and education to our members, create sustainable programs, and empower others to make a positive difference, making our community a place where everyone is proud to live and work.

Corporate Giving

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

Our donations, sponsorships, and initiatives have helped organizations such as the **Ronald McDonald House of Mid-Michigan**, the **Giving Tree** program, the **Michigan Arbor Day Alliance**, **Saved by Zade**, the **Warrior Girl Strong Project**, and more. We are proud to be part of and support the positive change our community partners are making.

$633,767
Community Donations

292
Organizations Supported

CU Involved

Each year, Credit Union employees select local organizations to support that help our communities. Through our internal charitable giving program, CU Involved, employees fundraise and volunteer their time and talents to assist these organizations with providing their invaluable services to individuals in need. Our 2022 charity partners were **Youth Haven Ranch**, **Love In Deed**, **Barn Sanctuary**, **End Violent Encounters**, and **Capital Area United Way**.

$271,420
Employee Donations

1,534
Personal Volunteer Hours

615
Credit Union Volunteer Hours

1. Race participants cross the finish line during the 2022 Ronald McDonald House of Mid-Michigan Run for the House on MSUFCU's headquarters campus. **2.** MSUFCU employees hand out tree seedlings to members in partnership with Michigan Arbor Day Alliance. **3.** MSUFCU employees volunteer at Youth Haven Ranch.

DESK DRAWER FUND®

In 2022, the Desk Drawer Fund, MSUFCU's charitable foundation, continued its philanthropic endeavors by supporting community organizations through employee and member donations.

The Desk Drawer Fund's largest individual donation in 2022 was made to **Child and Family Charities**; $500,000 to help fund the construction of a new building to house behavioral health, child abuse prevention, and child welfare services. This donation will be allocated over the next five years in $100,000 installments.

MSUFCU also began holding the **Desk Drawer Fund Member Raffle** in 2022, raising $28,220 for the foundation and awarding a total of $28,220 to two raffle winners.

$487,278
Foundation Donations

46
Organizations Supported

Investing in Our Community

Michigan State University Programs Sponsored

$5.5 Million Donation to Arts Programs

MSUFCU made a $5.5 million donation to MSU, to be paid over five years, that will bolster the university's arts strategy and advance three specific programs:

- $2.5 million for the MSUFCU Arts Power Up Endowment, which will fund two pilot programs: the MSUFCU Arts Power Up Arts Residencies at the STEAMpower Project, and the MSUFCU Arts Power Up to Start-Up program.
- $2 million will support the MSU Museum's new CoLab Studio, which evolved from the museum's partnership with Science Gallery International. The CoLab Studio creates experimental programs for the museum and develops new and innovative exhibits and academic functions.
- $1 million gift to the MSU Community Music School-Detroit (CMS-D), an outreach arm of the MSU College of Music, to provide sustainable resources through the new Detroit Regional Engagement and Access to Music Endowment (MSUFCU DREAM Fund). The program funds sustainable music and educational resources in the Detroit community.

Department of Social Science Donation

MSUFCU and Visa partnered to make a $300,000 donation to support 10 years of financial literacy programming for MSU undergraduate students.

Athletics Naming Partnership

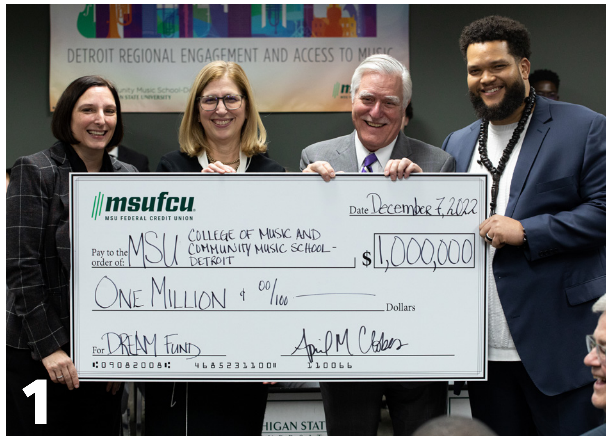
MSUFCU and Michigan State Athletics entered into a naming entitlement agreement for the club and suite areas inside Spartan Stadium and Munn Ice Arena. Through this 10-year agreement, the names of the areas changed to MSUFCU Club and Suites.

MSU Student Athletes

For the second year, MSUFCU entered into Name, Image, and Likeness agreements with eligible Michigan State University women's basketball players and one women's track and field athlete for the 2022-23 season.

AgeAlive Program

Our affinity groups partnered with MSU's AgeAlive program to create and host the Butterfly Garden Exhibit at our headquarters. Employees created nearly 1,000 painted paper butterflies for the art display.



Oakland University Programs Sponsored

OU Achieve Program

Through our long-standing partnership with the ACHIEVE program in the OU School of Business Administration, we have provided money management workshops as a core portion of their course work. In 2022, we provided 30 money management workshops to 690 students over 37.5 instructional hours.

Keeper of the Dream Scholarship Awards Celebration

The Credit Union was proud to serve as an event sponsor of the Oakland University Keeper of the Dream Scholarship Awards Celebration, which honors the legacy of the late civil rights leader, Dr. Martin Luther King Jr.

OU Athletics

OU Credit Union is a proud sponsor of the Oakland University Athletics Center O'rena, with our logo prominently displayed on the court.

Pay It Forward Week

During our annual, weeklong opportunity to give back to the community, MSUFCU and our employees:

- Surprised branch visitors with $5 gift cards from Local Loyalty partners and other local businesses.
- Nominated and selected Local Heroes — individuals working to make positive improvements in their communities — who each received $500 to help further their impact.
- Collectively volunteered 128 hours during the week.

1. April Clobes, MSUFCU President/CEO, pictured with Teresa K. Woodruff, Ph.D., MSU Interim President; James Forger, MSU College of Music Dean; and Kris Johnson, MSU Community Music School-Detroit Director, presents a check for $1M to the MSU College of Music and Community Music School-Detroit. **2.** OU Credit Union logo is proudly displayed at the O'rena on Oakland University's campus. **3.** MSUFCU member receives a gift card during Pay it Forward Week at our branches in celebration of MSUFCU's 85th anniversary.

