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Benchmark Federal Credit Union

Financial Solutions for Life's Benchmarks

Financial Statements

December 31, 2022 and 2021

Benchmark Federal Credit Union

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December 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Benchmark Federal Credit Union (the Credit Union), which comprise the statement of financial condition as of December 31, 2022 and 2021, the related statements of income, comprehensive loss, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

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

RKL LLP

March 11, 2023
Exton, Pennsylvania

Benchmark Federal Credit Union

Statement of Financial Condition

	December 31, 2022	December 31, 2021
Assets		
Cash and Cash Equivalents	**$ 747,931**	$ 775,644
Interest Bearing Accounts	**7,788,223**	28,452,516
Securities Available for Sale	**46,145,008**	46,308,196
Loans to Members		
Residential real estate and consumer loans	**252,638,479**	162,026,549
Commercial loans	**14,047,876**	7,631,627
	266,686,355	169,658,176
Allowance for loan losses	**(1,699,760)**	(1,344,191)
Loans to Members, Net	**264,986,595**	168,313,985
Accrued Interest Receivable	**1,023,005**	662,980
Property, Equipment, and Leasehold Improvements, Net	**1,377,290**	1,375,295
NCUSIF Deposit	**2,108,142**	1,953,181
FHLB Stock, at Cost	**1,116,900**	114,100
Prepaid Expenses and Other Assets	**2,213,047**	1,957,920
Total Assets	**$ 327,506,141**	$ 249,913,817
Liabilities and Members' Equity		
Liabilities		
Members' shares and savings accounts	**$ 250,232,211**	$ 220,754,103
Nonmembers' shares and savings accounts	**23,796,000**	-
Borrowings	**29,827,140**	-
Accounts payable and accrued expenses	**472,777**	375,493
Total Liabilities	**304,328,128**	221,129,596
Members' Equity		
Regular reserve fund	**4,954,900**	4,954,900
Undivided earnings	**25,468,496**	24,690,306
Accumulated other comprehensive loss	**(7,245,383)**	(860,985)
Total Members' Equity	**23,178,013**	28,784,221
Total Liabilities and Members' Equity	**$ 327,506,141**	$ 249,913,817

See accompanying notes.

Benchmark Federal Credit Union

Statement of Income

	Years Ended December 31, 2022	2021
Interest Income		
Interest on loans	**$ 7,798,650**	$ 6,252,298
Interest on investment securities and interest bearing accounts	**876,211**	761,455
Total Interest Income	**8,674,861**	7,013,753
Interest Expense		
Dividends on members' shares and savings accounts	**1,084,746**	836,206
Dividends on nonmembers' shares and savings accounts	**333,979**	-
Interest on borrowed funds	**342,783**	-
Total Interest Expense	**1,761,508**	836,206
Net Interest Income	**6,913,353**	6,177,547
Provision for Loan Losses	**500,000**	-
Net Interest Income after Provision for Possible Loan Losses	**6,413,353**	6,177,547
Noninterest Income		
Service fees	**254,745**	189,213
Recovery of prior investment write-off	**104,596**	178,096
Other	**897,405**	907,239
Total Noninterest Income	**1,256,746**	1,274,548
Noninterest Expenses		
Employee compensation and benefits	**3,362,050**	3,547,833
Travel and conference	**11,046**	37,917
Office occupancy	**256,309**	350,025
Office operations	**1,675,107**	1,558,411
Educational and promotional	**365,751**	288,241
Loan servicing	**856,255**	814,959
Professional and outside services	**216,294**	216,363
Operating fees	**42,225**	50,725
Miscellaneous	**106,872**	31,518
Total Noninterest Expenses	**6,891,909**	6,895,992
Net Income	**$ 778,190**	$ 556,103

See accompanying notes.

Statement of Comprehensive Loss

	Years Ended December 31,	
	2022	**2021**
Net Income	**$ 778,190**	$ 556,103
Other Comprehensive Loss		
Unrealized holding losses on securities arising during the period	**(6,384,398)**	(844,942)
Comprehensive Loss	**$ (5,606,208)**	$ (288,839)

See accompanying notes.

