Benchmark
Federal Credit Union
Financial Solutions for Life's Benchmarks

Financial Statements

December 31, 2020 and 2019

rkl LLP
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December 31, 2020 and 2019

Independent Auditor's Report

To the Supervisory Committee
Benchmark Federal Credit Union
West Chester, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Benchmark Federal Credit Union, which comprise the statement of financial condition as of December 31, 2020 and 2019, and the related statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Benchmark Federal Credit Union as of December 31, 2020 and 2019, 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.

RKL LLP

March 29, 2021
Exton, Pennsylvania

Benchmark Federal Credit Union

Statement of Financial Condition

	December 31, 2020	December 31, 2019
Assets		
Cash and Cash Equivalents	**$ 1,306,247**	$ 708,590
Interest Bearing Accounts	**50,289,441**	40,862,589
Securities Available for Sale	**21,009,710**	12,524,372
Loans to Members		
Consumer loans	**158,800,096**	159,886,635
Commercial loans	**5,748,986**	794,095
	164,549,082	160,680,730
Allowance for loan losses	**(1,359,313)**	(1,189,006)
Loans to Members, Net	**163,189,769**	159,491,724
Accrued Interest Receivable	**675,227**	652,522
Property, Equipment, and Leasehold Improvements, Net	**1,515,593**	1,773,853
NCUSIF Deposit	**1,841,766**	1,717,860
FHLB Stock, at Cost	**95,100**	-
Prepaid Expenses and Other Assets	**2,731,514**	1,853,957
Total Assets	**$ 242,654,367**	$ 219,585,467
Liabilities and Members' Equity		
Liabilities		
Members' shares and savings accounts	**$ 213,301,213**	$ 190,544,567
Accounts payable and accrued expenses	**280,094**	213,290
Total Liabilities	**213,581,307**	190,757,857
Members' Equity		
Regular reserve fund	**4,954,900**	4,954,900
Undivided earnings	**24,134,203**	23,901,686
Accumulated other comprehensive loss	**(16,043)**	(28,976)
Total Members' Equity	**29,073,060**	28,827,610
Total Liabilities and Members' Equity	**$ 242,654,367**	$ 219,585,467

See accompanying notes.

Benchmark Federal Credit Union

Statement of Income

	Years Ended December 31, 2020	2019
Interest Income		
Interest on loans	**$ 6,775,263**	$ 7,296,550
Interest on investment securities and interest bearing accounts	**982,680**	1,195,597
Total Interest Income	**7,757,943**	8,492,147
Interest Expense		
Dividends on members' shares and savings accounts	**1,343,474**	1,445,914
Interest on borrowed funds	**-**	301
Total Interest Expense	**1,343,474**	1,446,215
Net Interest Income	**6,414,469**	7,045,932
Provision for Possible Loan Losses	**390,000**	542,246
Net Interest Income after Provision for Possible Loan Losses	**6,024,469**	6,503,686
Noninterest Income		
Service fees	**199,165**	293,279
Loss on sale of investments	**-**	(1,750)
Other	**879,777**	942,916
Total Noninterest Income	**1,078,942**	1,234,445
Noninterest Expenses		
Employee compensation and benefits	**3,620,106**	3,835,725
Travel and conference	**17,735**	87,971
Office occupancy	**461,295**	469,018
Office operations	**1,435,552**	1,572,347
Educational and promotional	**258,500**	391,700
Loan servicing	**820,601**	1,054,021
Professional and outside services	**154,785**	184,538
Operating fees	**59,843**	58,035
Miscellaneous	**42,477**	57,442
Total Noninterest Expenses	**6,870,894**	7,710,797
Net Income	**$ 232,517**	$ 27,334

See accompanying notes.

Benchmark Federal Credit Union

Statement of Comprehensive Income

	Years Ended December 31, 2020	2019
Net Income	**$ 232,517**	$ 27,334
Other Comprehensive Income		
Unrealized holding gains on securities arising during period	**12,933**	154,402
Reclassification adjustment for losses included in net income	**-**	1,750
Other Comprehensive Income	**12,933**	156,152
Comprehensive Income	**$ 245,450**	$ 183,486

See accompanying notes.

Benchmark Federal Credit Union

Statement of Members' Equity

	Restricted, Regular Reserve Fund	Unrestricted, Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2019	$ 4,954,900	$ 23,874,352	$ (185,128)	$ 28,644,124
Net income	-	27,334	-	27,334
Other comprehensive income	-	-	156,152	156,152
Balance at December 31, 2019	4,954,900	23,901,686	(28,976)	28,827,610
Net income	**-**	**232,517**	**-**	**232,517**
Other comprehensive income	**-**	**-**	**12,933**	**12,933**
Balance at December 31, 2020	**$ 4,954,900**	**$ 24,134,203**	**$ (16,043)**	**$ 29,073,060**

See accompanying notes.

	Years Ended December 31, 2020	2019
Cash Flows from Operating Activities		
Net income	**$ 232,517**	$ 27,334
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	**330,587**	376,306
Amortization of securities premiums (discounts), net	**54,525**	10,197
Loss from sales of securities available for sale	**-**	1,750
Provision for possible loan losses	**390,000**	542,246
(Increase) decrease in assets		
Accrued interest receivable	**(22,705)**	(80,314)
Prepaid expenses and other assets	**(877,557)**	(716,538)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**66,804**	37,013
Net Cash Provided by Operating Activities	**174,171**	197,994
Cash Flows from Investing Activities		
Proceeds from calls, sales, maturities, and repayments of available for sale investments	**10,067,597**	3,425,226
Purchase of securities available for sale	**(18,594,527)**	(11,129,954)
Purchase of FHLB stock	**(95,100)**	-
Net (increase) decrease in interest bearing accounts	**(9,426,852)**	1,746,520
Net (increase) decrease in loans to members	**(4,088,045)**	1,350,588
Net increase in NCUSIF deposit	**(123,906)**	(24,489)
Expenditures for equipment	**(72,327)**	(50,364)
Net Cash Used in Investing Activities	**(22,333,160)**	(4,682,473)
Cash Flows from Financing Activities		
Net increase in members' shares and savings account	**22,756,646**	4,639,828
Net Cash Provided by Financing Activities	**22,756,646**	4,639,828
Net Increase in Cash and Cash Equivalents	**597,657**	155,349
Cash and Cash Equivalents at Beginning of Year	**708,590**	553,241
Cash and Cash Equivalents at End of Year	**$ 1,306,247**	$ 708,590
Supplemental Disclosures of Cash Flow Information		
Dividends credited to members' shares and savings accounts	**$ 1,343,474**	$ 1,445,914
Interest on borrowed funds	**$ -**	$ 301

See accompanying notes.

