VERMONT FEDERAL CREDIT UNION
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

VERMONT FEDERAL CREDIT UNION AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022 and 2021

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Supervisory Committee and Board of Directors
Vermont Federal Credit Union and Subsidiary
Burlington, Vermont

Opinion

We have audited the consolidated financial statements of Vermont Federal Credit Union and Subsidiary, which comprise the consolidated statements of financial condition as of March 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Vermont Federal Credit Union and Subsidiary as of March 31, 2022 and 2021, and the results of their operations and their 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 Vermont Federal Credit Union and Subsidiary 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Crowe LLP

Crowe LLP

Boston, Massachusetts
July 11, 2022

VERMONT FEDERAL CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
March 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 62,602,139	$ 78,215,924
Debt Securities – available-for-sale	163,671,534	116,667,762
Other investments	12,788,000	27,049,000
Loans held-for-sale	1,279,801	5,849,263
Loans, net of allowance for loan losses of $2,691,232 in 2022 and $2,384,387 in 2021	613,783,803	546,706,458
Accrued interest receivable	1,564,742	1,509,412
Foreclosed and repossessed assets	24,000	-
Premises and equipment, net	20,227,383	15,391,975
NCUSIF deposit	7,053,393	5,937,020
Other assets	5,303,194	4,319,762
Total assets	$ 888,297,989	$ 801,646,576
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts	$ 813,512,093	$ 726,300,485
Borrowed funds	1,417,250	1,709,250
Accrued expenses and other liabilities	8,208,462	7,068,788
Total liabilities	823,137,805	735,078,523
Members' equity		
Regular reserves	4,417,109	4,417,109
Undivided earnings	69,946,168	61,414,931
Accumulated other comprehensive (loss) income	(9,203,093)	736,013
Total members' equity	65,160,184	66,568,053
Total liabilities and members' equity	$ 888,297,989	$ 801,646,576

See accompanying notes to consolidated financial statements.

VERMONT FEDERAL CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
For the years ended March 31, 2022 and 2021

	2022	2021
Interest income		
Loans	$ 23,348,687	$ 21,242,814
Debt securities and other investments	1,895,835	1,576,431
Total interest income	25,244,522	22,819,245
Interest expense		
Members' share and savings accounts	3,278,169	4,027,694
Borrowed funds	43	26
Total interest expense	3,278,212	4,027,720
Net interest income	21,966,310	18,791,525
Provision for loan losses	528,778	981,363
Net interest income after provision for loan losses	21,437,532	17,810,162
Non-interest income		
Service charges and fees	2,407,561	1,987,982
Card fees	4,978,748	4,237,873
Net gains on sales of loans	1,516,865	2,857,695
Net gain on sales of foreclosed assets	-	9,320
Net gain on calls of debt securities	94	-
Other non-interest income	2,118,222	2,048,358
Total non-interest income	11,021,490	11,141,228
Non-interest expense		
Employee compensation and benefits	13,424,293	12,143,878
Occupancy	1,366,250	1,089,712
Operations	9,137,242	8,113,269
Total non-interest expense	23,927,785	21,346,859
Net income	$ 8,531,237	$ 7,604,531

See accompanying notes to consolidated financial statements.

VERMONT FEDERAL CREDIT UNION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended March 31, 2022 and 2021

	2022	2021
Net income	$ 8,531,237	$ 7,604,531
Other comprehensive (loss) income		
Debt securities - available-for-sale		
Unrealized holding (loss) gain arising during the period	(9,939,200)	(583,914)
Reclassification for gains included in net income	94	-
Total other comprehensive (loss)	(9,939,106)	(583,914)
Total comprehensive (loss) income	$ (1,407,869)	$ 7,020,617

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
For the years ended March 31, 2022 and 2021

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, March 31, 2020	$ 4,417,109	$ 53,810,400	$ 1,319,927	$ 59,547,436
Net income	-	7,604,531	-	7,604,531
Other comprehensive loss	-	-	(583,914)	(583,914)
Balance, March 31, 2021	4,417,109	61,414,931	736,013	66,568,053
Net income	-	8,531,237	-	8,531,237
Other comprehensive loss	-	-	(9,939,106)	(9,939,106)
Balance, March 31, 2022	$ 4,417,109	$ 69,946,168	$ (9,203,093)	$ 65,160,184

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended March 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net income	$ 8,531,237	$ 7,604,531
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and discounts on debt securities, net	483,275	300,094
(Gain) on sale and calls of debt securities	(94)	-
Net gain on sale of loans	(1,516,865)	(2,857,695)
(Gain) on sale of foreclosed assets	-	(9,320)
Amortization of mortgage servicing rights	469,868	520,652
Capitalization of mortgage servicing rights	(409,467)	(563,762)
Change in valuation allowance of mortgage servicing rights	(77,130)	2,449
Provision for loan losses	528,778	981,363
Loans originated for sale	(49,050,068)	(71,624,402)
Proceeds from sale of loans	55,153,125	69,649,636
Depreciation and amortization	1,083,971	1,264,342
Net change in:		
Accrued interest receivable	(55,330)	(114,477)
Other assets	(983,432)	(551,895)
Accrued expenses and other liabilities	1,139,674	3,114,565
Net cash provided by operating activities	15,297,542	7,716,081
Cash flows from investing activities		
Purchase of debt securities available-for-sale	(87,276,685)	(139,497,735)
Proceeds from maturities, calls and paydowns of debt securities available-for-sale	29,850,625	79,155,508
Proceeds from the sale of assets	99,000	211,002
Net change in other investments	14,261,000	(4,415,000)
Net change in loans	(67,729,123)	(78,013,290)
Increase in the NCUSIF deposit	(1,116,373)	(891,270)
Purchase of property and equipment	(5,919,379)	(1,666,175)
Net cash used by investing activities	(117,830,935)	(145,116,960)
Cash flows from financing activities		
Net change in members' share and savings accounts	87,211,608	175,248,171
Repayments of borrowed funds	(292,000)	-
Net cash provided by financing activities	86,919,608	175,248,171
(Decrease) increase in cash and cash equivalents	(15,613,785)	37,847,292
Cash and cash equivalents - beginning of year	78,215,924	40,368,632
Cash and cash equivalents - end of year	$ 62,602,139	$ 78,215,924
Supplementary disclosures of noncash and cash flow information		
Dividends and interest paid on members' share and savings accounts and borrowed funds	$ 3,278,222	$ 4,027,727
Transfers of loans to foreclosed and repossessed assets	$ 123,000	$ 208,322

See accompanying notes to consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Vermont Federal Credit Union is a federal-chartered cooperative association headquartered in Burlington, Vermont, organized in accordance with the provisions of the Federal Credit Union Act of 1934 for the purpose of promoting thrift among, and creating a source of credit for its members.

