2024

ANNUAL REPORT

msufcu

MSU FEDERAL CREDIT UNION

DREAMS IN ACTION: A YEAR OF IMPACT

Every dream starts with a goal, and in 2024, Michigan State University Federal Credit Union (MSUFCU) partnered with our members to turn aspirations into achievements. **Every investment we made was designed to bring you closer to your goals** — whether that meant saving more, borrowing smarter, or accessing personalized service, when and where you needed it.

At MSUFCU, we believe financial strength should always translate into real benefits for our members. We are committed to offering competitive rates on loans and savings, expanding branch access, and enhancing digital banking tools to make managing your money easier and more secure. In 2024, we continued these efforts, further improving the ways we serve our members.

Join us in this annual report as we reflect on our shared progress, the impact we've created, and the ways we continue to turn dreams into action for you — our members.

IN OUR MEMBERS' WORDS

"MSUFCU is my **forever banking home.** Having been with other financial institutions for years, none of them have matched the **personal service** you deliver."

BUILDING DREAMS TOGETHER

Since our founding in 1937, MSUFCU has been dedicated to helping members achieve financial success. From our humble beginnings in a desk drawer on the Michigan State University (MSU) campus to serving 379,398 members today, our commitment has always been to provide products, resources, and guidance to help members achieve their financial goals.

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.

OUR CORE VALUES

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

MEMBERSHIP GROWTH

2024	379,398
2023	357,605
2022	338,733

379,398
Members

$8,052,688,965
Assets

$6,266,635,074
Loans

$6,600,994,951
Shares

Full financial report begins on page 23.

A MESSAGE FROM THE BOARD CHAIRPERSON AND PRESIDENT/CEO

Dear Member,

Since 1937, MSUFCU has been committed to **empowering members like you** to achieve financial security and success. Whether you're opening your first account, financing a home, or planning for the future, we've been here to support your needs with the tools, resources, and guidance to help you thrive. From our beginnings in a desk drawer on the MSU campus, MSUFCU has remained dedicated to serving our members and local communities.

In 2024, MSUFCU remained a strong and stable institution, with assets reaching $8.05 billion, a net worth of 8.48%, and a risk-based net capital ratio of 10.82%, a strong and important indicator of a financial institution's safety and soundness that exceeds the NCUA requirement of 7% and 10%, respectively.

The Credit Union has $655,914,035 in members' equity. MSUFCU's net loss this year is related to accounting changes in how reserves for future credit losses are calculated, as well as the continued impact of the 5.50% increase in interest rates throughout 2023. MSUFCU will return to profitability in 2025 and has the strength of capital to manage a one-year loss during unique economic conditions while still **investing in our members through new products and locations.**

We also welcomed 32,563 new members in 2024 who joined MSUFCU for our exceptional service, seamless digital experience, and convenient branch access, bringing our total membership to over 379,000 worldwide.

At MSUFCU, our collective financial strength isn't just about numbers, however — it's about creating more value for our members. Because we remain well-capitalized and financially sound, we're able to offer **better rates on loans and savings accounts,** ensuring you keep more of your hard-earned money. We are also able to invest in expanding our branch network, bringing convenient access to personalized service closer to where you live and work. Additionally, we continue to enhance our digital banking experience, providing secure, innovative tools to help you manage your finances with ease. Every decision we make is focused on **giving members the financial resources, support, and security needed to achieve their dreams.**

In 2024, we also expanded our branch network throughout Michigan and into Illinois, ensuring members receive the **highest level of service and support.** We opened new Michigan branches in Jackson, Novi, and Brighton, as well as five micro-branches in Chicago, making it easier for members to connect with our team and receive in-person service where you work and travel. We know that personal, in-branch connections are invaluable, and we're committed to being there when and where you need us. These modern, welcoming branch spaces are designed with a member-centered focus — offering an open, comfortable setting where you receive personalized financial guidance and complete transactions with ease.

Every day, **our employees put our mission into action** by creating meaningful experiences that support members' financial journeys. The strong, lasting connections we build with our members and communities drive everything we do. Our over 1,300 employees are here to serve our members, ensuring that when you visit a branch, call us, or engage with us online, you receive the expert assistance you deserve. Our commitment to providing a great workplace is reflected in the recognition we received again this year, including being named a Best Credit Union to Work For® by American Banker and a Top Workplace by the Detroit Free Press.

Beyond offering financial services, we are committed to providing **free financial education and investing in our local communities** — because we believe that when our members succeed, we all do. In 2024, we hosted 431 financial education events, reaching more than 10,800 individuals with valuable insights to help members have the knowledge and tools to make informed financial decisions. Through our community giving efforts, we supported hundreds of nonprofit organizations — demonstrating our ongoing commitment to giving back. MSUFCU is deeply connected to MSU and Oakland University (OU), supporting students through scholarships, sponsorships, and financial education programs.

This past year, our employees volunteered alongside MSU staff to welcome students during Fall move-in week and launched the Women of Sparta, a dynamic leadership initiative crafted to elevate MSU women's sports and its student-athletes. It not only provides a **comprehensive platform for personal growth, financial literacy, and community engagement** but also expands the Credit Union's Name, Image, and Likeness (NIL) opportunities with MSU women's sports student-athletes.

Thank you for choosing MSUFCU as your trusted financial partner. Your support and membership are the foundation of our success, and we are honored to be part of your financial journey. We look forward to helping you grow, achieve, and dream big for many years to come.

Sincerely,

Gregory Deppong, CPA	**April M. Clobes**
Board Chairperson	President/CEO

EXECUTIVE TEAM

April Clobes
President/CEO

Lea Ammerman
Chief Operating Officer

Silvia Dimma
Chief Human Resources Officer

Sara Dolan
Chief Financial Officer

Jim Hunsanger
Chief Risk Officer

Ami Iceman-Haueter
Chief Experience Officer

Rob Johnson
Chief Internal Auditor

Ben Maxim
Chief Technology Officer

Steve Owen
Chief Legal Counsel

BOARD OF DIRECTORS

Gregory Deppong, CPA
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Janet Lillie, PhD
Vice Chairperson

Elizabeth Lawrence, MHSA
Treasurer

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Secretary

William Beekman, JD, MBA
Director

Ernest Betts, PhD
Director

Angela Brown, MBA
Director

Michael Hudson, MA
Director

Quinetta Roberson Connally, PhD
Director

Lynne Zelenski, PhD
Associate Director

Karin Hanson, SII, MBTI
Associate Director

IN OUR MEMBERS' WORDS

"Having been a member of MSUFCU for years, I know what **excellent service** means. From every interaction to community support, MSUFCU goes **above and beyond** to bring their mission to life."

SUPPORTING MEMBER DREAMS THROUGH SUPERIOR SERVICE

At MSUFCU, every interaction is an opportunity to support our members in **achieving their financial goals.** Whether opening a first savings account, securing a loan to purchase a home, or accessing convenient digital banking tools, we are committed to delivering exceptional service. In 2024, we provided the **financial products, guidance, and technology** our members needed to build brighter financial futures. These figures highlight the meaningful ways we've supported our members in 2024.

MAXIMIZING MEMBER VALUE

In 2024, MSUFCU remained committed to maximizing member value by helping them save more and earn more. Through competitive rates and member-focused financial solutions, we made sure more money stayed where it belongs — in our members' pockets.

$29,263,820
Interest Saved

$12,957,006
Dividends Earned

DELIVERING SERVICE AT EVERY TOUCHPOINT

In every interaction, MSUFCU is dedicated to providing exceptional service and convenient access. Our commitment to meeting members where they are is reflected in the millions of transactions we facilitated in 2024.

1,512,418
Branch Transactions

1,590,042
ATM Transactions

2,074,799
Member2Member℠ Transfers

664,565
Call Center Calls

4,183
TransPerfect Interpretation Interactions

98,303
Video Teller Interactions

188,495
Fran Chat Messages

406,250
eMessages and Live Chats

6,635,833
ComputerLine® Logins

22,356,758
Mobile App Logins

IN 2024, WE HELPED

933 Members Become Homeowners
"The Credit Union's financial education seminars have **empowered** me to take control of my finances. Now my family and I are making memories in our dream home."

19,239 Members Finance New Vehicles
"When purchasing my car through the dealer, the MSUFCU loan officer made the process **simple.** I could literally feel his smile through the phone!"

714 Businesses Secure Financing
"My start-up business would not be where it is today without help from MSUFCU's business account professionals. Their guidance tools have **elevated** our success."

