LOUISIANA CORPORATE CREDIT UNION

Financial Statements

December 31, 2024 and 2023

(With Independent Auditor's Report Thereon)

LOUISIANA CORPORATE CREDIT UNION

Table of Contents

GRIFFIN & FURMAN LLC
CERTIFIED PUBLIC ACCOUNTANTS

Stephen M. Griffin, CPA
Robert J. Furman, CPA

Howard P. Vollenweider, CPA
Jessica S. Benjamin
Racheal D. Alvey

Michael R. Choate, CPA

American Society of Certified Public Accountants
Society of Louisiana CPAs

Independent Auditor's Report

To the Board of Directors & Supervisory Committee
Louisiana Corporate Credit Union
Metairie, Louisiana

Opinion

We have audited the accompanying financial statements of Louisiana Corporate Credit Union (the Credit Union), which comprise the statement of financial condition as of December 31, 2024, and the related statements of income and comprehensive income, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 available to be issued.

205 E. Lockwood St.
Covington, LA 70433
Phone: (985) 727-9924
Fax: (985) 400-5026

2915 S. Sherwood Forest Blvd., Suite B
Baton Rouge, LA 70816
Phone: (225) 292-7434
Fax: (225) 293-3651

3711 Cypress St. #2
West Monroe, LA 71291
Phone: (318) 397-2472

www.griffinandco.com

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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the Credit Union's internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) relevant to reporting objectives for the express purpose of meeting the regulatory requirements of sections 704.15 of the National Credit Union Administration Regulations, and our report dated April 1, 2025, expressed an unmodified opinion.

Griffin & Furman, LLC

April 1, 2025

Covington, Louisiana

LOUISIANA CORPORATE CREDIT UNION

Statements of Financial Condition

December 31, 2024 and 2023

Assets

		2024	2023
Cash and cash equivalents	$	66,788,674	27,737,554
Investment securities, available-for-sale		110,621,466	98,589,167
Federal Home Loan Bank stock		1,225,200	3,267,800
Other investments		398,295	393,090
Loans to members		1,082,247	9,617,065
Accrued interest receivable		493,345	382,712
National Credit Union Share Insurance Fund deposit		125,006	139,530
Property and equipment, net		3,515	8,103
Other assets		1,826,565	1,917,110
Total assets	$	182,564,313	142,052,131

Liabilities and Members' Equity

		2024	2023
Liabilities:			
Members' shares and certificates	$	146,279,631	89,565,806
Line of credit		20,000,000	38,000,000
Accounts payable and other liabilities		638,427	571,522
Total liabilities		166,918,058	128,137,328
Members' equity, substantially restricted:			
Perpetual contributed capital		7,546,354	7,546,354
Undivided earnings		9,157,526	8,744,131
Accumulated other comprehensive loss		(1,057,625)	(2,375,682)
Total members' equity		15,646,255	13,914,803
Total liabilities and members' equity	$	182,564,313	142,052,131

See accompanying notes to the financial statements.

LOUISIANA CORPORATE CREDIT UNION

Statements of Income and Comprehensive Income

For the Years Ended December 31, 2024 and 2023

		2024	2023
Interest income:			
Cash and investments	$	8,725,018	7,249,990
Loans to members		287,009	560,569
Total interest income		9,012,027	7,810,559
Interest expense:			
Members' shares and certificates		5,919,482	4,624,323
Borrowed funds		1,147,598	1,592,205
Total interest expense		7,067,080	6,216,528
Net interest income		1,944,947	1,594,031
Non-interest income:			
Service charges and other fees		798,009	798,621
Miscellaneous operating income		1,072	883,567
Gain on disposition of investment securities, net		3,045	-
Total non-interest income		802,126	1,682,188
Non-interest expense:			
Compensation and benefits		1,007,510	964,131
Professional and outside services		712,614	770,488
Office occupancy and operations		137,851	122,512
Administrative expenses		136,148	131,214
Total non-interest expense		1,994,123	1,988,345
Net income		752,950	1,287,874
Other comprehensive income:			
Unrealized holding gains arising during period		1,318,057	411,880
Total other comprehensive income		1,318,057	411,880
Comprehensive income	$	2,071,007	1,699,754

LOUISIANA CORPORATE CREDIT UNION

Statements of Changes in Members' Equity

For the Years Ended December 31, 2024 and 2023

	Perpetual Contributed Capital	Undivided Earnings	Other Comprehensive Income (Loss)	Total
Balance, January 1, 2023	$ 7,301,494	7,683,548	(2,787,562)	12,197,480
Net income	-	1,287,874	-	1,287,874
Dividends paid on perpetual contributed capital	-	(227,291)	-	(227,291)
Change in unrealized loss on securities available-for-sale	-	-	411,880	411,880
Perpetual contributed capital received	244,860	-	-	244,860
Balance, December 31, 2023	7,546,354	8,744,131	(2,375,682)	13,914,803
Net income	-	752,950	-	752,950
Dividends paid on perpetual contributed capital	-	(339,555)	-	(339,555)
Change in unrealized loss on securities available-for-sale	-	-	1,318,057	1,318,057
Balance, December 31, 2024	$ 7,546,354	9,157,526	(1,057,625)	15,646,255

See accompanying notes to the financial statements.