Note 1 - Organization

Benchmark Federal Credit Union (the Credit Union) is a federally chartered cooperative association headquartered in West Chester, Pennsylvania, organized 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.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Financial Statement Presentation and Accounting Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the statement of financial condition, and the reported amounts of income and expenses for the period. Actual results could differ from those estimates.

Presentation of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, including items in the process of clearing. All Vizo Financial Corporate Credit Union (Vizo) accounts are categorized as interest bearing accounts. Cash flows from loans to members originated by the Credit Union, interest bearing accounts, and members' shares and savings accounts are reported net.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff, are stated at the outstanding unpaid principal balances, net of any deferred fees. Interest income is accrued on the unpaid principal balance. The Credit Union is generally amortizing these amounts over the contractual life of the loan.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or when management has serious doubts about further collectibility of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectibility of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectibility of the total contractual principal and interest is no longer in doubt. Consumer and residential real estate loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loans.

Note 2 - Summary of Significant Accounting Policies (continued)

Loan Origination Fees and Costs

First mortgage loan origination fees received are deferred and amortized primarily over the lesser of the term of the loan using the straight-line method. This method does not result in a materially different amortization than that computed by the level-yield method. In the event that related loans are sold or paid off, such deferred loan origination fees are recognized as income in the period of sale or payoff.

Student loan origination fees and costs are deferred and accreted over a 120-month period using the straight-line method. The straight-line method does not result in a materially different accretion than that computed by the level-yield method.

The Credit Union has not adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 310, relating to certain direct consumer loan origination and commitment fees, and certain direct consumer loan origination costs, since the applicable portions of the ASC do not have a material effect on the Credit Union's financial statements.

Allowance for Loan Losses

The allowance for loan losses (ALL) is established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the ALL and subsequent recoveries, if any, are credited to the ALL.

The ALL is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on the Credit Union's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions, and other relevant factors. This evaluation is inherently subjective, as it requires material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans.

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. Determination of impairment is treated the same across all classes of loans.

Note 2 - Summary of Significant Accounting Policies (continued)

Allowance for Loan Losses (continued)

The Credit Union's allowance for possible loan losses consists of three elements: (1) specific valuation allowances established for probable losses on specific loans, (2) historical valuation allowances calculated based on historical loan loss experience for similar loans with similar characteristic and trends, adjusted as necessary to reflect the impact of current conditions, and (3) unallocated general valuation allowances determined based on general economic conditions and other qualitative risk factors, both internal and external, to the Credit Union.

Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a borrower's financial difficulties, management may grant a concession for other than an insignificant period of time to the borrower that would not otherwise be considered, the related loan is classified as a troubled debt restructuring (TDR). Management strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance, and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where borrowers are granted new terms that provide for a reduction of either interest or principal, management measures any impairment on the restructuring, as noted above, for impaired loans.

In addition to the allowance for the pooled portfolios, management has developed a separate allowance for loans that are identified as impaired through a TDR. These loans are excluded from pooled loss forecasts and a separate reserve is provided under the accounting guidance for loan impairment. Consumer loans whose terms have been modified in a TDR are also individually analyzed for estimated impairment.

Securities Available for Sale

Securities classified as available for sale are those debt and equity securities that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Credit Union's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available for sale are carried at fair value. Unrealized gains and losses are reported as increases and decreases, net, in members' equity. Realized gains or losses on the sale of these securities, determined on the basis of the cost of specific securities sold, are included in earnings.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from the foreclosed assets.

Note 2 - Summary of Significant Accounting Policies (continued)

Property, Equipment, and Leasehold Improvements

Property, equipment, and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Depreciation of building and improvements is computed on the straight-line method over estimated useful lives from 20 to 39 years. Depreciation of equipment is computed on the straight-line method over estimated useful lives from 1 to 10 years.

Improvements to leased property are amortized over the lesser of the life of the lease or lives of the improvements.

Maintenance and repairs of property, equipment, and leasehold improvements are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property, equipment, and leasehold improvements, the cost and accumulated depreciation or amortization are eliminated from the accounts, and gain or loss is included in operations. Management reviews property, equipment, and leasehold improvements whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Revenue Recognition

Effective January 1, 2019, the Credit Union adopted ASC Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, using the modified retrospective method applied to all open contracts as of January 1, 2019 with no impact on its financial statements. This update established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle prescribed by this standard update is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The sources of revenue for the Credit Union are interest income from loans and investments, net of interest expense on deposits and borrowings, and noninterest income. Noninterest income is earned from various banking and financial services that the Credit Union offers. Revenue is recognized as earned based on contractual terms, as transactions occur, or as services are provided. The following is further detail of the various types of revenue the Credit Union earns and when it is recognized:

Interest Income - Interest income is recognized on an accrual basis according to loan agreements, securities contracts, or other such written contracts.

Deposit Fees - Consist of cash management, overdraft, nonsufficient fund fees, and other service charges on deposit accounts. Revenue is primarily transactional and recognized when earned, at the time the transactions occur.

Card Fees - Consist of interchange fees on debit and credit cards. These fees are primarily transactional, and revenue is recognized when transactions occur.

Other Service Charges and Fees - Consist of branch fees and various general fees. These fees are primarily transactional and revenue is recognized when transactions occur.

Note 2 - Summary of Significant Accounting Policies (continued)

Employee Benefits

The Credit Union sponsors a 401(k) savings plan for those employees who meet the eligibility requirements and elect to participate. As provided in the plan, participants may contribute up to a specified percentage of their gross wages to the plan.

