



# ENVIRONMENTAL, SOCIAL, & GOVERNANCE REPORT





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# About this Report

This report covers MSUFCU's environmental, social, and governance (ESG) priorities and progress for the 2022 fiscal year. The oversight and management of ESG-related matters is the responsibility of the Board of Directors and Executive Management.

This report has been informed by the Global Reporting Initiative ("GRI"), including the GRI Universal Standards released in 2021 and relevant Sector Standards, and the Sustainability Accounting Standards Board ("SASB") reporting standards. The ESG Report Appendices (see pages 69-74) on GRI and SASB map the Credit Union's disclosures related to these frameworks' indicators and recommendations.

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



MSUFCU employees volunteer at Barn Sanctuary.



# A Message from MSUFCU Board Chairperson & President/CEO

## Dear Members,

Looking back, 2022 was truly an exceptional year for MSU Federal Credit Union. Most notably, we celebrated 85 years of helping our members, employees, and community partners achieve their financial goals and dreams. As the Credit Union grows, this commitment deepens.

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

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

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

This report provides a deeper understanding of the many ways our Credit Union makes a difference. We are driven by our purpose and mission to help our employees, members, and communities achieve financial success. Whether it's teaching children the importance of managing money responsibly through our Lansing SAVE partnership, free financial education events in the community, or creating spaces for our employees to connect and learn from one another, we are committed to doing our part to strengthen the communities we serve.

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

## Sincerely,



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

**Gregory Deppong, CPA**  
Board Chairperson



A handwritten signature in black ink, appearing to read 'April M. Globes'.

**April M. Globes**  
President/CEO



# About MSUFCU

## Who We Are

MSUFCU was established over 85 years ago to provide a safe place where members could borrow and save money. As a federally chartered credit union, we are committed to making a positive impact by helping members achieve financial security and improve the financial health of our communities.

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



COLLEGIATE



AlumniFi



RESEDA  
GROUP

## Who We Serve

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

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

## What We Offer

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

## Our Mission

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

## Our Vision

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

## MSUFCU at a Glance

- Founded in 1937
- Headquartered in East Lansing, Michigan
- 21 Branches in the State of Michigan
- Over \$7 Billion in Assets
- Over 338,000 Members
- Over 1,100 Employees



# Our Values Drive Progress

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



## Demonstrate Integrity and Honesty

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



## Pursue Growth and Development

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



## Give Back to the Community

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



## Build a Positive Environment

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



## Provide Superior Service

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



## Encourage, Embrace, and Drive Change

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



## Cultivate Diversity, Equity, Inclusion, and Belonging

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



## Be Passionate and Determined

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



# 2022 by the Numbers



**338,733**

members worldwide



**1,127**

hours of credit  
union employee  
volunteerism

**1,111**

total employees with  
**90%** retention rate

**313**

new employees hired

**\$271,420**

total donations  
made by employees



**292** community  
organizations  
supported



**20,298**

students enrolled  
through Lansing  
SAVE program

**561**

first-time homebuyer  
mortgages financed

**593**

employee Affinity  
Group participants

**\$633,737**

MSUFCU community giving donations



# Providing Financial Education and Access

## Our Approach

Our commitment to making a positive impact in our communities goes beyond our products and services. We understand that financial stability and success starts with having the knowledge to make safe and sound financial decisions. Each year, we host free financial education seminars and provide resources to community members of all ages to promote lifelong financial literacy and empowerment. Our outreach efforts in 2022 allowed us to interact with people face-to-face or virtually, improving the overall financial health of our communities and meeting their needs.

### Youth Financial Education

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

In partnership with the City of Lansing and Lansing School District we created the Lansing Student Accounts Valuing Education (SAVE) program, a school-based initiative, free for students in the Lansing School District. Beginning in Kindergarten, students receive an MSUFCU Youth Account in addition to in-classroom learning opportunities provided by MSUFCU Financial Educators. In 2022, our Lansing SAVE program expanded to 8th grade, reaching 20,298 students through 1,067 lessons.

The Credit Union was involved in several additional financial education initiatives in 2022, such as providing interactive 'Reality Check' events to high school students offering the opportunity to experience real life financial decisions through a guided simulation. We also established a new partnership with MSU's MI GEAR UP program, working with 8th graders in the Greater Lansing area

to promote academic preparedness; exposure to the college admissions and financial aid process; and financial education. The Girl Scouts Heart of Michigan also awarded MSUFCU Money Matters patches to girl scouts for completing financial literacy lessons.



An MSUFCU Financial Educator presents to a classroom at Forest View Elementary School in Lansing, MI.



### College Student Financial Education

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

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

### Adult Financial Education

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

In 2022, Season 8 of our 'Wallet Watch' podcast was released, providing listeners with access to informative discussions featuring subject matter experts. Throughout the season financial well-being topics were covered, including creating personal financial goals, how to teach children about money, and more.

**2022**

**1,618**

Financial Education Presentations

**31,989**

Financial Education Attendees

**12**

Wallet Watch Episodes Produced

**2,557**

Wallet Watch Episodes Downloaded



An OU Credit Union Financial Educator hosts an episode of our Wallet Watch podcast.