13,744 Members Start Saving With a Savings Builder℠
"This is an amazing savings account, and it's clear the Credit Union designed it with **love for their members.**"

32,563 Members Opened New Accounts
"I opened my account and discovered that there are no fees to use the ATMs on MSU's campus. MSUFCU is always **looking out for students** like me."

2,763 Youth Members Begin Their Financial Journeys
"I opened an MSUFCU youth account for each of my children after they were born. They offer the perfect tools for children to learn about saving, spending, credit, and **easy money management.**"

ENHANCING YOUR BANKING EXPERIENCE

Our commitment to continuous improvement drives the development of new and enhanced financial solutions, ensuring members have the tools they need to achieve their goals. In 2024, we introduced several new products, services, and enhancements designed to provide greater convenience, security, and financial opportunities.

MORE REWARDS WITH CASHBACK+

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

SMARTER, MORE SECURE CALLER VERIFICATION

To enhance security and improve service efficiency, our Call Center introduced Voice Biometrics technology for seamless caller verification. By recognizing each member's unique voice characteristics, this technology strengthens fraud detection, reduces wait times, and **ensures a smoother, more secure experience** when you call for assistance.

A SIMPLER, SAFER ONLINE BANKING EXPERIENCE

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

MAKING HOMEOWNERSHIP MORE ACCESSIBLE

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

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

EXCLUSIVE MEMBERSHIP BENEFITS

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

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

IN OUR MEMBERS' WORDS

"I needed to talk with someone about my account, but it was nearing eight in the evening. The **kindest voice** answered the phone and helped me without hesitation."

INNOVATION THAT ENHANCES MEMBER EXPERIENCE

At MSUFCU, innovation is about creating real value for members by making banking easier, more secure, and more personalized. **The lab at MSUFCU** is the Credit Union's center for innovation, where we collaborate with fintech partners, startups, and researchers to test and refine the latest advancements in financial technology. By piloting new digital tools, streamlining banking processes, and enhancing security features, **we work to create practical, forward-thinking solutions that directly benefit you.**

But innovation doesn't happen in isolation — it happens with member input. Through the lab at MSUFCU's research panel, members can test emerging technologies, provide feedback, and directly influence the future of banking. From mobile banking enhancements to financial management tools, these real-world insights help shape solutions that make managing finances more intuitive and efficient.

By investing in member-driven innovation today, we're creating better banking experiences for the future — one that is more accessible, secure, and designed around the way members want to bank.

In 2024, the lab at MSUFCU:

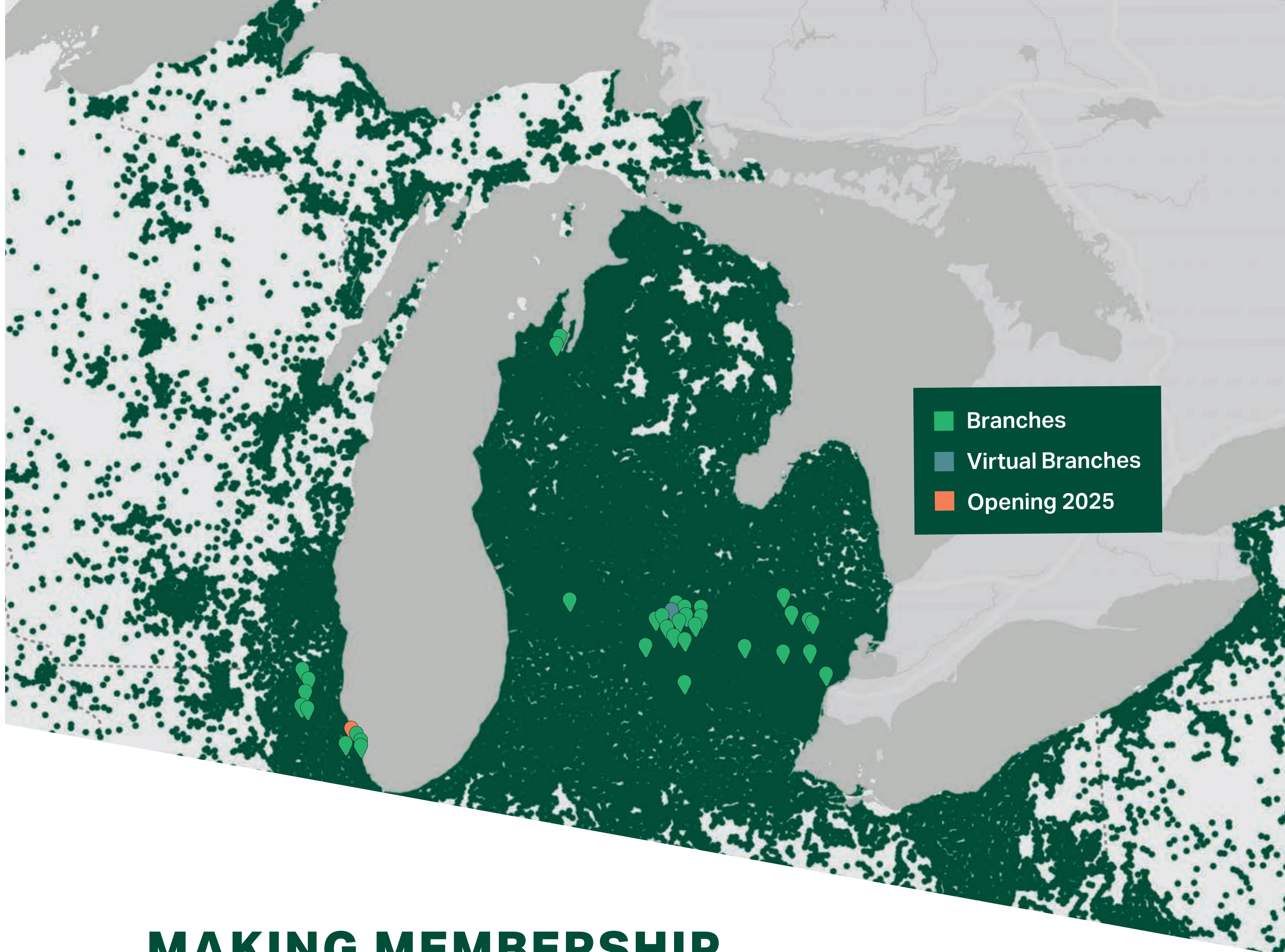
- **Evaluated 110 companies** to identify emerging financial solutions.
- **Initiated 16 new pilots** to assess innovative financial technologies.
- **Engaged 685 members** in hands-on research to refine and shape future innovations.

The lab at MSUFCU launched three innovative products in 2024 that began as pilots: Card Updater, Card Check, and CashBack+. **Card Updater** makes online payments easier by securely updating your MSUFCU card details wherever you shop and subscribe. **Card Check** helps you compare credit card rewards, interest rates, and fees to ensure you're making the smartest financial choices. **CashBack+** delivers personalized deals on digital gift cards, giving members the opportunity to earn instant cashback — up to 20% — on everyday purchases.

CARD UPDATER CashBack+ CARD CHECK

IN OUR MEMBERS' WORDS

"MSUFCU combines **innovative technology** with a personal touch, providing account holders with a modern banking experience while still maintaining a **human connection.**"



MAKING MEMBERSHIP MORE ACCESSIBLE

At MSUFCU, **we are dedicated to meeting our 379,398 where they are** — whether online or in person. While digital banking provides convenience, our branches remain essential for offering personalized service, trusted financial guidance, and a welcoming space to support members' financial goals. In 2024, we expanded our branch network to better serve our growing membership.

In addition to expanding our physical presence, we **broadened our field of membership to make financial services accessible to even more individuals across Michigan.** As of 2024, anyone who lives, works, attends school, or worships in the state of Michigan, along with their immediate family members, is eligible to join MSUFCU. This expansion empowers us to serve a larger community, providing more people with the benefits of Credit Union membership, strengthening financial well-being across Michigan, and helping them achieve their financial goals.

NEW LOCATIONS IN MICHIGAN

- **Jackson Branch:** Acquired through a merger with Gabriels Community Credit Union in 2024, this location allows MSUFCU to better serve our 5,000-plus members in Jackson County and more than 10,000 members within a 30-mile radius.
- **Brighton & Novi Branches:** In 2024, MSUFCU opened a new location in both Brighton and Novi, MI. These branches were created to serve the Southeast Michigan area, as well as the more than 60,000 MSU students and alumni living in Livingston and Oakland counties.
- **UM Health-Sparrow Hospital:** To enhance accessibility for our members working in and visiting the medical district, MSUFCU introduced a cutting-edge virtual branch at University of Michigan (UM) Health-Sparrow Hospital in Lansing. This location serves the 7,800-plus MSUFCU members employed by the UM Health-Sparrow system, along with countless hospital visitors each year, providing a seamless blend of in-person and digital banking solutions. Key features include:
  - A Video Teller Machine (VTM) for real-time, face-to-face banking.
  - A technology bar for digital banking education.
  - Private office space where members can schedule one-on-one financial consultations.
- **In Good Taste:** MSUFCU and MSU celebrated the grand opening of a vibrant new community engagement space in the MSU Union building, designed to be a social hub for students, faculty, and staff on campus. This space not only fosters connection but also serves as a dedicated venue for financial education, providing over 50,000 MSU students access to:
  - Workshops and seminars on budgeting, credit building, and financial wellness.
  - Interactive events and resources to empower students in their financial journey.