Celebrating 85 Years Together

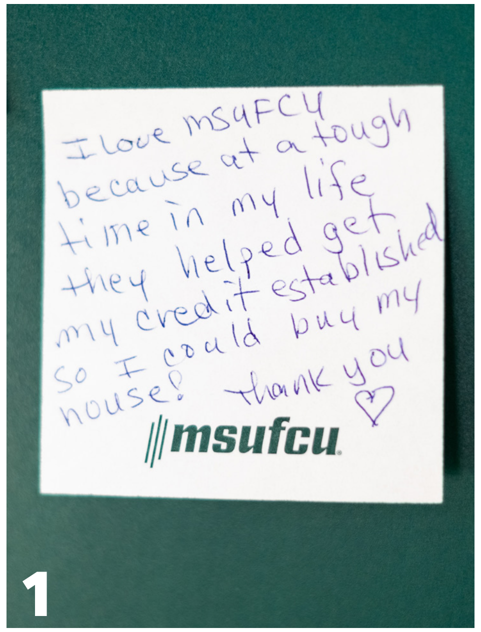
It was an exciting and notable year for the Credit Union that marked MSUFCU's 85th anniversary. To commemorate our milestone anniversary, we held special events, promotions, and giveaways throughout November 2022 to express our gratitude to our members and employees.

We also welcomed special guests and community members to an anniversary celebration event at our headquarters campus. Over 1,500 guests enjoyed an afternoon of food, fun, activities, and remarks from MSUFCU President/CEO April Clobes and others. Attendees were treated to complimentary food and refreshments from Local Loyalty partners such as Saddleback BBQ and Cappuccino Man, providing exposure to vendors they can support in their community.

Why We Love MSUFCU

As a part of our anniversary celebration, we invited members to "tell us why you love MSUFCU." Members submitted responses on our website and wrote messages on our boards at the 85th anniversary event. What they shared with us warmed our hearts. We heard stories about how the Credit Union has positively impacted their lives, how individual employees went above and beyond to help them, and how the Credit Union gave them the confidence of knowing their financial institution was looking out for them.

So, as we reflect on our history and beginnings on MSU's campus through the 85 years of growth in the Lansing area and throughout Michigan, one thing is clear; We could not have achieved any of it without the support of our members, employees, and local communities.



Creating a Culture for All

Promoting a positive environment where all employees and members have equal opportunities for success and advancement is a fundamental element of our Credit Union. To accomplish this, MSUFCU has built an organizational structure and employee culture that prioritizes diversity, equity, inclusion, and belonging (DEIB) programs and initiatives; and an overall engaging and collaborative workspace. At MSUFCU, we empower everyone to bring their full authentic selves as meaningful contributors.

Affinity Groups

To further support our invaluable DEIB efforts, we created internal, employee-run affinity groups to offer an outlet for networking and personal and professional development based on employees' interests and identities to help strengthen our entire organization. These interests and identities include but are not limited to, ethnicity, gender, sexual orientation, disability status, working parents, and generation.

CU ASIA AFFINITY GROUP
CU PARENT SUPPORT AFFINITY GROUP
PRIDE AFFINITY GROUP
CU CAPABLE AFFINITY GROUP
CU Latine AFFINITY GROUP
CU PRIME AFFINITY GROUP
CU BOLD AFFINITY GROUP
CU Veterans AFFINITY GROUP

Juntos Avanzamos Designation

MSUFCU was proud to receive the Juntos Avanzamos designation in 2022, which recognizes credit unions committed to empowering and serving Hispanic communities by offering safe and affordable financial services to all.

As a Juntos Avanzamos credit union, MSUFCU employs bilingual and culturally competent employees and leaders; accepts alternative forms of identification; and treats all members with respect regardless of immigration status. We're proud to be part of the solution in helping eliminate barriers to financial security and provide a safe place for community members to receive the financial services they need to turn their goals and dreams into realities.

1. Community members were invited to share why they love MSUFCU during our anniversary celebration. **2.** Attendees enjoyed local food and entertainment throughout the 85th anniversary celebration. **3.** Members and their families created thank you cards for local hospitals in the Lansing area. **4.** April Clobes, MSUFCU President/CEO, joins Patty Corkery, Michigan Credit Union League (MCUL) President/CEO, in accepting MSUFCU's official designation from René Vargas Martinez, Inclusiv Director, Puerto Rico Network.

Awards & Recognition

MSUFCU has a national reputation for excellence and received many top industry and workplace awards in 2022, some of which we have won for several consecutive years. These recognitions serve as a celebration of efforts to make our Credit Union the best possible place for our employees to work and our members to do business.

Workplace — Recognizing top employers who foster people-centered work environments and organizational culture as well as offer the best compensation packages.

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

American Banker's Best Credit Unions to Work For®

Detroit Free Press Top Workplace — Ranked No. 7 in Large Employer Category

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

Ragan Top Places to Work Awards
- Employee Communications Award
- Inspirational Video Award

Service — Recognizing and celebrating businesses that provide the most helpful and comprehensive products, services, and financial education to their membership.

Michigan Credit Union League (MCUL) Awards
- Alphonse Desjardins Adult Financial Education Award — 1st Place
- Louise Herring Philosophy-in-Action Member Services Award — 2nd Place
- Alphonse Desjardins Youth Financial Education Award — Honorable Mention

Lansing State Journal Best of the Best Community Choice Awards
- Best Credit Union Award
- Best Personal Loan/Title Company Award

Financial Reporting — Commending organizations for exceeding accounting requirements in preparation for annual comprehensive financial reports in the spirit of transparency and full disclosure.

Associations of Credit Union Internal Auditors' Best Audit Practice Award

Training — Awarding industry-leading organizations that excel at employee training and career development.

Training Magazine's Top 100 Organizations
- Apex Award — Ranked No. 18 out of 100
- Outstanding Training Initiative Award

Credit Union National Association (CUNA) Awards
- ELLy WOW! Award — Honorable Mention
- Outstanding Training Initiative Award

Marketing & Communications — Recognizing excellence in marketing, public relations, and communications efforts that achieved real, measurable business outcomes for members.