Income Tax Matters

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

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Credit Union, including whether the Credit Union is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Credit Union had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Credit Union is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years ending before December 31, 2017.

Advertising Costs

Advertising costs are expensed as incurred. The Credit Union incurred advertising costs of $231,000 and $383,900 for the years ended December 31, 2020 and 2019, respectively.

Note 3 - Loans to Members, Net

A summary of loans outstanding, by primary collateral, at the end of the reporting periods is as follows:

	December 31, 2020	December 31, 2019
Commercial real estate	**$ 5,748,986**	$ 794,095
Residential real estate		
First mortgages	**102,770,931**	93,730,699
Home equities	**17,758,317**	17,048,294
	120,529,248	110,778,993
Consumer		
Secured	**24,087,917**	32,880,841
Unsecured	**2,251,965**	2,772,863
Credit cards	**9,567,549**	10,902,749
Education	**2,363,417**	2,551,189
	38,270,848	49,107,642
Gross loans	**164,549,082**	160,680,730
Allowance for loan losses	**(1,359,313)**	(1,189,006)
Net loans	**$ 163,189,769**	$ 159,491,724
Included in the loan balances are the following		
Net unamortized deferred loan costs	**$ 330,882**	$ 146,314
Loans pledged as collateral for borrowings and commitments from Vizo line of credit	**$ 158,574,388**	$ 154,192,704

The Credit Union assigns, transfers, sets over, pledges, and grants to Vizo a security interest in the Credit Union's loan portfolio, including but not limited to present and future loans and accounts receivable from its members, including proceeds of insurance and security interests, and leases and similar contract rights payable to the Credit Union as part of its lending program. This grant of security interest is applicable to any and all loans made by Vizo to the Credit Union from time to time. Total borrowings were $-0- at December 31, 2020 and 2019.

Note 3 - Loans to Members, Net (continued)

The Credit Union has purchased loan participations originated by other institutions, which are secured by vehicles or real estate to members of these institutions. The loan participations were purchased without recourse and the originating institution performs all loan servicing functions on these loans. Loan participations included in consumer-secured totaled $2,863,180 and $5,693,931 at December 31, 2020 and 2019, respectively. Loan participations included in commercial real estate totaled $5,240,376 and $794,095 at December 31, 2020 and 2019, respectively.

Note 4 - Loan Quality

Management performs a monthly evaluation of the adequacy of the ALL. Consideration is given to a variety of factors in establishing this estimate, including but not limited to, current economic conditions, diversification of the loan portfolio, delinquency statistics, results of internal loan reviews, borrowers' actual or perceived financial and managerial strengths, the adequacy of the underlying collateral (if collateral dependent), and other relevant factors. It is management's general practice to obtain a new appraisal or asset valuation for any loan that it has rated as substandard or higher, including nonaccrual. Management, at its discretion, may determine that additional adjustments to the appraisal or valuation are required. Valuation adjustments will be made as necessary based on other factors, including but not limited to, the economy, deferred maintenance, industry, type of property and equipment, etc., and the knowledge management has about a particular situation. In addition, the cost to sell or liquidate the collateral is also estimated when determining the realizable value to the Credit Union.

Certain factors involved in the evaluation are inherently subjective, as they require material estimates that may be susceptible to significant change, including the amounts and timing of future cash flows expected to be received on impaired loans.

For the purposes of calculating the ALL, the Credit Union segregates its loan portfolio into the following segments based primarily on the type of supporting collateral: commercial real estate, residential real estate, and consumer. The residential real estate segment is further segregated by first mortgage loans and home equity products. The consumer segment is further segregated by secured, unsecured, credit cards, and education loans.

The analysis for determining the ALL is consistent with guidance set forth in generally accepted accounting principles and the Interagency Policy Statement on the Allowance for Loan and Lease Losses. The analysis has two components, specific and general allocations. The specific component addresses specific reserves established for impaired loans. A loan is considered to be impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all interest and principal payments due according to the originally contracted terms of the loan agreement. Expected cash flow or collateral values discounted for market conditions and selling costs are used to establish specific allocations.

Note 4 - Loan Quality (continued)

The general component addresses the reserves established for pools of homogenous loans, including primarily nonclassified residential real estate or consumer loans. The general component includes a quantitative and qualitative analysis. The quantitative analysis includes the Credit Union's historical loan loss experience and other factors derived from economic and market conditions that have been determined to have an effect on the probability and magnitude of a loss. The qualitative analysis utilizes a risk matrix that incorporates qualitative and environmental factors such as: loan volume, management, nonperforming loans, loan review process, credit concentrations, competition, and legal and regulatory issues. Input for these factors is determined on the basis of management's observation, judgment, and experience. As a result of this input, additional loss percentages may be assigned to each pool of loans.

The following table presents, by loan segment, the ALL and changes to the ALL for the years ended December 31:

	Commercial Real Estate	Residential Real Estate	Consumer	Total
Allowance at December 31, 2018	$ -	$ 323,386	$ 887,788	$ 1,211,174
Charge-offs	-	-	(663,349)	(663,349)
Recoveries	-	-	98,935	98,935
Provisions	10,125	18,509	513,612	542,246
Allowance at December 31, 2019	10,125	341,895	836,986	1,189,006
Charge-offs	**-**	**-**	**(319,607)**	**(319,607)**
Recoveries	**-**	**-**	**99,914**	**99,914**
Provisions	**68,638**	**106,005**	**215,357**	**390,000**
Allowance at December 31, 2020	**$ 78,763**	**$ 447,900**	**$ 832,650**	**$ 1,359,313**

Note 4 - Loan Quality (continued)

The following tables present, by loan segment, loans that were evaluated for the ALL under the specific reserve (individually) and those that were evaluated under the general reserve (collectively) as of December 31:

