NORTHWEST FEDERAL CREDIT UNION
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NORTHWEST FEDERAL CREDIT UNION AND SUBSIDIARY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT

Supervisory Committee and Board of Directors
Northwest Federal Credit Union and Subsidiary
Herndon, Virginia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Northwest Federal Credit Union and Subsidiary, which comprise the consolidated statement of financial condition as of December 31, 2021, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northwest Federal Credit Union and Subsidiary as of December 31, 2021, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of NW Capital Management, LLC, a wholly owned subsidiary, which statements reflect total assets of approximately $63,783,000 as of December 31, 2021, and total revenues of approximately $20,833,000 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for NW Capital Management, LLC, is based solely on the report of the other auditors.

Basis for Opinion

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

Prior Period Consolidated Financial Statements

The consolidated financial statements of Northwest Federal Credit Union and Subsidiary as of and for the year ended December 31, 2020 were audited by other auditors whose report dated March 27, 2021, expressed an unmodified opinion on those statements.

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 Northwest Federal Credit Union and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northwest Federal Credit Union and Subsidiary'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 Northwest Federal Credit Union and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
April 18, 2022

NORTHWEST FEDERAL CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2021 AND 2020
IN THOUSANDS

	2021	2020
ASSETS		
Cash and Cash Equivalents	$ 321,775	$ 553,148
Investments:		
Equity Securities	73,915	31,934
Available-for-Sale	1,405,188	1,150,618
Other	20,138	23,533
Loans Held-for-Sale	113,719	121,703
Loans, Net	2,267,062	2,194,634
Accrued Interest Receivable	7,937	8,805
Property and Equipment, Net	50,447	52,571
NCUSIF Deposit	28,958	27,640
Other Assets	67,373	65,303
Total Assets	$ 4,356,512	$ 4,229,889
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Savings Accounts	$ 3,605,743	$ 3,425,241
Borrowed Funds	200,000	250,000
Accrued Expenses and Other Liabilities	106,965	111,853
Total Liabilities	3,912,708	3,787,094
MEMBERS' EQUITY		
Regular Reserves	18,008	18,008
Undivided Earnings	443,619	423,909
Accumulated Other Comprehensive (Loss) Income	(17,823)	878
Total Member's Equity	443,804	442,795
Total Liabilities and Members' Equity	$ 4,356,512	$ 4,229,889

See accompanying Notes to Consolidated Financial Statements.

NORTHWEST FEDERAL CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
IN THOUSANDS

	2021	2020
INTEREST INCOME		
Loans	$ 96,836	$ 124,603
Investments and Cash Equivalents	12,796	6,412
Total Interest Income	109,632	131,015
INTEREST EXPENSE		
Members' Share and Savings Accounts	16,665	26,274
Borrowed Funds	3,391	4,035
Total Interest Expense	20,056	30,309
Net Interest Income	89,576	100,706
PROVISION FOR LOAN LOSSES	2,707	7,599
Net Interest Income After Provision for Loan Losses	86,869	93,107
NONINTEREST INCOME		
Fees and Service Charges	6,002	7,138
Interchange Income, Net	9,636	7,892
Gain on Sale of Loans, Net	13,557	32,552
Gain (Loss) on Available-for-Sale Investments	456	(569)
Gain on Equity Securities, Net	1,174	1,500
Other Income	24,868	16,650
Total Noninterest Income	55,693	65,163
NONINTEREST EXPENSE		
Employee Compensation and Benefits	74,444	71,364
Operations and Occupancy	21,248	19,394
Advertising and Promotion	2,201	2,737
Loan Servicing	10,235	8,712
Legal and Professional Services	4,724	5,640
Education, Travel, and Officials	230	194
Other Expenses	9,770	9,142
Total Noninterest Expense	122,852	117,183
NET INCOME	$ 19,710	$ 41,087

See accompanying Notes to Consolidated Financial Statements.

NORTHWEST FEDERAL CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
IN THOUSANDS

	2021	2020
NET INCOME	$ 19,710	$ 41,087
OTHER COMPREHENSIVE (LOSS) INCOME		
Securities Available-for-Sale:		
Unrealized Holding (Losses) Gains During the Period	(18,245)	2,325
Reclassification for (Gains) Losses Included in Net Income	(456)	569
Total Other Comprehensive (Loss) Income	(18,701)	2,894
TOTAL COMPREHENSIVE INCOME	$ 1,009	$ 43,981

See accompanying Notes to Consolidated Financial Statements.

NORTHWEST FEDERAL CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2021 AND 2020
IN THOUSANDS

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE AT DECEMBER 31, 2019	$ 18,008	$ 382,822	$ (2,016)	$ 398,814
Net Income	-	41,087	-	41,087
Other Comprehensive Income	-	-	2,894	2,894
BALANCE AT DECEMBER 31, 2020	18,008	423,909	878	442,795
Net Income	-	19,710	-	19,710
Other Comprehensive Loss	-	-	(18,701)	(18,701)
BALANCE AT DECEMBER 31, 2021	$ 18,008	$ 443,619	$ (17,823)	$ 443,804

See accompanying Notes to Consolidated Financial Statements.

NORTHWEST FEDERAL CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020
IN THOUSANDS