Credit Union National Association (CUNA) Awards
- Diamond Awards in four categories

American Advertising Award — Silver Award

PRSA PACE Award — Pinnacle Award

Hermes Award — Public Relations/Communication Live or Virtual Event

1. MSUFCU Learning and Development employees accept a CUNA ELLy WOW! Award. **2.** An MSUFCU Human Resource employee accepts the Detroit Free Press Top Workplace award.

Total Assets
Year ended December 31

2018	$4,229,509,227
2019	$4,730,222,366
2020	$5,712,880,351
2021	$6,710,868,219
2022	$7,275,840,885

Total Reserves
Year ended December 31

2018	$441,238,114
2019	$479,904,133
2020	$566,056,568
2021	$639,019,052
2022	$661,597,142

Net Loans
Year ended December 31

2018	$3,334,129,423
2019	$3,793,086,310
2020	$4,149,302,738
2021	$4,688,953,804
2022	$5,566,181,323

Total Shares
Year ended December 31

2018	$3,477,205,259
2019	$3,900,765,890
2020	$4,815,912,492
2021	$5,728,393,521
2022	$5,937,593,858

Membership
Year ended December 31

2018	269,344
2019	288,083
2020	302,576
2021	321,315
2022	338,733

IRAs
Year ended December 31

2018	$197,657,035
2019	$210,132,910
2020	$222,406,418
2021	$227,993,907
2022	$240,977,513

IRAs consist of IMMAs and Share Certificates

IMMAs
Year ended December 31

2018	$1,154,206,725
2019	$1,344,200,602
2020	$1,708,293,614
2021	$2,180,949,528
2022	$2,074,963,172

Dividends Paid, All Savings
Year ended December 31

2018	$23,078,532
2019	$40,036,021
2020	$31,864,848
2021	$22,315,652
2022	$31,129,045

Independent Auditor's Report

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 statements of financial condition as of December 31, 2022, the related consolidated statements of income, comprehensive income, members' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Michigan State University Federal Credit Union and its subsidiaries as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of the Credit Union, as of and for the year ended December 31, 2021, were audited by other auditors, whose report, dated February 11, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

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

/s/ RSM US LLP
Chicago, Illinois
March 21, 2023

Consolidated Statements of Financial Condition

See notes to consolidated financial statements.

	Years Ended December 31, 2022	Years Ended December 31, 2021
ASSETS		
Cash and cash equivalents	$ 239,347,146	$ 375,444,539
Time deposits with other financial institutions	355,548,000	501,496,000
Investment securities - Available for sale, at fair value (Note 3)	552,388,937	662,315,982
Investment securities - Marketable securities, at fair value (Note 3)	6,547,604	27,019,433
Other investments	50,005,970	29,859,041
Loans to members - Net (Note 4)	5,566,181,323	4,688,953,804
Premises and equipment - Net (Note 5)	254,348,571	217,047,244
Goodwill	12,283,944	11,059,926
Employee benefit funding asset	109,929,728	100,439,817
NCUSIF deposit	50,510,700	46,876,057
Other assets	78,748,962	50,356,376
Total assets	**$ 7,275,840,885**	**$ 6,710,868,219**
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts (Note 6)	$ 5,931,123,858	$ 5,728,393,521
Non-Members' shares	6,470,000	-
Borrowings (Note 7)	595,000,000	285,000,000
Postretirement benefit obligations (Note 9)	7,117,666	9,177,985
Accrued expenses and other liabilities	74,532,219	49,277,661
Total liabilities	6,614,243,743	6,071,849,167
Commitments and contingencies (Notes 2, 5, 11)		
Members' Equity		
Regular reserve	17,980,012	17,980,012
Equity acquired in mergers	3,825,906	3,825,906
Undivided earnings	681,238,568	607,368,830
Accumulated other comprehensive income	(43,445,488)	7,355,560
Noncontrolling interest	1,998,144	2,488,744
Total members' equity	661,597,142	639,019,052
Total liabilities and members' equity	**$ 7,275,840,885**	**$ 6,710,868,219**

Consolidated Statements of Income

See notes to consolidated financial statements.

	Years Ended December 31, 2022	Years Ended December 31, 2021
Interest Income		
Loans - Including fees	$ 228,648,502	$ 196,425,193
Investment securities	9,596,732	9,068,039
Interest-bearing balances with other financial institutions	1,207,302	379,829
Total interest income	239,452,536	205,873,061
Interest Expense		
Members' share and savings accounts	31,112,260	22,315,652
Nonmembers' deposits	16,785	-
Borrowings	9,599,278	6,456,729
Total interest expense	40,728,323	28,772,381
Net Interest Income	198,724,213	177,100,680
Provision for Loan Losses (Note 4)	21,933,794	699,155
Net Interest Income after Provision for Loan Losses	176,790,419	176,401,525
Noninterest Income		
Fees and charges	21,954,908	18,503,474
Visa interchange	41,106,780	36,601,005
Income from CUSOs	2,426,191	11,376
Net gain on marketable securities	10,753,586	590,451
Other	18,683,038	9,353,303
Total noninterest income	94,924,503	65,059,609
Noninterest Expense		
Salaries and employees benefits	106,578,291	79,349,757
Occupancy	15,135,032	11,991,374
Operating expenses	68,517,851	57,337,314
Other	8,104,610	7,900,325
Total noninterest expense	198,335,784	156,578,770
Consolidated Net Income	**$ 73,379,138**	**$ 84,882,364**
Amounts Attributable to Noncontrolling Interest		
Consolidated net income attributable to:		
Noncontrolling interest	(490,600)	(261,256)
Michigan State University Federal Credit Union	73,869,738	85,143,620
Consolidated net income	**$ 73,379,138**	**$ 84,882,364**

Consolidated Statements of Comprehensive Income

See notes to consolidated financial statements.