## Providing Financial Access

At MSUFCU, it is our mission to help our members achieve financial security. Our products and services help members save for their specific goals, support small businesses, and help make the dream of homeownership a reality. In 2022, we helped members 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. These funds saved or earned can help our members get one step closer to achieving their next goal and ultimately their dreams.

### Creating Financial Security for Life

Over the last several years how our members save, and what they are saving for, has changed. Not only are they planning for retirement, they are also saving for financial security. We have created products and services designed to meet these changing needs and have adapted our financial education to support our members new goals.

An important part of reaching financial security is being able to pay for unexpected expenses when they arise, such as car repairs or insurance deductibles. Savings Builder<sup>SM</sup> helps our members establish savings faster by paying higher dividends on their initial deposits. This savings account was created to encourage positive savings habits that will set individuals up for long-term financial security. In 2022, more than 6,100 members opened Savings Builder accounts.

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

## 2022

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**\$20,543,927**

In Loan Interest Saved

**\$23,915,228**

In Dividends Earned

**\$111,304,095**

In First Mortgage Loans

**561**

Mortgages Financed with First-Time Homebuyer Loan Plan

**2,980**

New Youth Accounts Opened

**\$352,186,328**

In Business Loans

**4,082**

Members Opened Business Accounts & Loans

**6,183**

Members Opened Savings Builder Accounts





## Providing Solutions and Security

At MSUFCU we are committed to helping our members achieve financial security and receive affordable financing that will help each individual reach their dreams. We offer loans specific to helping first responders finance a home, Michiganders to afford energy efficient upgrades, MSU college students graduate with their dream degree, and small businesses grow. We recognize those who are dedicated to taking care of others or on a path to pursue their educational goals and strive to ensure finances are no longer an obstacle to achieving their dreams.

### Professional Mortgage Loan

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

- **11** consumer loans and **23** mortgages for a total of **34** Professional Loans funded in 2022

### Partnering in Affordable Housing with Habitat for Humanity

Affordable, stable housing continues to be challenging for many aspiring homeowners. MSUFCU is proud to partner with Habitat for Humanity to provide individuals with access to safe and stable housing options through our financing solutions. Habitat for Humanity is a nonprofit organization that helps families build and improve places to call home.



MSUFCU members speak with an employee about home loan options.

### Heroes Mortgage Loan

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

- **10** Heroes Mortgages funded in 2022

### Business Lending

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

- **707** businesses secured financing in 2022



### MSU Student Success Loan

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

- **33** MSU Student Success Loans opened for a total of **\$215,191** in 2022

### Michigan Saves Loan

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

- **1,526** MI Saves Loans opened in 2022



MSUFCU members celebrate their graduation from MSU.



## Juntos Avanzamos Designation

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

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

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



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

- April Clobes, MSUFCU President/CEO



Above: 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.

Below: El Grupo Fiesta! perform during MSUFCU's Juntos Avanzamos Designation Celebration.



# Supporting Our Employees

## Our Approach

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

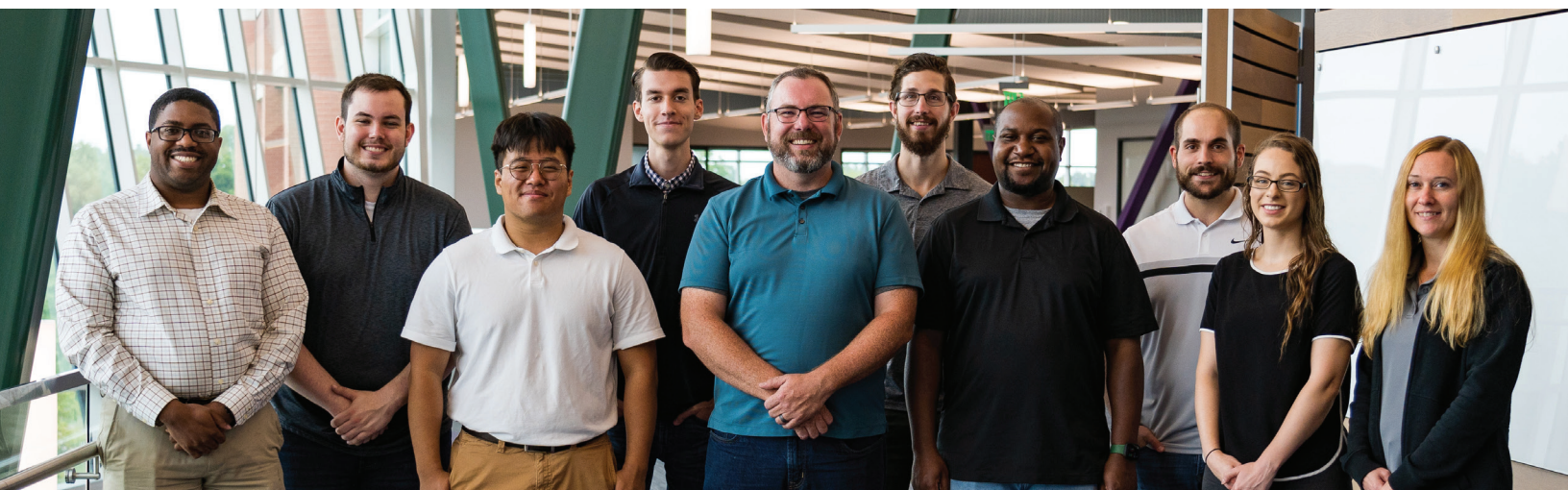
### Compensation and Benefits

At MSUFCU we offer competitive wages with outstanding benefits. In 2022, we continued to offer a total compensation package including 100% paid medical, dental, and vision insurance for employees and their families, while matching employee 401(k) contributions. Employees also receive generous paid time off, volunteer time off, and other benefits curated for our employees to add to the positive work environment the Credit Union aims to provide.