CHICAGO EXPANSION

In 2024, the Credit Union expanded its footprint by opening **four new micro-branches** in downtown Chicago, each designed to serve the unique needs of its neighborhood's foot traffic. These smaller, full-service branches enhance access to financial services for the 3,000 existing MSUFCU members in the area, as well as the opportunity to serve local residents and over 20,000 MSU alumni. Committed to meeting members where they are, **this expansion strengthens our ability to support the financial needs of both individuals and businesses in Illinois.** An additional Chicago branch is slated to open in 2025 on Lincoln Ave.

ILLINOIS ACQUISITIONS

MSUFCU's expansion in Illinois was further propelled by the acquisition of Algonquin State Bank and McHenry Savings Bank, adding **five new branches** in Northern Illinois and serving an additional 11,000 members. By **strengthening our presence** in the region, we are able to offer more individuals a credit union alternative, providing enhanced access to competitive financial products and expert service.

EMPOWERING MEMBERS THROUGH FINANCIAL EDUCATION

Financial success is built on foundational knowledge, and access to educational resources can make all the difference. MSUFCU provides **free financial seminars, digital tools, and community programs to help members at every stage of life** — whether they are just starting their financial journey, planning for the future, or working toward new financial goals. In 2024, the Credit Union hosted **431 financial education presentations to 10,899 members.**

FINANCIAL EDUCATION SEMINARS

Each year, members have the opportunity to attend expert-led seminars — both in-person and online — covering essential topics such as budgeting, retirement planning, and credit management. These sessions provide practical insights to help individuals make informed financial decisions.

WALLET WATCH PODCAST

The Wallet Watch podcast serves as an accessible resource for members looking to expand their financial knowledge. Covering a wide range of money-related topics, **the podcast reached 2,256 downloads,** providing listeners with expert insights to help navigate financial decisions.

FINANCIAL 4.0 FOR STUDENTS

Students at MSU, OU, and local high schools can access financial education through Financial 4.0, **a website and mobile app designed to promote smart money management.** This platform offers interactive tools and resources tailored to the financial needs of young adults.

ENCOURAGING SAVING HABITS THROUGH LANSING SAVE

A collaborative effort between the City of Lansing, the Lansing School District, and MSUFCU, the Lansing SAVE program saw MSUFCU financial educators **teach 1,228 lessons to 26,474 student attendees in Lansing Public Schools classrooms** in 2024. Through hands-on financial education, students were given the opportunity to make deposits into savings accounts designed to support their future education beyond high school.

ENGAGING YOUTH WITH THE FUNTIVITY ZONE

Youth members can begin learning financial concepts early with the FUNtivity Zone, an engaging collection of financial literacy videos designed to help build healthy financial habits. These **fun, kid-friendly lessons simplify complex concepts** like budgeting, credit, and distinguishing needs from wants.

CREATING INCLUSIVE FINANCIAL EDUCATION WITH THE CULTURE OF FINANCES

Many financial literacy programs take a one-size-fits-all approach, but The Culture of Finances is designed to meet members where they are. This initiative provides **tailored workshops and hands-on learning experiences for underrepresented and unbanked communities,** equipping participants with the tools to build confidence in managing their finances.

Since launching in October 2023:

- **More than 300 individuals** have participated.
- **84 graduates** have completed the program.
- **67 Financial Grace Loans** totaling $224,829 have been approved, helping participants build credit and work toward financial stability.

IN OUR MEMBERS' WORDS

"[The Culture of Finances] was one of the **best things that has happened for me,** not just in the last five years but in general."

INVESTING IN OUR COMMUNITIES; INVESTING IN YOU

At MSUFCU, our members are at the heart of everything we do — including how we give back. Through grants, sponsorships, and exclusive member events, **we invest in the communities where our members live, work, and thrive.** By supporting local organizations and fostering community growth, we strive to positively impact the lives of our members and neighbors.

COMMUNITY GIVING: STRENGTHENING THE PLACES OUR MEMBERS CALL HOME

The Credit Union supports many charitable organizations each year to drive change and build a better and more vibrant community. In 2024, our corporate giving and sponsorship initiatives, totaling more than $3 million, helped organizations such as **Mujeres Latinas en Acción, 3Arts, Metro Detroit Youth Day, Michigan Tech Week, Motor City Pride, Work Skills Artisan Corner Program,** and many more.

MAKING AN IMPACT

- **Detroit Free Press Marathon:** As presenting sponsor for the second consecutive year, MSUFCU's commitment to health, wellness, and economic growth continues, ensuring that this major event benefits local businesses and our members visiting downtown Detroit on race weekend.
- **Backyard Bash Summer Concert Series:** Hosted at MSUFCU Headquarters for the first time in 2024, this summer concert series raised over $25,000 for local organizations, including scholarship funds for families attending the MSU Community Music School.
- **Kids' Day:** In June 2024, we welcomed more than 1,000 community members to our headquarters campus in East Lansing for an afternoon of fun and financial education, featuring games, interactive exhibits, and educational booths.

MSUFCU DESK DRAWER FOUNDATION

Celebrating its fifth anniversary in 2024, the MSUFCU Desk Drawer Foundation (DDF) continued its support of local organizations. Focusing on five philanthropic pillars: The Arts, Entrepreneurship, Financial Education, Stable Housing, and Youth Empowerment, the Foundation reinvests in the causes that matter most to our community.

In 2024, **the Foundation granted $803,317 to 20 nonprofits,** thanks to generous contributions from our members and employees. Members also participated in the quarterly MSUFCU Desk Drawer Foundation Raffle throughout the year, purchasing more than **6,300 raffle tickets that raised $65,500 in support of the Foundation.** Four lucky members won a combined $61,780 in raffle prizes.

THE SOCIAL AT 311: EXCLUSIVE MEMBER EXPERIENCES

MSUFCU introduced The Social at 311 in 2024, **an exclusive event series designed to connect members through unique experiences and community engagement.** Hosted at our 311 Abbott Road building in downtown East Lansing, The Social at 311 brings members together for engaging and interactive activities and workshops while making meaningful connections.

IN OUR MEMBERS' WORDS

"I appreciate knowing that a portion of my credit union's success goes back into **supporting the communities** they serve, including the community I live in. It's a testament to their commitment to **social responsibility.**"

WOMEN OF SPARTA: EMPOWERING ATHLETES, INSPIRING MEMBERS

In 2024, MSUFCU proudly launched Women of Sparta (WoS), a first-of-its-kind initiative in partnership with MSU Women's Athletics and our community. More than a sponsorship, Women of Sparta is a commitment — **a commitment to empowering female student-athletes** with the tools they need to thrive beyond their sports careers while also creating meaningful engagement opportunities for our members.

This initiative provides participating athletes with financial education, personal branding workshops, mentorship, job shadowing, internships, and expanded NIL opportunities — equipping them with valuable skills that extend far beyond the game.

A STRONG START: BRINGING THE COMMUNITY TOGETHER

The Women of Sparta initiative officially launched in April 2024 with a special event at the MSUFCU Club Suites in Spartan Stadium. MSUFCU members, community leaders, youth members, and local female youth sports teams gathered to celebrate this exciting new program, featuring inspiring remarks from MSUFCU and MSU leadership, interactive activities, and exclusive giveaways, including Women of Sparta posters, stickers, and trading cards.

ENGAGING THE COMMUNITY; PROMOTING FINANCIAL WELLNESS

Beyond the field, **Women of Sparta athletes serve as financial literacy advocates,** using their platforms to engage with MSUFCU members in meaningful ways. Through social media collaborations, video content, and live Q&As, they help educate fellow students and young professionals about key financial topics such as budgeting, saving, credit building, and NIL income management. Their voices bring authenticity and relatability to financial education, making it more accessible to a broader audience — including MSUFCU's growing base of student and young professional members.