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 19,710	$ 41,087
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Provision for Loan Losses	2,707	7,599
Depreciation and Amortization	6,090	6,012
Amortization of Premium on Investment Securities, Net	4,820	6,304
Fair Value Adjustment of Mortgage Servicing Rights	2,341	6,702
Capitalization of Mortgage Servicing Rights	(4,316)	(3,821)
(Gains) Losses on Sales of Available-for-Sale Investments	(456)	569
Net Gain on Equity Securities	(1,174)	(1,550)
Net Gain on Sales of Loans	(13,557)	(32,552)
Proceeds from Sale of Loans Held-for-Sale	568,048	1,097,836
Loans Originated for Sale	(546,507)	(1,155,771)
Net Change in:		
Accrued Interest Receivable	868	1,771
Other Assets	(95)	(24,948)
Accrued Expenses and Other Liabilities	(4,888)	29,952
Net Cash Provided (Used) by Operating Activities	33,591	(20,810)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Available-for-Sale Investments	(682,676)	(1,212,728)
Proceeds from Maturities, Sales, and Repayment of Available-for-Sale Investments	405,041	378,948
Purchases of Equity Security Investments	(53,345)	-
Proceeds from Sale of Equity Security Investments	12,538	12,981
Net Change in Other Investments	3,395	-
Loan (Originations) Repayments, Net of Principal Collected	(75,135)	683,222
Increase in NCUSIF Deposit	(1,318)	(2,211)
Purchases of Property and Equipment	(11,713)	(6,157)
Proceeds from Disposal of Property and Equipment	7,747	-
Net Cash Used by Investing Activities	(395,466)	(145,945)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowed Funds	-	150,000
Payments Made on Borrowed Funds	(50,000)	(25,000)
Net Change in Members' Share and Savings Accounts	180,502	432,592
Net Cash Provided by Financing Activities	130,502	557,592
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(231,373)	390,837
Cash and Cash Equivalents - Beginning of Year	553,148	162,311
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 321,775	$ 553,148
SUPPLEMENTARY DISCLOSURES OF NONCASH AND CASH FLOW INFORMATION		
Interest Paid on Members' Share and Savings Accounts	$ 16,665	$ 26,274
Interest Paid on Borrowed Funds	$ 3,391	$ 4,035

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Northwest Federal Credit Union (the Credit Union) is a cooperative association holding a corporate charter in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among and creating a source of credit for its members. The principal operations of the Credit Union are located in the Washington, D.C. metropolitan area. Participation in the Credit Union is limited to those individuals that qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union and its wholly owned its subsidiary, NW Capital Management, LLC, a Credit Union Service Organization (CUSO). The CUSO provides insurance and financial services to Credit Union members. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in Preparing Financial Statements

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of investment securities, and the fair value of mortgage servicing rights.

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic may impact various parts of the Credit Union's future operations and financial results, including additional loan loss reserves. Management believes the Credit Union is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 on future allowance for loan losses is difficult to reasonably estimate as these events are still developing.

Financial Instruments with Concentrations of Credit Risk

The Credit Union may be exposed to credit risk from a regional economic standpoint because a significant concentration of its borrowers work or reside in the Washington D.C. metropolitan area. The Credit Union continually monitors its operations, including the loan and investment portfolios, for potential impairment.

However, the loan portfolio is well diversified, and the Credit Union does not have significant concentrations of credit risk except direct and indirect vehicle and real estate loans which management monitors on an ongoing basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the consolidated statements of financial condition and the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from financial institutions, and highly liquid debt instruments classified as cash that were purchased with maturities of three months or less. Amounts due from financial institutions may, at times, exceed federally insured limits.

Equity Securities

Equity securities with readily determinable fair values are reported at fair value with changes in fair value included in Noninterest Income.

Securities

Debt securities are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in Other Comprehensive Income (Loss). Realized gains and losses on securities available-for-sale are included in Other Noninterest Income and, when applicable, are reported as a reclassification adjustment in Other Comprehensive Income (Loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

Declines in the fair value of individual available-for-sale debt securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have an impairment that is other-than-temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union’s intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more likely than not that the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to an event that is considered other-than-temporary is recorded as a loss in Noninterest Income.

The Credit Union did not record any other-than-temporary impairment during the years ended December 31, 2021 and 2020.

Other Investments

Other investments are carried at cost and are evaluated annually for impairment. In addition, the Credit Union has investments in various Credit Union Service Organizations. These investments are carried, as a practical expedient, at cost, less impairment, plus or minus changes resulting from observable price changes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made without recourse.

Loans, Net

The Credit Union grants consumer, residential real estate, and commercial loans to members. In addition, the Credit Union purchases participation loans originated by various other Credit Unions. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Union's field of membership.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at their outstanding unpaid principal balances, adjusted for an allowance for loan losses and net deferred origination costs. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

The accrual of interest income on loans, other than credit card loans, is discontinued at the time the loan is 90 days past due, unless the credit is well-secured and in the process of collection. Consumer loans are typically charged off no later than 180 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if the collection of principal and 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. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Direct loan origination costs are recognized in expense when incurred; however, real estate loan origination points and fees and dealer reserve fees are deferred over the average life of the loan as an adjustment to loan yield.

Allowance for Loan Losses

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature, and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, and prevailing economic conditions.

This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Credit Union's allowance for loan losses, and may require the Credit Union to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolio, the impact of current internal and external influences on credit loss and the levels of non-performing loans. Specific allowances for loan losses are established for impaired loans on an individual basis. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience (one year) and expected losses given default derived from the Credit Union's internal risk-rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

In response to the COVID-19 pandemic and related economic disruption to nonessential businesses and resulting increased unemployment, the Credit Union provided additional reserves in its allowance for loan losses to account for the credit quality implications of these economic factors. The qualitative factors were added based on the risk of the various loan types in the portfolio. As the full impact of the pandemic and related economic disruption are still developing, the actual COVID-19 related losses may be higher or lower than the reserves added.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

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

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

On March 27, 2020, the United States Congress passed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act provided relief from accounting requirements under U.S. GAAP wen modifying loans from borrowers impacted by COVID-19. In order to quality, the modification must be related to COVID-19, the loan must have been of current payment status as of December 31, 2019, and the modification must be granted prior to January 1, 2022. Under the CARES Act, these loan modifications are not considered to be TDRs.

The Credit Union has concluded that TDRs granted during the years ended December 31, 2021 and 2020 was insignificant for the consolidated financial statement disclosure.

The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Consumer: These loans are usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay. These loans generally possess a lower inherent risk of loss than commercial real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

The portfolio segments that are risk rated and their risk characteristics are described as follows:

Commercial: These loans generally possess a higher inherent risk of loss than residential real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

The Credit Union assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectibility of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Pass: A pass credit is a strong loan with no existing or known potential weaknesses deserving management's close attention.