### Total Compensation Package

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

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



Credit Union employees working in the Headquarters Building 2.



### Annual Compensation Reviews

In 2022, our Human Resources division completed our annual compensation review, a process where we evaluate each individual job position with a compensation benchmarking tool. This annual exercise supports our commitment to maintaining competitive wage ranges that are consistent with the market. During the evaluation, positions are compared to actual salaries paid in the market based on job responsibilities, skills, and position requirements. As an organization, it is important that we continue to create an environment where our employees can grow, contribute, and feel valued. In 2022, we increased our starting wage to \$18.00 per hour, a \$2,000 base pay increase was given for all employees, and increased our pay bands by 5% to ensure our pay is competitive.

### Parental Leave

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

### Educational Assistance

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



An MSUFCU employee at our Auburn Hills Regional Office grand opening event.





MSUFCU's newly hired employees attending an internal training on products and services.

## Learning and Development Opportunities

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

In 2022, we expanded professional development opportunities for employees through new trainings and lesson plans, adding 243 new courses. Employees completed more than 19,000 training hours — an average of 19 hours per person throughout the year.

To encourage leadership in every position, we developed the Action Leadership program, a six month virtual cohort that includes four hours of formal learning per month in addition to pre-work,

on-the-go assignments, and actionable items to apply to their current roles and responsibilities. Providing these leaders a space to connect with their coworkers across the organization helps them learn from one another and form lasting relationships.

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



### Annual Employee Feedback Survey

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



Employees in our eServices department meet to discuss the Q12 survey results.



## Health and Wellness

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

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

- Quarterly challenges focused on different aspects of an employee's health, such as physical, mental and financial well-being
- Annual flu shot clinic offered conveniently on our headquarters campus
- Initiatives to recognize national observances such as Mental Health Awareness Month
- Quarterly incentive program where employees can earn points for participating in challenges, getting their annual physical, tracking food and exercise and various other activities
- Paid entrance fees for 190 employees participating in 20 sponsored races
- Annual health and wellness fair which invites various health professionals to MSUFCU's headquarters building to meet with employees

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



Above: Employees and community members participate at the Ronald McDonald House of Mid-Michigan 2022 Run for the House.

Below: MSUFCU employees compete in a dodgeball tournament.



## Creating a Culture for All

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



### CU ASIA

Asian Society for Innovation and Achievement

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



### CU BOLD

Black Originators, Leaders, and Doers

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



### CU Capable

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



### CU Latine

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





### CU Parental Support

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



### CU Pride

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



### CU Prime

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



### CU Veterans

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



Members of the Credit Union Affinity Group Latine participating in a Caribbean Heritage Mixer.



A CU Prime Affinity Group member volunteers at Independence Village senior living facility.



Members of the CU Capable Affinity Group enjoy a fun and creative Craft Night event.



## Diversity, Equity, Inclusion, and Belonging – DEIB

MSUFCU is committed to creating an inclusive and equitable environment where all people are empowered to bring their full authentic selves. Our culture and core values are built on the foundation of treating each other with respect and we value diversity of culture, background, perspective, thought, and beliefs. It is our policy and shared belief that our employees should have a workplace free from all forms of discriminatory employment decisions and enjoy the right to a safe place to work.

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

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

## DEIB Council

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

In July 2022, the DEIB Council started a project that will focus on organizing and guiding quarterly activities for leaders that center around our core values of DEIB. This project will also give leaders at the Credit Union resources throughout the year. Another project in 2022 was focused on gathering educational resources for members and employees regarding pronouns and preferred names. These resources include how employees can update a member's account if they disclose their pronouns or preferred names.

## DEIB Community Impact

MSUFCU supports community organizations in their own DEIB journey as well as focusing on what we can offer our members in our products and services. Affinity Groups have been able to share resources and donations in the surrounding communities.



Employees from CU Bold Affinity Group, present a check for \$500 to the program All the Above Hip Hop Academy.