2020	**Commercial Real Estate**	**Residential Real Estate**	**Consumer**	**Total**
Loans evaluated for allowance				
Individually	**$ -**	**$ 787,466**	**$ 1,193,297**	**$ 1,980,763**
Collectively	**5,748,986**	**119,741,782**	**37,077,551**	**162,568,319**
	$ 5,748,986	**$ 120,529,248**	**$ 38,270,848**	**$ 164,549,082**
Allowance established for loans evaluated				
Individually	**$ -**	**$ -**	**$ 480,485**	**$ 480,485**
Collectively	**78,763**	**447,900**	**352,165**	**878,828**
Allowance at December 31, 2020	**$ 78,763**	**$ 447,900**	**$ 832,650**	**$ 1,359,313**
2019				
Loans evaluated for allowance				
Individually	$ -	$ 431,876	$ 634,215	$ 1,066,091
Collectively	794,095	110,347,117	48,473,427	159,614,639
	$ 794,095	$ 110,778,993	$ 49,107,642	$ 160,680,730
Allowance established for loans evaluated				
Individually	$ -	$ -	$ 317,329	$ 317,329
Collectively	10,125	341,895	519,657	871,677
Allowance at December 31, 2019	$ 10,125	$ 341,895	$ 836,986	$ 1,189,006

Note 4 - Loan Quality (continued)

The following tables present additional information about those loans considered to be impaired at December 31:

2020	December 31, Recorded Investment	December 31, Unpaid Principal Balance	December 31, Related Allowance	For the Year Ended December 31, Average Recorded Investment
Impaired loans with no specific allowance				
Residential real estate				
First mortgages	$ 187,514	$ 187,514	$ -	$ 189,106
Home equities	599,952	599,952	-	615,697
	787,466	787,466	-	804,803
Consumer				
Secured	153,345	153,345	-	174,837
Unsecured	3,625	3,625	-	4,913
	156,970	156,970	-	179,750
	$ 944,436	$ 944,436	$ -	$ 984,553
Impaired loans with specific allowance				
Consumer				
Secured	$ 379,782	$ 618,835	$ 239,052	$ 666,400
Unsecured	41,960	114,088	72,129	110,061
Credit cards	91,388	192,828	101,440	202,731
Education	42,711	110,575	67,864	94,344
	$ 555,841	$ 1,036,326	$ 480,485	$ 1,073,536

Note 4 - Loan Quality (continued)

2019	December 31, Recorded Investment	December 31, Unpaid Principal Balance	December 31, Related Allowance	For the Year Ended December 31, Average Recorded Investment
Impaired loans with no specific allowance				
Residential real estate				
Home equities	$ 431,876	$ 431,876	$ -	$ 443,973
Consumer				
Secured	53,683	53,683	-	57,606
Unsecured	1,584	1,584	-	2,202
	55,267	55,267	-	59,808
	$ 487,143	$ 487,143	$ -	$ 503,781
Impaired loans with specific allowance				
Consumer				
Secured	$ 285,325	$ 285,325	$ 84,830	$ 249,791
Unsecured	89,459	89,459	56,069	89,242
Credit cards	204,164	204,164	176,430	211,351
	$ 578,948	$ 578,948	$ 317,329	$ 550,384

As part of its process to calculate the ALL, the Credit Union reviews several credit quality factors, including payment status (performing, nonperforming, and aging) and internal credit ratings.

The following table presents a summary of nonperforming assets as of December 31:

	2020 Balance	2020 Percent of Loan Segment	2019 Balance	2019 Percent of Loan Segment
Nonaccrual loans				
Residential real estate				
First mortgages	**$ -**	**- %**	$ -	- %
Home equities	**190,485**	**0.16**	190,485	0.17
	190,485	**0.16 %**	190,485	0.17 %

Note 4 - Loan Quality (continued)

	2020		2019	
	Balance	Percent of Loan Segment	Balance	Percent of Loan Segment
Nonaccrual loans (continued)				
Consumer				
Secured	**$ 79,914**	**0.21 %**	$ 52,951	0.11 %
Unsecured	**434**	**-**	11,686	0.02
Credit cards	**151,713**	**0.40**	172,741	0.35
Education	**-**	**-**	61,178	0.13
	232,061	**0.61 %**	298,556	0.61 %
Total nonaccrual loans	**422,546**	**0.26 %**	489,041	0.30 %
Loans past due 90 days or more and not included above				
Consumer				
Credit cards	**-**		-	
Education	**-**		-	
Total loans past due 90 days or more and still accruing	**-**		-	
Total nonaccrual and loans past due 90 days or more and still accruing	**422,546**		489,041	
Foreclosed assets	**-**		-	
Total nonperforming assets	**$ 422,546**		$ 489,041	
Restructured loans (TDRs)				
Performing	**$ 1,008,302**		$ 702,865	
Nonperforming	**337,816**		363,226	
Total TDRs	**$ 1,346,118**		$ 1,066,091	
Nonperforming assets to total gross loans		**0.26 %**		0.30 %
Nonperforming assets to total assets		**0.17 %**		0.22 %
Allowance for loan losses to nonperforming assets		**321.70 %**		243.13 %

Note 4 - Loan Quality (continued)

Loans on which the accrual of interest has been discontinued and reversed approximated $423,000 and $489,000 at December 31, 2020 and 2019, respectively. If interest on those loans had been accrued, such accrued income would have approximated $12,000 and $7,000 for 2020 and 2019, respectively. The effect of nonaccrual loans was not significant to the results of operations.