Watch List: A Watch credit is a loan that otherwise meets the definition of a standard or minimum acceptable quality loan, but which requires more than normal attention due to any of the following items: deterioration of borrower financial condition less severe than those warranting more adverse grading, deterioration of repayment ability and/or collateral value, increased leverage, adverse effects from a downturn in the economy, local or market industry, adverse changes in local or regional employer, management changes (including illness, disability and death) and adverse legal action. Payments are current per the terms of the agreement. If conditions persist or worsen, a more severe risk grade may be warranted.

Special Mention: A Special Mention credit is a loan that has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in the deterioration of the repayment prospects for the loan or in the Credit Union's position at some future date. Special Mention credits are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Doubtful: Credits classified as Doubtful are loans that have all the weaknesses inherent in those classified as Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

Loss: Credits classified as Loss are loans considered uncollectible and charged-off upon receiving board approval.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) assets have been isolated from the Credit Union, (2) the transferee obtained the right (free of conditions that constrain it from taking advantage of that 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.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Loan Servicing

Servicing assets are recognized separately when servicing rights are acquired through purchase or through sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union measures servicing assets at fair value at each reporting date and reports changes in fair value of servicing assets into noninterest income in the period of which the change occurs.

Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as the market conditions and projected interest rates change and may have an adverse impact on the value of the servicing right and may result in reduction to noninterest income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Property and Equipment, Net

Land and construction in progress are carried at cost. Land includes amounts for grounds improvements depreciated using the straight-line method over an estimated useful life of 20 years. Building, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture and equipment are depreciated using 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 useful lives of the assets or the expected terms of the related leases. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

Impairment of Long-Lived Assets

The Credit Union tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

NCUSIF Deposit and Share Insurance Premium Assessments

The deposit in the NCUSIF is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one 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.

Members' Share and Savings Accounts

Members' share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members' share and savings accounts, except for interest on certificates of deposit which are set in advance, are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members' share and savings accounts are set by the board of directors, based on an evaluation of current and future market conditions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Equity

The Credit Union is required by regulation to maintain a statutory regular reserve. This reserve, which represents a regulatory restriction of retained earnings, is established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earnings. The statutory reserve is not available for the payment of dividends and interest.

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the members' equity section of the consolidated statements of financial condition. Reclassifications from accumulated other comprehensive (loss) income for realized gains (losses) on the sales of available-for-sale investments are reported as noninterest income on the consolidated statements of income.

Revenue From Contracts with Members

The Credit Union recognizes revenue in accordance with *Revenue from Contracts with Customers (Topic 606).* The Credit Union has elected to use the following optional exemptions that are permitted under the Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Credit Union recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Credit Union would have recognized is one year or less.

- For performance obligations satisfied over time, if the Credit Union has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Credit Union's performance completed to date, the Credit Union will generally recognize revenue in the amount to which the Credit Union has a right to invoice.

- The Credit Union does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Credit Union recognizes revenue in the amount to which the Credit Union has a right to invoice.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue From Contracts with Members (Continued)

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to noninterest income such as deposit related fees and interchange fees. Significant components of noninterest income considered to be within the scope of Topic 606 are discussed below.

Service Charges on Deposits

The Credit Union earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member’s request. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the member’s account balance.

Interchange Income, Net

When members use their debit and credit cards to pay merchants for goods or services, the Credit Union retains a fee from the funds collected from the related deposit account and transfers the remaining funds to the payment network for remittance to the merchant. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network. Interchange fees are recorded net of the related member rewards program costs.

Investment Advisory Fees

Revenue from investment advisory and financial planning services are paid by clients three months in advance and deferred and recognized as revenue over the subsequent three months from date of payment. The performance obligation is fulfilled at the end of each month as financial advisors perform their fiduciary responsibilities. Advisory revenues collected prior to when the performance obligation has been fulfilled are recorded as contract liabilities in the consolidated balance sheets.

Broker-Dealer Referral Fees

Commission fee revenue from the Company's securities broker-dealer operations consist of referral fees from LPL Financial, LLC and are recorded on a trade-date basis as that is when the performance obligation, which is the purchase or sale of securities to investors, is deemed to have been fulfilled, and normally settled within 30 days.

Title and Escrow Services

Revenue generated from the sale of title insurance policies consists of a commission on the sale of the policy as well as loan closing and processing fees, which are recorded upon the loan settlement. The Credit Union acts as a broker between the customer and the underwriter of the title insurance and the Credit Union has no future obligations to the customer. The closing and processing fees are a one-time cost paid by the customer upon settlement of the loan.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes. The income from the CUSOs, organized as single member LLCs, flows through to the Credit Union, and therefore are not subject to federal and state income taxes.

Advertising Costs

Advertising costs are expensed as incurred.

Retirement Plan

401(k) plan – The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who are eligible as to age and length of service. Participants are always 100% vested in the voluntary contributions. The Credit Union may make discretionary matching contributions equal to a uniform percentage of an employee's salary deferral and/or discretionary profit sharing contribution. Credit Union contributions vest at 33% after one year of service, 67% after two years of service and 100% after three years of service. During the years ended December 31, 2021 and 2020, the Credit Union contributed a matching contribution of up to 7% of employee compensation. The Credit Union's contributions to the plan approximated $3,004 and $2,804 for the years ended December 31, 2021 and 2020, respectively.

Life Insurance Policies

The Credit Union is the owner and substantial beneficiary of several life insurance policies. The policies are recorded at cash surrender value and are included in other assets on the consolidated statements of financial condition. Increases or decreases in cash surrender values (CSV) are included in other noninterest income on the consolidated statement of income.