# Impacting Our Communities

## Our Approach

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

## 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.

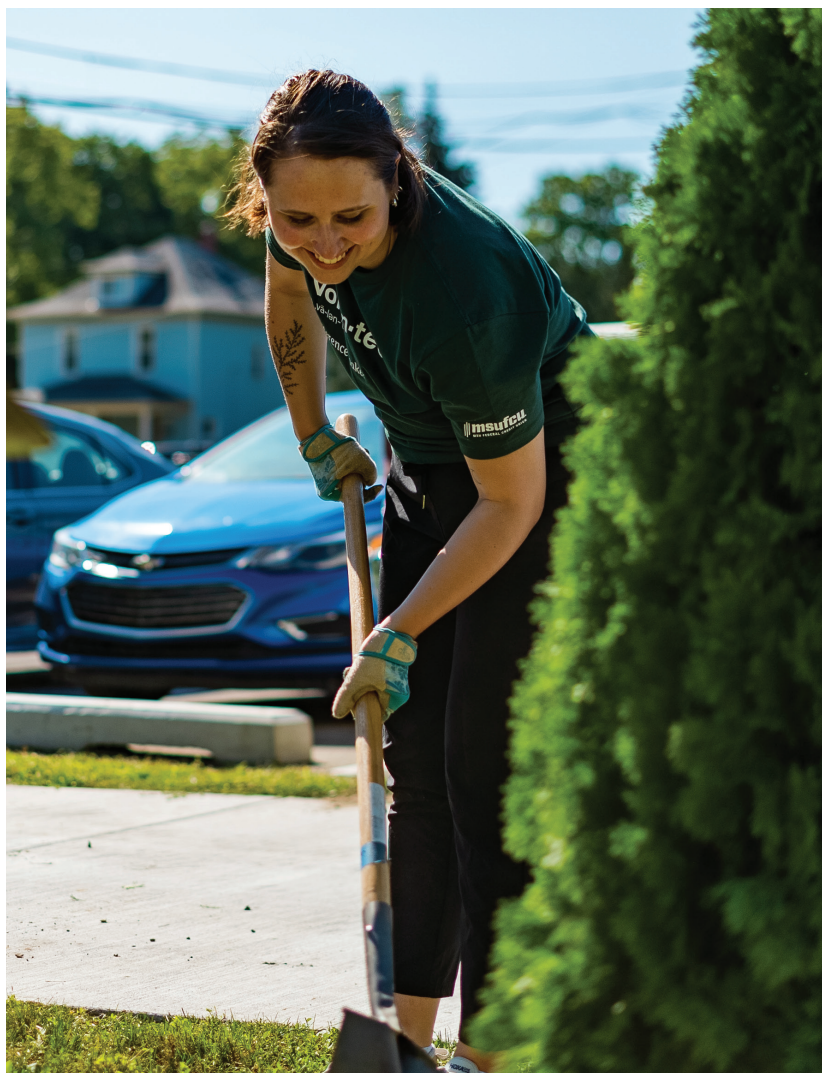
Our donations, sponsorships, and initiatives have helped organizations such as the **Ronald McDonald House of Mid-Michigan, Grand Rapids Pride Center, the Michigan Arbor Day Alliance, Traverse City High School Robotics, Berkley Street Art Fest**, and more. We are proud to be part of and support the positive change our community partners are making.

- **\$633,767** in Community Donations
- **292** Organizations Supported

## Community Rooms

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

- **315** Community Meetings and Events Hosted



An MSUFCU employee volunteers with the Michigan Arbor Day Alliance to plant trees in the community.



## CU Involved

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

## 2022

**\$271,420**

Total Employee Donations

**1,534**

Personal Volunteer Hours

**615**

Credit Union Volunteer Hours

**790**

Volunteer Time Off Hours Used

## 2022 Charity Partners

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

- Youth Haven Ranch
- Love In Deed
- Barn Sanctuary
- End Violent Encounters
- Capital Area United Way

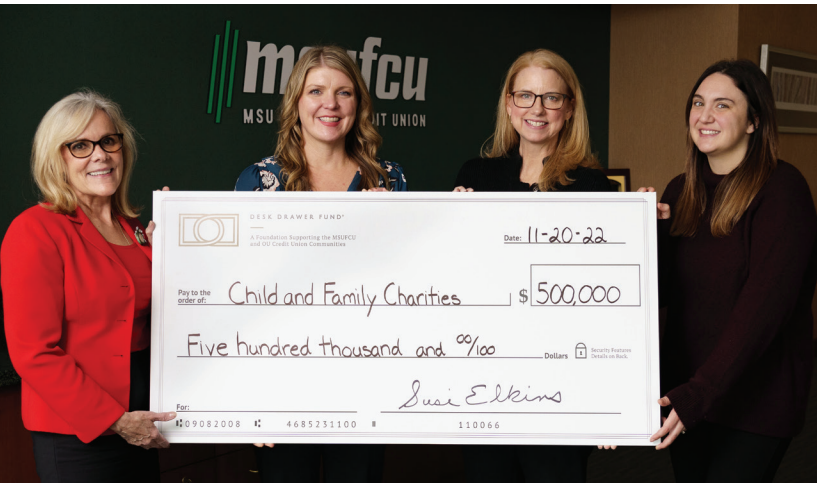


MSUFCU employees volunteer at Barn Sanctuary.

## Volunteer Time Off

To provide employees with more flexibility and reduce barriers to volunteering, MSUFCU employees have access to volunteer time off (VTO) each year to use as they give back to meaningful organizations. By giving employees the option to volunteer without sacrificing time and pay from their regular work schedules, we are able to help these nonprofit organizations that would not have these resources otherwise. Employees contributed a total of 790 VTO hours to a variety of charities in 2022.