Benchmark Federal Credit Union

Statement of Members' Equity

		Restricted, Regular Reserve Fund		Unrestricted, Undivided Earnings		Accumulated Other Comprehensive Loss		Total
Balance at January 1, 2021	$	4,954,900	$	24,134,203	$	(16,043)	$	29,073,060
Net income		-		556,103		-		556,103
Other comprehensive loss		-		-		(844,942)		(844,942)
Balance at December 31, 2021		4,954,900		24,690,306		(860,985)		28,784,221
Net income		**-**		**778,190**		**-**		**778,190**
Other comprehensive loss		**-**		**-**		**(6,384,398)**		**(6,384,398)**
Balance at December 31, 2022	**$**	**4,954,900**	**$**	**25,468,496**	**$**	**(7,245,383)**	**$**	**23,178,013**

See accompanying notes.

Benchmark Federal Credit Union

Statement of Cash Flows

	Years Ended December 31, 2022	2021
Cash Flows from Operating Activities		
Net income	**$ 778,190**	$ 556,103
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**117,475**	214,901
Amortization of securities premiums (discounts), net	**49,919**	151,780
Provision for loan losses	**500,000**	-
(Increase) decrease in assets		
Accrued interest receivable	**(360,025)**	12,247
Prepaid expenses and other assets	**(255,127)**	773,594
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**97,284**	95,399
Net Cash Provided by Operating Activities	**927,716**	1,804,024
Cash Flows from Investing Activities		
Proceeds from calls, sales, maturities, and repayments of available for sale investments	**6,728,871**	8,983,604
Purchase of securities available for sale	**(13,000,000)**	(35,278,812)
Purchase of FHLB stock	**(1,002,800)**	(19,000)
Net decrease in interest bearing accounts	**20,664,293**	21,836,925
Net increase in loans to members	**(97,172,610)**	(5,124,216)
Net increase in NCUSIF deposit	**(154,961)**	(111,415)
Expenditures for equipment	**(119,470)**	(74,603)
Net Cash Used in Investing Activities	**(84,056,677)**	(9,787,517)
Cash Flows from Financing Activities		
Proceeds from notes payable	**30,000,000**	-
Principal repayments of notes payable	**(172,860)**	-
Net increase in members' shares and savings accounts	**29,478,108**	7,452,890
Net increase in nonmembers' shares and savings accounts	**23,796,000**	-
Net Cash Provided by Financing Activities	**83,101,248**	7,452,890
Net Decrease in Cash and Cash Equivalents	**(27,713)**	(530,603)
Cash and Cash Equivalents at Beginning of Year	**775,644**	1,306,247
Cash and Cash Equivalents at End of Year	**$ 747,931**	$ 775,644
Supplemental Disclosure of Cash Flow Information		
Dividends credited to members' and nonmembers' shares and savings accounts	**$ 1,418,725**	$ 836,206

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 (U.S. GAAP). 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 and, 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, members' shares and savings accounts, and nonmembers' 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. There was no significant mortgage banking activity during 2022 and 2021.

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 loan losses consists of three elements: (1) specific valuation allowances established for 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 calculations 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 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 net, in members' equity through other comprehensive income or loss. 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. The Credit Union held no foreclosed assets at December 31, 2022 or 2021.

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.

Nonmembers' Share and Savings Accounts

During 2022, the Credit Union began accepting investments in certificates from other credit unions through a third party to fund loan growth. These investments are considered nonmember deposits, and are included with member deposits in Note 11.

Revenue Recognition

The primary sources of revenue for the Credit Union are interest income from loans and investments, 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.

During 2022 and 2021, the Credit Union received $104,596 and $178,096, respectively, in noninterest income from the recovery of prior investment write-offs which was distributed by VIZO Financial (formerly Mid-Atlantic Corporate) related to securities written down during the financial crisis in 2009 which have outperformed expectations and resulted in recoveries.