COLLECTIBLE TRADING CARDS

To further engage our members and celebrate these inspiring women, MSUFCU introduced a Women of Sparta collectible trading card series. Young fans and MSUFCU youth members visited Lansing-area branches to collect new cards each week, fostering excitement around women's sports while highlighting the importance of leadership, perseverance, and financial success.

HEAR FROM A WoS ATHLETE

"I joined Women of Sparta to develop skills and promote **financial success** in female athletics. I am beyond excited about the opportunity to learn and **inspire** those around me and connect with the community on a deeper level!" — Cookie Baugh

STRONGER TOGETHER: A CULTURE OF SERVICE

At MSUFCU, **our strength comes from our people.** We believe that a diverse team, rich in experiences and perspectives, creates a stronger Credit Union — one that better serves our members. Every day, our employees bring our mission to life, fostering a culture of service, inclusion, and community engagement that extends far beyond banking.

Through volunteerism, charitable giving, and initiatives that create a positive and supportive environment, our team makes a lasting impact on both our members and the communities we serve. In 2024 alone, **our employees volunteered 1,827 hours at 1,392 community events,** demonstrating their commitment to making a difference.

GIVING BACK TO EMPOWER OUR COMMUNITIES

Every year, through our employee-driven charitable giving program, **CU Involved,** our employees select local organizations to support with fundraising and volunteer efforts.

In 2024, **MSUFCU employees donated $240,572** and partnered with **Lansing Promise, Tri-County Office on Aging, Children's Healing Center, Michigan Women Forward,** and **United Way of South Central Michigan** to provide vital resources and services to those in need.

A WORKPLACE WHERE EVERYONE THRIVES

A strong workplace leads to exceptional service for our members. We are committed to creating an outstanding environment where employees can thrive through continuous learning and growth. Our award-winning training programs and career development opportunities empower employees to expand their skills and advance within the organization. By fostering a positive, engaging work environment, we ensure that our team remains motivated, connected, and ready to deliver the best service to our members.

AWARD-WINNING WORKPLACE

At MSUFCU, we take pride in creating an exceptional workplace culture — one that has earned **national recognition for excellence.** In 2024, we received numerous top industry and workplace awards, many for consecutive years, reflecting our commitment to providing an outstanding environment for both employees and members.

A RECOGNIZED LEADER IN WORKPLACE EXCELLENCE

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

BEST AND BRIGHTEST COMPANY AWARDS

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

COMMITMENT TO EMPLOYEE WELL-BEING AND DEVELOPMENT

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

EXCELLENCE IN SECURITY AND RISK MANAGEMENT

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

2024 FINANCIAL REPORT

Total Assets
Year ended December 31

2024	$8,052,688,965
2023	$7,685,869,702
2022	$7,275,840,885
2021	$6,710,868,219
2020	$5,712,880,351

Total Reserves
Year ended December 31

2024	$655,914,035
2023	$667,849,980
2022	$661,597,142
2021	$639,019,052
2020	$566,056,568

Net Loans
Year ended December 31

2024	$6,266,635,074
2023	$6,054,581,390
2022	$5,566,181,323
2021	$4,688,953,804
2020	$4,149,302,738

Total Shares
Year ended December 31

2024	$6,600,994,951
2023	$6,225,288,152
2022	$5,937,593,858
2021	$5,728,393,521
2020	$4,815,912,492

Membership
Year ended December 31

2024	379,398
2023	357,605
2022	338,733
2021	321,315
2020	302,576

IRAs
Year ended December 31

2024	$281,992,816
2023	$269,379,109
2022	$240,977,513
2021	$227,993,907
2020	$222,406,418

IRAs consist of IMMAs and Share Certificates

IMMAs
Year ended December 31

2024	$1,997,867,328
2023	$1,890,889,837
2022	$2,074,963,172
2021	$2,180,949,528
2020	$1,708,293,614

Dividends Paid, All Savings
Year ended December 31

2024	$139,280,971
2023	$115,525,807
2022	$31,129,045
2021	$22,315,652
2020	$31,864,848

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors — Michigan State University Federal Credit Union

Opinion

We have audited the consolidated financial statements of Michigan State University Federal Credit Union and its subsidiaries (the "Credit Union"), which comprise the consolidated statement of financial condition as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

In performing audits in accordance with GAAS, we:

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

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

/s/ Plante & Moran, PLLC

Plante & Moran, PLLC
February 14, 2025

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY

See notes to consolidated financial statements.

	Years Ended December 31, 2024 and 2023						
	Regular Reserve	Equity Acquired in Mergers	Undivided Earnings	Accumulated Other Comprehensive Loss	Total	Noncontrolling Interest	Total Equity
Balance - January 1, 2023	$ 17,980,012	$ 3,825,906	$ 681,238,568	$ (43,445,488)	$ 659,598,998	$ 1,998,144	$ 661,597,142
Cumulative effect of change in accounting principle (Note 3)	-	-	(7,518,218)	-	(7,518,218)	-	(7,518,218)
Comprehensive income (loss):							
Net income (loss)	-	-	5,135,392	-	5,135,392	(325,908)	4,809,484
Unrealized gain on securities	-	-	-	13,739,281	13,739,281	-	13,739,281
Postretirement benefit plan	-	-	-	(3,105,473)	(3,105,473)	-	(3,105,473)
Transfer - Net	(17,980,012)	-	17,980,012	-	-	-	-
Dissolution of minority interest	-	-	-	-	-	(1,672,236)	(1,672,236)
Balance - December 31, 2023	-	3,825,906	696,835,754	(32,811,680)	667,849,980	-	667,849,980
Comprehensive (loss) income:							
Net loss	-	-	(21,309,407)	-	(21,309,407)	-	(21,309,407)
Unrealized gain on securities	-	-	-	9,469,277	9,469,277	-	9,469,277
Postretirement benefit plan	-	-	-	(1,600,836)	(1,600,836)	-	(1,600,836)
Equity acquired in merger (Note 16)	-	1,505,021	-	-	1,505,021	-	1,505,021
Balance - December 31, 2024	**$ -**	**$ 5,330,927**	**$ 675,526,347**	**$ (24,943,239)**	**$ 655,914,035**	**$ -**	**$ 655,914,035**

CONSOLIDATED STATEMENT OF CASH FLOWS

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

See notes to consolidated financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 1 - Nature of Business

The consolidated financial statements include the accounts of Michigan State University Federal Credit Union (the "Credit Union"); Reseda Group, LLC, a wholly owned holding company for investments in credit union service organizations (CUSOs), including EverGreen 3C, LLC; Foresight Group, LLC; M3 Group, LLC; 1937 Group, LLC; and MSUFCU Desk Drawer Foundation (DDF), a charitable foundation in which the Credit Union is the sole member; and Verte Investments, LLC. Intercompany accounts and transactions were eliminated in consolidation.

Michigan State University Federal Credit Union is a federally chartered credit union regulated by the National Credit Union Administration (NCUA) and insured by the National Credit Union Share Insurance Fund (NCUSIF). The Credit Union operates branches across the state of Michigan and northern Illinois.

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

The MSUFCU Desk Drawer Foundation is a charitable foundation formed in 2019 under Section 501(c)(3) of the Internal Revenue Code to support the Credit Union's communities. DDF provides members and employees with a source to perform charitable giving that makes a visible difference in the community that focuses on five philanthropic pillars: the arts, entrepreneurship, financial education, stable housing, and youth empowerment.

Verte Investments, LLC is a single-member limited liability company formed in 2023 to support a minority investment in the redevelopment of the Fisher Building in Detroit, Michigan and recognition of associated historic tax credits. The MSUFCU Desk Drawer Foundation is the single member of Verte Investments, LLC.

Reseda Group, LLC is a single-member limited liability company formed in 2021 to support the Credit Union's investments in CUSOs. Reseda Group, LLC makes investments in, or creates, CUSOs that will complement the products and services available to members across the credit union industry and enhance operational efficiencies through investments in our supply chain and strategic partnerships with fintech companies.

EverGreen 3C, LLC is a single-member limited liability company formed in 2021 to provide consulting services related to financial education; community development and corporate philanthropy; and diversity, equity, and inclusion. Reseda Group, LLC is the single member of EverGreen 3C, LLC. In 2023, EverGreen 3C, LLC was dissolved as a separate entity and the products and services are now offered through Reseda Group, LLC.

Foresight Group, LLC is a single-member limited liability company formed in 2021 to provide commercial printing, direct mail services, and promotion items to credit unions and various other industries. Reseda Group, LLC is the single member of Foresight Group, LLC.