Demphna Krikorian, Child and Family Charities Senior Director of Development, and Julie Thomasma, Child and Family Charities Chief Executive Officer, receive a check for \$500,000 from Susi Elkins, Chief Community Impact Officer, and Samantha Willett, Desk Drawer Fund Manager.

## Desk Drawer Fund Foundation

In 2019, the Credit Union introduced the Desk Drawer Fund, a foundation built to support the places and people that make our communities vibrant and strong. The foundation is named after the actual desk drawer that our founding members operated out of when starting the Credit Union in 1937. Our collective impact has grown through the efforts of the foundation and it's donors as we focus on supporting five philanthropic pillars in the communities served by MSUFCU and OU Credit Union.

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



## Child and Family Charities Donation

The Desk Drawer Fund's largest individual donation in 2022 was made to Child and Family Charities; \$500,000 paid over the course of five years to help fund the construction of a new building to house behavioral health, child abuse prevention, and child welfare services.

## Desk Drawer Fund Philanthropic Pillars

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

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

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

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

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

## 2022 Desk Drawer Fund Impact

**\$487,278** Desk Drawer Fund Donations

- **\$24,700** — Arts & Culture
- **\$304,148** — Empowering Youth
- **\$20,000** — Financial Education
- **\$24,000** — Fostering Entrepreneurialism
- **\$114,429** — Stable Housing

**46** Organizations Supported



# Operating Sustainably

## Our Approach

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

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

### Recycling Programs

Multiple recycling opportunities are offered at MSUFCU locations. Materials collected include plastic, paper, metal, and confidential shredded paper. In 2022, MSUFCU recycled 74,201 pounds of materials, preventing them from being unprocessed in a landfill. Along with the typical recycled products, MSUFCU repurposed unused furniture by donating items to area nonprofits.

**2022**

**74,201**

Total Pounds Recycled

### Shred Day Events

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



MSUFCU employees volunteer at a free member Shred Day event located outside one of our branches.



## Designing for the Future

Recognized by the U.S. Green Building Council, the MSUFCU Headquarters Building 1 received the Leadership in Energy and Environmental Design or LEED Gold certification. The Credit Union's Headquarters Building 2 was built with LEED principles and certification is pending with anticipation of approval in 2023.

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

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

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

## Energy Efficiency Initiatives

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

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



LEED Gold plaque at our Headquarters Building 1.



# Engaging Responsibly

## Our Approach

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

### Board of Directors

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

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

### Supervisory Committee

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

### Governance Committees

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

- **ERM Committee** — The ERM Committee is a board-level committee that oversees the Credit Union's ERM process by identifying key risk exposures and risk-related opportunities, assessing key exposures, taking actions to mitigate certain risks and capitalize on opportunities, reporting on the Credit Union's risk profile to key decision-making groups, sharing information on risk across the Credit Union, and coordinating other risk management activities.



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

### Enterprise Risk Management Program

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



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

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

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

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

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

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

### **Information Security**

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

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



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

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

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

## **Privacy**

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

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

## **Physical Security**

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

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

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



## Strong Stewardship

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

### Conflict of Interest Policy

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

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

### Code of Conduct — Bank Bribery Act Policy

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

### Anti-Discrimination Policies in Employee Manual

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

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



### **Whistleblower Hotline**

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

### **Succession Planning for Board and Key Members of Management**

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

### **Anti-Money Laundering**

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

### **Public Policy Engagement**

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

### **Supplier Diversity Policy**

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



# 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 in a row. These recognitions serve as a validation 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 Best Credit Unions to Work For®**

**Detroit Free Press Top Workplace — Ranked #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

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

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

- Apex Award — Ranked #18 out of 100
- Outstanding Training Initiative Award

## **Credit Union National Association (CUNA) Awards**

- ELLy WOW! Award — Honorable Mention
- ELLy Training Professionals of the Year

**Service** — Recognizing and celebrating businesses that provide the most helpful and comprehensive products and services 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



# Awards & Recognition

## Lansing State Journal Best of the Best Community Choice Awards

- Best Credit Union Award
- Best Personal Loan/Title Company 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

**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



MSUFCU Learning and Development employees accept a CUNA ELLy WOW! Award.



An MSUFCU Human Resource employee accepts the Detroit Free Press Top Workplace award.