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.

U.S. GAAP requires 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, 2019.

Advertising Costs

Advertising costs are expensed as incurred. The Credit Union incurred advertising costs of approximately $364,000 and $264,000 for the years ended December 31, 2022 and 2021, respectively, included in educational and promotional expenses on the statement of income.

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, 2022	December 31, 2021
Commercial real estate	**$ 14,047,876**	$ 7,631,627
Residential real estate		
First mortgages	**157,658,080**	112,948,161
Home equities	**52,435,303**	17,848,908
	210,093,383	130,797,069
Consumer		
Secured	**28,336,212**	17,745,590
Unsecured	**3,202,425**	2,412,057
Credit cards	**8,756,720**	8,865,935
Education	**2,249,739**	2,205,898
	42,545,096	31,229,480
Gross loans	**266,686,355**	169,658,176
Allowance for loan losses	**(1,699,760)**	(1,344,191)
Net loans	**$ 264,986,595**	$ 168,313,985
Included in the loan balances are the following		
Net unamortized deferred loan costs	**$ 1,309,749**	$ 411,268
Loans pledged as collateral for borrowings and commitments from Vizo line of credit	**$ 259,534,431**	$ 163,696,029

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.

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 $14,450,379 and $1,071,432 at December 31, 2022 and 2021, respectively. Loan participations included in commercial real estate totaled $10,664,576 and $7,138,144 at December 31, 2022 and 2021, 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 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.

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 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.

Note 4 - Loan Quality (continued)

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, 2020	$ 78,763	$ 447,900	$ 832,650	$ 1,359,313
Charge-offs	-	-	(188,383)	(188,383)
Recoveries	-	48,744	124,517	173,261
Provisions	41,521	113,229	(154,750)	-
Allowance at December 31, 2021	120,284	609,873	614,034	1,344,191
Charge-offs	**-**	**-**	**(195,583)**	**(195,583)**
Recoveries	**-**	**-**	**51,152**	**51,152**
Provisions	**162,900**	**251,001**	**86,099**	**500,000**
Allowance at December 31, 2022	**$ 283,184**	**$ 860,874**	**$ 555,702**	**$ 1,699,760**

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:

2022	Commercial Real Estate	Residential Real Estate	Consumer	Total
Loans evaluated for allowance				
Individually	**$ 30,436**	**$ 516,196**	**$ 591,978**	**$ 1,138,610**
Collectively	**14,017,440**	**209,577,187**	**41,953,118**	**265,547,745**
	$ 14,047,876	**$ 210,093,383**	**$ 42,545,096**	**$ 266,686,355**
Allowance established for loans evaluated				
Individually	**$ 30,436**	**$ 3,274**	**$ 258,861**	**$ 292,571**
Collectively	**252,748**	**857,600**	**296,841**	**1,407,189**
Allowance at December 31, 2022	**$ 283,184**	**$ 860,874**	**$ 555,702**	**$ 1,699,760**
2021				
Loans evaluated for allowance				
Individually	$ -	$ 521,203	$ 723,188	$ 1,244,391
Collectively	7,631,627	130,275,866	30,506,292	168,413,785
	$ 7,631,627	$ 130,797,069	$ 31,229,480	$ 169,658,176

Note 4 - Loan Quality (continued)

2021	Commercial Real Estate	Residential Real Estate	Consumer	Total
Allowance established for loans evaluated				
Individually	$ -	$ -	$ 343,470	$ 343,470
Collectively	120,284	609,873	270,564	1,000,721
Allowance at December 31, 2021	$ 120,284	$ 609,873	$ 614,034	$ 1,344,191