Split Dollar Life Insurance

The Credit Union has made loans for life insurance premium payments to members of top management. The loans are collateralized by the assignment of the policy death benefits and cash values, of each respective life insurance policy. The policies are owned by the executives and the executives have the right to name the beneficiaries for amounts not secured by the assignments. The loans are considered non-recourse and as such, the Credit Union has recorded the balance as the lower of the outstanding loan balance, plus accrued interest, or the cash surrender value of the life insurance policies. The loan balance, including accrued interest, for the arrangements was $8,109 and $8,027 as of December 31, 2021 and 2020, respectively. The associated cash surrender value was $7,378 and $6,954 as of December 31, 2021 and 2020, respectively. The cash surrender value of the plans is included in Other Assets on the consolidated statements of financial condition. The difference represents the costs to the Credit Union associated with entering into this arrangement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Self-Insured Group Medical Insurance Plan

The Credit Union sponsors a self-insured group medical insurance plan. The plan is designed to provide a specified level of coverage, with stop-loss coverage provided by a commercial insurer in order to limit the Credit Union's exposure. The Credit Union's maximum claim exposure is limited to $150 per person per policy year. Substantially all of the Credit Union employees are enrolled in the plan at December 31, 2021 and 2020. Expenses associated with the plan totaled approximately $5,813 and $4,837 for the years ended December 31, 2021 and 2020, respectively. The Credit Union provides accruals based on the aggregate amount of the liability for reported claims and an estimated liability for claims incurred but not reported. At December 31, 2021 and 2020, Accrued Expenses and Other Liabilities includes an accrued liability related to this plan of $909 and $955, respectively.

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Union adopted the policy to value certain financial instruments at fair value. The Credit Union has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) approved Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial condition and disclosing key information about leasing arrangements. In June 2020, the FASB approved ASU 2020-5, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842)*. The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2020-05, ASU 2016-02 is effective for the Credit Union for the fiscal year beginning after December 15, 2021 and all interim period within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Credit Union is currently evaluating the impact of ASU 2016-02 on the consolidated financial statements.

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In November 2018, the FASB approved ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB approved ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2019-10, ASU 2016-13 is effective for the Credit Union for the fiscal year and all interim periods beginning after December 15, 2022. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Credit Union is currently evaluating the impact of ASU 2016-13 and ASU 2018-19 on the consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through April 18, 2022, the date the consolidated financial statements were available to be issued.

Reclassification of 2020 Data

Data in the 2020 consolidated financial statements has been reclassified to conform with the presentation of the 2021 consolidated financial statements. This reclassification did not result in any change to consolidated net income (loss) or members' equity.

IN THOUSANDS

NOTE 2 SECURITIES AND OTHER INVESTMENTS

Equity Securities

Equity securities are comprised of exchange traded funds and mutual fund investments. Such investments are recorded at fair value with changes in fair value reflected in income on investment securities. The fair values of equity securities as of December 31 are as follows:

	2021	2020
Exchange-Traded Funds	$ 7,241	$ 6,059
Mutual Funds	66,674	25,875
Total	$ 73,915	$ 31,934

The following table shows a reconciliation of realized and unrealized gains for the years ended December 31, 2021 and 2020:

	2021	2020
Net Gain Recognized During the Year on Equity Securities	$ 1,174	$ 1,500
Less: Net Realized (Gains) Losses on Sales of Equity Securities	219	(519)
Unrealized Gains Recognized During the Reporting Period on Equity Securities Still Held as of Dec 31	$ 1,393	$ 981

Available-for-Sale Investments

Investments classified as available-for-sale consist of the following:

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Obligations and Federal Agencies Securities	$ 43,649	$ 60	$ (352)	$ 43,357
SBA Loan Pools	35,072	8	(1,038)	34,042
Mortgage-Backed Securities	1,305,593	2,172	(19,003)	1,288,762
Municipal Bonds	24,269	3	(74)	24,198
Corporate Bonds	14,428	416	(15)	14,829
Total	$ 1,423,011	$ 2,659	$ (20,482)	$ 1,405,188

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Obligations and Federal Agencies Securities	$ 66,145	$ 103	$ -	$ 66,248
SBA Loan Pools	48,874	934	(265)	49,543
Mortgage-Backed Securities	973,203	3,991	(5,289)	971,905
Municipal Bonds	37,033	24	(11)	37,046
Corporate Bonds	24,485	1,392	(1)	25,876
Total	$ 1,149,740	$ 6,444	$ (5,566)	$ 1,150,618

IN THOUSANDS

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Available-for-Sale Investments (Continued)

Sales of securities available-for-sale resulted in gross gains of approximately $456 and $561 and gross losses of approximately $-0- and $1,130 during the years ended December 31, 2021 and 2020, respectively.

At December 31, 2021 and 2020, securities carried at approximately $1,143,367 and $548,405, respectively, were pledged as collateral to secure borrowed funds with the FHLB.

The Credit Union is generally restricted from investing in certain security types as defined in the NCUA Rules and Regulations under 12 CFR Sec 703. The Credit Union has invested in otherwise non-permissible securities for the purposes of benefit prefunding and charitable contributions in accordance with 12 CFR Sec 701.19(c) and Sec 721.3(2). All investments in mutual funds, equity securities, municipal bonds, and corporate bonds were acquired for the purposes of benefit prefunding and charitable contributions.

The amortized cost and fair value of securities available-for-sale at December 31, 2021 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
U.S. Government Obligations and Federal Agency Securities, Municipal Bonds and Corporate Bonds:		
Less than 1 Year Maturity	$ 14,578	$ 14,574
1 - 5 Years Maturity	67,768	67,810
Subtotal	82,346	82,384
SBA Loan Pools	35,072	34,042
Mortgage-Backed Securities	1,305,593	1,288,762
Total	$ 1,423,011	$ 1,405,188

IN THOUSANDS

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Available-for-Sale Investments (Continued)

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

	Fair Value Associated With Unrealized Losses Existing for:		Continuous Unrealized Losses Existing for:		
	Less Than 12 Months	More Than 12 Months	Less Than 12 Months	More Than 12 Months	Total Unrealized Losses
2021					
U.S. Government Obligations and Federal Agencies Securities	$ 33,297	$ -	$ (352)	$ -	$ (352)
SBA Loan Pools	33,177	-	(1,038)	-	(1,038)
Mortgage-Backed Securities	1,026,467	-	(19,003)	-	(19,003)
Municipal Bonds	18,107	-	(74)	-	(74)
Corporate Bonds	6,127	-	(15)	-	(15)
Total	$ 1,117,175	$ -	$ (20,482)	$ -	$ (20,482)
2020					
U.S. Government Obligations and Federal Agencies Securities	$ -	$ -	$ -	$ -	$ -
SBA Loan Pools	3,793	7,122	(23)	(242)	(265)
Mortgage-Backed Securities	663,287	802	(5,269)	(20)	(5,289)
Municipal Bonds	15,275	-	(11)	-	(11)
Corporate Bonds	408	-	(1)	-	(1)
Total	$ 682,763	$ 7,924	$ (5,304)	$ (262)	$ (5,566)