	Years Ended December 31, 2022	Years Ended December 31, 2021
Consolidated Net Income	$ 73,379,138	$ 84,882,364
Other Comprehensive (Loss) Income		
Unrealized loss on securities:		
Loss arising during the year	(50,220,393)	(11,998,309)
Reclassification adjustment for realized gain included in net income	-	(14,521)
Total unrealized loss on securities	(50,220,393)	(12,012,830)
Postretirement benefit plan:		
Net gain arising during the year	2,250,907	30,739
Reclassification adjustment - Net actuarial (loss) gain	(2,831,562)	(2,687,789)
Total postretirement benefit plan	(580,655)	(2,657,050)
Total other comprehensive (loss) income	(50,801,048)	(14,669,880)
Comprehensive Income	**$ 22,578,090**	**$ 70,212,484**
Amounts Attributable to Noncontrolling Interest		
Comprehensive income attributable to:		
Noncontrolling interest	$ (490,600)	$ (261,256)
Michigan State University Federal Credit Union	23,068,690	70,473,740
Comprehensive income	**$ 22,578,090**	**$ 70,212,484**

Consolidated Statements of Members' Equity

See notes to consolidated financial statements.

Years Ended December 31, 2022 and 2021	Regular	Equity Acquired in Mergers	Undivided	Accumulated Other Comprehensive (Loss) Income	Total	Noncontrolling Interest	Total Equity
Balance - January 1, 2021	$ 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
Balance - December 31, 2021	17,980,012	3,825,906	607,368,830	7,355,560	636,530,308	2,488,744	639,019,052
Comprehensive income:							
Net income	-	-	73,869,738	-	73,869,738	(490,600)	73,379,138
Unrealized loss on securities	-	-	-	(50,220,393)	(50,220,393)	-	(50,220,393)
Postretirement benefit plan	-	-	-	(580,655)	(580,655)	-	(580,655)
Balance - December 31, 2022	**$ 17,980,012**	**$ 3,825,906**	**$ 681,238,568**	**$ (43,445,488)**	**$ 659,598,998**	**$ 1,998,144**	**$ 661,597,142**

Consolidated Statements of Cash Flows

See notes to consolidated financial statements.

	Years Ended December 31, 2022	Years Ended December 31, 2021
Cash Flows from Operating Activities		
Consolidated net income	$ 73,379,138	$ 84,882,364
Adjustments to reconcile consolidated net income to net cash from operating activities:		
Depreciation and amortization	15,739,116	13,620,741
Provision for loan losses	21,933,794	699,155
Net amortization of securities	3,648,598	3,555,682
Net realized gains (losses) on marketable securities	122,707	(590,451)
Net unrealized gains on marketable securities	900,638	-
Net gain on sale of available-for-sale securities	3,365	(14,521)
Gain on disposal of premises and equipment	(17,863)	(1,499,895)
Earnings on employee benefits funding assets	(2,058,996)	(1,771,397)
Actuarial (gain) loss on postretirement benefit liability	(2,640,974)	(2,526,229)
Net change in:		
Other assets	(17,508,139)	(5,083,801)
Accrued expenses and other liabilities	25,254,558	12,916,685
Net cash provided by operating activities	118,755,942	104,188,333
Cash Flows from Investing Activities		
Activity in available-for-sale securities:		
Proceeds from sales	175,000	1,733,699
Maturities, prepayments, and calls	78,014,091	208,454,032
Purchases	(21,609,082)	(370,797,999)
Activity in other investments - Purchases	(20,672,249)	(2,065,229)
Net change in loans	(899,161,313)	(540,350,221)
Proceeds from the sale of premises and equipment	725,000	-
Proceeds from surrender of business owned life insurance	379,765	-
Additions to premises and equipment	(53,747,580)	(48,778,360)
Proceeds from time deposits with other institutions	241,948,000	143,344,000
Purchases of time deposits with other institutions	(96,000,000)	(303,100,000)
Increase in NCUSIF deposit	(3,634,643)	(6,605,626)
Purchases of marketable securities	(1,808,037)	(27,948,225)
Proceeds from sale of marketable securities	21,256,521	1,519,243
Purchases of employee benefit funding assets	(7,810,680)	(47,133,456)
Gain on exit from CUSOs	(2,485,444)	-
Proceeds from CUSOs	4,458,499	-
Investment in CUSOs	(14,081,520)	(26,638,460)
Net cash used in investing activities	(774,053,672)	(1,018,366,602)

Consolidated Statements of Cash Flows

See notes to consolidated financial statements.

	Years Ended December 31, 2022	Years Ended December 31, 2021
Cash Flows from Financing Activities		
Net increase in members' shares	$ 202,730,337	$ 912,481,029
Proceeds from issuance of non-member certificates	6,470,000	-
Proceeds from issuance of Federal Home Loan Bank advances	1,055,000,000	10,000,000
Repayment of Federal Home Loan Bank advances	(745,000,000)	(10,000,000)
Net cash provided by financing activities	519,200,337	912,481,029
Net Change in Cash and Cash Equivalents	(136,097,393)	(1,697,240)
Cash and Cash Equivalents - Beginning of year	375,444,539	377,141,779
Cash and Cash Equivalents - End of year	**$ 239,347,146**	**$ 375,444,539**
Supplemental Cash Flow Information - Cash paid for interest	$ 40,147,550	$ 28,783,547
Significant Noncash Transactions		
Transfers from loans to other real estate owned	192,689	702,088
Acquisition of premises and equipment in relation to investment in CUSOs	-	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 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 metropolitan Lansing, Grand Rapids, and Traverse City, as well as Oakland County.

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

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

Note 2 - Significant Accounting Policies

Use of Estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for 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.

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

Note 2 - Significant Accounting Policies (continued)

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

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

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 $27,848,900 and $13,725,000 of FHLB capital stock at December 31, 2022 and 2021, respectively. The stock is redeemable at par by the FHLB and, therefore, is carried at cost and periodically evaluated for impairment. The Credit Union records cash and stock dividends in interest income - investment securities on the consolidated statements 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, 2022 and 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 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, 2022 and 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 Central's board of directors. The deposit is not callable except during optional call periods specified by Corporate Central's board of directors and is subject to prior written approval by the NCUA. The Corporate One deposit was $900,000 as of December 31, 2022 and 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. The Credit Union purchased $4 Million in subordinated debt from Vystar Credit Union in March 2022, which is valued at $3,474,680 as of December 31, 2022. Interest on the subordinated debt is paid quarterly at an annual rate of 4.25%. The debt is callable in whole or in part on any interest payment date after March 15, 2027, and final maturity is March 15, 2032.