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

	December 31,			For the Year Ended December 31,
2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Impaired loans with no specific allowance				
Residential real estate				
Home equities	**$ 450,706**	**$ 450,706**	**$ -**	**$ 390,712**
Consumer				
Secured	**141,212**	**141,212**	**-**	**119,715**
Credit cards	**31,222**	**31,222**	**-**	**33,242**
	$ 623,140	**$ 623,140**	**$ -**	**$ 543,669**
Impaired loans with specific allowance				
Residential real estate				
Home equities	**$ 62,216**	**$ 65,490**	**$ 3,274**	**$ 32,745**
Commercial real estate	**-**	**30,436**	**30,436**	**15,218**
Consumer				
Secured	**52,558**	**96,810**	**44,252**	**67,602**
Unsecured	**22,657**	**60,714**	**38,057**	**51,108**
Credit cards	**82,592**	**194,714**	**112,122**	**147,504**
Education	**2,876**	**67,306**	**64,430**	**74,451**
	$ 222,899	**$ 515,470**	**$ 292,571**	**$ 388,628**

Note 4 - Loan Quality (continued)

2021	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	$ 521,203	$ 521,203	$ -	$ 526,624
Consumer				
Secured	149,084	149,084	-	172,064
	$ 670,287	$ 670,287	$ -	$ 698,688
Impaired loans with specific allowance				
Consumer				
Secured	$ 103,147	$ 189,141	$ 85,994	$ 210,508
Unsecured	5,875	122,703	116,828	122,700
Credit cards	72,218	145,493	73,275	156,512
Education	49,394	116,767	67,373	101,192
	$ 230,634	$ 574,104	$ 343,470	$ 590,912

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:

	2022 Balance	2022 Percent of Loan Segment	2021 Balance	2021 Percent of Loan Segment
Nonaccrual loans				
Commercial real estate	**$ 30,436**	**0.22 %**	$ -	- %
Residential real estate				
Home equities	**168,587**	**0.32 %**	190,485	1.06 %
Consumer				
Secured	**4,025**	**0.01 %**	20,578	0.11 %
Unsecured	**15,564**	**0.49**	56,663	2.34
Credit cards	**123,945**	**1.42**	102,501	1.16
Education	**13,962**	**0.62**	37,159	1.68
	157,496	**0.37 %**	216,901	0.70 %
Total nonaccrual loans	**356,519**	**0.13 %**	407,386	0.24 %

Note 4 - Loan Quality (continued)

	2022		2021	
	Balance	**Percent of Loan Segment**	**Balance**	**Percent of Loan Segment**
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	**356,519**		407,386	
Foreclosed assets	**-**		-	
Total nonperforming assets	**$ 356,519**		$ 407,386	
Restructured loans (TDRs)				
Performing	**$ 588,148**		$ 761,824	
Nonperforming	**168,300**		360,468	
Total TDRs	**$ 756,448**		$ 1,122,292	
Nonperforming assets to total gross loans		**0.13 %**		0.24 %
Nonperforming assets to total assets		**0.11 %**		0.16 %
Allowance for loan losses to nonperforming assets		**476.77 %**		329.96 %

Loans on which the accrual of interest has been discontinued and reversed approximated $357,000 and $407,000 at December 31, 2022 and 2021, respectively. If interest on those loans had been accrued, such accrued income would have approximated $29,000 and $23,000 for 2022 and 2021, respectively. The effect of nonaccrual loans was not significant to the results of operations.

Note 4 - Loan Quality (continued)

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

2022	Current	Loans Past Due (Days) 30-59	60-89	90+	Total	Total Loans
Commercial real estate	$ 14,017,440	$ -	$ -	$ 30,436	$ 30,436	$ 14,047,876
Residential real estate						
First mortgages	157,422,932	235,148	-	-	235,148	157,658,080
Home equities	52,056,622	198,162	11,932	168,587	378,681	52,435,303
	209,479,554	433,310	11,932	168,587	613,829	210,093,383
Consumer						
Secured	28,272,699	52,954	6,534	4,025	63,513	28,336,212
Unsecured	3,177,634	624	8,603	15,564	24,791	3,202,425
Credit cards	8,582,440	143,922	10,301	20,057	174,280	8,756,720
Education	2,192,914	42,863	-	13,962	56,825	2,249,739
	42,225,687	240,363	25,438	53,608	319,409	42,545,096
	$ 265,722,681	$ 673,673	$ 37,370	$ 252,631	$ 963,674	$ 266,686,355