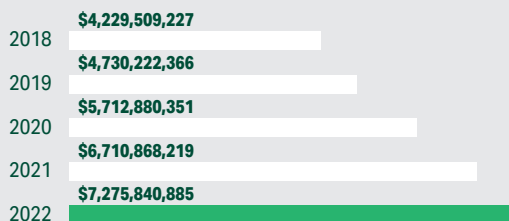
APPENDICES



# Financial Report

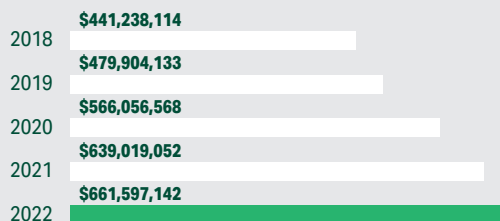
## Total Assets

Year ended December 31



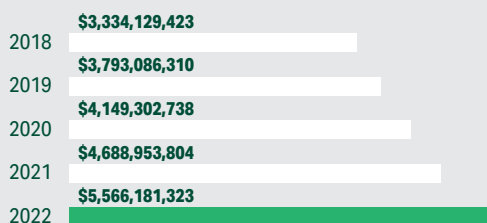
## Total Reserves

Year ended December 31



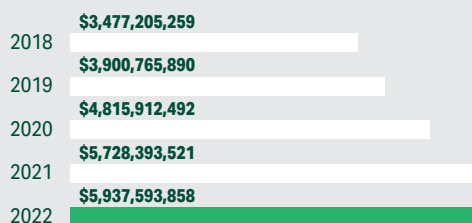
## Net Loans

Year ended December 31



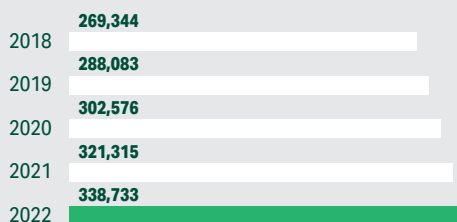
## Total Shares

Year ended December 31



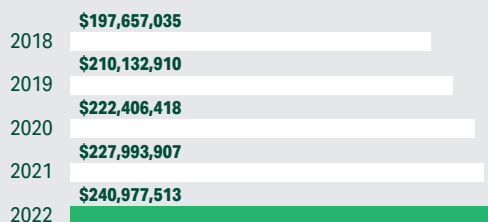
## Membership

Year ended December 31



## IRAs

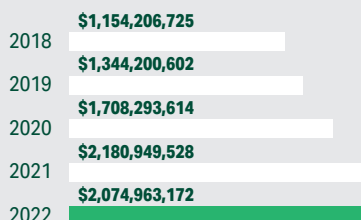
Year ended December 31



IRAs consist of IMMAs and Share Certificates

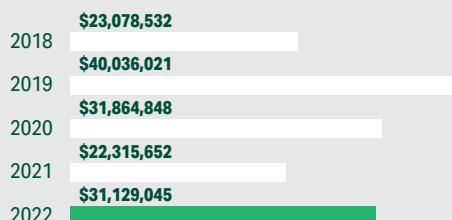
## IMMAs

Year ended December 31



## Dividends Paid, All Savings

Year ended December 31





# Independent Auditor's Report

## 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	December 31, 2021
<b>ASSETS</b>		
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	<b>\$ 7,275,840,885</b>	<b>\$ 6,710,868,219</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
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	<b>\$ 7,275,840,885</b>	<b>\$ 6,710,868,219</b>



# Consolidated Statements of Income

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2022	December 31, 2021
<b>Interest Income</b>		
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
<b>Interest Expense</b>		
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
<b>Net Interest Income</b>	198,724,213	177,100,680
<b>Provision for Loan Losses (Note 4)</b>	21,933,794	699,155
<b>Net Interest Income after Provision for Loan Losses</b>	176,790,419	176,401,525
<b>Noninterest Income</b>		
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
<b>Noninterest Expense</b>		
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
<b>Consolidated Net Income</b>	<b>\$ 73,379,138</b>	<b>\$ 84,882,364</b>
<b>Amounts Attributable to Noncontrolling Interest</b>		
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	<b>\$ 73,379,138</b>	<b>\$ 84,882,364</b>



# Consolidated Statements of Comprehensive Income

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2022	December 31, 2021
<b>Consolidated Net Income</b>	\$ 73,379,138	\$ 84,882,364
<b>Other Comprehensive (Loss) Income</b>		
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)
<b>Comprehensive Income</b>	<b>\$ 22,578,090</b>	<b>\$ 70,212,484</b>
<b>Amounts Attributable to Noncontrolling Interest</b>		
Comprehensive income attributable to:		
Noncontrolling interest	\$ (490,600)	\$ (261,256)
Michigan State University Federal Credit Union	23,068,690	70,473,740
Comprehensive income	<b>\$ 22,578,090</b>	<b>\$ 70,212,484</b>



# 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
<b>Balance</b> - 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
<b>Balance</b> - 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)
<b>Balance</b> - December 31, 2022	<b>\$ 17,980,012</b>	<b>\$ 3,825,906</b>	<b>\$ 681,238,568</b>	<b>\$ (43,445,488)</b>	<b>\$ 659,598,998</b>	<b>\$ 1,998,144</b>	<b>\$ 661,597,142</b>



# Consolidated Statements of Cash Flows

See notes to consolidated financial statements.

	Years Ended	
	December 31, 2022	December 31, 2021
<b>Cash Flows from Operating Activities</b>		
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
<b>Cash Flows from Investing Activities</b>		
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	December 31, 2021
<b>Cash Flows from Financing Activities</b>		
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
<b>Net Change in Cash and Cash Equivalents</b>	(136,097,393)	(1,697,240)
<b>Cash and Cash Equivalents</b> - Beginning of year	375,444,539	377,141,779
<b>Cash and Cash Equivalents</b> - End of year	<b>\$ 239,347,146</b>	<b>\$ 375,444,539</b>
<b>Supplemental Cash Flow Information</b> - Cash paid for interest	\$ 40,147,550	\$ 28,783,547
<b>Significant Noncash Transactions</b>		
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



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

## 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



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

## 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



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

## 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 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
<b>2022</b>				
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
<b>2021</b>				
Available for Sale:				
U.S. government and federal agency obligations	\$ 376,922,889	\$ 476,994	\$ (5,040,974)	\$ 372,358,909
Mortgage-backed securities — Residential	220,088,685	976,081	(3,152,394)	217,912,372
SBA loan pools	53,200,055	281,830	(229,822)	53,252,063
Negotiable certificates of deposit	250,000	2,608	-	252,608
Corporate Bonds	18,653,319	40,105	(153,394)	18,540,030
Total	\$ 669,114,948	\$ 1,777,618	\$ (8,576,584)	\$ 662,315,982



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

## 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.



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

## 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
<b>2022</b>						
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
<b>2021</b>						
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.