The following tables present the aging of payments of the loan portfolio at December 31:

		Loans Past Due (Days)				Total
2020	**Current**	**30-59**	**60-89**	**90+**	**Total**	**Loans**
Commercial real estate	**$ 5,748,986**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 5,748,986**
Residential real estate						
First mortgages	**102,387,627**	**195,790**	**187,514**	**-**	**383,304**	**102,770,931**
Home equities	**17,455,577**	**112,255**	**-**	**190,485**	**302,740**	**17,758,317**
	119,843,204	**308,045**	**187,514**	**190,485**	**686,044**	**120,529,248**
Consumer						
Secured	**23,729,906**	**223,345**	**54,753**	**79,913**	**358,011**	**24,087,917**
Unsecured	**2,237,731**	**13,800**	**-**	**434**	**14,234**	**2,251,965**
Credit cards	**9,432,590**	**127,827**	**2,363**	**4,769**	**134,959**	**9,567,549**
Education	**2,345,474**	**17,943**	**-**	**-**	**17,943**	**2,363,417**
	37,745,701	**382,915**	**57,116**	**85,116**	**525,147**	**38,270,848**
	$ 163,337,891	**$ 690,960**	**$ 244,630**	**$ 275,601**	**$ 1,211,191**	**$ 164,549,082**
2019						
Commercial real estate	$ 794,095	$ -	$ -	$ -	$ -	$ 794,095
Residential real estate						
First mortgages	93,730,699	-	-	-	-	93,730,699
Home equities	16,771,888	85,921	-	190,485	276,406	17,048,294
	110,502,587	85,921	-	190,485	276,406	110,778,993
Consumer						
Secured	32,164,296	628,912	34,682	52,951	716,545	32,880,841
Unsecured	2,755,226	5,951	-	11,686	17,637	2,772,863
Credit cards	10,654,706	192,936	55,107	-	248,043	10,902,749
Education	2,469,040	20,971	-	61,178	82,149	2,551,189
	48,043,268	848,770	89,789	125,815	1,064,374	49,107,642
	$ 159,339,950	$ 934,691	$ 89,789	$ 316,300	$ 1,340,780	$ 160,680,730

Note 4 - Loan Quality (continued)

Generally, a loan is considered nonperforming if it is 90 days or greater past due. The following tables present the performance status on selected loans:

		Consumer				Residential Real Estate		
December 31, 2020	**Commercial Real Estate**	**Secured**	**Unsecured**	**Credit Cards**	**Education**	**Home Equities**	**First Mortgages**	**Total**
Performing	**$ 5,748,986**	**$ 24,008,003**	**$ 2,251,531**	**$ 9,415,836**	**$ 2,363,417**	**$ 17,567,832**	**$ 102,770,931**	**$ 164,126,536**
Nonperforming	**-**	**79,914**	**434**	**151,713**	**-**	**190,485**	**-**	**422,546**
	$ 5,748,986	**$ 24,087,917**	**$ 2,251,965**	**$ 9,567,549**	**$ 2,363,417**	**$ 17,758,317**	**$ 102,770,931**	**$ 164,549,082**
December 31, 2019								
Performing	$ 794,095	$ 32,827,890	$ 2,761,177	$ 10,730,008	$ 2,490,011	$ 16,857,809	$ 93,730,699	$ 160,191,689
Nonperforming	-	52,951	11,686	172,741	61,178	190,485	-	489,041
	$ 794,095	$ 32,880,841	$ 2,772,863	$ 10,902,749	$ 2,551,189	$ 17,048,294	$ 93,730,699	$ 160,680,730

Modifications

The Credit Union's loan portfolio also includes certain loans that have been modified in a TDR where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Credit Union's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance, or other actions. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months.

When the Credit Union modifies a loan, management evaluates any possible impairment based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, management uses the current fair value of the collateral, less selling costs, instead of discounted cash flows. If management determines that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs, and unamortized premium or discount), impairment is recognized by segment or class of loan, as applicable, through an allowance estimate or a charge-off to the allowance. Segment and class status is determined by the loan's classification at origination.

Note 4 - Loan Quality (continued)

Troubled Debt Restructurings

A summary of loans, presented by class, that were modified as TDRs and those restructurings for which there was a payment default subsequent to restructurings, but within 12 months of the restructuring, are as follows for the years ended December 31:

	Troubled Debt Restructurings			Troubled Debt Restructurings that Subsequently Defaulted		
2020	**Number of Loans**	**Loan Balance**	**Specific Reserve**	**Number of Loans**	**Loan Balance**	**Specific Reserve**
Residential real estate						
Home equities	**12**	**$ 599,952**	**$ -**	**4**	**$ 302,740**	**$ -**
Consumer						
Secured	**35**	**399,181**	**103,389**	**1**	**10,906**	**1,520**
Unsecured	**12**	**105,487**	**59,767**	**-**	**-**	**-**
Credit cards	**22**	**154,178**	**84,346**	**4**	**8,060**	**5,573**
Education	**4**	**87,320**	**67,166**	**-**	**-**	**-**
	85	**$ 1,346,118**	**$ 314,668**	**9**	**$ 321,706**	**$ 7,093**
2019						
Residential real estate						
Home equities	8	$ 431,876	$ -	2	$ 190,485	$ -
Consumer						
Secured	33	339,008	84,830	2	6,004	258
Unsecured	7	91,043	56,069	-	-	-
Credit cards	25	204,164	176,430	-	-	-
	73	$ 1,066,091	$ 317,329	4	$ 196,489	$ 258

A summary of loans, presented by type of concession, that were modified in TDRs is as follows during the years ended December 31:

2020	**Interest Rate**	**Modified Payments**	**Total**
Residential real estate			
Home equities	**$ -**	**$ 22,904**	**$ 22,904**
Consumer			
Secured	**13,351**	**71,656**	**85,007**
Unsecured	**4,886**	**14,143**	**19,029**
Credit cards	**58,028**	**-**	**58,028**
Education	**-**	**87,320**	**87,320**
	$ 76,265	**$ 196,023**	**$ 272,288**

Note 4 - Loan Quality (continued)

Troubled Debt Restructurings (continued)

2019	Interest Rate	Modified Payments	Total
Residential real estate			
Home equities	$ -	$ 198,342	$ 198,342
Consumer			
Secured	-	177,725	177,725
Unsecured	-	31,834	31,834
Credit cards	43,169	-	43,169
	$ 43,169	$ 407,901	$ 451,070

The Credit Union does not have material commitments to lend additional funds to borrowers with loans whose terms have been modified in TDR or whose loans are in nonaccrual.