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 $14,713,090 and $12,164,741 of stock at December 31, 2022 and 2021, 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, 2022 or 2021.

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

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

Note 2 - Significant Accounting Policies (continued)

their contracts is dependent upon the real estate and general economic conditions in this area.

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

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

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

Note 2 - Significant Accounting Policies (continued)

difficulties and (b) the Credit Union granted the borrower a concession. This determination requires consideration of all of the facts and circumstances surrounding the modification. An overall general decline in the economy or some level of deterioration in a borrower's financial condition does not inherently mean the borrower is experiencing financial difficulties.

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

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 statements of financial condition, was $700,181 and $1,128,957 as of December 31, 2022 and 2021, 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, 2022 and 2021.

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 2022 and 2021 insurance premiums.

Members' and Non-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. Non-Members' shares include negotiated Brokered Certificates of Deposits. The Brokered Certificates of Deposits issued through the Primary Financial SimpliCD program are issued in a variety of amounts, although always less than or equal to $250,000.

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

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

Note 2 - Significant Accounting Policies (continued)

exempt from tax under the provisions of IRC 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, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. DDF is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

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 statements of financial condition. Such items, along with net income, are considered components of comprehensive income.

Loan and Other Commitments and Related Financial Instruments

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

Reseda Group LLC has outstanding commitments of approximately $6,527,000 to fund future capital calls in relation to certain CUSO investments. Additional capital calls have not been made by the fund as of December 31, 2022.

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, 2022 and 2021.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which supersedes the 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 are classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. The new lease guidance was adopted by the Credit Union starting January 1, 2022, and was applied using a modified retrospective transition method to the beginning of the year of adoption. The new lease standard did not have a significant effect on the Credit Union's consolidated financial statements. The effects on the results of operations are were not significant, as recognition and measurement of expenses and cash flows for leases are 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 statements 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 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 on January 1, 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

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

Note 2 - Significant Accounting Policies (continued)

had been recognized before the effective date.

The Credit Union selected an allowance model that is compliant with the amendments of ASU 2016-13. Based upon preliminary modeling results, Management estimates the allowance related to loans will increase and expect to recognize a one-time cumulative effect adjustment through retained earnings at the date of adoption. The Credit Union does not expect the adoption of the new standard to have a significant impact on its consolidated financial statements.

The Credit Union does not expect an allowance for credit losses to be recorded on available-for-sale securities under the CECL model.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments–Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The ASU applies to creditors who have adopted ASU 2016-13 and eliminates the accounting guidance for TDRs and requires the entities to evaluate whether the modification represents a new loan or a continuation of an existing loan. The ASU will be effective for the Credit Union beginning on January 1, 2023. The Credit Union does not expect the adoption of the new standard to have a significant impact on its consolidated financial statements.

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

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including March 21, 2023, which is the date the consolidated financial statements were available to be issued.

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

Note 3 - Investment Securities

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

	2022	2021
Marketable securities	$ 6,547,604	$ 27,019,433

For the year ended December 31, 2022, there was a total of $10,753,586 in net gains on marketable securities recognized in the consolidated statements of income, which includes $1,026,710 in net unrealized losses and $11,780,296 in realized gains. The realized gain of $11,780,296 as of December 31, 2022, was a result of the sale of 44,811 Visa Class B Common Stock shares with $0 cost basis. For the year ended December 31, 2021, there was a total of $590,451 in net gains on marketable securities recognized in the consolidated statements of income which were all unrealized.

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
2022				
Available for Sale:				
U.S. government and federal agency obligations	$ 366,241,703	$ -	$ (27,054,787)	$ 339,186,916
Mortgage-backed securities — Residential	181,387,590	-	(27,511,059)	153,876,531
SBA loan pools	42,266,469	263,583	(264,166)	42,265,886
Other debt securities	18,987,214	3,178	(1,930,788)	17,059,604
Total	$ 608,882,976	$ 266,761	$ (56,760,800)	$ 552,388,937
2021				
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	$ 669,114,948	$ 1,777,618	$ (8,576,584)	$ 662,315,982

Note 3 - Investment Securities (continued)

At December 31, 2022 and 2021, securities with a carrying value of approximately $41,347,000 and $61,380,000, respectively, were pledged as collateral to secure borrowed funds, and a security with a carrying value of approximately $5,000,000 was pledged to the discount window.

The amortized cost and fair value of investment securities by contractual maturity at December 31, 2022, are as follows:

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ 58,815,002	$ 57,330,635
Due in one through five years	322,411,001	295,468,440
Due in five years through ten years	4,002,914	3,447,445
Total	385,228,917	356,246,520
Mortgage-backed securities — Residential	181,387,590	153,876,531
SBA loan pools	42,266,469	42,265,886
Equity securities	6,833,226	6,547,604
Total	$ 615,716,202	$ 558,936,541

Proceeds from sales of investment securities were $1,931,521, gross realized gains were $113,156, and gross realized losses were $239,228 for the year ended December 31, 2022. 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, 2022.