2021	Current	30-59	60-89	90+	Total	Total Loans
Commercial real estate	$ 7,631,627	$ -	$ -	$ -	$ -	$ 7,631,627
Residential real estate						
First mortgages	112,728,332	219,829	-	-	219,829	112,948,161
Home equities	17,603,911	54,512	-	190,485	244,997	17,848,908
	130,332,243	274,341	-	190,485	464,826	130,797,069
Consumer						
Secured	17,603,918	122,839	16,605	2,228	141,672	17,745,590
Unsecured	2,394,991	69	3,688	13,309	17,066	2,412,057
Credit cards	8,756,441	106,771	2,723	-	109,494	8,865,935
Education	2,110,639	70,695	17,322	7,242	95,259	2,205,898
	30,865,989	300,374	40,338	22,779	363,491	31,229,480
	$ 168,829,859	$ 574,715	$ 40,338	$ 213,264	$ 828,317	$ 169,658,176

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:

December 31, 2022	Commercial Real Estate	Consumer Secured	Unsecured	Credit Cards	Education	Residential Real Estate Home Equities	First Mortgages	Total
Performing	$ 14,017,440	$ 28,332,187	$ 3,186,861	$ 8,632,775	$ 2,235,777	$ 52,266,716	$ 157,658,080	$ 266,329,836
Nonperforming	30,436	4,025	15,564	123,945	13,962	168,587	-	356,519
	$ 14,047,876	$ 28,336,212	$ 3,202,425	$ 8,756,720	$ 2,249,739	$ 52,435,303	$ 157,658,080	$ 266,686,355

Note 4 - Loan Quality (continued)

December 31, 2021	Commercial Real Estate	Consumer: Secured	Consumer: Unsecured	Consumer: Credit Cards	Consumer: Education	Residential Real Estate: Home Equities	Residential Real Estate: First Mortgages	Total
Performing	$ 7,631,627	$ 17,725,012	$ 2,355,394	$ 8,763,434	$ 2,168,739	$ 17,658,423	$ 112,948,161	$ 169,250,790
Nonperforming	-	20,578	56,663	102,501	37,159	190,485	-	407,386
	$ 7,631,627	$ 17,745,590	$ 2,412,057	$ 8,865,935	$ 2,205,898	$ 17,848,908	$ 112,948,161	$ 169,658,176

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.

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		
2022	**Number of Loans**	**Loan Balance**	**Specific Reserve**	**Number of Loans**	**Loan Balance**	**Specific Reserve**
Residential real estate						
Home equities	**7**	**$ 307,326**	**$ -**	**1**	**$ 138,587**	**$ -**
Consumer						
Secured	**22**	**175,054**	**37,908**	**2**	**4,319**	**4,319**
Unsecured	**10**	**46,812**	**24,155**	**1**	**10,909**	**2,727**
Credit cards	**21**	**162,915**	**72,790**	**-**	**-**	**-**
Education	**2**	**64,341**	**64,341**	**1**	**14,779**	**14,779**
	62	**$ 756,448**	**$ 199,194**	**5**	**$ 168,594**	**$ 21,825**

Note 4 - Loan Quality (continued)

	Troubled Debt Restructurings			Troubled Debt Restructurings that Subsequently Defaulted		
2021	**Number of Loans**	**Loan Balance**	**Specific Reserve**	**Number of Loans**	**Loan Balance**	**Specific Reserve**
Residential real estate						
Home equities	9	$ 521,203	$ -	2	$ 190,485	$ -
Consumer						
Secured	32	267,739	67,611	6	26,912	15,530
Unsecured	13	120,661	114,785	1	13,309	13,309
Credit cards	18	142,770	71,983	-	-	-
Education	3	69,919	65,968	2	55,239	51,287
	75	$ 1,122,292	$ 320,347	11	$ 285,945	$ 80,126