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

## 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.



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

## 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



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

## 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
<b>2022</b>						
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
<b>2021</b>						
Consumer:						
Secured	\$ 9,728,250	\$ 3,179,581	\$ 2,934,336	\$ 15,842,167	\$ 1,870,615,741	\$ 1,886,457,908
Unsecured	3,306,398	864,608	1,447,354	5,618,360	378,158,959	383,777,319
Other	941,202	189,735	227,247	1,358,184	111,822,294	113,180,478
Mortgage:						
First mortgage	3,480,658	1,231,049	1,672,453	6,384,160	1,730,778,552	1,737,162,712
Home equity	928,227	117,823	321,188	1,367,238	160,511,521	161,878,759
Business	2,573	179,501	5,894	187,968	424,082,316	424,270,284
Total	\$ 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:

	<b>2022</b>		<b>2021</b>	
	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	\$ -



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

## 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.



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

## 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
<b>Net Periodic Benefit Cost, Employer Contributions, Participant Contributions, and Benefits Paid</b>		
Net periodic benefit cost	\$ (2,346,545)	\$ (2,220,636)
Employer contributions	295,770	301,176
Benefits paid	(295,770)	(301,176)
<b>Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive (Loss) Income</b>		
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
Total recognized in net periodic benefit cost and other comprehensive (loss) income	\$ (1,765,890)	\$ 436,414



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

## 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.



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

## 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
<b>As of December 31, 2022</b>						
Net worth	\$ 703,044,485	9.66%	\$ 436,550,453	6.00%	\$ 509,308,862	7.00%
<b>As of December 31, 2021</b>						
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.



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

## 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



# GRI Standards

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

INDICATOR	DISCLOSURE TITLE	SOURCE
<b>General Disclosures</b>		
2-1	Organizational details	2022 ESG Report (p. 4, 26) 2022 Annual Report (p. 1, 6) <a href="https://www.msufcu.org/about/">https://www.msufcu.org/about/</a>
2-2	Entities included in the organization's sustainability reporting	2022 ESG Report (p. 2, 4)
2-3	Reporting period, frequency and contact point	2022 ESG Report (p. 2)
2-5	External assurance	We have not received external assurance for this report.
2-6	Activities, value chain and other business relationships	2022 ESG Report (p. 5) 2022 Annual Report (p. 17, 18)  The Credit Union offers a wide range of financial products and services, deposits, loans banking, wealth management, mortgage and other financial services to consumers, businesses, municipalities, and other legal entities. As a federally-chartered credit union, we provide services to members throughout the United States and internationally. Our customers include consumers, businesses, governments and municipalities, and not-for-profit organizations.
2-7	Employees	2022 ESG Report (p. 6) 2022 Annual Report (p. 6)
2-9	Governance structure and composition	2022 ESG Report (p. 26-28) 2022 Annual Report (p. 4) <a href="https://www.msufcu.org/management/">https://www.msufcu.org/management/</a>
2-11	Chair of the highest governance body	2022 Annual Report (p. 4) <a href="https://www.msufcu.org/management/">https://www.msufcu.org/management/</a>



# GRI Standards

INDICATOR	DISCLOSURE TITLE	SOURCE
2-12	Role of the highest governance body in overseeing the management of impacts	2022 ESG Report (p. 28-30)
2-13	Delegation of responsibility for managing impacts	2022 ESG Report (p. 2)
2-14	Role of the highest governance body in sustainability reporting	2022 ESG Report (p. 2)
2-15	Conflicts of Interest	2022 ESG Report (p. 30)
2-19	Remuneration policies	2022 ESG Report (p. 26)
2-20	Process to determine remuneration	2022 ESG Report (p. 26)
2-22	Statement on sustainable development strategy	2022 ESG Report (p. 3)
2-25	Process to remediate negative impacts	2022 ESG Report (p. 26-28, 31)
2-26	Mechanisms for seeking advice and raising concerns	2022 ESG Report (p. 26-28, 31)
2-28	Membership associations	2022 ESG Report (p. 31)
3-2	List of material topics	See p. 69-74 of this appendix.
3-3	Management approach	Management of material topics is included in the relevant topical standards included in this appendix.
<b>Economic Performance</b>		
201-1	Direct economic value generated and distributed	2022 ESG Report (p. 6, 9-11, 35-68) 2022 Annual Report (p. 7-9, 27-60) <a href="https://www.msufcu.org/annual_reports/">https://www.msufcu.org/annual_reports/</a>