Note 3 - Investment Securities (continued)

Information pertaining to investment securities with gross unrealized losses at December 31, 2022 and 2021, 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 MORE		TOTALS	
	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value
2022						
U.S. government and federal agency obligations	$ (528,169)	$ 19,548,580	$ (26,526,618)	$ 319,638,336	$ (27,054,787)	$ 339,186,916
Mortgage-backed securities — Residential	(1,558,055)	22,006,689	(25,953,004)	131,869,842	(27,511,059)	153,876,531
SBA loan pools	(123,633)	4,845,698	(140,533)	11,199,593	(264,166)	16,045,291
Other debt securities	(489,970)	4,931,733	(1,440,818)	11,208,876	(1,930,788)	16,140,609
Total	$ (2,699,827)	$ 51,332,700	$ (54,060,973)	$ 473,916,647	$ (56,760,800)	$ 525,249,347
2021						
U.S. government and federal agency obligations	$ (4,911,914)	$ 337,007,329	$ (129,060)	$ 4,870,940	$ (5,040,974)	$ 341,878,269
Mortgage-backed securities — Residential	(2,504,007)	135,244,856	(648,387)	28,565,305	(3,152,394)	163,810,161
SBA loan pools	(38,676)	5,197,866	(191,146)	9,645,765	(229,822)	14,843,631
Corporate bonds	(153,394)	13,875,039	-	-	(153,394)	13,875,039
Total	$ (7,607,991)	$ 491,325,090	$ (968,593)	$ 43,082,010	$ (8,576,584)	$ 534,407,100

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 341 and 219 investment securities in an unrealized loss position at December 31, 2022 and 2021, respectively.

Note 4 - Loans to Members

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

	2022	2021
Consumer	$ 2,872,693,476	$ 2,383,415,705
Mortgage	2,155,609,906	1,899,041,471
Business	563,418,780	424,270,284
Total loans	5,591,722,162	4,706,727,460
Less allowance for loan losses	29,032,855	18,847,985
Plus net deferred loan costs	3,492,016	1,074,329
Net loans	$ 5,566,181,323	$ 4,688,953,804

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 $3,164,000 and $3,069,000 as of December 31, 2022 and 2021, respectively.

Note 4 - Loans to Members (continued)

The Credit Union's activity in the allowance for loan losses for the years ended December 31, 2022 and 2021, by loan segment, is summarized below:

	YEAR ENDED DECEMBER 31, 2022			
	Consumer	Mortgage	Business	Total
Allowance for loan losses:				
Beginning balance	$ 10,710,915	$ 494,482	$ 7,642,588	$ 18,847,985
Charge-offs	(14,296,741)	(99,893)	(140,281)	(14,536,915)
Recoveries	2,753,072	31,069	3,850	2,787,991
Provision	18,436,965	1,738,443	1,758,386	21,933,794
Ending balance	$ 17,604,211	$ 2,164,101	$ 9,264,543	$ 29,032,855
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	$ -	$ 15,395	$ 21,208	$ 36,603
Collectively evaluated for impairment	17,604,211	2,148,706	9,243,335	28,996,252
Ending allowance balance	$ 17,604,211	$ 2,164,101	$ 9,264,543	$ 29,032,855
Loans:				
Individually evaluated for impairment	$ -	$ 8,136,442	$ 31,762	$ 8,168,204
Collectively evaluated for impairment	2,872,693,476	2,147,473,464	563,387,018	5,583,553,958
Total loans	$ 2,872,693,476	$ 2,155,609,906	$ 563,418,780	$ 5,591,722,162

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

Note 4 - Loans to Members (continued)

	YEAR ENDED DECEMBER 31, 2021			
	Consumer	Mortgage	Business	Total
Allowance for loan losses:				
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	$ 10,710,915	$ 494,482	$ 7,642,588	$ 18,847,985
Ending allowance balance attributable to loans:				
Individually evaluated for impairment	$ -	$ 12,837	$ 345,481	$ 358,318
Collectively evaluated for impairment	10,710,915	481,645	7,297,107	18,489,667
Ending allowance balance	$ 10,710,915	$ 494,482	$ 7,642,588	$ 18,847,985
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	$ 2,383,415,705	$ 1,899,041,471	$ 424,270,284	$ 4,706,727,460

Note 4 - Loans to Members (continued)

As of December 31, 2022 and 2021, the Credit Union had 16 loans with a balance of approximately $1,541,000 and $1,604,000, 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, 2022 and 2021, is $11,214 and $9,985, 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 2022 and 2021, loans classified as troubled debt restructurings that ultimately defaulted were not material to the consolidated financial statements.

The Credit Union also classifies delinquent residential real estate loans as impaired loans and individually evaluates these for impairment. As of December 31, 2022 and 2021, these delinquent loans had a balance of approximately $6,595,000 and $3,343,000, respectively. Of the total impaired residential real estate loans, outstanding principal balances of $59,628 and $348,301 have related allowances of $4,181 and $2,852 as of December 31, 2022 and 2021, respectively.

Individual business loans are evaluated for impairment. At December 31, 2022, the Credit Union had impaired business loans of approximately $32,000. Of the total impaired business loans, outstanding principal balances of $21,208 have a related allowance totaling $21,208 recorded. 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.

No additional funds are committed to be advanced in connection with impaired loans at December 31, 2022 and 2021.

Credit Quality Indicators

Consumer and mortgage loans are assessed for credit quality based on the contractual aging status of the loan and payment activity. Such assessments is completed at the end of each reporting period. The following tables present risk category of consumer loans evaluated by contractual aging, performing loans are less than two months past due and nonperforming loans are greater than 60 days or more past due:

	2022			2021		
	Performing	Non-Performing	Total	Performing	Non-Performing	Total
Consumer:						
Secured	$ 2,217,524,639	$ 13,710,725	$ 2,231,235,364	$ 1,880,343,991	$ 6,113,917	$ 1,886,457,908
Unsecured	461,339,725	4,121,192	465,460,917	381,465,357	2,311,962	383,777,319
Other	175,060,064	937,131	175,997,195	112,763,496	416,982	113,180,478
Mortgage:						
First Mortgage	1,928,775,882	4,544,895	1,933,320,777	1,734,259,210	2,903,502	1,737,162,712
Home Equity	221,932,132	356,997	222,289,129	161,439,748	439,011	161,878,759
Total	$ 5,004,632,442	$ 23,670,940	$ 5,028,303,382	$ 4,270,271,802	$ 12,185,374	$ 4,282,457,176

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

Note 4 - Loans to Members (continued)

Business loans are graded on a scale of 1 (highest grade) through 10 (lowest grade). The grade assigned to each loan is the grade whose characteristics best describe both the borrower and the source of payment. Business credit cards and commercial vehicle loans are not risk rated.