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

2022	**Interest Rate**	**Modified Payments**	**Total**
Consumer			
Secured	**$ 12,158**	**$ 51,706**	**$ 63,864**
Unsecured	**10,019**	**4,462**	**14,481**
Education	**-**	**47,265**	**47,265**
	$ 22,177	**$ 103,433**	**$ 125,610**
2021			
Consumer			
Secured	$ -	$ 67,852	$ 67,852
Unsecured	2,551	30,795	33,346
Education	-	5,646	5,646
	$ 2,551	$ 104,293	$ 106,844

The Credit Union does not have material commitments to lend additional funds to borrowers with loans whose terms have been modified in a 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, 2022	December 31, 2021
Vizo		
Federal funds account	**$ -**	$ 6,202,870
Share accounts	**3,023,555**	8,624,486
Perpetual contributed capital (PCC) account	**930,599**	930,599
Total Vizo	**3,954,154**	15,757,955
Certificates of deposit	**3,213,000**	12,406,000
PSCU compensating balance	**280,166**	256,363
FHLB of Pittsburgh	**340,903**	32,198
	$ 7,788,223	$ 28,452,516

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.

Contractual Maturities of Certificates of Deposit

	December 31, 2022	December 31, 2021
Due in one year or less	**$ 2,963,000**	$ 8,443,000
One to two years	**250,000**	3,713,000
Two to three years	**-**	250,000
Three to five years	**-**	-
Due after five years	**-**	-
	$ 3,213,000	$ 12,406,000

Note 6 - Securities Available for Sale

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Governmental agency securities	**$ 23,864,340**	**$ -**	**$ 2,049,587**	**$ 21,814,753**
Mortgage-backed securities	**6,841,687**	**-**	**707,233**	**6,134,454**
Collateralized mortgage obligations	**22,684,364**	**-**	**4,488,563**	**18,195,801**
	$ 53,390,391	**$ -**	**$ 7,245,383**	**$ 46,145,008**
December 31, 2021				
U.S. Governmental agency securities	$ 10,859,254	$ -	$ 263,110	$ 10,596,144
Mortgage-backed securities	12,036,974	29,545	101,748	11,964,771
Collateralized mortgage obligations	24,272,953	22,903	548,575	23,747,281
	$ 47,169,181	$ 52,448	$ 913,433	$ 46,308,196

Contractual Maturities

	December 31, 2022	
	Amortized Cost	Approximate Fair Value
Less than one year	**$ 10,005,533**	**$ 9,816,300**
One to three years	**3,000,000**	**2,902,410**
Due after three years	**10,858,807**	**9,096,043**
Mortgage-backed securities	**6,841,687**	**6,134,454**
Collateralized mortgage obligations	**22,684,364**	**18,195,801**
	$ 53,390,391	**$ 46,145,008**
	December 31, 2021	
Due after three years	$ 10,859,254	$ 10,596,144
Mortgage-backed securities	12,036,974	11,964,771
Collateralized mortgage obligations	24,272,953	23,747,281
	$ 47,169,181	$ 46,308,196

There were no sales of securities during the years ended December 31, 2022 or 2021.

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	
2022	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**
U.S. Governmental agency securities	**$ 286,823**	**$ 12,718,710**	**$ 1,762,764**	**$ 9,096,043**
Mortgage-backed securities	**8,918**	**471,128**	**698,315**	**5,663,326**
Collateralized mortgage obligations	**161,314**	**3,240,012**	**4,327,249**	**14,955,789**
	$ 457,055	**$ 16,429,850**	**$ 6,788,328**	**$ 29,715,158**
2021				
U.S. Governmental agency securities	$ 37,100	$ 6,462,900	$ 226,010	$ 4,133,244
Mortgage-backed securities	40,063	3,894,692	61,685	3,043,932
Collateralized mortgage obligations	503,886	21,681,692	44,689	845,294
	$ 581,049	$ 32,039,284	$ 332,384	$ 8,022,470