Principles of Consolidation: The consolidated financial statements include the accounts of Vermont Federal Credit Union (the Credit Union) and its wholly owned subsidiary, Vermont Federal Financial Services, LLC (the CUSO), a credit union service organization that provides insurance services, to Credit Union members. All significant intercompany accounts and transactions have been eliminated.

Membership: Participation in this Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws. Vermont Federal Credit Union (Vermont FCU, Vermont) is a community-chartered credit union serving over 47,425 members through seven office locations in Vermont. The credit union currently serves Addison, Bennington, Caledonia, Chittenden, Essex, Franklin, Grand Isle, Lamoille, Orange, Orleans, Rutland, Washington, Windham, and Windsor Counties of Vermont. In addition to a regularly qualified member, the spouse of a member, the blood or adoptive relatives of either of them and their spouses may be members.

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

Financial Instruments with Concentrations of Risk: Most of the Credit Union's business activity is with its members who reside in or are employed in the state of Vermont counties of Chittenden, Grand Isle, Franklin, Lamoille, Washington, and Addison. The Credit Union is exposed to credit risk from a regional economic standpoint because significant concentrations of its borrowers work or reside in Burlington, Vermont. However, the loan portfolio is well-diversified, and the Credit Union does not have any significant concentrations of credit risk.

Cash and Cash Equivalents: For purposes of the consolidated statements of financial condition and consolidated statements of cash flows, Cash and Cash Equivalents includes cash on hand, amounts due from financial institutions, and highly liquid debt instruments classified as cash which were purchased with original maturities of three months or less.

The Credit Union maintains cash in deposit accounts at financial institutions approved by the board of directors. Accumulated deposits at these institutions, at times, may exceed federally insured limits. No losses have been incurred.

Interest Bearing Deposits in Other Financial Institutions: Interest bearing deposits in other financial institutions include certificates of deposit with original maturities greater than ninety days. These are stated at cost. The certificates of deposit all mature within one year.

Securities: Debt securities available-for-sale are carried at fair value with unrealized gains and losses excluded from earnings and reported in Other Comprehensive Income (Loss). Realized gains and losses on debt securities available-for-sale are included in Non-Interest Income and, when applicable, are reported as a reclassification adjustment in Other Comprehensive Income (Loss). Gains and losses on sales of debt securities are based on the specific identification method for debt securities. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Credit Union did not record any other than temporary impairment during the years ended March 31, 2022 and 2021.

Other Investments: Other investments are recorded at cost and evaluated for credit events resulting in other than temporary impairment. Other investments consist of permanent capital in corporate credit unions, Federal Home Loan Bank of Boston (FHLB) stock, and non-negotiable certificates of deposit in other financial institutions.

Loans Held-for-Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Fair value is determined based on outstanding commitments from investors. Net realized losses, if any, are recognized through a valuation allowance by charges to Non-Interest Income.

All sales are made without recourse, except for those loans sold to the FHLB under the Mortgage Partnership Finance Program, which are sold with limited recourse, consisting of maximum credit enhancement of 5% of the total loans that have been sold under the agreement.

Based upon favorable payment history, the Credit Union does not anticipate any losses on these residential loans and, accordingly, has not recorded a liability for the credit enhancement.

Loans, Net: The Credit Union grants residential real estate loans, commercial loans, and consumer loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Union's field of membership and the borrower's ability to pay. In addition, the Credit Union purchases commercial and residential real estate loan participations originated by other credit unions, including loans made to faith-based organizations. These loan participations were purchased without recourse and are secured by real property. The originating credit union performs all servicing functions on these loans.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Generally, loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using methods approximating the interest method over the estimated life of the loans. The Credit Union does not charge commitment fees.

Allowance for Loan Losses: The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance consists of an allocated and general component, as further described below.

The allocated component relates to loans that are classified as impaired. Based on internal credit ratings and watchlists, residential and commercial loans are evaluated for impairment on a loan-by-loan basis. Impairment is measured for these loans based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral if the loan is collateral dependent. An allowance is established when the discounted cash flow (or collateral value) of the impaired loan is lower than the carrying value of that loan.

Larger groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual consumer loans for impairment disclosures, unless such loans are subject to a troubled debt restructuring agreement.

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: consumer, residential real estate and commercial loans. Management uses a rolling average of historical losses based on a time frame (2 years) appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels and trends in delinquency, impairment, and risk rating and credit score migration; trends in volume and terms; effects of changes in risk selections and underwriting standards, other changes in lending policies, procedures and practices; experience, ability and depth of lending management and staff; local and national economic trends and conditions. The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are described below. For homogeneous portfolio segments, management utilizes delinquency reports and other loan reports to monitor credit quality of these loan segments.

The portfolio segments that are monitored based payment performance and their risk characteristics are described below:

Consumer – The Credit Union has identified auto loans, credit cards, student loans, and other unsecured loans in homogenous risk categories. Repayment is dependent on the credit quality of the individual borrower. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Residential Real Estate – Generally these loans are smaller in size and are homogenous because they exhibit similar characteristics. The Credit Union has identified first mortgages, hybrid mortgages, and home equity loans in homogenous risk categories. Repayment is dependent on the credit quality of the borrower. These loans are secured by the underlying collateral. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

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

Commercial Real Estate – Commercial loans primarily consist of nonowner and owner-occupied real estate loans. Commercial loans generally have terms of 15 years or less. Repayment is expected from the cash flows of the business. Loans are secured by the underlying collateral. Substantially all commercial loans are secured and backed by the personal guarantees of the owners of the business.