Spave, LLC is a limited liability company formed in 2021 to provide a financial application that allows users to use everyday spending to fuel savings growth and charitable giving. Reseda Group, LLC is the majority owner of Spave, LLC. The ownership interests of other parties in Spave, LLC are presented as noncontrolling interest in the consolidated financial statements. In 2023, Spave, LLC was dissolved, and the minority interest was divested. Reseda Group, LLC retained the intellectual property to continue the financial application as a product line rather than a separate entity.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

Note 2 - Significant Accounting Policies

Use of Estimates

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

Estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the fair value of investments, and the valuation of the purchase price allocations and resulting goodwill.

Cash and Cash Equivalents

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

Time Deposits with Other Financial Institutions

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

Investments

Debt securities purchased where the Credit Union has both the positive intent and ability to hold to maturity are classified as held to maturity and are recorded at cost, adjusted for amortization of premiums and discounts. Purchase premiums and discounts are recognized in interest income using the interest method. For purchase discounts and premiums on noncallable debt securities, the amounts are recognized into income over the term of the securities. For premiums on callable debt securities, the premium is amortized into income over the period until the first call date. Cost is determined on the specific identification method for computing realized gains and losses on the sale of investments. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the investments. The Credit Union collectively evaluates investments to determine the allowance for credit losses based on the issuer of the bonds. The Credit Union calculates the allowance using an expected loss model that considers the Credit Union's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Credit Union considers the issuer's historical and expected financial performance as well as any changes in credit ratings when making adjustments for reasonable and supportable forecasts.

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

The Credit Union evaluates available-for-sale securities for impairment each reporting period. When evaluating available-for-sale securities for impairment, the Credit Union first considers if the fair value of the security is less than its amortized cost. If the fair value is less than the amortized cost, the Credit Union next evaluates whether it intends to sell, or if it is more likely than not that it will be required to sell, the security before it recovers its amortized cost basis. If either criteria is met, an impairment loss is recognized through earnings. If neither criteria is met, the Credit Union then assesses whether the decline in fair value is due to credit losses or other factors. If the Credit Union determines a credit loss exists, the Credit Union compares the present value of the cash flows expected to be collected to the amortized cost basis. An allowance for credit loss is recognized for the amount the amortized cost basis of the security exceeds the present value of the expected future cash flows, limited by the amount of the unrealized loss on the security at that date.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (continued)

Other Investments

The Credit Union, as a member of the Federal Home Loan Bank (FHLB) of Indianapolis, is required to maintain an investment in the capital stock of the FHLB. The Credit Union held $31,942,800 and $29,830,400 of FHLB capital stock at December 31, 2024 and 2023, respectively. In 2024, the Credit Union acquired two community banks that held shares in capital stock at the Federal Home Loan Bank of Chicago in the amount of $1,736,000 as of December 31, 2024. These shares will be held by the Credit Union until the related outstanding advances have been repaid in 2029. The stock is redeemable at par by the FHLB and, therefore, is carried at cost and periodically evaluated for impairment. The Credit Union records cash and stock dividends in interest income - investment securities on the consolidated statement of income.

Other investments also include the Credit Union's investment in Alloya Corporate Credit Union's (Alloya), Corporate Central Credit Union's (Corporate Central), and Corporate One Federal Credit Union's (Corporate One) permanent capital base, which is required to be maintained for full participation as a member of the corporate credit unions. The Alloya deposit was $1,137,000 and $1,069,300 as of December 31, 2024 and 2023, respectively. The deposit is not insured by the NCUSIF. Interest on the deposit is paid quarterly based on available earnings at interest rates approved by Alloya's board of directors. In the event a member credit union withdraws from Alloya, the deposit would be repaid in one installment three years after notice of withdrawal is given. The Corporate Central deposit was $2,000,000 as of December 31, 2024 and 2023. The deposit is not insured by the NCUSIF. Interest on the deposit is paid quarterly based on available earnings at interest rates approved by Corporate Central's board of directors. The deposit is not callable except during optional call periods specified by Corporate Central's board of directors and is subject to prior written approval by the NCUA. The Corporate One deposit was $900,000 as of December 31, 2024 and 2023. The deposit is not insured by the NCUSIF. Interest on the deposit is paid quarterly based on available earnings at interest rates approved by Corporate One's board of directors. The Credit Union holds $98,735 in Federal Agriculture Mortgage stock as of December 31, 2024 acquired through another financial institution.

In 2020, the Credit Union became a member of the NCUA Central Liquidity Facility, which required a stock purchase determined by asset size. The Credit Union held $17,609,617 and $16,665,596 of stock at December 31, 2024 and 2023, respectively. The Credit Union has the ability to borrow money from the NCUA via the Central Liquidity Facility, which is an instrument of monetary policy that allows eligible institutions to borrow money from the NCUA to meet temporary shortages of liquidity. The interest rate for advances will be the borrowing rate in effect on the date of the borrowings. The Credit Union has no borrowings outstanding as of December 31, 2024 or 2023.

Loans Held for Sale

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

Transfers of Financial Assets

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

Loans

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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

Allowance for Credit Losses

An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the loans. The Credit Union collectively evaluates notes receivable to determine the allowance for credit losses based on portfolio performance, collateral values, and remaining lives. The Credit Union elected not to include accrued interest receivable in the calculation of expected credit losses.

Loans that do not share similar risk characteristics with other loans are evaluated individually. When repayment of collateral is expected to be dependent on the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral as of the reporting date.

The Credit Union calculates the allowance for credit losses using an expected loss model that considers the Credit Union's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. The Credit Union considers trends in unemployment rates, housing values, and member behavior when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received. Notes are considered delinquent if the repayment terms are not met.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and initially recorded at the fair value of the real estate, less estimated costs to sell, through a charge to the allowance for loan losses, if necessary. Subsequent to foreclosure, valuations are periodically performed by management and writedowns required by changes in estimated fair value are charged against earnings through a valuation allowance and reported in other noninterest expenses. The carrying value of foreclosed assets, included in other assets on the consolidated statement of financial condition, was $360,365 and $329,803 as of December 31, 2024 and 2023, respectively.

Premises and Equipment

Land and land improvements are carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation, computed on the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the shorter of the lease term or the life of the leasehold improvements.

Goodwill

The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill is not amortized but rather is assessed at least on an annual basis for impairment.

No impairment charge was recognized during the years ended December 31, 2024 and 2023.

Core Deposit Intangible

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 2 - Significant Accounting Policies (continued)

Employee Benefit Funding Assets
The Credit Union has purchased life insurance policies on certain key officers. Business-owned life insurance is recorded at its cash surrender value or the amount that can be realized upon immediate liquidation. The earnings from these policies are used to offset employee benefit expense.

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

Other Assets
The Credit Union has entered into an agreement and granted loans to fund life insurance premium payments for certain key employees. The loans are nonrecourse and are collateralized by the assignment of the respective life insurance policies. The policies are owned by the executive, and the key employee has sole control over the listed beneficiaries. The total value of the loans included in other assets was $24,689,960 and $18,159,363 at December 31, 2024 and 2023, respectively. The key employees may use other funds to pay back the loan; however, the split death benefit of the life insurance policy is intended to be the primary source of repayment. At December 31, 2024 and 2023, the cash surrender value of the life insurance contracts securing the loan totaled $24,689,960 and $18,159,363, respectively.

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

Nonmembers' shares include negotiated brokered certificates of deposit and accounts from acquired institutions' customers who have not yet opted into credit union membership. The brokered certificates of deposit are issued in a variety of amounts, although always less than or equal to $250,000.

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

Other Comprehensive Income
Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available-for-sale securities and amounts recognized related to postretirement benefit plans (gains and losses, prior service costs, and transition assets or obligations), are reported as a direct adjustment to the equity section of the consolidated statement of financial condition. Such items, along with net income, are considered components of comprehensive income. For the years ended December 31, 2024 and 2023, accumulated other comprehensive losses were attributable to $33,810,801 and $43,280,078 of unrealized losses on available-for-sale securities and $8,867,562 and $10,468,398 of unrealized gains on the postretirement benefit plan, respectively.

Services Charges and Fees
Charges to members for transaction-based account maintenance and overdraft services are recognized at the time of the transaction when the performance obligation has been fulfilled. Account maintenance fees and account analysis fees are earned over the course of a month, representing the period of the performance obligation, and are recognized monthly. Interchange fees from cardholder transactions conducted through the card payment network are charged when cardholders use the card to conduct point-of-sale transactions, are transaction-based, and are recognized with the processing of the transaction.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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

The MSUFCU Desk Drawer Foundation is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by DDF and recognize a tax liability if DDF has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities. Management has analyzed the tax positions taken by DDF and has concluded that, as of December 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. DDF is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

Loan and Other Commitments and Related Financial Instruments
Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and business letters of credit, issued to meet member financing needs. The face amount for these items represents the exposure to loss before considering member collateral or ability to repay. Such financial instruments are recorded when they are funded. The Credit Union maintains an allowance for credit losses on unfunded loan commitments. The allowance is determined using a methodology similar to that used to determine the allowance for credit losses on loans, modified to include an estimation of the probability of funding.