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,	
	2022	**2021**
Loans to members	**$ 881,019**	$ 531,440
Investment securities	**141,986**	131,540
	$ 1,023,005	$ 662,980

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

Composition of Property, Equipment, and Leasehold Improvements

	December 31, 2022	December 31, 2021
Building and improvements	**$ 1,824,082**	$ 1,824,082
Office furniture and equipment	**3,906,550**	3,789,280
Leasehold improvements	**1,222,741**	1,220,541
	6,953,373	6,833,903
Accumulated depreciation and amortization	**(5,576,083)**	(5,458,608)
	$ 1,377,290	$ 1,375,295

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 $1,116,900 and $114,100 at December 31, 2022 and 2021, respectively.

The investment in FHLB stock is periodically analyzed by the Credit Union for impairment and no impairment existed at December 31, 2022 or 2021.

Note 11 - Shares and Savings Accounts

Composition of Members' and Nonmembers' Shares and Savings Accounts

	Rates at December 31, 2022	December 31, 2022	December 31, 2021
Regular share accounts	**0.01%-0.05%**	**$ 70,352,726**	$ 69,884,668
High-yield savings accounts	**0.25%**	**11,352,692**	18,895,602
Christmas club accounts	**0.01%**	**609,214**	513,943
Vacation club accounts	**0.01%**	**3,832,350**	3,650,296
Share draft accounts	**0.25%**	**51,653,520**	47,337,244
IRA share accounts	**0.05%**	**1,818,080**	1,992,464
High-yield money maker accounts	**0.10%**	**15,169,187**	18,176,944
Money market accounts	**0.05%**	**11,227,394**	10,832,451
		166,015,163	171,283,612
Share and IRA certificates			
0.10% to 1.00%		**15,699,292**	$ 31,397,664
1.01% to 2.00%		**22,082,644**	6,623,579
2.01% to 3.00%		**15,811,356**	8,929,459
3.01% to 4.00%		**47,314,709**	2,519,789
4.01% to 5.00%		**7,105,047**	-
		108,013,048	49,470,491
		$ 274,028,211	$ 220,754,103

The aggregate amounts of shares and savings accounts with cumulative balances over $250,000 were approximately $36,978,000 and $70,268,000 at December 31, 2022 and 2021, respectively.

Scheduled Maturities of Shares and Savings Accounts

	December 31, 2022	December 31, 2021
No contractual maturity	**$ 166,015,163**	$ 171,283,612
Maturity within one year	**34,991,565**	28,195,350
One to two years	**35,801,108**	11,568,654
Two to five years	**37,220,375**	9,706,487
	$ 274,028,211	$ 220,754,103

Note 11 - Shares and Savings Accounts (continued)

Interest Expense on Shares and Savings Accounts

	Years Ended December 31, 2022	2021
Regular share accounts	**$ 38,279**	$ 33,611
High-yield savings accounts	**44,924**	42,698
Christmas club accounts	**134**	121
Vacation club accounts	**1,118**	982
Share draft accounts	**7,955**	6,613
IRA share accounts	**736**	870
High-yield money maker accounts	**15,837**	16,939
Money market accounts	**5,784**	5,779
Share and IRA certificates	**1,303,958**	728,593
	$ 1,418,725	$ 836,206

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

Borrowings

Outstanding borrowings at December 31, 2022 are summarized as follows:

Fixed note at 4.526%, maturing on January 23, 2023	**$ 5,000,000**
Fixed note at 4.430%, maturing on January 29, 2023	**5,000,000**
Fixed note at 4.446%, maturing on April 7, 2023	**5,000,000**
Fixed note at 4.101%, maturing on September 14, 2027	**5,000,000**
Fixed note at 4.370%, maturing on November 29, 2027	**5,000,000**
Fixed amortizing note at 3.580%, maturing on July 26, 2032	**4,827,140**
	$ 29,827,140

The Credit Union had no outstanding borrowings at December 31, 2021.