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

Commercial Other – These are generally underwritten to existing cash flows or inventories of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pass (1-3) - Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management's close attention.

Acceptable (4) - Loans possess unconventional origination, weakened operating performance, or the occurrence of negative events which create a risk of default. A watch loan is a loan that is currently protected by the paying capacity of the borrower or the collateral, with apparent weaknesses that may result in added credit risks but is not yet in a lower loan grade. These loans are considered Pass loan for credit quality disclosures.

Special Mention (5) - Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification. These loans are considered Pass loans for credit quality disclosures.

Substandard (6) - Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well-defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or the failure to fulfill economic expectations. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful (7) - Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss (8) - Loans classified as Loss are considered uncollectible and anticipated to be charged off.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Off-Statement of Financial Condition Credit Related Financial Instruments: In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

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

Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of the foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement.

Servicing: Servicing assets are recognized separately when servicing rights are acquired through purchase or through sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method. Under the amortization method, mortgage servicing rights are amortized into Noninterest Income in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment of increased obligation based upon the fair value at each reporting date.

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

Each class of separately recognized servicing assets subsequently measured using the amortization method is evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with Noninterest Income on the consolidated statements of income.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Premises and Equipment, Net: Land is carried at cost. Buildings, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the expected terms of the related leases or estimated useful life, whichever is less. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

Impairment of Long-Lived Assets: The Credit Union tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell. No impairment losses were recognized for the years ended March 31, 2022 and 2021.

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

No NCUSIF premiums were assessed for the years ended March 31, 2022 and 2021 due to subsequent loss recovery settlements and gains recognized by the Fund in recent years. The Credit Union received no reimbursements from the NCUSIF during the years ended March 31, 2022 and 2021.

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

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

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

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income and other comprehensive income (loss). Accumulated other comprehensive income (loss), also recognized as a separate component of members' equity, includes unrealized gains and losses for available-for-sale debt securities.

Income Taxes: The Credit Union is exempt, under Internal Revenue Code (IRC) 501(c)(14), from federal and state income taxes. The income from the CUSO, organized as an LLC, flows through to the Credit Union, and therefore is not subject to federal and state income taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans: The Credit Union provides a Safe Harbor 401(k) plan, which covers substantially all of the Credit Union's employees who are at least 18 years of age. The Credit Union's safe harbor match of 3% begins after six months of employment. A participant may elect to make contributions of up to the applicable IRS limitations of the participant's annual compensation, as of the first day of their employment. The Credit Union makes discretionary matching contributions as approved by the board of directors. The Credit Union's contributions to the plan approximated $612,500 and $534,808 for the years ended March 31, 2022 and 2021, respectively.

Deferred Compensation Plan Section 457(b): The Credit Union has a nonqualified deferred compensation plan for members of management. The Credit Union does not make contributions to this plan. The deferred compensation accounts are shown as both assets and liabilities on the Credit Union's consolidated financial statements and are available to creditors in the event of the Credit Union's liquidation. The balance of the deferred compensation arrangement was $397,616 and $401,630 as of March 31, 2022 and 2021, respectively.

Advertising Costs: Advertising and promotion costs which totaled approximately $733,432 and $633,657 for the years ending March 31, 2022 and 2021, respectively, are expensed as incurred.

Fair Value: Fair value is a market-based measurement, not an entity-specific measurement, and the hierarchy gives the highest priority to quoted prices in active markets. Fair value measurements are disclosed by level within the fair value hierarchy.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Valuation techniques are to be consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the fair value hierarchy establishes valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would be used in pricing an asset or liability.

Subsequent to initial recognition, the Credit Union may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value. Transfers between levels are recognized at the end of the reporting period.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this Update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. The Credit Union has completed its evaluation of ASU 2014-09 and concluded that there is no material impact of adoption.

In 2016, the FASB approved ASU 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated statement of financial condition and disclosing key information about leasing arrangements. The ASU is effective for the Credit Union for the fiscal year beginning after December 15, 2021, and interim periods within the fiscal year beginning after December 15, 2022. Early adoption is permitted. The Credit Union has completed its evaluation of ASU 2016-02 and concluded that there is no material impact of adoption.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU is effective for fiscal years beginning after December 15, 2022, and for interim periods within fiscal years beginning after December 15, 2022. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Credit Union is currently evaluating the impact this ASU will have on its financial statements.

Reclassifications: Certain amounts from the 2021 financial statements have been reclassified to conform to the current year presentation.

Subsequent Events: In preparing these financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through July 11, 2022, the date the financial statements were available to be issued.

NOTE 2 - SECURITIES AND OTHER INVESTMENTS

Available-for-Sale: The amortized cost and fair value of debt securities available-for-sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2022				
U.S. Government and federal agency securities	$ 24,866,451	$ -	$ (926,580)	$ 23,939,871
Federal agency mortgage-backed securities	38,557,257	26,268	(1,909,316)	36,674,209
Collateralized mortgage obligation securities - residential	53,053,917	4,545	(3,685,786)	49,372,676
Small business administration securities	7,646,312	-	(182,068)	7,464,244
U.S. Treasuries	47,546,594	-	(2,528,423)	45,018,171
Corporate bonds	1,204,096	-	(1,733)	1,202,363
Total	$ 172,874,627	$ 30,813	$ (9,233,906)	$ 163,671,534

(Continued)

NOTE 2 - SECURITIES AND OTHER INVESTMENTS (Continued)