At December 31, 2021, the 371 securities with unrealized losses have depreciated 1.80% from the Credit Union's amortized cost basis. These unrealized losses are a result of expected fluctuations in the markets and relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As management has the intent and ability to hold securities until maturity or for the foreseeable future for those classified as available for sale, no declines are deemed to be other-than-temporary.

As management has the ability to hold securities until maturity or for the foreseeable future for those classified as available-for-sale, no declines are deemed to be other-than-temporary.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

IN THOUSANDS

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Other Investments

Other investments at December 31 are summarized as follows:

	2021	2020
Investments in CUSOs	$ 1,549	$ 1,234
FHLB Stock	9,615	13,864
Central Liquidity Facility Stock	8,974	8,435
Total	$ 20,138	$ 23,533

Investments in CUSOs

The Credit Union has noncontrolling equity ownership interest in other credit union service organizations (CUSOs). As a practical expedient, such investments are carried at cost, less impairment, plus or minus changes resulting from observable price changes.

FHLB Stock

The Credit Union has an investment in Federal Home Loan Bank (FHLB) stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and as such is not subject to investment security accounting treatment and is therefore reported at cost, subject to impairment.

Central Liquidity Facility Stock

The Credit Union is a member of the NCUA Central Liquidity Facility (Facility), which was formed to assist member credit unions in meeting their short-term liquidity needs. Membership is obtained through investment in shares of the Facility as determined by a statutory formula. As of December 31, 2021 and 2020, the Credit Union had not borrowed from the Facility.

IN THOUSANDS

NOTE 3 LOANS, NET

Loans, net consisted of the following at December 31:

	2021	2020
Consumer:		
New Indirect	$ 557,704	$ 339,715
Used Indirect	463,629	309,517
New Vehicle	77,705	86,131
Used Vehicle	152,054	136,546
Unsecured	53,450	67,325
Credit Cards	72,987	82,254
Other Secured	2,023	2,656
Total Consumer	1,379,552	1,024,144
Residential Real Estate:		
First Mortgages	620,017	841,868
Second Mortgages	37,102	50,657
Home Equity	89,050	101,050
Total Residential Real Estate	746,169	993,575
Commercial:		
Real Estate	47,686	61,487
Other	81,343	107,130
Purchased Participations	10,755	14,180
Total Commercial	139,784	182,797
Total Loans	2,265,505	2,200,516
Deferred Loan Costs (Fees)	14,832	9,162
Allowance for Loan Losses	(13,275)	(15,044)
Loans, Net	$ 2,267,062	$ 2,194,634

The Credit Union has purchased loan participations originated by various other financial institutions which are secured by commercial property and real estate. These loan participations were purchased without recourse and the originating financial institutions perform all loan servicing functions on these loans. The total purchased participation loans are included in the Purchased Participations segment above.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the Act) was signed to provide emergency assistance and health care response for individuals, families and businesses affected by the coronavirus pandemic. The Small Business Administration (SBA) received funding and authority through the Act to modify existing loan programs and establish a new loan program to assist small businesses nationwide adversely impacted by the COVID-19 emergency. Section 1102 of the Act temporarily permits SBA to guarantee 100 percent of 7(a) loans under a new program titled the “Paycheck Protection Program (PPP).” Section 1106 of the Act provides for forgiveness of up to the full principal amount of qualifying loans under the PPP. As of December 31, 2021 and 2020 outstanding SBA PPP balances were $47,803 and $96,868, which are included in Other business loans.

IN THOUSANDS

NOTE 3 LOANS, NET (CONTINUED)

Specific changes in the allowance for loan losses and recorded investment in loans by segment are as follows:

	Consumer	Residential Real Estate	Commercial	Total
December 31, 2021				
Allowance for Loan Losses:				
Beginning Balance	$ 13,147	$ 1,279	$ 618	$ 15,044
Provision (Credit) for Loan Losses	2,506	(444)	645	2,707
Charge-offs	(6,872)	(322)	(161)	(7,355)
Recoveries	2,532	190	157	2,879
Ending Balance	$ 11,313	$ 703	$ 1,259	$ 13,275
Ending Balance: Individually Evaluated for Impairment	$ 116	$ -	$ 921	$ 1,037
Ending Balance: Collectively Evaluated for Impairment	11,197	703	338	12,238
Ending Balance	$ 11,313	$ 703	$ 1,259	$ 13,275
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ 753	$ 3,705	$ 3,655	$ 8,113
Ending Balance: Collectively Evaluated for Impairment	1,378,799	742,464	136,129	2,257,392
Ending Balance	$ 1,379,552	$ 746,169	$ 139,784	$ 2,265,505

	Consumer	Residential Real Estate	Commercial	Total
December 31, 2020				
Allowance for Loan Losses:				
Beginning Balance	$ 17,629	$ 629	$ 1,727	$ 19,985
Provision (Credit) for Loan Losses	7,723	806	(930)	7,599
Charge-offs	(14,898)	(274)	(402)	(15,574)
Recoveries	2,693	118	223	3,034
Ending Balance	$ 13,147	$ 1,279	$ 618	$ 15,044
Ending Balance: Individually Evaluated for Impairment	$ 305	$ 104	$ 346	$ 755
Ending Balance: Collectively Evaluated for Impairment	12,842	1,175	272	14,289
Ending Balance	$ 13,147	$ 1,279	$ 618	$ 15,044
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ 727	$ 5,495	$ 452	$ 6,674
Ending Balance: Collectively Evaluated for Impairment	1,023,417	988,080	182,345	2,193,842
Ending Balance	$ 1,024,144	$ 993,575	$ 182,797	$ 2,200,516

IN THOUSANDS

NOTE 3 LOANS, NET (CONTINUED)

Commercial Credit Quality Indicators: As part of the on-going monitoring of the credit quality of the Credit Union's commercial loan portfolio, management tracks certain credit quality indicators including trends related to the risk ratings of commercial loans; the level of classified loans; net charge-offs; nonperforming loans; and the general economic conditions in the market area.