Note 12 - Borrowed Funds (continued)

Notes Payable

The Credit Union has a $15.0 million line of credit with Vizo, none of which was in use at December 31, 2022 and December 31, 2021. The availability of the line of credit requires the Credit Union to maintain funds on deposit totaling $930,599 at both December 31, 2022 and 2021 (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.

The Credit Union has a maximum borrowing capacity of $33.2 million from the FHLB, of which $29.8 million and $-0- was outstanding at December 31, 2022 and 2021, respectively. The availability of the borrowing capacity requires the Credit Union to pledge securities. As of December 31, 2022, the Credit Union has pledged $34.6 million.

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,	
	2022	**2021**
Home equity lines of credit	**$ 19,915,442**	$ 14,409,000
Unsecured lines of credit	**2,844,305**	2,651,000
Credit card commitments	**26,590,266**	27,354,000
Overdraft protection program commitments	**3,840,758**	3,944,000
	$ 53,190,771	$ 48,358,000

Note 13 - Commitments and Contingencies (continued)

Loan Commitments and Contingencies (continued)

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.

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 $748,000 and $776,000 at December 31, 2022 and 2021, 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, 2022 and 2021, 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.

Note 13 - Commitments and Contingencies (continued)

Other Contingencies, Credit Risk (continued)

Financial Instruments with Concentrations of Credit Risk (continued)

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.

Lease Commitments

The Credit Union has not adopted the provisions of FASB ASC 842 related to leases, since the applicable portions of the Codification do not have a material effect on the Credit Union's financial position, results of operations, or net worth.

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 $32,601, resulting in aggregate future minimum rentals of $100,768 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 $30,561, resulting in aggregate future minimum rentals of $94,462 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, 2022 is due as follows:

2023	$	**63,392**
2024		**65,294**
2025		**58,904**
	$	**187,590**

The total rental occupancy expense included in the statement of income for the years ended December 31, 2022 and 2021 was $82,773 and $79,630, 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.

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).

As of December 31, 2022 and 2021, 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	
2022	**Amount ***	**Ratio**	**Amount ***	**Ratio**	**Amount ***	**Ratio**
Net worth	**$ 30,423**	**9.29%**	**$ 19,650**	**6.00%**	**$ 22,925**	**7.00%**
2021						
Net worth	$ 29,645	11.86%	$ 14,995	6.00%	$ 17,494	7.00%

* (Dollars in thousands)

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 1% for 2022 and 2021, respectively, in addition to a 3% safe harbor contribution in 2022 and 2021, respectively. The Credit Union reflects its contributions as an operating expense. Contributions to the retirement savings plan for the years ended December 31, 2022 and 2021 amounted to $102,912 and $106,753, 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 $4,224,383 and $5,972,000 at December 31, 2022 and 2021, 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, 2022 and 2021.

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, 2022			
	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	**$ -**	**$ 21,814,753**	**$ -**	**$ 21,814,753**
Mortgage-backed securities	**-**	**6,134,454**	**-**	**6,134,454**
Collateralized mortgage obligations	**-**	**18,195,801**	**-**	**18,195,801**
	$ -	**$ 46,145,008**	**$ -**	**$ 46,145,008**

	Fair Value Measurements at December 31, 2021			
U.S. Governmental agency securities	$ -	$ 10,596,144	$ -	$ 10,596,144
Mortgage-backed securities	-	11,964,771	-	11,964,771
Collateralized mortgage obligations	-	23,747,281	-	23,747,281
	$ -	$ 46,308,196	$ -	$ 46,308,196

Note 18 - Risks and Uncertainties

In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The actions taken to mitigate it adversely affected the economy, financial markets, and the geographical area in which the Credit Union operates. The pandemic and other world events have caused continuing economic and political uncertainties that have also affected the demand for our products or services. It is unknown how long these conditions will last and what the complete financial effect will be to the Credit Union, if any.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Note 19 - Subsequent Events

The Credit Union has evaluated subsequent events through March 11, 2023. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2022 were noted.