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2021				
U.S. Government and federal agency securities	$ 16,007,186	$ 1,753	$ (59,259)	$ 15,949,680
Federal agency mortgage-backed securities	37,708,220	392,928	(168,496)	37,932,652
Collateralized mortgage obligation securities - residential	28,655,211	462,461	(142,388)	28,975,284
Small business administration securities	9,288,969	390,135	(45,421)	9,633,683
U.S. Treasuries	21,552,269	-	(99,811)	21,452,458
Corporate bonds	2,719,894	4,205	(94)	2,724,005
Total	$ 115,931,749	$ 1,251,482	$ (515,469)	$ 116,667,762

The proceeds from calls of securities and the associated gains and losses are listed below:

	2022	2021
Proceeds	$ 2,500,000	$ -
Gross gains	817	-
Gross losses	(723)	-

The amortized cost and fair value of securities, at March 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Fair Value (Carrying Value)
U.S. Government and federal agency securities		
Less than one year	$ -	$ -
One to five years	24,866,451	23,939,871
Five to ten years	-	-
After ten years	-	-
	24,866,451	23,939,871
Federal agency mortgage-backed securities	38,557,257	36,674,209
Collateralized mortgage obligation securities-residential	53,053,917	49,372,676
Small business administration securities	7,646,312	7,464,244
U.S. Treasuries	47,546,594	45,018,171
Corporate bonds	1,204,096	1,202,363
Total	$ 172,874,627	$ 163,671,534

NOTE 2 - SECURITIES AND OTHER INVESTMENTS (Continued)

Temporarily Impaired Securities: 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:

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
March 31, 2022				
U.S. Government and federal agency securities	$ (626,521)	$ 15,235,250	$ (300,059)	$ 8,704,620
Federal agency mortgage backed securities	(1,605,520)	31,076,223	(303,796)	3,287,327
Collateralized mortgage obligation securities-residential	(3,517,614)	46,519,127	(168,172)	1,717,716
Small business administration securities	(182,068)	7,464,244	-	-
U.S. Treasuries	(2,528,423)	45,018,170	-	-
Corporate bonds	(1,733)	1,202,363	-	-
Total available-for-sale	$ (8,461,879)	$ 146,515,377	$ (772,027)	$ 13,709,663
March 31, 2021				
U.S. Government and federal agency securities	$ (59,259)	$ 12,948,900	$ -	$ -
Federal agency mortgage backed securities	(168,496)	21,929,521	-	-
Collateralized mortgage obligation securities-residential	(142,388)	8,759,671	-	-
Small business administration securities	(45,421)	938,654	-	-
U.S. Treasuries	(99,811)	21,452,460		
Corporate bonds	(94)	500,235	-	-
Total available-for-sale	$ (515,469)	$ 66,529,441	$ -	$ -

At March 31, 2022, there were 150 securities with unrealized losses. All of these securities are either guaranteed by federal insurance, the U.S. government, and/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 securities until maturity or for the foreseeable future for those classified as available-for-sale, no declines are deemed to be other than temporary.

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

(Continued)

NOTE 2 - SECURITIES AND OTHER INVESTMENTS (Continued)

Other Investments: Other investments for the years ending March 31, 2022 and 2021 are summarized as follows:

	2022	2021
Perpetual contributed capital accounts	$ 440,000	$ 440,000
FHLB stock	680,000	680,000
Certificates of deposit in other financial institutions	11,668,000	25,929,000
Total	$ 12,788,000	$ 27,049,000

Perpetual Contributed Capital Accounts: The Credit Union maintains perpetual contributed capital accounts with two corporate credit unions, Tricorp Federal Credit Union and Alloya Corporate Federal Credit Union. These are uninsured and can only be paid back to the Credit Union at the discretion of the respective corporate credit union.

These uninsured deposits are part of the corporate credit union's regulatory capital and are subject to impairment.

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

Certificates of Deposit in Other Financial Institutions: The Credit Union holds non-negotiable certificates of deposit in other financial institutions. These are stated at cost. The certificates of deposit all mature within five years.

The Credit Union did not record impairment related to any other investments during the years ended March 31, 2022 and 2021.

NOTE 3 - LOANS, NET

Loans consist of the following at March 31:

	2022	2021
Residential real estate		
Mortgage	$ 266,454,757	$ 224,452,412
Home equity	89,347,174	88,710,569
	355,801,931	313,162,981
Consumer		
Secured	97,826,440	100,042,084
Unsecured	36,728,206	34,884,048
	134,554,646	134,926,132
Commercial		
Real Estate	121,259,347	95,793,768
Other	5,097,000	5,345,966
	126,356,347	101,139,734
Total gross loans	616,712,924	549,228,847
Deferred net loan origination costs	(237,889)	(138,002)
Allowance for loan losses	(2,691,232)	(2,384,387)
Total	$ 613,783,803	$ 546,706,458

(Continued)

NOTE 2 - SECURITIES AND OTHER INVESTMENTS (Continued)

The Credit Union has purchased loan participations originated by various other financial institutions, which are secured by real estate and commercial properties. These loan participations were purchased without recourse and the originating financial institution performs all loan servicing functions on these loans. The total loan participations included in the commercial loans and residential mortgage real estate segments above totaled $5,220,396 and $5,487,373 at March 31, 2022 and 2021, respectively.

Included in residential real estate and commercial real estate loans are adjustable rate loans that total approximately $8,940,763 and $13,281,080 at March 31, 2022 and 2021, respectively.

Included in commercial loans are $655,730 and $11,918,583 of loans made under the Payroll Protection Program (PPP), which are guaranteed by the Small Business Administration (SBA), at March 31, 2022 and 2021. The loans have a term of 24 months but are eligible for forgiveness by the SBA. The Company recognized $665,263 and $292,056 of fee income during 2022 and 2021 on the PPP loan originations.