# GRI Standards

INDICATOR	DISCLOSURE TITLE	SOURCE
201-3	Defined benefit plan obligations and other retirement plans	2022 ESG Report (p. 13) <a href="https://www.msufcu.org/benefits">https://www.msufcu.org/benefits</a>
<b>Indirect Economic Impacts</b>		
203-1	Infrastructure investments and services supported	2022 ESG Report (p. 6-8, 21-25) 2022 Annual Report (p. 10-21) <a href="https://www.msufcu.org/organizationimpact/">https://www.msufcu.org/organizationimpact/</a> <a href="https://www.msufcu.org/volunteering">https://www.msufcu.org/volunteering</a>
203-2	Significant indirect economic impacts	2022 ESG Report (p. 6-8, 21-25) 2022 Annual Report (p. 10-21) <a href="https://www.msufcu.org/organizationimpact/">https://www.msufcu.org/organizationimpact/</a> <a href="https://www.msufcu.org/volunteering">https://www.msufcu.org/volunteering</a>
<b>Anti-Corruption</b>		
205-2	Communication and training about anti-corruption policies and procedures	2022 ESG Report (p. 26, 30-31) <a href="https://www.msufcu.org/policiestraining">https://www.msufcu.org/policiestraining</a>  The Credit Union's Policy Manual addresses anticorruption including the Company's Code of Conduct, anti-bribery, and Conflicts of Interest. The Policy Manual is communicated to and acknowledged by all employees at least annually as required by the Credit Union.
302-1	Energy consumption within the organization	2022 ESG Report (p. 25)
302-4	Reduction of energy consumption	2022 ESG Report (p. 25)
<b>Biodiversity</b>		
304-2	Significant impacts of activities, products, and services on biodiversity	2022 ESG Report (p. 24-25)



# GRI Standards

INDICATOR	DISCLOSURE TITLE	SOURCE
<b>Waste</b>		
306-4	Waste diverted from disposal	2022 ESG Report (p. 24)
<b>Employment</b>		
401-1	New employee hires and employee turnover	2022 ESG Report (p. 6)
<b>Occupational Health and Safety</b>		
403-6	Promotion of worker health	2022 ESG Report (p. 13-17) <a href="https://www.msufcu.org/benefits">https://www.msufcu.org/benefits</a>
<b>Training and Education</b>		
404-2	Programs for upgrading employee skills and transition assistance programs	2022 ESG Report (p. 14-15) <a href="https://www.msufcu.org/training">https://www.msufcu.org/training</a>
404-3	Percentage of employees receiving regular performance and career development reviews	2022 Annual Report (p. 13-16) <a href="https://www.msufcu.org/training">https://www.msufcu.org/training</a>
<b>Diversity and Equal Opportunity</b>		
405-1	Diversity of governance bodies and employees	2022 Annual Report (p. 4-5) <a href="https://www.msufcu.org/management/">https://www.msufcu.org/management/</a>
<b>Local Communities</b>		
413-1	Operations with local community engagement, impact assessments, and development programs	2022 ESG Report (p. 6-8, 21-25) 2022 Annual Report (p. 10-21) <a href="https://www.msufcu.org/organizationimpact/">https://www.msufcu.org/organizationimpact/</a> <a href="https://www.msufcu.org/volunteering">https://www.msufcu.org/volunteering</a>



# SASB Standards

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

METRIC CODE	METRIC	SOURCE
<b>Topics In Multiple Sector Standards</b>		
FN-AC-510a.2 FN-CB-510a.2 FN-IB-510.2	Description of whistleblower policies and procedures	2022 ESG Report (p. 31)
FN-CB-230a.2 FN-CF-230a.3	Description of approach to identifying and addressing data security risks	2022 ESG Report (p. 26-29)
FN-AC-330a.1 FN-IB-330a.1	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals and (4) all other employees	2022 Annual Report (p. 4, 5) <a href="https://www.msufcu.org/management/">https://www.msufcu.org/management/</a>
<b>Commercial Banks</b>		
FN-CB-000.A	(1) Number and (2) value of checking and savings accounts by segment: (a) personal and (b) small business	2022 ESG Report (p. 60) 2022 Annual Report (p. 52)
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	2022 ESG Report (p. 6, 9-11, 38, 53-58) 2022 Annual Report (p. 30, 45-50)
FN-CB-240a.1	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	2022 ESG Report (p. 9-10, 53-58) 2022 Annual Report (p. 8, 45-50)



# SASB Standards

METRIC CODE	METRIC	SOURCE
FN-CB-240a.4	Number of participants in financial literacy initiatives for unbanked, underbanked or underserved customers	2022 ESG Report (p. 7-9) 2022 Annual Report (p. 15) <a href="https://www.msufcu.org/fin40/home/">https://www.msufcu.org/fin40/home/</a>
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business and (c) corporate	2022 ESG Report (p. 6, 9-11, 38, 53-58) 2022 Annual Report (p. 30, 45-50)
<b>Mortgage Finance</b>		
FN-MF-000.A	(1) Number and (2) value of mortgages originated by category: (a) residential and (b) commercial	2022 ESG Report (p. 6, 9-10, 38, 53-58) 2022 Annual Report (p. 8, 30, 45-50)





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