The Credit Union's internal risk ratings are based on a loan grade as follows:

Grade 1 through 5: pass: Minimal to acceptable risk with little to no reserve required. Loans with these grades have acceptable credit history, steady cash flow, and stable collateral.

Grade 6 through 10: classified: Special mention to loss with a reserve required based on each loan's grade.

The following table presents risk category of business loans evaluated by risk grade:

Business Loans	December 31, 2022	December 31, 2021
Not Graded	$ 17,086,238	$ 14,488,637
Grade 1	242,774	3,041,185
Grade 2	7,590,211	7,801,786
Grade 3	85,193,815	62,252,378
Grade 4	313,755,075	264,433,923
Grade 5	105,913,928	24,860,135
Grade 6	33,040,068	40,807,837
Grade 7	591,809	6,584,403
Grade 8	4,862	-
Grade 9	-	-
Grade 10	-	-
Totals	$ 563,418,780	$ 424,270,284

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

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, 2022 and 2021, by loan segment and class, is summarized below:

	30-59 Days	60-89 Days	90 Days and Greater	Total Past Due	Current	Total
2022						
Consumer:						
Secured	$ 17,965,164	$ 7,346,867	$ 6,363,858	$ 31,675,889	$ 2,199,559,475	$ 2,231,235,364
Unsecured	4,962,666	1,571,564	2,549,628	9,083,858	456,377,059	465,460,917
Other	1,404,454	443,872	493,259	2,341,585	173,655,610	175,997,195
Mortgage:						
First mortgage	5,452,763	1,989,619	2,555,276	9,997,658	1,923,323,119	1,933,320,777
Home equity	743,765	78,349	278,648	1,100,762	221,188,367	222,289,129
Business	727,422	51,842	31,762	811,026	562,607,754	563,418,780
Total	$ 31,256,234	$ 11,482,113	$ 12,272,431	$ 55,010,778	$ 5,536,711,384	$ 5,591,722,162
2021						
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	$ 18,387,308	$ 5,762,297	$ 6,608,472	$ 30,758,077	$ 4,675,969,383	$ 4,706,727,460

There were no loans past due greater than 90 days and accruing interest as of December 31, 2022 and 2021.

Nonaccrual Loans

The Credit Union's loans on nonaccrual status at December 31, 2022 and 2021, by loan segment and class, are summarized below:

	2022		2021	
	Nonaccrual	Loans past due over 90 days still accruing	Nonaccrual	Loans past due over 90 days still accruing
Consumer:				
Secured	$ 6,363,858	$ -	$ 2,934,336	$ -
Unsecured	2,549,628	-	1,447,354	-
Other	493,259	-	227,247	-
Mortgage:				
First Mortgage	2,555,276	-	1,672,453	-
Home Equity	278,648	-	321,188	-
Business	31,762	-	5,894	-
Total	$ 12,272,431	$ -	$ 6,608,472	$ -

Note 5 - Premises and Equipment

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

	2022	2021
Land	$ 21,317,065	$ 19,005,538
Buildings and building improvements	197,003,858	154,983,052
Furniture, fixtures, equipment, and software	42,006,911	37,677,320
Leasehold improvements	1,477,253	1,812,202
Construction in progress	36,209,457	46,895,081
Leased Space - Right to Use	7,035,355	-
Total costs	305,049,899	260,373,193
Accumulated depreciation	(50,701,328)	(43,325,949)
Net premises and equipment	$ 254,348,571	$ 217,047,244

As of December 31, 2022, the Credit Union had outstanding contract commitments for planned construction of new branch and offices totaling approximately $17,891,000.

Depreciation and amortization expense for 2022 and 2021 totaled approximately $15,739,000 and $13,621,000, respectively.

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

The Credit Union enters into leases in the normal course of business primarily for office operations locations and branches. The Credit Union's leases have remaining terms ranging from four to 10 years, some of which include renewal or termination options to extend the lease for up to 10 years and some of which include options to terminate the lease within one year.

As of December 31, 2022, the Credit Union recognized right-of-use assets of $7,035,355 related to operating leases within other assets on the balance sheet. As of December 31, 2022, the Credit Union recognized lease liabilities of $7,064,014 related to operating leases within other liabilities on the balance sheet. The Credit Union had no financing leases as of December 31, 2022. Rental expense for the years ended December 31, 2022 and 2021, for all facilities leased under operating leases totaled $962,638 and $661,590, respectively, included in occupancy expenses in the consolidated statements of income.

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 2022, pertaining to premises and equipment, future minimum rent commitments under various operating leases are as follows:

Years Ending	Amount
2023	$ 1,145,943
2024	1,160,290
2025	1,174,974
2026	1,110,293
2027	799,938
Thereafter	2,322,028
Total	$ 7,713,466

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

Note 5 - Premises and Equipment (continued)

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 $963,000 and $536,000 during 2022 and 2021, respectively.

Note 6 - Members' Share and Savings Accounts

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

	2022	2021
Regular shares	$ 817,289,361	$ 860,460,099
Share draft	847,746,687	835,448,073
Money market checking	145,486,472	150,531,848
Insured money management accounts	2,074,963,172	2,180,949,528
Business deposits	465,893,968	445,760,591
Share certificates	1,579,744,198	1,255,243,382
Total members' share and savings accounts	5,931,123,858	5,728,393,521
Nonmembers' shares	6,470,000	-
Total	$ 5,937,593,858	$ 5,728,393,521

The NCUSIF insures members' shares and savings accounts. For the years ended December 31, 2022 and 2021, legislation provides minimum NCUSIF coverage of $250,000 on member share accounts. This includes all account types, such as regular share, share draft, money market, money management, business and certificates of deposit. The aggregate amount of time deposit accounts in denominations of $250,000 or more at December 31, 2022 and 2021, were approximately $353,080,000 and $286,036,000, respectively.

At December 31, 2022, scheduled maturities of share certificates are as follows:

Years Ending	Amount
2023	$ 927,608,298
2024	320,588,391
2025	102,741,737
2026	67,290,683
2027	95,343,624
Thereafter	66,171,465
Total	$ 1,579,744,198

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, 2022 and 2021, was approximately $3,211,000 and $3,459,000, respectively.