The allowance for loan losses and recorded investment in loans is as follows:

	Residential Real Estate	Consumer	Commercial Real Estate and Other	Total
March 31, 2022				
Allowance for loan losses				
Balance at beginning of year	$ 384,614	$ 1,164,154	$ 835,619	$ 2,384,387
Provision for loan losses	40,259	207,217	281,302	528,778
Loans charged off	-	(399,170)	-	(399,170)
Recoveries of loans previously charged off	-	177,059	178	177,237
Balance at end of year	$ 424,873	$ 1,149,260	$ 1,117,099	$ 2,691,232
Ending balance, individually evaluated for impairment	$ 119,344	$ -	$ 41,202	$ 160,546
Ending balance, collectively evaluated for impairment	$ 305,529	$ 1,149,260	$ 1,075,897	$ 2,530,686
Total allowance for loan losses	$ 424,873	$ 1,149,260	$ 1,117,099	$ 2,691,232
Loans:				
Ending Balance: Individually valuated for Impairment	$ 778,552	$ -	$ 1,598,837	$ 2,377,389
Ending Balance: Collectively valuated for Impairment	$ 355,023,379	$ 134,554,646	$ 124,757,510	$ 614,335,535
Total Loans	$ 355,801,931	$ 134,554,646	$ 126,356,347	$ 616,712,924

(Continued)

NOTE 3 - LOANS, NET (Continued)

	Residential Real Estate	Consumer	Commercial Real Estate and Other	Total
March 31, 2021				
Allowance for loan losses				
Balance at beginning of year	$ 232,633	$ 1,413,392	$ 386,384	$ 2,032,409
Provision for loan losses	188,409	344,487	448,467	981,363
Loans charged off	(71,608)	(761,119)	-	(832,727)
Recoveries of loans previously charged off	35,180	167,394	768	203,342
Balance at end of year	$ 384,614	$ 1,164,154	$ 835,619	$ 2,384,387
Ending balance, individually evaluated for impairment	$ 96,387	$ -	$ -	$ 96,387
Ending balance, collectively evaluated for impairment	$ 288,227	$ 1,164,154	$ 835,619	$ 2,288,000
Total allowance for loan losses	$ 384,614	$ 1,164,154	$ 835,619	$ 2,384,387
Loans:				
Ending Balance: Individually valuated for Impairment	$ 797,678	$ -	$ 355,369	$ 1,153,047
Ending Balance: Collectively valuated for Impairment	$ 312,365,303	$ 134,926,132	$ 100,784,365	$ 548,075,800
Total Loans	$ 313,162,981	$ 134,926,132	$ 101,139,734	$ 549,228,847

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

	Commercial Credit Risk Profile by Risk Rating		
	Commercial Real Estate	Commercial Other	Total
March 31, 2022			
Risk Rating:			
Pass (1-3)	$ 105,197,096	$ 3,169,597	$ 108,366,693
Acceptable (4)	13,535,355	741,887	14,277,242
Special Mention (5)	1,306,481	1,185,516	2,491,997
Substandard (6)	1,220,415	-	1,220,415
Total	$ 121,259,347	$ 5,097,000	$ 126,356,347
March 31, 2021			
Risk Rating:			
Pass (1-3)	$ 85,537,523	$ 3,353,281	$ 88,890,804
Acceptable (4)	7,456,551	770,818	8,227,369
Special Mention (5)	1,136,827	1,221,867	2,358,694
Substandard (6)	1,662,867	-	1,662,867
Total	$ 95,793,768	$ 5,345,966	$ 101,139,734

(Continued)

NOTE 3 - LOANS, NET (Continued)

The following tables show the classes within the homogeneous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

	Consumer and Residential Real Estate Credit Risk Profile by Payment Activity		
	Performing	Non-Performing	Total
March 31, 2022			
Residential Real Estate:			
Mortgage	$ 266,400,531	$ 54,226	$ 266,454,757
Home Equity	89,211,140	136,034	89,347,174
Consumer:			
Secured	97,428,945	397,495	97,826,440
Unsecured	36,530,958	197,248	36,728,206
Total	$ 489,571,574	$ 785,003	$ 490,356,577
March 31, 2021			
Residential Real Estate:			
Mortgage	$ 224,398,622	$ 53,790	$ 224,452,412
Home Equity	88,474,755	235,814	88,710,569
Consumer:			
Secured	99,635,321	406,763	100,042,084
Unsecured	34,782,620	101,428	34,884,048
Total	$ 447,291,318	$ 797,795	$ 448,089,113

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

	Accruing Interest			Nonaccrual	
	Current	30 – 59 Days Past Due	60 – 89 Days Past Due	90 Days or More Past Due	Total Loans
March 31, 2022					
Residential:					
Mortgage	$ 266,271,143	$ 107,684	$ 21,704	$ 54,226	$ 266,454,757
Home Equity	88,999,281	211,859	-	136,034	89,347,174
Consumer:					
Secured	96,918,044	481,289	29,612	397,495	97,826,440
Unsecured	36,261,500	185,222	84,236	197,248	36,728,206
Commercial:					
Real Estate	120,004,328	-	-	1,255,019	121,259,347
Other	5,097,000	-	-	-	5,097,000
Total	$ 613,551,296	$ 986,054	$ 135,552	$ 2,040,022	$ 616,712,924

(Continued)

NOTE 3 - LOANS, NET (Continued)

		Accruing Interest		Nonaccrual	
	Current	30 – 59 Days Past Due	60 – 89 Days Past Due	90 Days or More Past Due	Total Loans
March 31, 2021					
Residential:					
Mortgage	$ 223,908,323	$ 464,010	$ 26,289	$ 53,790	$ 224,452,412
Home Equity	88,454,445	20,310	-	235,814	88,710,569
Consumer:					
Secured	99,364,676	199,077	71,568	406,763	100,042,084
Unsecured	34,598,236	29,386	154,998	101,428	34,884,048
Commercial:					
Real Estate	95,707,995	84,057	1,716	-	95,793,768
Other	5,345,966	-	-	-	5,345,966
Total	$ 547,379,641	$ 796,840	$ 254,571	$ 797,795	$ 549,228,847