Reseda Group, LLC has an outstanding commitment of $1,950,000 to fund future capital calls in relation to a certain CUSO investment. Additional capital calls have not been made by the fund as of December 31, 2024.

Loss Contingencies
Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements at December 31, 2024 and 2023.

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

Note 3 - Adoption of New Accounting Pronouncement

Employee Benefit Funding Assets
As of January 1, 2023, the Credit Union adopted Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU includes increased disclosures and various changes to the accounting and measurement of financial assets, including the Credit Union's loans and available-for-sale debt securities. Under the standard, each financial asset presented on the statement of financial condition has a unique allowance for credit losses valuation account that is deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected on the financial asset. The amendments in this ASU also eliminated the probable initial recognition threshold and, instead, reflect an entity's current estimate of all expected credit losses using reasonable and supportable forecasts. The ASU was applied using a modified retrospective transition method to the beginning of the first reporting period in which the guidance is effective. The standard resulted in a cumulative effect of change in accounting principle adjustment of $7,518,218 to undivided earnings, a $4,866,046 increase to the allowance for credit losses, and a $2,652,172 increase to other liabilities to establish a reserve for unfunded loan commitments on January 1, 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 4 - Investment Securities

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 4 - Investment Securities (continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2023				
Available for Sale:				
U.S. government and federal agency obligations	$ 337,548,421	$ -	$ (15,604,144)	$ 321,944,277
Mortgage-backed securities — Residential	158,568,232	-	(24,246,490)	134,321,742
SBA loan pools	31,296,757	-	(1,269,756)	30,027,001
Other debt securities	19,410,142	47,488	(1,202,974)	18,254,656
Subordinated debt securities	9,000,000	-	(1,004,202)	7,995,798
Total	$ 555,823,552	$ 47,488	$ (43,327,566)	$ 512,543,474

At December 31, 2024 and 2023, securities with a carrying value of approximately $407,695,000 and $170,605,000, respectively, were pledged as collateral to secure borrowed funds, and a security with a carrying value of approximately $5,000,000 was pledged to the discount window. At December 31, 2024, securities with a carrying value of approximately $38,618,000 were pledged as collateral to secure municipal deposit accounts.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 4 - Investment Securities (continued)

Proceeds from sales of investment securities were $3,788,650, gross realized gains were $318,469, and gross realized losses were $321,381 for the year ended December 31, 2024. Proceeds from sales of investment securities were $1,741,478, gross realized gains were $115,161, and gross realized losses were $109,792 for the year ended December 31, 2023.

Information pertaining to investment securities with gross unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	LESS THAN 12 MONTHS		MORE THAN 12 MONTHS	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
2024				
Available for Sale:				
U.S. government and federal agency obligations	$ (113,636)	$ 7,009,253	$ (5,419,052)	$ 201,865,934
Mortgage-backed securities — Residential	(659,625)	65,087,021	(23,761,271)	113,987,916
SBA loan pools	(87,647)	6,358,992	(480,736)	13,248,770
Other debt securities	(49,413)	3,197,031	(732,834)	11,961,256
Subordinated debt	(275,000)	4,725,000	(1,060,000)	2,940,000
Municipal bonds	(1,676,554)	9,582,423	-	-
Total available for sale	$ (2,861,875)	$ 95,959,720	$ (31,453,893)	$ 344,003,876
Held to maturity - Municipal bonds	$ (130,072)	$ 3,121,337	$ -	$ -
2023				
Available for Sale:				
U.S. government and federal agency obligations	$ -	$ -	$ (15,604,144)	$ 321,944,277
Mortgage-backed securities — Residential	-	-	(24,246,490)	134,321,742
SBA loan pools	(97,669)	7,987,509	(1,172,087)	22,039,492
Other debt securities	(2,448)	329,625	(1,200,526)	15,327,288
Subordinated debt	(300,000)	4,700,000	(704,202)	3,295,798
Total	$ (400,117)	$ 13,017,134	$ (42,927,449)	$ 496,928,597

Unrealized losses on investment securities have not been recognized into income because the issuers' bonds are of high credit quality, the Credit Union has the intent and ability to hold the securities for the foreseeable future, and the declines in fair value are primarily due to increased market interest rates and market volatility. The fair values are expected to recover as the bonds approach their maturity dates. There are 560 and 321 investment securities in an unrealized loss position at December 31, 2024 and 2023, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 5 - Loans and Allowance for Credit Losses

A summary of the balances of loans follows:

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

	YEAR ENDED DECEMBER 31, 2023					
	Beginning Balance	Adoption of Accounting Pronouncement	Charge-offs	Recoveries	Provision	Ending Balance
Allowance for credit losses:						
Consumer:						
Secured	$ 5,974,451	$ 5,465,717	$ (9,178,219)	$ 1,441,995	$ 6,181,103	$ 9,885,047
Unsecured	10,559,873	4,848,650	(15,073,907)	1,232,110	20,625,585	22,192,311
Other	1,069,887	716,603	(1,973,811)	610,062	2,129,985	2,552,726
Mortgage:						
First mortgages	1,942,615	(19,157)	-	-	(780,908)	1,142,550
Home equity	221,486	$ (48,617)	$ -	$ 124,583	$ (224,069)	$ 73,383
Business:						
Visa and commercial vehicle	131,429	9,500	(218,199)	3,048	390,984	316,762
Other business loans	9,133,114	(6,106,650)	(57,397)	1,179	(1,370,368)	1,599,878
Total	$ 29,032,855	$ 4,866,046	$ (26,501,533)	$ 3,412,977	$ 26,952,312	$ 37,762,657

Credit Quality Disclosures

The Credit Union categorizes each loan into credit risk categories based on the contractual aging status of the loan and payment activity. Such assessments are completed at the end of each reporting period.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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

For business loans, the Credit Union also categorizes each loan into credit risk categories based on current financial information, overall debt service coverage, comparison against industry averages, collateral coverage, historical payment experience, and current economic trends. The Credit Union uses the following definitions for credit risk ratings for business loans:

Acceptable

Credits not covered by the below definitions are pass credits, which are not considered to be adversely rated.

Special Mention

Loans classified as special mention, or watch credits, have a potential weakness or weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard

Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution may sustain some loss if the deficiencies are not corrected.

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Business credit cards and commercial vehicle loans are not risk rated.

The following tables present the amortized cost basis of business loans by credit quality indicator as of December 31, 2024 and 2023:

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

Other business loans rated as doubtful in the table above are considered to be collateral dependent and presented at fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

Age Analysis of Past-due Loans

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

	30-59 Days Past Due	60-89 Days Past Due	90 or More Days	Total	Current	Total Loans
2024						
Consumer:						
Secured	$ 30,250,192	$ 11,304,074	$ 18,217,437	$ 59,771,703	$ 2,088,403,319	$ 2,148,175,022
Unsecured	8,835,926	3,177,289	8,151,987	20,165,202	713,450,964	733,616,166
Other	2,173,172	1,192,182	1,203,563	4,568,917	207,765,659	212,334,576
Mortgage:						
First mortgages	8,043,371	2,986,559	3,922,610	14,952,540	2,031,594,420	2,046,546,960
Home equity	1,904,635	702,437	665,468	3,272,540	307,963,746	311,236,286
Business:						
Visa and commercial vehicle	133,988	36,493	76,655	247,136	18,790,181	19,037,317
Other business loans	858,226	58,747	3,204,726	4,121,699	851,288,553	855,410,252
Total	$ 52,199,510	$ 19,457,781	$ 35,442,446	$ 107,099,737	$ 6,219,256,842	$ 6,326,356,579
2023						
Consumer:						
Secured	$ 22,474,165	$ 9,437,918	$ 13,227,366	$ 45,139,449	$ 2,237,251,901	$ 2,282,391,350
Unsecured	7,533,568	2,468,624	5,935,788	15,937,980	652,289,025	668,227,005
Other	1,667,850	573,121	1,030,227	3,271,198	170,108,892	173,380,090
Mortgage:						
First mortgages	10,577,054	3,030,694	3,519,872	17,127,620	1,983,516,377	2,000,643,997
Home equity	1,409,899	234,977	404,814	2,049,690	254,757,508	256,807,198
Business:						
Visa and commercial vehicle	260,418	22,612	22,614	305,644	19,462,491	19,768,135
Other business loans	6,583,178	50,181	444,463	7,077,822	684,048,450	691,126,272
Total	$ 50,506,132	$ 15,818,127	$ 24,585,144	$ 90,909,403	$ 6,001,434,644	$ 6,092,344,047