LOUISIANA CORPORATE CREDIT UNION

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

		2024	2023
Cash flows from operating activities:			
Net income	$	752,950	1,287,874
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		6,493	9,386
Net amortization of premiums on investments		20,390	23,105
Gain on disposition of investment securities, net		(3,045)	-
Changes in operating assets and liabilities			
Accrued interest receivable		(110,633)	(99,207)
Other assets		90,545	(711,018)
Accounts payable and other liabilities		66,905	(76,149)
Net cash provided by operating activities		823,605	433,991
Cash flows from investing activities:			
Purchase of available-for-sale investment securities		(38,200,494)	(2,848,186)
Proceeds from sales, maturities, and paydowns of available-for-sale investment securities		27,468,907	12,941,231
Redemptions of Federal Home Loan Bank stock		2,169,300	-
Purchases of Federal Home Loan Bank stock		(126,700)	(161,000)
Change in other investments		(5,205)	(5,267)
Principal collections, net of loans to members		8,534,818	(1,223,537)
Purchase of property and equipment		(1,905)	-
Net change in NCUSIF deposit		14,524	37,312
Net cash (used) provided by investment activities		(146,755)	8,740,553
Cash flows from financing activities:			
Net change in members' shares and certificates		56,713,825	(4,528,598)
Net repayments from borrowings		(18,000,000)	(2,000,000)
Dividends paid on perpetual contributed capital		(339,555)	(227,291)
Perpetual contributed capital received		-	244,860
Net cash provided (used) by financing activities		38,374,270	(6,511,029)
Net increase in cash and cash equivalents		39,051,120	2,663,515
Cash and cash equivalents at beginning of year		27,737,554	25,074,039
Cash and cash equivalents at end of year	$	66,788,674	27,737,554

Supplemental disclosure of cash flow information:

Cash paid for interest	$	6,842,762	6,494,860

See accompanying notes to the financial statements.

(1) Nature of Business

Louisiana Corporate Credit Union (the "Credit Union") is a cooperative association organized in accordance with the provisions of the Louisiana Revised Statues Section 6.641 *Credit Unions*, for the purpose of serving corporate accounts by providing money management services, creating a source of credit and offering various correspondent services to its members who are principally state and federally chartered credit unions located in the United States. The Credit Union competes with other asset management and investment companies, including other corporate credit unions. The Credit Union is chartered by the State of Louisiana (State) and regulated by the State as well as by the federal government through the National Credit Union Administration (NCUA), which also provides insurance on members' deposits.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States (GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding GAAP through the Accounting Standards Codification (ASC).

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the assessment of other-than-temporary impairment on investments.

(c) Cash and Cash Equivalents

For purposes of financial statement classification, the Credit Union considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposit accounts.

The Credit Union maintains its cash in deposit accounts at various financial institutions. These balances, at times, may exceed federally insured limits. Management believes the credit risk associated with these deposits is minimal.

(d) Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Securities not classified as held-to-maturity or trading are classified as "available-for-sale" and recorded at estimated fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). At December 31, 2024 and 2023, all securities were available-for-sale. The Credit Union does not maintain a trading portfolio.

With the adoption of ASU 2016-13, expected credit losses on held-to-maturity securities are measured on a collective basis by major security type, when similar risk characteristics exist. Risk characteristics for segmenting held-to-maturity debt securities include issuer, maturity, coupon rate, yield, payment frequency, source of repayment, bond payment structure, and embedded options. Upon assignment of the risk characteristics to the major security types, management may further evaluate the qualitative factors associated with these securities to determine the expectation of credit losses, if any. Impairments below cost in the estimated fair value of individual held-to-maturity debt securities that are attributable to credit losses are recorded through an allowance for held-to-maturity credit losses. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Impairments below cost attributable to other factors are realized in noninterest income in the statement of income. Gains and losses on the sale of held-to-maturity debt securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