The following tables present information related to impaired loans:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
March 31, 2022				
With No Related Allowance:				
Residential:				
Mortgage	$ 180,665	$ 180,665	$ -	$ 169,252
Home Equity	150,639	150,639	-	165,171
Commercial:				
Real Estate	343,818	343,818	-	349,594
With An Allowance Recorded:				
Residential:				
Mortgage	379,135	379,135	51,231	385,579
Home Equity	68,113	68,113	68,113	68,113
Commercial:				
Real Estate	1,255,019	1,255,019	41,202	627,509
Total Impaired Loans:				
Residential:				
Mortgage	559,800	559,800	51,231	554,831
Home Equity	218,752	218,752	68,113	233,284
Commercial:				
Real Estate	1,598,837	1,598,837	41,202	977,103
Total	$ 2,377,389	$ 2,377,389	$ 160,546	$ 1,765,218

(Continued)

NOTE 3 - LOANS, NET (Continued)

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
March 31, 2021				
With No Related Allowance:				
Residential:				
Mortgage	$ 157,839	$ 157,839	$ -	$ 223,804
Home Equity	179,703	179,703	-	220,753
Commercial:				
Real Estate	355,369	355,369	-	177,685
With An Allowance Recorded:				
Residential:				
Mortgage	392,023	392,023	56,387	397,283
Home Equity	68,113	68,113	40,000	34,056
Commercial:				
Real Estate	-	-	-	27,340
Total Impaired Loans:				
Residential:				
Mortgage	549,862	549,862	56,387	621,087
Home Equity	247,816	247,816	40,000	254,809
Commercial:				
Real Estate	355,369	355,369	-	205,025
Total	$ 1,153,047	$ 1,153,047	$ 96,387	$ 1,080,921

Interest income foregone on impaired loans was immaterial for the years ended March 31, 2022 and 2021.

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

During both years ending March 31, 2022 and 2021, loans were modified for rate reductions, forgiveness of past due interest, capitalization of negative escrow and other costs, and extension of maturity dates. Management performs a discounted cash flow calculation to determine the amount of impairment reserve required on each of the trouble debt restructurings. Any reserve required is recorded through the provision for loan losses. Residential troubled debt restructurings as of March 31, 2022 and 2021 amounted to $419,137 and $469,602, respectively, and the reserves allocated were not material. There was one commercial troubled debt restructurings as of March 31, 2022 for $343,818 and $355,369 as of March 31, 2021. There were no mortgage or home equity troubled debt restructurings performed during the years ending March 31, 2022 and 2021.

The Credit Union is working with borrowers impacted by COVID-19 and providing modifications to include deferral of interest and/or principal payments for up to 6 months. Certain borrowers may have an extended deferral period. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the CARES Act or under applicable interagency guidance of federal banking regulators.

The Credit Union provided 36 payment deferrals on commercial loans with a total principal balance of $13,647,856 during 2021. As of year-end 2021, $12,347,856 of the deferrals expired and the borrowers were making payments as agreed, $0 of the deferrals expired and the borrower was delinquent, and $1,300,000 were in an active deferral period. No deferrals were made on commercial loans during 2022 and all loans that were on deferral were paying as agreed as of March 31, 2022.

NOTE 3 - LOANS, NET (Continued)

During the year-ended March 31, 2022 and 2021 the Credit Union provided 338 and 1,143 payment deferrals and skip payments on consumer loans with a total principal balance of $5,003,221 and $13,636,916. As of year-ended 2022, 10 loans or $77,296 of the $5,003,221 of the deferrals have paid off leaving an outstanding principal balance of $4,925,925. The remaining loans are active and payments continue to be made as agreed. As of year-end March 31, 2022, no loans are delinquent that received a deferral and no loans have been charged off that received a deferral. As of year-end 2021, $10,430,550 of the deferrals expired and the borrower was making payments as agreed, $232,670 of the deferrals had expired and the borrower was delinquent, $38,012 of the deferrals were charged off, $2,935,684 of the deferrals paid off in full and there were no loans in an active deferral period. The Credit Union also provided 22 and 153 payment deferrals on mortgage loans with a total principal balance of $3,400,473 and $20,042,416 during 2022 and 2021 respectively. As of year-ended 2022 and 2021, $488,226 and $19,205,931 of the deferrals have expired and the borrower is making payments as agreed and $2,912,247 and $836,485 were in an active deferral period.

NOTE 4 - LOAN SERVICING

Loans serviced for others are not included in the accompanying consolidated statements of financial condition. The Credit Union services loans for both the Federal Home Loan Bank of Boston and Fannie Mae. The unpaid principal balances of loans serviced for the Federal Home Loan Bank of Boston were $65,968,051 and $83,694,788 at March 31, 2022 and 2021, respectively. The unpaid principal balances of loans serviced for Fannie Mae were $160,495,494 and $147,035,933 at March 31, 2022 and 2021, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were $1,305,454 and $1,281,454 at March 31, 2022 and 2021, respectively. These balances are included in accrued expenses and other liabilities on the statement of financial condition.

The balance of capitalized servicing rights, net of valuation allowances, is included in other assets and totaled $1,076,366 and $1,059,637 at March 31, 2022 and 2021, respectively. The fair values of these servicing rights were $1,880,145 and $1,682,086 at March 31, 2022 and 2021, respectively. The fair value of servicing rights was determined using discount rates ranging from 10.35% to 14.35% and prepayment speeds ranging from 143% to 253%, depending upon the stratification of the specific right and a weighted average delinquency rate of 1.5%.

The following summarizes the activity pertaining to mortgage servicing rights capitalized and amortized, along with the aggregate activity in related valuation allowances as of March 31:

	2022	2021
Mortgage servicing rights:		
Balance at beginning of year	$ 1,160,576	$ 1,117,466
Additions	409,467	563,762
Amortization	(469,868)	(520,652)
Disposals	-	-
Balance at end of year	1,100,175	1,160,576
Valuation allowances:		
Balance at beginning of year	(100,939)	(98,490)
Additions	(8,774)	(180,361)
Disposals	85,904	177,912
Balance at end of year	(23,809)	(100,939)
Mortgage servicing assets, net	$ 1,076,366	$ 1,059,637

(Continued)

NOTE 5 - PREMISES AND EQUIPMENT, NET

The Credit Union's premises, and equipment is summarized as follows:

	2022	2021
Land	$ 3,227,483	$ 3,221,813
Buildings and building improvements	13,870,163	13,374,129
Data processing systems	5,794,785	6,009,217
Furniture and equipment	2,521,767	2,878,439
Work-in-progress	5,970,509	1,053,012
	31,384,707	26,536,610
Accumulated depreciation	(11,157,324)	(11,144,635)
Total	$ 20,227,383	$ 15,391,975

Depreciation and amortization expense recognized related to premises and equipment during the years ended March 31, 2022 and 2021 was $1,083,971 and $1,264,342, respectively.