Off-Balance Sheet Credit Exposures

In addition to the ALL, the Credit Union also estimates probable losses related to unfunded lending commitments, such as home equity, unsecured lines of credit, and credit card commitments. Unfunded lending commitments are subject to individual reviews and are analyzed and segregated by risk according to the Credit Union's internal risk rating scale. These risk classifications, in conjunction with an analysis of historical loss experience, current economic conditions, performance trends within specific portfolio segments, and any other pertinent information, may result in the estimation of the reserve for unfunded lending commitments.

Note 5 - Interest Bearing Accounts

Composition of Interest Bearing Accounts

	December 31, 2020	December 31, 2019
Vizo		
Federal funds account	**$ 15,866,117**	$ 4,177,737
Share accounts	**6,604,454**	1,182,149
Perpetual contributed capital (PCC) account	**930,599**	930,599
Federal reserve compensating balance	**-**	16,000
Total Vizo	**23,401,170**	6,306,485
Certificates of deposit	**26,388,078**	34,307,204
PSCU compensating balance	**450,193**	248,900
FHLB of Pittsburgh	**50,000**	-
	$ 50,289,441	$ 40,862,589

Note 5 - Interest Bearing Accounts (continued)

Contractual Maturities of Certificates of Deposit

	December 31, 2020	December 31, 2019
Due in one year or less	**$ 13,732,078**	$ 13,664,493
One to two years	**8,443,000**	10,235,711
Two to three years	**3,713,000**	7,193,000
Three to five years	**250,000**	2,964,000
Due after five years	**250,000**	250,000
	$ 26,388,078	$ 34,307,204

The PCC account has a perpetual maturity and is callable only at the option of Vizo. This account is not subject to share insurance coverage by the National Credit Union Share Insurance Fund (NCUSIF or the Fund) or other deposit insurers. This account is subordinated to all other liabilities of Vizo, including uninsured obligations to shareholders and the NCUSIF.

The PSCU compensating balance account is required to be held at PSCU and its balance is determined by activity in the debit card activity of the Credit Union's members.

The compensating balance account on deposit at Vizo totaling $16,000 at December 31, 2019 was required by the Federal Reserve Bank to comply with Regulation D. No compensating balance was required at December 31, 2020.

Note 6 - Securities Available for Sale

Composition of Securities Available for Sale

December 31, 2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Governmental agency securities	**$ 4,359,180**	**$ -**	**$ 64,056**	**$ 4,295,124**
Mortgage-backed securities	**12,269,766**	**29,049**	**28,709**	**12,270,106**
Collateralized mortgage obligations	**4,396,807**	**76,575**	**28,902**	**4,444,480**
	$ 21,025,753	**$ 105,624**	**$ 121,667**	**$ 21,009,710**

Note 6 - Securities Available for Sale (continued)

Composition of Securities Available for Sale (continued)

December 31, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Governmental agency securities	$ 3,000,000	$ -	$ 9,330	$ 2,990,670
Mortgage-backed securities	6,813,019	4,543	25,347	6,792,215
Collateralized mortgage obligations	2,740,329	4,210	3,052	2,741,487
	$ 12,553,348	$ 8,753	$ 37,729	$ 12,524,372

Contractual Maturities

	December 31, 2020	
	Amortized Cost	**Approximate Fair Value**
Due after three years	**$ 4,359,180**	**$ 4,295,124**
Mortgage-backed securities	**12,269,766**	**12,270,106**
Collateralized mortgage obligations	**4,396,807**	**4,444,480**
	$ 21,025,753	**$ 21,009,710**
	December 31, 2019	
Due after three years	$ 3,000,000	$ 2,990,670
Mortgage-backed securities	6,813,019	6,792,215
Collateralized mortgage obligations	2,740,329	2,741,487
	$ 12,553,348	$ 12,524,372

There were no sales of securities during the year ended December 31, 2020. For the year ended December 31, 2019, the Credit Union realized gross gains and gross losses of $-0- and $1,750, respectively, from sales and calls of securities available for sale.

Note 6 - Securities Available for Sale (continued)

Contractual Maturities (continued)

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

	Less Than Twelve Months		Over Twelve Months	
2020	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**
U.S. Governmental agency securities	**$ 64,056**	**$ 4,295,124**	**$ -**	**$ -**
Mortgage-backed securities	**28,709**	**4,969,343**	**-**	**-**
Collateralized mortgage obligations	**28,902**	**2,007,962**	**-**	**-**
	$ 121,667	**$ 11,272,429**	**$ -**	**$ -**
2019				
U.S. Governmental agency securities	$ 9,330	$ 2,990,670	$ -	$ -
Mortgage-backed securities	25,347	3,624,563	-	-
Collateralized mortgage obligations	3,052	2,495,695	-	-
	$ 37,729	$ 9,110,928	$ -	$ -

All of these securities are either guaranteed by the U.S. Government or secured by mortgage loans. These unrealized losses 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 the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity or for the foreseeable future if classified as available for sale, no declines are deemed to be other-than-temporary.

Note 7 - Accrued Interest Receivable

Composition of Accrued Interest Receivable

	December 31, 2020	December 31, 2019
Loans to members	**$ 530,202**	$ 508,636
Investment securities	**145,025**	143,886
	$ 675,227	$ 652,522

Note 8 - Property, Equipment, and Leasehold Improvements, Net

Composition of Property, Equipment, and Leasehold Improvements

	December 31, 2020	December 31, 2019
Building and improvements	**$ 1,801,956**	$ 1,798,457
Office furniture and equipment	**3,736,802**	3,667,975
Leasehold improvements	**1,220,541**	1,220,541
	6,759,299	6,686,973
Accumulated depreciation and amortization	**(5,243,706)**	(4,913,120)
	$ 1,515,593	$ 1,773,853

Note 9 - NCUSIF Deposit

Deposit in NCUA Share Insurance Fund

The National Credit Union Administration (NCUA) requires insured members to maintain a deposit balance with the NCUSIF equal to one percent of their insured shares, adjusted semiannually. Insured members may not withdraw funds, other than as an adjustment, as previously noted, from this deposit account, nor does this account earn interest unless the conditions of the Fund are such that some rate of return is approved to be disbursed. 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. The Fund utilizes earnings from these deposit balances to fund its operations.