The following tables show the commercial loan portfolio segments allocated by management's internally assigned risk ratings:

	Real Estate	Other	Purchased Participations	Total
December 31, 2021				
Pass	$ 40,654	$ 81,297	$ 1,761	$ 123,712
Watch List	-	-	4,496	4,496
Special Mention	3,647	46	3,857	7,550
Substandard	-	-	641	641
Doubtful	2,794	-	-	2,794
Loss	591	-	-	591
Total	$ 47,686	$ 81,343	$ 10,755	$ 139,784
December 31, 2020				
Pass	$ 54,076	$ 107,130	$ 8,342	$ 169,548
Watch List	6,525	-	4,792	11,317
Special Mention	-	-	-	-
Substandard	627	-	1,046	1,673
Doubtful	259	-	-	259
Loss	-	-	-	-
Total	$ 61,487	$ 107,130	$ 14,180	$ 182,797

IN THOUSANDS

NOTE 3 LOANS, NET (CONTINUED)

The following tables show the classes within the Residential Real Estate and Consumer portfolio segments allocated by payment activity. Management tracks loan performance. When a loan becomes 90 days past due, it is classified as a nonperforming loan.

December 31, 2021	Performing	Nonperforming	Total
Consumer:			
New Indirect	$ 556,102	$ 1,602	$ 557,704
Used Indirect	462,509	1,120	463,629
New Vehicle	77,640	65	77,705
Used Vehicle	151,876	178	152,054
Unsecured	53,182	268	53,450
Credit Cards	72,987	-	72,987
Other Secured	2,023	-	2,023
Total Consumer	$ 1,376,319	$ 3,233	$ 1,379,552
Residential Real Estate:			
First Mortgages	$ 618,178	$ 1,839	$ 620,017
Second Mortgages	36,982	120	37,102
Home Equity	88,560	490	89,050
Total Residential Real Estate	$ 743,720	$ 2,449	$ 746,169

December 31, 2020	Performing	Nonperforming	Total
Consumer:			
New Indirect	$ 336,475	$ 3,240	$ 339,715
Used Indirect	307,149	2,368	309,517
New Vehicle	86,131	-	86,131
Used Vehicle	136,324	222	136,546
Unsecured	67,013	312	67,325
Credit Cards	82,044	210	82,254
Other Secured	2,656	-	2,656
Total consumer	$ 1,017,792	$ 6,352	$ 1,024,144
Residential Real Estate:			
First Mortgages	$ 840,148	$ 1,720	$ 841,868
Second Mortgages	50,621	36	50,657
Home Equity	100,629	421	101,050
Total Residential Real Estate	$ 991,398	$ 2,177	$ 993,575

IN THOUSANDS

NOTE 3 LOANS, NET (CONTINUED)

Information concerning impaired loans as of December 31, 2021 and 2020 is as follows:

	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
December 31, 2021			
With No Specific Reserve Recorded:			
Consumer:			
New Indirect	$ 202	$ -	$ 101
Used Indirect	145	-	73
Used Vehicle	76	-	62
Unsecured	78	-	79
Residential Real Estate:			
First Mortgages	2,857	-	3,282
Second Mortgages	273	-	254
Home Equity	575	-	469
Commercial:			
Real Estate	2,648	-	1,324
Purchased Participations	32	-	39
With Specific Reserve Recorded:			
Consumer:			
New Indirect	166	30	235
Unsecured	86	86	88
Commercial:			
Real Estate	839	785	550
Other	136	136	47
Total by Segment			
Consumer	$ 753	$ 116	$ 638
Residential Real Estate	3,705	-	4,005
Commercial	3,655	921	1,960
Total	$ 8,113	$ 1,037	$ 6,603

IN THOUSANDS

NOTE 3 LOANS, NET (CONTINUED)

	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
December 31, 2020			
With No Specific Reserve Recorded:			
Consumer:			
Used Vehicle	$ 48	$ -	$ -
Unsecured	80	-	-
Residential Real Estate:			
First Mortgages	3,706	-	-
Second Mortgages	234	-	-
Home Equity	363	-	-
Commercial:			
Purchased Participations	46	-	-
With Specific Reserve Recorded:			
Consumer:			
New Indirect	304	130	687
Used Indirect	205	85	182
Unsecured	90	90	579
Residential Real Estate:			
First Mortgages	1,099	71	1,616
Second Mortgages	93	33	234
Commercial:			
Real Estate	65	5	146
Purchased Participations	341	341	879
Total by Segment			
Consumer	$ 727	$ 305	$ 1,448
Residential Real Estate	5,495	104	1,850
Commercial	452	346	1,025
Total	$ 6,674	$ 755	$ 4,323

Interest income recognized on impaired loans was not significant during the years ended December 31, 2021 and 2020. In addition, the recorded investment approximates the unpaid principal balance as of December 31, 2021 and 2020.