Lease Commitments: The Credit Union is obligated under noncancelable operating leases for office space. Some of the leases contain renewal options for periods from less than one year to three years, and provisions requiring the Credit Union to pay property taxes and operating expenses over base period amounts. Rental expense was $112,503 and $146,632 for the years ended March 31, 2022 and 2021, respectively.

The required minimum rental payments under the terms of these noncancelable leases for the year ending March 31 are as follows:

2023	$ 22,671
2024	-
2025	-
2026	-
2027 and Thereafter	-
	$ 22,671

Lessor Agreements: The Credit Union leases certain office facilities to various tenants under noncancelable operating leases expiring in various years. Rental income was $3,159 and $437,816 for the years ended March 31, 2022 and 2021, respectively. There are no future minimum lease payments.

(Continued)

NOTE 6 - MEMBERS' SHARE AND SAVINGS ACCOUNTS

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

	2022	2021
Regular Shares Accounts	$ 208,223,384	$ 181,573,384
Share Draft Accounts	270,595,017	250,617,969
Money Market Accounts	187,841,780	161,234,010
Individual Retirement Accounts	7,589,978	6,873,526
Individual Retirement Account Certificates	30,224,316	32,535,004
Certificates of Deposit	109,037,618	93,466,592
Total	$ 813,512,093	$ 726,300,485

The aggregate amounts of certificates of deposit in denominations of $250,000 or more was approximately $27,776,000 and $10,353,000 at March 31, 2022 and 2021, respectively.

Overdrawn share accounts reclassified to unsecured loans to members totaled $105,652 and $60,907 at March 31, 2022 and 2021, respectively.

As of March 31, scheduled maturities of member's share and savings accounts are as follows:

No contractual maturity	$ 674,250,159
2023	97,904,737
2024	20,618,196
2025	10,007,789
2026	5,836,671
2027	4,894,541
Total	$ 813,512,093

Member accounts are insured to at least $250,000 by the National Credit Union Share Insurance Fund (NCUSIF). The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. government.

NOTE 7 - BORROWED FUNDS

At March 31, 2022 and 2021, the Credit Union had an available line of credit of $8,000,000 with Tricorp Federal Credit Union and $3,000,000 with Alloya Federal Credit Union. The interest rates applied on any borrowing are determined on that borrowing date. Substantially all of the assets and earnings of the Credit Union are pledged as collateral on the line of credit, except those pledged on other lines. There were no balances outstanding on this line at March 31, 2022 and 2021.

The Credit Union participates in the Jobs for New England (JNE) program offered by the FHLB. As a result of their participation, the Credit Union has the ability to take out advances offered at 0% for up to 10 years. The Credit Union has entered into an Advances, Pledge, and Security agreement with the Federal Home Loan Bank of Boston (FHLB) whereby a portion of the Credit Union's mortgage and home equity portfolio is pledged. The agreement provides for a maximum available borrowing account of approximately $175,664,000 and $146,276,000 as of March 31, 2022 and 2021, respectively, and is determined and reviewed for continuation by the lender and the Credit Union on a periodic basis. As of March 31, 2022, and 2021, there were 0% fixed-rate advances outstanding totaling $1,417,250 and $1,709,250, respectively.

(Continued)

NOTE 7 - BORROWED FUNDS (Continued)

The Credit Union has access to an Ideal Way line of credit with the FHLB. Interest is charged at a rate determined by the lender on a daily basis. There were no balances outstanding on this agreement at March 31, 2022 and 2021, respectively.

The Credit Union has the ability to borrow through the Federal Reserve Discount Window. The interest rates applied on any borrowing are determined on that borrowing date. The line has no expiration date but is subject to review and change by the issuing institution. At March 31, 2022 and 2021, the Credit Union has not pledged securities as collateral to the Federal Reserve. Therefore, the line is not active and there is no available line of credit. There were no balances outstanding on this line at March 31, 2022 and 2021. At such time the Credit Union has a need to request an advance, securities will be pledged.

Borrowed funds at December 31 consisted of the following:

	2022	2021
FHLB 0% - 2/15/22 - 5 Year Term	$ -	$ 232,000
FHLB 0% - 3/1/22 - 5 Year Term	-	60,000
FHLB 0% - 5/4/22 - 5 Year Term	152,750	152,750
FHLB 0% - 6/1/27 - 10 Year Term	550,000	550,000
FHLB 0% - 6/30/27 - 10 Year Term	189,500	189,500
FHLB 0% - 2/14/28 - 10 Year Term	525,000	525,000
Total	$ 1,417,250	$ 1,709,250

The maturities of borrowed funds for the year ending March 31 are as follows:

2023	$ 152,750
2024	-
2025	-
2026	-
2027	-
Thereafter	1,264,500
Total	$ 1,417,250

NOTE 8 - REGULATORY NET WORTH REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Unions consolidated financial statements.

Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union’s assets, liabilities, and certain off-statement of financial condition items as calculated under U.S. generally accepted accounting principles. The Credit Union’s capital amounts and net worth classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

(Continued)

NOTE 8 - REGULATORY NET WORTH REQUIREMENTS (Continued)

In 2021, the National Credit Union Administration issued a final rule that replaces the existing risk-based net worth ratio with a new risk-based capital ratio for “complex” federally insured credit unions. The complex credit union leverage ratio also removes the requirement for qualifying credit unions to calculate and report a risk-based capital ratio if certain net worth requirements are met. Qualifying credit unions that elect to use the complex credit union leverage ratio framework and that maintain a minimum net worth ratio of greater than required minimums will be considered to have satisfied the risk based and net worth capital requirements in the agencies’ capital rules and, if applicable, will be considered to have met the well capitalized ratio requirements under the NCUA. The Credit Union did not opt in to the complex credit union leverage ratio framework.