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

Nonaccrual Loans

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

Modifications

The following tables present the amortized cost basis as of December 31, 2024 and 2023 of the loans modified to borrowers experiencing financial difficulty disaggregated by class of financing receivable and type of concession granted during the reporting period:

DECEMBER 31, 2024

	Other Than Insignificant Payment Delays		Other Than Insignificant Term Extensions	
	Amortized Cost Basis	Percent of Total Class of Financing Receivable	Amortized Cost Basis	Percent of Total Class of Financing Receivable
Consumer:				
Secured	$ -	- %	$ 10,295,428	0.48 %
Unsecured	271,063	0.04	1,831,379	0.25
Other	-	-	627,686	0.30
Mortgage:				
First mortgages	806,269	0.04	-	-
Home equity	28,641	0.01	-	-
Business:				
Visa and commercial vehicle	31,212	0.16	-	-
Other business loans	-	-	884	-
Total	$ 1,137,185	0.25 %	$ 12,755,377	1.03 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

DECEMBER 31, 2023

	Other Than Insignificant Payment Delays		Other Than Insignificant Term Extensions	
	Amortized Cost Basis	Percent of Total Class of Financing Receivable	Amortized Cost Basis	Percent of Total Class of Financing Receivable
Consumer:				
Secured	$ -	- %	$ 1,879,896	0.10 %
Unsecured	307,424	0.10	1,533,559	0.20
Other	-	-	138,786	0.10
Mortgage:				
First mortgages	319,587	-	-	-
Home equity	47,343	-	-	-
Business:				
Visa and commercial vehicle	123,565	0.10	-	-
Other business loans	56,129	-	13,433,910	1.90
Total	$ 854,048	0.20 %	$ 16,986,151	2.30 %

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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

	FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023	
	Other Than Insignificant Payment Delays	Other Than Insignificant Term Extensions
Consumer - Secured	-	Provided 3- or 4-month payment deferrals through standard deferral program, up to twice within the year. The deferred payments were added to the end the loan term. Some deferrals still required interest-only payments, while others deferred the full monthly payment amount. Alternatively, provided reduced monthly payment amounts and extended the term of the loan up to 12 months, as part of a debt management plan with the borrowers.
Consumer - Unsecured	Provided 3- or 4-month payment deferrals through standard deferral program, up to twice within the year. The deferred payments were added to the end the loan term. Some deferrals still required interest-only payments, while others deferred the full monthly payment amount. Alternatively, provided reduced monthly payment amounts and extended the term of the loan up to 12 months, as part of a debt management plan with the borrowers.	Provided 3- or 4-month payment deferrals through standard deferral program, up to twice within the year. The deferred payments were added to the end the loan term. Some deferrals still required interest-only payments, while others deferred the full monthly payment amount. Alternatively, provided reduced monthly payment amounts and extended the term of the loan up to12 months, as part of a debt management plan with the borrowers.
Consumer - Other	-	Provided 3- or 4-month payment deferrals through standard deferral program, up to twice within the year. The deferred payments were added to the end the loan term. Some deferrals still required interest-only payments, while others deferred the full monthly payment amount. Alternatively, provided reduced monthly payment amounts and extended the term of the loan up to 12 months, as part of a debt management plan with the borrowers.
First mortgages	Provided for reduced payments for up to 6 months, with the current reductions required at final maturity date.	-
Home equity	Provided for reduced payments for up to 7 months, with the current reductions required at final maturity date.	-
Business - Visa and commercial vehicle	Provided for reduced payments for up to 3 months, with the current reductions required later in the term of the debt, in some cases still requiring interest-only payments during the deferral period.	-
Other business loans	Provided for reduced payments for up to 3 months, with the current reductions required later in the term of the debt, in some cases still requiring interest-only payments during the deferral period.	Provided for term extensions up to 12 months, deferring either the required regularly monthly payments to be added to the end of the contractual loan term, or deferring the balloon payment at scheduled maturity up to 12 months.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

The following tables present the period-end amortized cost basis of financing receivables that have had a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty:

	DECEMBER 31, 2024	
	Other Than Insignificant Payment Delays	Other Than Insignificant Term Extensions
Consumer:		
Secured	$ -	$ 4,739,529
Unsecured	297,791	644,235
Other	-	177,059
Mortgage:		
First mortgages	546,830	-
Home equity	5,988	-
Business:		
Visa and commercial vehicle	33,825	-
Other business loans	$ 28,915	$ 1,769
Total	913,349	5,562,592

	DECEMBER 31, 2023	
	Other Than Insignificant Payment Delays	Other Than Insignificant Term Extensions
Consumer:		
Secured	$ -	$ 1,437,300
Unsecured	244,627	520,300
Other	-	76,451
Mortgage - Home equity	47,343	-
Business:		
Visa and commercial vehicle	60,405	-
Other business loans	29,057	1,728,018
Total	$ 381,432	$ 3,762,069

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

The following tables present the period-end amortized cost basis of loans that have been modified in the past 12 months to borrowers experiencing financial difficulty by payment status and class of receivable:

DECEMBER 31, 2024	Current	30-89 Days	Greater Than 90 Days	Total
Consumer:				
Secured	$ 7,268,269	$ 2,136,090	$ 891,069	$ 10,295,428
Unsecured	1,681,685	249,823	170,934	2,102,442
Other	420,998	192,360	14,328	627,686
Mortgage:				
First mortgages	681,586	66,151	58,532	806,269
Home equity	28,641	-	-	28,641
Business:				
Visa and commercial vehicle	31,212	-	-	31,212
Other business loans	-	-	884	884
Total	$ 10,112,391	$ 2,644,424	$ 1,135,747	$ 13,892,562

DECEMBER 31, 2023	Current	30-89 Days	Greater Than 90 Days	Total
Consumer:				
Secured	$ 1,130,244	$ 550,807	$ 198,845	$ 1,879,896
Unsecured	1,449,143	209,038	182,802	1,840,983
Other	129,448	9,338	-	138,786
Mortgage:				
First mortgages	90,083	229,504	-	319,587
Home equity	-	-	47,343	47,343
Business:				
Visa and commercial vehicle	81,522	42,043	-	123,565
Other business loans	6,617,934	6,465,575	406,530	13,490,039
Total	$ 9,498,374	$ 7,506,305	$ 835,520	$ 17,840,199

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 6 - Premises and Equipment

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

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

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

Depreciation and amortization expense for 2024 and 2023 totaled approximately $19,825,000 and $19,905,000, respectively.

The Credit Union enters into leases in the normal course of business primarily for office operations, locations, and branches. The Credit Union's leases have remaining terms ranging from 2 to 19 years (with a weighted-average remaining term of 9.60 years), some of which include renewal or termination options to extend the lease for up to 20 years and some of which include options to terminate the lease within 1 year. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 1.51 percent to 5.34 percent, with a weighted-average discount rate of 4.10 percent.

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

As of December 31, 2024 and 2023, the Credit Union recognized right-of-use assets of $13,487,214 and $15,243,695, respectively, related to operating leases within property and equipment on the consolidated statement of financial condition. As of December 31, 2024 and 2023, the Credit Union recognized lease liabilities of $14,003,355 and $15,507,168, respectively, related to operating leases within other liabilities on the consolidated statement of financial condition. The Credit Union had no finance leases as of December 31, 2024 and 2023.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 6 - Premises and Equipment (continued)

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

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

Note 7 - Acquired Intangible Assets and Goodwill

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 7 - Acquired Intangible Assets and Goodwill (continued)

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

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

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

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

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

The NCUSIF insures members' shares and savings accounts. For the years ended December 31, 2024 and 2023, legislation provides minimum NCUSIF coverage of $250,000 on member share accounts. This includes all account types, such as regular share, share draft, money market, money management, business, and certificates of deposit. The aggregate amount of time deposit accounts in denominations of $250,000 or more at December 31, 2024 and 2023 were approximately $464,006,000 and $530,114,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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

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

In the normal course of business, the Credit Union's directors, supervisory committee members, and executive officers maintain share accounts. The total amount of these shares at December 31, 2024 and 2023 was approximately $5,151,000 and $3,873,000, respectively.