IN THOUSANDS

NOTE 3 LOANS, NET (CONTINUED)

The following tables show an aging analysis of the loan portfolio by time past due:

	Accruing Interest			Nonaccrual	
December 31, 2021	Current	30-59 Days	60-89 Days	Greater Than 90 Days	Total Loans
Consumer:					
New Indirect	$ 549,019	$ 5,436	$ 1,647	$ 1,602	$ 557,704
Used Indirect	456,236	4,758	1,515	1,120	463,629
New Vehicle	77,449	151	40	65	77,705
Used Vehicle	151,299	423	154	178	152,054
Unsecured	52,412	520	250	268	53,450
Credit Cards	72,337	467	183	-	72,987
Other Secured	2,023	-	-	-	2,023
Total Consumer	1,360,775	11,755	3,789	3,233	1,379,552
Residential Real Estate:					
First Mortgages	615,863	854	1,461	1,839	620,017
Second Mortgages	36,908	63	11	120	37,102
Home Equity	88,155	116	289	490	89,050
Total Residential Real Estate	740,926	1,033	1,761	2,449	746,169
Commercial:					
Real Estate	47,667	-	-	19	47,686
Other	77,958	-	-	3,385	81,343
Purchased Participations	10,755	-	-	-	10,755
Total Commercial	136,380	-	-	3,404	139,784
Total	$ 2,238,081	$ 12,788	$ 5,550	$ 9,086	$ 2,265,505

	Accruing Interest			Nonaccrual	
December 31, 2020	Current	30-59 Days	60-89 Days	Greater Than 90 Days	Total Loans
Consumer:					
New Indirect	$ 326,432	$ 8,107	$ 1,936	$ 3,240	$ 339,715
Used Indirect	298,812	6,403	1,934	2,368	309,517
New Vehicle	85,957	153	21	-	86,131
Used Vehicle	135,633	544	147	222	136,546
Unsecured	66,067	634	312	312	67,325
Credit Cards	81,530	402	112	210	82,254
Other Secured	2,656	-	-	-	2,656
Total Consumer	997,087	16,243	4,462	6,352	1,024,144
Residential Real Estate:					
First Mortgages	833,986	5,462	700	1,720	841,868
Second Mortgages	49,769	717	135	36	50,657
Home Equity	99,697	810	122	421	101,050
Total Residential Real Estate	983,452	6,989	957	2,177	993,575
Commercial:					
Real Estate	60,593	272	-	622	61,487
Other	107,130	-	-	-	107,130
Purchased Participations	14,025	-	155	-	14,180
Total Commercial	181,748	272	155	622	182,797
Total	$ 2,162,287	$ 23,504	$ 5,574	$ 9,151	$ 2,200,516

IN THOUSANDS

NOTE 3 LOANS, NET (CONTINUED)

The Credit Union's portfolio also includes certain loans with deferments that have been modified in connection with COVID-19. A summary of modified loans in connection with COVID-19 not categorized as troubled debt restructurings are as follows:

	Modified During the Year Ended December 31, 2021		Still Under Modification at December 31, 2021	
Consumer	178	$ 3,159	-	$ -
Residential	96	24,054	9	2,989
Commercial	-	-	-	-
Total	274	$ 27,213	9	$ 2,989

	Modified During the Year Ended December 31, 2020		Still Under Modification at December 31, 2020	
Consumer	3,220	$ 69,560	468	$ 10,408
Residential	159	33,714	67	19,992
Commercial	40	42,762	3	5,638
Total	3,419	$ 146,036	538	$ 36,038

NOTE 4 LOAN SERVICING

The Credit Union services loans for various other entities and the total unpaid principal balance of loans serviced were $1,569,511 and $1,444,794 as of December 31, 2021 and 2020, respectively.

Custodial funds in escrow represent member payments for principal and interest, as well as for taxes and insurance. These amounts are held in escrow, with a corresponding liability recorded until the date that such funds are released by the Credit Union for their intended purpose. As of December 31, 2021 and 2020, the Credit Union held $6,690 and $6,916, respectively, in escrow related to the loans serviced for FNMA.

A summary of the changes in the balance of mortgage servicing rights included in other assets in the consolidated statements of financial condition in 2021 and 2020 are as follows:

	2021	2020
Balance, Beginning of Year	$ 9,873	$ 12,754
Servicing Assets Capitalized	4,316	3,821
Fair Value Adjustment	(2,341)	(6,702)
Balance, End of Year	$ 11,848	$ 9,873

IN THOUSANDS

NOTE 5 PROPERTY AND EQUIPMENT, NET

Property and equipment, net at December 31 is summarized as follows:

	2021	2020
Land	$ 17,447	17,447
Buildings	40,560	40,560
Leasehold Improvements	19,439	18,733
Computer Equipment	24,633	26,032
Furniture and Equipment	6,179	5,701
Subtotal	108,258	108,473
Accumulated Depreciation and Amortization	(57,811)	(55,902)
Total	$ 50,447	$ 52,571

The Credit Union has entered into noncancelable operating leases for office space for several branch locations. Minimum lease payments under noncancelable operating leases with initial or remaining terms of one year or more at December 31 are as follows:

Year Ended December 31,	Amount
2022	$ 927
2023	864
2024	803
2025	429
2026	441
Thereafter	1,522
Total	$ 4,986

The Credit Union has leased office space at its main office location under a noncancellable operating lease. Rental income under the operating leases, included in noninterest income, were $1,370 and $1,285 for the years ended December 31, 2021 and 2020, respectively.

IN THOUSANDS

NOTE 6 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts at December 31 are summarized as follows:

	2021	2020
Share Draft Accounts	$ 834,755	$ 761,015
Shares and Equivalents	851,563	726,126
Money Market Accounts	1,278,357	1,054,200
Individual Retirement Accounts (IRA) Shares	61,035	58,602
Share and IRA Certificates of Deposit	580,033	825,298
Total	$ 3,605,743	$ 3,425,241

Share and IRA certificates by maturity are summarized as follows:

	2021
0 - 1 Year	$ 348,614
1 - 2 Years	166,930
2 - 3 Years	41,214
3 - 4 Years	12,113
4 - 5 Years	11,162
Total	$ 580,033

The NCUSIF insures members' accounts and individual retirement accounts up to $250.

The aggregate amount of certificates of deposit in denominations of $250 or more was $166,324 and $299,149 at December 31, 2021 and 2020, respectively.