Note 7 - Borrowings

The Credit Union has advances from the Federal Home Loan Bank of Indianapolis totaling $595,000,000 and $285,000,000 at December 31, 2022 and 2021, respectively. The advances require monthly interest payments based on the rate offered at the time each advance was taken. The interest rates range from 0.68 percent to 4.71 percent on balances outstanding, with a weighted-average interest rate of 3.47 percent at December 31, 2022. 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, 2022. The advances are collateralized by mortgage loans of approximately $865,587,000 as of December 31, 2022. The advances are subject to prepayment penalties and the provisions and conditions of the credit policy of the FHLB.

The Credit Union has $1,486,427,600 and $1,674,244,500 in additional borrowing capacity with the Federal Home Loan Bank of Indianapolis at December 31, 2022 and 2021, respectively.

Future obligations of the advances are as follows at December 31, 2022:

Years Ending	Amount
2023	$ 165,000,000
2024	55,000,000
2025	55,000,000
2026	55,000,000
2027	85,000,000
Thereafter	180,000,000
Total	$ 595,000,000

Note 8 - Line of Credit

Under a line of credit agreement with Alloya Corporate Credit Union, the Credit Union has available borrowings of $53,465,000 at December 31, 2022 and 2021. There were no amounts outstanding on the line of credit at December 31, 2022 and 2021. 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, 2022, 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, 2022 and 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, 2022 or 2021.

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, 2022 or 2021.

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

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

	2022	2021
Accumulated benefit obligation	$ 7,117,666	$ 9,177,985

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

	2022	2021
Net loss	$ 10,344,747	$ 14,973,531
Unrecognized prior service cost	(23,918,618)	(29,128,057)
Total recognized in other comprehensive loss accounts	$ (13,573,871)	$ (14,154,526)

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

	2022	2021
Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid		
Net periodic benefit cost	$ (2,346,545)	$ (2,220,636)
Employer contributions	295,770	301,176
Benefits paid	(295,770)	(301,176)
Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Loss) Income		
Net gain	(4,628,784)	(2,552,389)
Unrecognized prior service cost	5,209,439	5,209,439
Total recognized in other comprehensive income	580,655	2,657,050 4
Total recognized in net periodic benefit cost and other comprehensive (loss) income	$ (1,765,890)	$ 436,414

Note 9 - Postretirement Benefit Plans (continued)

The service costs were included as a component of salaries and employee benefits on the consolidated statements 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 $1,748,177. 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:

	2022	2021
Discount Rate	5.25%	2.75%

Cash Flow

Contributions and Estimated Future Benefit Payments

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

Years Ending	Amount
2023	$ 437,003
2024	456,720
2025	462,322
2026	462,196
2027	444,398
Thereafter	2,305,760
Total	$ 4,568,399

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 $5,451,000 and $4,858,000 for 2022 and 2021, 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 statements 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, 2022 and 2021, the following financial instruments whose contract amounts represent credit risk were outstanding:

	2022	2021
Commitments to grant mortgage and consumer loans	$ 83,717,000	$ 74,245,000
Commitments to grant business loans	9,211,000	2,734,000
Unfunded commitments under lines of credit	1,499,120,000	1,299,704,000
Unfunded commitments overdraft protection programs	123,111,000	116,861,000

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

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

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

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 consolidated 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, was 5.89 percent. The minimum ratio to be considered complex under the regulatory framework is 6 percent.

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

Management believes, as of December 31, 2022 and 2021, that the Credit Union meets all capital adequacy requirements to which it is subject. As of December 31, 2022, the most recent call reporting period, and December 31, 2021, the Credit Union was categorized as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the notification that management believes have changed the Credit Union's category.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2022						
Net worth	$ 703,044,485	9.66%	$ 436,550,453	6.00%	$ 509,308,862	7.00%
As of December 31, 2021						
Net worth	629,174,748	9.37%	402,652,000	6.00%	469,761,000	7.00%

As of December 31, 2021, 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, 2022 and 2021, 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, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Identical Assets (Level 2)	Quoted Prices in Active Markets for Identical Assets (Level 3)	Balance at December 31, 2022
Marketable securities	$ 6,547,604	$ -	$ -	$ 6,547,604
Available-for-sale securities:				
U.S. government and federal agency obligations	-	339,186,916	-	339,186,916
Mortgage-backed securities — Residential	-	153,876,531	-	153,876,531
SBA loan pools	-	42,265,886	-	42,265,886
Other debt securities	-	17,059,604	-	17,059,604
Negotiable certificates of deposit	-	-	-	-
Corporate bonds	-	-	-	-
Total available-for-sale securities	-	552,388,937	-	552,388,937
Total assets	$ 6,547,604	$ 552,388,937	$ -	$ 558,936,541

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

Note 13 - Fair Value Measurements (continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Identical Assets (Level 2)	Quoted Prices in Active Markets for Identical Assets (Level 3)	Balance at December 31, 2021
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

Notes to Consolidated Financial Statements | December 31, 2022 & 2021

Note 13 - Fair Value Measurements (continued)

The Credit Union also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets include 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, 2022			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Balance at December 31, 2022
Impaired loans	$ -	$ -	$ 8,131,601	$ 8,131,601
Foreclosed assets	-	-	700,181	700,181

	Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Balance at December 31, 2021
Impaired loans	$ -	$ -	$ 6,238,318	$ 6,238,318
Foreclosed assets	-	-	1,128,957	1,128,957

1. MSUFCU NIL athletes Alisia Smith (left) and Taiyier Parks (right) from the MSU women's basketball team pose with an MSUFCU youth member at the 2022 Kids' Day celebration. **2.** Susi Elkins, MSUFCU Chief Community Impact Officer and Sara Dolan, MSUFCU Chief Financial Officer, discuss big picture thinking on Season 8 of the Wallet Watch podcast. **3.** MSUFCU employees volunteer at Barn Sanctuary. **4.** An MSUFCU Branch Trainer helps a member navigate the sign-in table at our new Headquarters Branch. **5.** MSUFCU members stop by a photo booth to pose and celebrate during MSUFCU's 85th anniversary event.

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