Note 9 - Borrowings

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

The Credit Union has $1,804,410,600 and $1,711,246,900 in combined additional borrowing capacity with the Federal Home Loan Banks of Indianapolis and Chicago at December 31, 2024 and 2023, respectively.

The Credit Union established access to the Federal Reserve Bank Term Funding Program in 2023. The Bank Term Funding Program was created to provide access to liquidity and offers terms up to one year. As of December 31, 2023, advances totaling $100,000,000 were outstanding. The advances accrued interest at a rate of 4.85 percent, due at repayment or maturity. The advances were collateralized by investment securities of approximately $135,000,000. There were no prepayment penalties. During 2024, the Credit Union advanced $270,000,000 at an interest at a rate of 4.76 percent. The advances were paid off during 2024.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 9 - Borrowings (continued)

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

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

Note 10 - Lines of Credit

Under a line of credit agreement with Alloya Corporate Credit Union, the Credit Union has available borrowings of $43,465,000 and $53,465,000 at December 31, 2024 and 2023, respectively. There were no amounts outstanding on the line of credit at December 31, 2024 and 2023. Alloya has a blanket pledge on all credit union assets as collateral for borrowings on this line of credit. Alloya rescinds any rights to qualifying assets pledged as collateral on the Federal Home Loan Bank of Indianapolis and Chicago advances. The Credit Union guaranteed $10,000,000 on the line of credit on behalf of an entity invested through Reseda Group, LLC at December 31, 2024.

As of December 31, 2024, the Credit Union has available borrowings of $60,000,000 at Corporate Central Credit Union. This line of credit is secured by the Credit Union's deposits held at Corporate Central Credit Union. There were no amounts outstanding on the line of credit at December 31, 2024 and 2023.

The Credit Union also has access to discount window borrowings from the Federal Reserve Bank of Chicago. There is no specific borrowing limit or maturity/expiration date for the relationship. The amount that can be borrowed is subject to full collateralization by the acceptable pledging of assets acceptable to the Federal Reserve Bank of Chicago. The interest rate for any discount window borrowings will be the published discount borrowing rate in effect on the date of the borrowing. The discount window borrowings are governed in accordance with the terms and conditions established in an agreement between the Credit Union and the Federal Reserve Bank of Chicago. There were no outstanding borrowings under this agreement at December 31, 2024 or 2023.

In 2020, the Credit Union established the ability to borrow money from the NCUA via the Central Liquidity Facility, which is an instrument of monetary policy that allows eligible institutions to borrow money from the NCUA to meet temporary shortages of liquidity. The interest rate for advances will be the borrowing rate in effect on the date of the borrowings. The Credit Union has no borrowings outstanding as of December 31, 2024 or 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 11 - Postretirement Benefit Plans

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

Obligations and Funded Status

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 11 - Postretirement Benefit Plans (continued)

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

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

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

	2024	2023
Discount rate	5.25 %	5.75 %

Cash Flow

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

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

Years Ending	Amount
2025	$ 338,949
2026	332,375
2027	319,506
2028	327,515
2029	323,333
Thereafter	1,658,033
Total	$ 3,299,711

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 12 - Retirement Plans

All full-time and part-time employees age 18 or older are eligible to contribute to the Credit Union's 401(k) plan. Employer contributions begin upon hire with a vesting element tied to hours worked. Employees may contribute up to 100 percent of their compensation (subject to IRS limits). The Credit Union will contribute 2 percent of base compensation, regardless of participant contribution status, as well as 200 percent of the first 4 percent of base compensation that a participant contributes to the plan. The 401(k) plan expense was approximately $9,303,000 and $7,970,000 for 2024 and 2023, respectively. The administrative costs of the plan are paid from plan assets.

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

Note 13 - Off-balance-sheet Activities

Credit-related Financial Instruments

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

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

The Credit Union maintains an allowance for credit losses on unfunded loan commitments. The allowance is determined using a methodology similar to that used to determine the allowance for credit losses on loans, modified to include an estimation of the probability of funding. On January 1, 2023, the Credit Union recorded an adjustment to record a liability for credit losses for unfunded loan commitments of approximately $2,652,000 with the adoption of ASU No. 2016-13. For the years ended December 31, 2024 and 2023, the Credit Union recorded a provision recovery for credit losses for unfunded commitments of approximately $445,000 and $456,000, respectively. At December 31, 2024 and 2023, the liability for credit losses on unfunded loan commitments included in other liabilities was approximately $1,751,000 and $2,196,000, respectively.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

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

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

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

Note 14 - Minimum Regulatory Capital Requirements

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

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the following table) of net worth to total assets (as defined in the regulations). Under the regulations, a credit union is considered complex when it has more than $500 million in assets. Complex credit unions are required to calculate a risk-based capital (RBC) ratio, which establishes whether or not the Credit Union will be considered well-capitalized under the regulatory framework.

A complex credit union that maintains a minimum net worth ratio of 9 percent and that meets other qualifying criteria is eligible to opt into the Complex Credit Union Leverage Ratio (CCULR) framework. The CCULR provides a simplified measure of capital adequacy for federally insured, natural-person credit unions classified as complex. A complex credit union that opts into the CCULR framework need not calculate a RBC ratio. A qualifying complex credit union that opts into the CCULR framework and maintains the minimum net worth ratio is considered well-capitalized. The Credit Union's CCULR ratio as of December 31, 2023 includes the CECL transition provision, a phase-in of the CECL day-one adjustment over a three-year transition period, in accordance with Section 702.703 of the NCUA regulations.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 14 - Minimum Regulatory Capital Requirements (continued)

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

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

Note 15 - Fair Value Measurements

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 15 - Fair Value Measurements (continued)

The following tables present information about the Credit Union's assets measured at fair value on a recurring basis at December 31, 2024 and 2023 and the valuation techniques used by the Credit Union to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
Marketable securities	$ 7,025,505	$ -	$ -	$ 7,025,505
Available-for-sale securities:				
U.S. government and federal agency obligations	-	208,875,187	-	208,875,187
Mortgage-backed securities — Residential	-	216,227,505	-	216,227,505
SBA loan pools	-	29,678,507	-	29,678,507
Other debt securities	-	20,031,065	-	20,031,065
Subordinated debt securities	-	7,665,000	-	7,665,000
Municipal bonds	-	34,953,680	-	34,953,680
Total available-for-sale securities	-	517,430,944	-	517,430,944
Total assets	$ 7,025,505	$ 517,430,944	$ -	$ 524,456,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 15 - Fair Value Measurements (continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Marketable securities	$ 7,122,514	$ -	$ -	$ 7,122,514
Available-for-sale securities:				
U.S. government and federal agency obligations	-	321,944,277	-	321,944,277
Mortgage-backed securities — Residential	-	134,321,742	-	134,321,742
SBA loan pools	-	30,027,001	-	30,027,001
Other debt securities	-	18,254,656	-	18,254,656
Subordinated debt	-	7,995,798	-	7,995,798
Total available-for-sale securities	-	512,543,474	-	512,543,474
Total assets	$ 7,122,514	$ 512,543,474	$ -	$ 519,665,988

The Credit Union also has assets that, under certain conditions, are subject to measurement at fair value on a nonrecurring basis. These assets include individually evaluated loans and foreclosed assets. The Credit Union has estimated the fair values of these assets based primarily on Level 3 inputs. Collateral dependent individually evaluated loans are generally valued using the fair value of collateral provided by third-party appraisals. These valuations include assumptions related to cash flow projections, discount rates, and recent comparable sales. Fair value of foreclosed assets is primarily based upon appraised value or management's estimate of the value. The numerical range of unobservable inputs for these valuation assumptions is not meaningful.

	Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
Collateral dependent individually evaluated loans	$ -	$ -	$ 7,156,799	$ 7,156,799
Foreclosed assets	-	-	360,365	360,365

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 15 - Fair Value Measurements (continued)

	Assets Measured at Fair Value on a Nonrecurring Basis at December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Collateral dependent individually evaluated loans	$ -	$ -	$ 5,585,654	$ 5,585,654
Foreclosed assets	-	-	329,803	329,803

Note 16 - Business Combinations

Gabriels Community Credit Union

On January 1, 2024, the Credit Union merged all of the assets and liabilities of Gabriels Community Credit Union into the Credit Union. The primary reason for the merger was the proximity of the branches acquired to current Credit Union members, as well as the potential growth opportunities. The assumed assets and liabilities were recorded at fair value. No consideration was paid in connection with the merger of Gabriels Community Credit Union.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 16 - Business Combinations (continued)

Algonquin State Bank

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

Note 16 - Business Combinations (continued)

McHenry Savings Bank

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

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

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

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