NOTE 7 BORROWED FUNDS

As of December 31, 2021 and 2020, in aggregate, the Credit Union maintained $75,000 and $75,000, respectively, in unsecured line of credit agreements with various institutions, and are secured by a blanket security interest in the Credit Union's investment portfolio. No amounts were outstanding on these line of credit agreements as of December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Credit Union had access to a pre-approved line of credit for $879,007 and $769,898, respectively, from the FHLB, secured by specific investment securities totaling approximately $1,079,007 and $2,485,037, respectively. As of December 31, 2021 and 2020, the Credit Union has advanced $200,000 and $250,000, respectively, under the terms of this agreement. The notes carry fixed interest rates between 0.49% and 3.02%. In addition, some of the advances are convertible and may be required to be repaid at predetermined dates prior to the stated maturity date of the advance.

IN THOUSANDS

NOTE 7 BORROWED FUNDS (CONTINUED)

The notes mature as follows:

	2021	2020
2021	$ -	$ 25,000
2022	50,000	50,000
2023	-	-
2024	-	-
2025	25,000	25,000
Thereafter	125,000	150,000
Total	$ 200,000	$ 250,000

NOTE 8 COMMITMENTS AND CONTINGENT LIABILITIES

Off-Consolidated Statement of Financial Condition Activities

The Credit Union is party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit, which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

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 those loans recorded in the consolidated financial statements.

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. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained to secure borrowing on the lines of credit is based on management's credit evaluation of the member. Collateral held varies but may include consumer assets, residential real estate, and member share balances.

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

IN THOUSANDS

NOTE 8 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Off-Consolidated Statement of Financial Condition Activities (Continued)

Unfunded loan commitments at December 31 are summarized as follows:

	2021	2020
Credit Card	$ 292,387	$ 379,628
Commercial	-	7,113
Home Equity	136,791	139,463
Overdraft Protection	25,034	-
Other Consumer	58,814	57,779
Total	$ 513,026	$ 583,983

At December 31, 2021 and 2020, the Credit Union had first mortgage loans in the amount of $44,784 and 99,359, respectively, which had been approved but not yet disbursed.

Legal Contingencies

The Credit Union is a party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of the Credit Union.

NOTE 9 REGULATORY NET WORTH REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the 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 consolidated 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 the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under GAAP. The Credit Union's capital amounts and 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 ratios (set forth in the table below) of net worth to total assets (as defined by the regulation). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio as of December 31, 2021, the most recent quarterly regulatory filing date, was 5.94%. The minimum ratio to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2021, that the Credit Union meets all capital adequacy requirements to which it is subject.

IN THOUSANDS

NOTE 9 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

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

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows:

	December 31, 2021		December 31, 2020	
Asset Category	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
Amount Needed to be Classified as "Adequately Capitalized"	$ 261,391	6.00%	$ 253,793	6.00%
Amount Needed to be Classified as "Well Capitalized"	304,956	7.00%	296,092	7.00%
Actual Net Worth	461,627	10.60%	441,917	10.45%

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

NOTE 10 RELATED-PARTY TRANSACTIONS

The majority of employees and all members of the Board of Directors and the Supervisory Committee have member accounts at the Credit Union, including share, deposit and loan accounts. The terms of transactions involving these accounts, such as interest and dividend rates, are comparable to other members.

In the normal course of business, the Credit Union extends credit to directors, supervisory committee members, and executive officers. The aggregate loans to related parties at December 31, 2021 and 2020 are $15,604 and $16,574, respectively. The aggregate principal advances and principal repayments are not significant.

IN THOUSANDS

NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
December 31, 2021				
Equity Securities	$ 73,915	$ -	$ -	$ 73,915
Available-for-Sale	-	1,405,188	-	1,405,188
Mortgage Servicing Rights	-	-	11,848	11,848
Total	$ 73,915	$ 1,405,188	$ 11,848	$ 1,490,951
December 31, 2020				
Equity Securities	$ 31,934	$ -	$ -	$ 31,934
Available-for-Sale	-	1,150,618	-	1,150,618
Mortgage Servicing Rights	-	-	9,873	9,873
Total	$ 31,934	$ 1,150,618	$ 9,873	$ 1,192,425

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as evidence of impairment or a change in the amount of previously recognized impairment.

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended December 31, 2021 and 2020 consisted of the following:

	Carrying Value			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Loss
December 31, 2021				
Impaired Loans	$ -	$ -	$ 190	$ (1,037)
December 31, 2020				
Impaired Loans	$ -	$ -	$ 1,442	$ (755)

IN THOUSANDS

NOTE 11 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Nonrecurring Basis (Continued)

The Level 3 fair values were determined by estimating the value of the underlying collateral, less selling expenses.

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

NOTE 12 REVENUE FROM CONTRACTS WITH MEMBERS

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the year ended December 31:

	2021	2020
In Scope of ASC 606:		
Services Charges on Deposits	$ 5,603	$ 6,449
Interchange Income, Net	9,636	7,892
Investment Advisory Fees	16,725	13,108
Broker-Dealer Referral Fees	1,403	1,260
Title and Escrow Services	1,889	1,923
Other	1,355	1,361
Noninterest Income in Scope of ASC 606	36,611	31,993
Noninterest Income Not Within the Scope of ASC 606 (a)	19,144	33,170
Total Noninterest Income	$ 55,755	$ 65,163

(a) This revenue is not within the scope of ASC 606, and includes fees related to loan servicing fees, gain on sale of mortgages, and credit card fees.

IN THOUSANDS

NOTE 13 NAMING RIGHTS AGREEMENT

In 2019, the Credit Union entered into an agreement with the Northern Virginia Science Center Foundation (doing business as Children's Science Center) to purchase the naming rights of a science center which is anticipated to be opened in 2024. The Credit Union will retain the naming rights for 99 years. In accordance with GAAP, the Credit Union has recorded these expenses as prepaid marketing expenses, included in Other Assets on the consolidated statements of financial condition. The Credit Union will amortize these expenses ratably over a period of time determined at the date of opening. As of December 31, 2021 and 2020, the Credit Union had prepaid marketing expenses of $5,000 and $2,500, respectively.

The remaining contractual payments under this agreement as of December 31, 2021 are as follows:

Year Ended December 31,	Amount
2022	$ 2,500
2023	2,500
Total	$ 5,000