The final rule became effective on January 1, 2022 and the Credit Union began reporting the new risk-based capital ratio as of March 31, 2022. Under the new rule for credit unions that did not opt in to the complex credit union leverage ratio framework, the minimum requirement to be considered adequately capitalized is 8% and the minimum requirement to be considered well capitalized is 10%.

The Credit Union’s actual capital amounts and ratios are also presented in the table.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
March 31, 2022						
Net worth	$ 74,363,277	8.36%	$ 53,370,773	6.00%	$ 62,265,902	7.00%
Risk-based capital	70,020,534	14.17	39,531,706	8.00	49,414,632	10.00
March 31, 2021						
Net worth	$ 65,832,043	8.20%	$ 48,114,582	6.00%	$ 56,133,679	7.00%
Risk-based net worth requirement	49,381,429	6.16	N/A	N/A	N/A	N/A

NOTE 9 - RELATED PARTY TRANSACTIONS

Included in loans at March 31, 2022 and 2021, are loans to the Credit Union’s board of directors, committee members, and senior executive management of $1,534,729 and $1,654,998, respectively. The aggregate principal advances and principal repayments are not significant.

Deposits held by the Credit Union’s board of directors, committee members, and senior executive management at March 31, 2022 and 2021 are $988,868 and $900,705, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

Off-Consolidated Statement of Financial Condition Activities: The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

(Continued)

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

The following financial instruments whose contract amounts represent credit risk were outstanding at March 31:

	2022	2021
Commitments to Grant Collateralized Loans		
Mortgage	$ 12,946,000	$ 17,177,000
Home Equity	5,603,000	4,941,000
Commercial	3,582,000	1,486,000
Unfunded Unsecured Commitments Under Lines of Credit		
Home Equity	54,295,000	44,466,000
Commercial Real Estate	626,000	837,000
Commercial Other	3,434,000	4,548,400
Overdraft Protection	153,000	194,000
Lines of Credit	1,703,000	1,755,000
Student Loans	598,782	729,000
Credit Card Commitments	72,771,000	62,105,000
Other Unfunded Commitments	822,000	830,000
Commercial Other	42,000	61,000
Total	$ 156,575,782	$ 139,129,400

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include consumer assets, residential real estate, and member share balances.

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

Loans sold to the FHLBB under the Mortgage Partnership Finance program are sold with recourse. Approximately $26,967,000 of limited recourse loans have been sold for the program through March 31, 2022. Under the agreement, the Credit Union has a maximum credit enhancement of 5% of the total loans that have been sold under the agreement, or approximately $1,348,350. Based upon a favorable payment history, the Credit Union does not anticipate recognizing any losses on these residential loans and, accordingly, has not recorded a liability for the credit enhancement.

Legal Contingencies: The Credit Union is a party to various collection related legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the financial condition of the Credit Union.

(Continued)

NOTE 11 - FAIR VALUE

Assets Measured at Fair Value on a Recurring Basis: The following tables present the balances of the assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
March 31, 2022				
Assets				
Available-for-Sale Securities:				
U.S. Government and federal agency securities	$ -	$ 23,939,871	$ -	$ 23,939,871
Federal agency mortgage backed securities	-	36,674,209	-	36,674,209
Federal agency collateralized mortgage obligation securities	-	49,372,676	-	49,372,676
Small business administration securities	-	7,464,244	-	7,464,244
U.S. Treasuries	45,018,171	-	-	45,018,171
Corporate bonds	-	1,202,363	-	1,202,363
Total assets	$ 45,018,171	$ 118,653,363	$ -	$ 163,671,534
March 31, 2021				
Assets				
Available-for-Sale Securities:				
U.S. Government and federal agency securities	$ -	$ 15,949,680	$ -	$ 15,949,680
Federal agency mortgage backed securities	-	37,932,652	-	37,932,652
Federal agency collateralized mortgage obligation securities	-	28,975,284	-	28,975,284
Small business administration securities	-	9,633,683	-	9,633,683
U.S. Treasuries	21,452,458	-	-	21,452,458
Corporate bonds	-	2,724,005	-	2,724,005
Total assets	$ 21,452,458	$ 95,215,304	$ -	$ 116,667,762

The following methods and assumptions were used by the Credit Union in estimating fair value disclosures.

Debt Securities: When available, the Credit Union uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3.

(Continued)

NOTE 11 - FAIR VALUE (Continued)

Nonrecurring Basis: The Credit Union may also be required, from time to time, to measure certain other assets at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from application of lower of cost or market accounting for write-downs of individual assets. The following table summarizes the fair value hierarchy used to determine each adjustment and the carrying value of the related assets as of March 31, 2022 and 2021:

	Fair Value at:			
	Level 1	Level 2	Level 3	Impairment Losses
March 30, 2022				
Impaired Loans:				
Residential	$ -	$ -	$ 327,904	$ 51,231
Commercial	-	-	1,213,817	41,202
March 30, 2021				
Impaired Loans:				
Residential	$ -	$ -	$ 335,636	$ 56,387
Commercial	-	-	-	-

Certain residential and commercial impaired loans were adjusted to the fair value, less costs to sell, of the underlying collateral securing these loans resulting in losses. The loss is not recorded directly as an adjustment to current earnings, but rather as a component of determining the allowance for loan losses. Fair value was measured using appraised values of collateral adjusted as necessary by management based on observable inputs for specific properties. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available for similar loans and collateral underlying such loans. Impaired loans were discounted 7% in 2022 and 8% in 2021 and resulted in a Level 3 classification of the inputs for determining fair value.