If these earnings are not sufficient to maintain the Fund at a predetermined level, premium assessments may be levied against all insured members based upon their insured shares.

Note 10 - Federal Home Loan Bank of Pittsburgh

In 2020, the Credit Union became a member of the Federal Home Loan Bank of Pittsburgh (FHLB), and as such is required to maintain a minimum investment in stock that varies with the level of advances outstanding with the FHLB. The stock is bought from and sold to the FHLB based upon its $100 par value. The stock does not have a readily determinable fair value and as such is classified as restricted stock, carried at costs, and evaluated for impairment in accordance with ASC 942-325-35. The Credit Union's investment in the FHLB totaled $95,100 at December 31, 2020.

The capital account of the FHLB is periodically analyzed by the Credit Union for impairment and no impairment existed at December 31, 2020.

Note 11 - Members' Shares and Savings Accounts

Composition of Members' Shares and Savings Accounts

	Rates at December 31, 2020	December 31, 2020	December 31, 2019
Regular share accounts	**0.01%-0.05%**	**$ 62,696,302**	$ 51,580,070
High-yield savings accounts	**0.25%**	**15,114,180**	13,459,376
Christmas club accounts	**0.01%**	**375,392**	346,180
Vacation club accounts	**0.01%**	**3,175,906**	2,475,326
Share draft accounts	**0.25%**	**45,440,767**	35,494,804
IRA share accounts	**0.05%**	**2,615,125**	2,317,472
High-yield money maker accounts	**0.10%**	**18,020,942**	20,445,853
Money market accounts	**0.05%**	**10,188,383**	9,017,882
		157,626,997	135,136,963
Share and IRA certificates			
0.10% to 1.00%		**14,259,828**	343,545
1.01% to 2.00%		**14,077,368**	16,142,441
2.01% to 3.00%		**24,717,494**	36,684,661
3.01% to 4.00%		**2,619,526**	2,236,957
		55,674,216	55,407,604
		$ 213,301,213	$ 190,544,567

The aggregate amounts of members' shares and savings accounts with cumulative balances over $250,000 were approximately $63,217,000 and $53,926,000 at December 31, 2020 and 2019, respectively.

Note 11 - Members' Shares and Savings Accounts (continued)

Scheduled Maturities of Members' Shares and Savings Accounts

	December 31, 2020	December 31, 2019
No contractual maturity	**$ 157,626,996**	$ 135,136,963
Maturity within one year	**32,770,460**	22,511,105
One to two years	**11,283,182**	20,040,435
Two to five years	**11,620,575**	12,856,064
	$ 213,301,213	$ 190,544,567

Interest Expense on Members' Shares and Savings Accounts

	Years Ended December 31, 2020	Years Ended December 31, 2019
Regular share accounts	**$ 51,284**	$ 81,769
High-yield savings accounts	**84,271**	181,248
Christmas club accounts	**251**	407
Vacation club accounts	**2,100**	3,020
Share draft accounts	**8,993**	18,078
IRA share accounts	**1,937**	3,365
High-yield money maker accounts	**38,068**	82,871
Money market accounts	**9,914**	15,199
Share and IRA certificates	**1,146,656**	1,059,957
	$ 1,343,474	$ 1,445,914

Other

Members' shares and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' shares and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates are set by the Asset Liability Committee and ratified by the Board of Directors based on an evaluation of current and future market conditions, as well as current earnings. Interest expense is charged to operations.

Note 12 - Borrowed Funds

Note Payable

The Credit Union has a $5,000,000 line of credit with Vizo, none of which was in use at December 31, 2020 and 2019. The availability of the line of credit requires the Credit Union to maintain funds on deposit totaling $930,599 at both December 31, 2020 and 2019 (see Note 5). The interest rate is determined periodically and fluctuates depending upon general market conditions. The line of credit is collateralized by a security agreement covering substantially all member loans of the Credit Union.

Note 13 - Commitments and Contingencies

General

Contingencies

In the normal course of business, the Credit Union is involved in various legal proceedings. In the opinion of management, any liability resulting from such proceedings would not have a material adverse effect on the financial statements.

Loan Commitments and Contingencies

Financial Instruments with Off-Balance Sheet Risk

The Credit Union is party to 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 home equity lines of credit, unsecured lines of credit, credit card commitments, and overdraft protection program commitments. They involve, to varying degrees, elements of credit risk in excess of the amounts recognized on the statement of financial condition.

The Credit Union's exposure to credit loss, in the event of nonperformance by the other parties to the financial instruments for these commitments, is represented by the contractual amounts of those instruments. The Credit Union uses the same credit policies in making these commitments as it does for on-balance sheet instruments. The approximate commitments are as follows:

	December 31,	
	2020	**2019**
Home equity lines of credit	**$ 11,072,000**	$ 9,752,000
Unsecured lines of credit	**2,648,000**	2,918,000
Credit card commitments	**26,991,000**	28,166,000
Overdraft protection program commitments	**4,216,000**	4,332,000
	$ 44,927,000	$ 45,168,000

Financial Instruments with Concentrations of Credit Risk

Home Equity and Unsecured Lines of Credit

Home equity and unsecured lines of credit are agreements to lend to a member as long as there is no violation of any condition established in the agreement. Many of the commitments will expire without being fully utilized. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness on a case-by-case basis. Collateral held includes real estate for home equity lines of credit.

Credit Card Commitments

Credit card commitments are commitments on credit cards issued by the Credit Union. These commitments are unsecured.

Note 13 - Commitments and Contingencies (continued)

Loan Commitments and Contingencies (continued)

Financial Instruments with Concentrations of Credit Risk (continued)

Overdraft Protection Program Commitments

Overdraft protection program commitments are agreements to provide overdraft protection on member share draft accounts.

Concentration by Geographic Location

The Credit Union has a significant concentration of loans to members located primarily in Pennsylvania and New Jersey. Although the Credit Union has a diversified loan portfolio, a substantial portion of its members' abilities to honor their contracts is dependent upon the effect of the local economy on the Credit Union's field of membership. See Note 4 for concentration by loan type.