Unrealized gains and losses on debt securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. Purchase premiums and discounts are typically recognized in interest income using the interest method over the terms of the securities. However, the premiums on callable debt securities are amortized over the period to the earliest call date. for expected losses. Management assesses the financial condition and near-term prospects of the issuer, industry and/or geographic conditions, credit ratings as well as other indicators at the individual security level. Impairments below cost in the estimated fair value of individual available-for-sale debt securities when there is an intent to sell or for which it more likely than not the Credit Union will be required to sell before the impairment is recovered, are realized in noninterest income in the consolidated statements of income. When there is not an intent to sell or it is more likely than not the Credit Union will not be required to sell the security before the impairment is recovered, management assesses whether the decline in fair value has resulted from credit losses or other factors. If the present value of discounted cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for available-for-sale credit losses is recorded. Such losses are limited to the amount that amortized cost exceeds fair value, even if the amount of the credit loss is greater. Any future changes in the allowance for credit losses is recorded as provision for (reversal of) credit losses. Losses attributable to other factors are charged to accumulated other comprehensive income. Gains and losses on the sale of available-for-sale debt securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

Federal Home Loan Bank (FHLB) stock is restricted as to its marketability. Because no ready market exists for this investment and it has no quoted market value, the Credit Union's investment in this stock is carried at cost.

The NCUA Central Liquidity Facility (CLF) is a liquidity lender for credit unions experiencing unusual or unexpected liquidity shortfalls. The Credit Union joined the CLF in 2020 as an agent member on behalf of member credit unions. Effective December 31, 2022, the temporary legislation enabling the agent membership provision was not extended, and as a result, the Credit Union's subscribed capital it had provided on behalf of the member group was returned before the end of 2022.

Other investments consist of two investments in credit union service organizations accounted for using the equity method. Primary Financial Company, LLC offers a program, SimpliCD, which enables the Credit Union's members to invest in and issue federally insured certificates of deposit. CU Business Group, LLC provides business lending and deposit consulting services to credit unions nationwide.

(e) Loans to Members

The Credit Union grants installment and demand loans to its members. Loans to members are stated at unpaid principal balances. Interest on loans, which is recognized on the accrual basis, is calculated based on the principal balance using rates as stipulated in the loan agreements. The Credit Union evaluates each member's credit worthiness on a case-by-case basis.

(f) Allowance for Credit Losses

The allowance for credit losses is based on management's evaluation of the collectability of the loans. The evaluation of management includes consideration of prior loan-loss experience, the results of internal review procedures, the current financial condition of the borrower, the quality of the collateral, and current economic conditions affecting the inherent collection risks of the loan portfolio. The accrual of interest is discontinued when management believes that the collection of interest is doubtful. The Credit Union has not historically incurred loan losses. Management believes no allowance for loan losses is necessary at December 31, 2024 and 2023, because loans are generally short-term in nature and secured by member deposits and other assets. The Credit Union does not grant unsecured loans. There were no losses or delinquent loans in 2024 and 2023.

(g) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Furniture and equipment and leasehold improvements generally depreciate using the straight-line method with useful lives ranging from three to seven years.

(h) Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

(i) National Credit Union Share Insurance Fund Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with 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.

(j) National Credit Union Share Insurance Fund Insurance Premiums

The Credit Union is required to pay an annual insurance premium equal to a percent of its total insured shares as determined by the NCUA, unless the payment is waived or reduced by the NCUA Board. The NCUA Board waived the premium for the years ended December 31, 2024 and 2023.

(k) Members' Shares and Certificates

Members' shares and certificates are subordinated to all other liabilities of the Credit Union other than perpetual contributed capital and paid-in capital upon liquidation. Interest rates on members' shares and members' share certificates are set by management under the direction of the Board of Directors.

(l) Perpetual Contributed Capital

Perpetual contributed capital (PCC) represents the investment required for membership capital voting rights and membership by credit unions. PCC is not negotiable or assignable but may be transferable to another eligible member credit union under certain provisions. PCC may not be pledged or used as security for borrowing. PCC dividends are determined based on net earnings and the overall capital needs of the Credit Union. Additionally, PCC dividends are not guaranteed and may be suspended if earnings are negative and/or capital levels fall below regulatory and/or policy minimum levels.

(m) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) that includes unrealized gains and losses on securities available-for-sale, which are also recognized as a separate component of members' equity.

(n) Revenue Recognition

The Credit Union recognizes a significant portion of its revenue from contracts with customers in accordance with ASC 606, *Revenue from Contracts with Customers*. The Credit Union generally satisfies its performance obligations on its contracts with customers as services are rendered, and the transaction prices are typically fixed, charged either on a periodic basis or based on activity. Since performance obligations are satisfied as services are rendered and the transaction prices are fixed, there is little judgement involved in applying ASC 606 that significantly affects the determination of the amount and timing of revenue from contracts with customers.