Other Contingencies, Credit Risk

Financial Instruments with Concentrations of Credit Risk

Cash and Cash Equivalents

The Credit Union maintains working cash on hand approximating $1,306,000 and $709,000 at December 31, 2020 and 2019, respectively.

Interest Bearing Accounts

The Credit Union has interest bearing accounts with various financial institutions. Generally, each interest bearing account is maintained under the deposit insurance limits. At December 31, 2020 and 2019, the first $250,000 of deposits with Vizo are insured by an agency of the U.S. Government. Interest bearing accounts may, at times, exceed federally insured limits.

Investment Securities

The Credit Union's investment securities are being held in accordance with the terms of safekeeping agreements with various brokers.

Although the Credit Union has credit risk due to the uninsured portion of the above deposits and investments, the Credit Union does not anticipate any accounting loss.

Note 13 - Commitments and Contingencies (continued)

Lease Commitments

Branch Offices

The Credit Union leases its West Chester branch office space under an agreement that expires December 31, 2025. The lease requires an aggregate minimum annual rental of $30,730, resulting in aggregate future minimum rentals of $163,150 through the lease term (as defined therein) plus a proportionate share of defined expenses. Additionally, the agreement requires the Credit Union to carry certain minimum insurance coverages.

The Credit Union leases its Phoenixville branch office space under an agreement that expires September 30, 2025. The lease requires an aggregate minimum annual rental of $28,807, resulting in aggregate future minimum rentals of $145,739 through the lease term (as defined therein) plus a proportionate share of defined expenses. Additionally, the agreement requires the Credit Union to carry certain minimum insurance coverages.

The total minimum rental commitment at December 31, 2020 is due as follows:

2021	$ 59,753
2022	61,545
2023	63,392
2024	65,295
2025	58,904
	$ 308,889

The total rental occupancy expense included in the statement of income for the years ended December 31, 2020 and 2019 was $77,897 and $69,109, respectively.

Note 14 - Capital 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 financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Note 14 - Capital Requirements (continued)

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined) to total assets (as defined). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR), 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, 2020 and 2019 was 6.54% and 6.82%, respectively. The minimum ratio to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2020 and 2019, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2020 and 2019, the Credit Union's net worth is categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Credit Union must maintain a minimum capital ratio as set forth in the table. Management believes there are no conditions or events that will change the Credit Union's category.

The Credit Union's actual capital amounts and ratios are also presented as follows at December 31:

	Actual		To be Adequately Capitalized under Prompt Corrective Action Provisions		To be Well Capitalized under Prompt Corrective Action Provisions	
2020	**Amount ***	**Ratio**	**Amount ***	**Ratio**	**Amount ***	**Ratio**
Net worth	**$ 29,089**	**11.99%**	**$ 14,559**	**6.00%**	**$ 16,986**	**7.00%**
Risk-Based Net Worth Requirement - per call report	**15,871**	**6.54**	**N/A**	**N/A**	**N/A**	**N/A**
2019						
Net worth	$ 28,857	13.14%	$ 13,175	6.00%	$ 15,371	7.00%
Risk-Based Net Worth Requirement - per call report	14,976	6.82%	N/A	N/A	N/A	N/A

* (Dollars in thousands)

Because the RBNWR 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 15 - Pension Benefits

Retirement Savings Plan

The Credit Union sponsors a retirement savings plan (401(k) plan) covering all employees who reach 21 years of age and have completed at least three months of continuous service. Participants may elect to defer compensation up to the maximum allowed by federal regulations. The Credit Union contributes, on behalf of each of the employees who are participants of the plan, a matching contribution equal to 50% of the participant's contribution up to 2% and 6% of the participant's compensation for 2020 and 2019, respectively, in addition to a 3% and 5% safe harbor contribution for 2020 and 2019, respectively. The Credit Union reflects its contributions as an operating expense. Contributions to the retirement savings plan for the years ended December 31, 2020 and 2019 amounted to $111,188 and $206,901, respectively.

Note 16 - Related Party Transactions

Transactions with Directors, Principal Officers, Employees, and Immediate Family Members

Directors, principal officers, and employees of the Credit Union, including their families, are considered to be related parties.

The Credit Union has had, and may be expected to have in the future, transactions in the ordinary course of business with directors, principal officers, employees, and their immediate families on materially similar terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. The aggregate loans to Credit Union officials amounted to approximately $3,248,000 and $3,233,000 at December 31, 2020 and 2019, respectively. The aggregate amount of deposits is not significant to the financial statements.

Note 17 - Fair Values of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurement. This guidance also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under FASB ASC 820, fair value measurements are disclosed by level within that hierarchy.

This guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

Note 17 - Fair Values of Financial Instruments (continued)

In determining the appropriate level, the Credit Union performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following is a description of the valuation methodology used for investments measured at fair value. There has been no change in the methodology used during December 31, 2020 and 2019.

Estimated fair values for investment securities are obtained from a third-party and are based on a comparison of the book rate to the market rate at year-end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the Credit Union believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy as of December 31:

	Fair Value Measurements at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Governmental agency securities	**$ -**	**$ 4,295,124**	**$ -**	**$ 4,295,124**
Mortgage-backed securities	**-**	**12,270,106**	**-**	**12,270,106**
Collateralized mortgage obligations	**-**	**4,444,480**	**-**	**4,444,480**
	$ -	**$ 21,009,710**	**$ -**	**$ 21,009,710**

	Fair Value Measurements at December 31, 2019			
U.S. Governmental agency securities	$ -	$ 2,990,670	$ -	$ 2,990,670
Mortgage-backed securities	-	6,792,215	-	6,792,215
Collateralized mortgage obligations	-	2,741,487	-	2,741,487
	$ -	$ 12,524,372	$ -	$ 12,524,372

Note 18 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, and the geographical area in which the Credit Union operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Credit Union.

Note 19 - Subsequent Events

The Credit Union has evaluated subsequent events through March 29, 2021. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2020 were noted.