Non-interest income includes fees from the Credit Union's members for transaction-based activities, such as account maintenance, share draft processing, wire transfers and ACH origination and receipt. These fees are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member's request. The Credit Union also acts as an agent for third-party vendors that provide investment and lending services and products. Upon completion of the sale of services or products to a member, the Credit Union receives fees from the third-party vendor. The performance obligation to the third-party vendor is satisfied and the fee income is recognized at that point in time.

The majority of the Credit Union's revenue is not subject to ASC 606, including investment income, loan interest income, and gain on sales of investment securities, if any. The recognition of revenues from interest-earning assets is based on the underlying loan agreements, securities contracts, or other similar contracts.

Due to the nature of the services provided, the Credit Union does not incur costs to obtain contracts, and there are no material incremental costs to fulfill these contracts that should be capitalized. Additionally, there are no material contract assets or liabilities as the Credit Union does not typically enter into long-term contracts with its members.

(o) Income Taxes

The Credit Union is exempt by statute from federal and state income taxes, except for certain products and services deemed by the IRS to be unrelated to the Credit Union's exempt purpose.

(p) Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $32,713 and $47,645 for the years ended December 31, 2024 and 2023, respectively.

(q) Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Credit Union has entered into off-balance sheet financial instruments in the form of commitments to extend credit. Such financial instruments are recorded in the financial statements when they become funded.

The Credit Union has no financial instruments that are held or issued for trading purposes.

(r) Concentrations

The Credit Union may be exposed to credit risk from a regional economic standpoint because a significant concentration of its members is located in Louisiana. The Credit Union continually monitors operations, including loan and investment portfolios, for potential impairment. However, the loan portfolio is well diversified in terms of geographical location within Louisiana and the Credit Union does not have any significant concentrations of credit risk.

(3) Investments

Securities Available-for-Sale

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

	December 31, 2024			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Estimated Fair Value
U.S. Agency securities	$ 64,678,020	363,456	(291,987)	64,749,489
Mortgage-backed securities	45,680,536	14,282	(1,105,892)	44,588,926
Student loan asset-backed securities	1,320,536	-	(37,485)	1,283,051
	$111,679,092	377,738	(1,435,364)	110,621,466

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses	Estimated Fair Value
U.S. Agency securities	$ 50,710,192	47,230	(2,065,674)	48,691,748
Mortgage-backed securities	48,250,000	218,144	(497,454)	47,970,690
Student loan asset-backed securities	2,004,662	-	(77,933)	1,926,729
	$100,964,854	265,374	(2,641,061)	98,589,167

At December 31, 2024 and 2023, investments held in safekeeping by FHLB of Dallas are available as collateral for the Credit Union's line of credit with the FHLB. See Note 8.

The amortized cost and estimated fair value of certificates of deposit and debt securities, including mortgage-backed securities, at December 31, 2024, 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.

Amounts Maturing	Amortized Cost	Estimated Fair Value
In one year or less	$ 53,354	53,184
After one year through five years	37,451,967	37,319,614
After five years through ten years	50,179,114	50,111,271
After ten years	23,994,657	23,137,397
	$111,679,092	110,621,466

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

	December 31, 2024					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Agency securities	$ -	-	33,140,903	(291,987)	33,140,903	(291,987)
Mortgage-backed securities	53,184	(170)	34,993,633	(1,105,722)	35,046,816	(1,105,892)
Student loan asset-backed securities	-	-	1,283,051	(37,485)	1,283,051	(37,485)
	$ 53,184	(170)	69,417,587	(1,435,194)	69,470,770	(1,435,364)

	December 31, 2023					
	Less Than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Agency securities	$ 1,055,066	(42,374)	44,543,557	(2,023,300)	45,598,623	(2,065,674)
Mortgage-backed securities	-	-	24,752,545	(497,454)	24,752,545	(497,454)
Student loan asset-backed securities	-	-	1,926,729	(77,933)	1,926,729	(77,933)
	$ 1,055,066	(42,374)	71,222,831	(2,598,687)	72,277,897	(2,641,061)

Substantially, all of these securities with gross unrealized losses are either guaranteed by the U.S. Government or secured by mortgage loans or student loans. These unrealized losses relate principally to current interest rates for similar types of securities. Because the Credit Union does not intend to sell the investments and it is more likely than not that the Credit Union will not be required to sell the investments before recovery of their amortized cost basis, which may be at maturity, the Credit Union does not consider those investments to be impaired at December 31, 2024 and 2023.

(4) Loans to Members

Loans to members outstanding at December 31, 2024 and 2023 was $1,082,247 and $9,617,065, respectively. Loans at December 31, 2024, consisted of four (4) demand line of credit loans to member credit unions which originated in 2024. These loans are considered short-term loans and were collected after year-end. The Credit Union has not established an allowance for credit losses as all outstanding loans are secured either by general or a specific pledge of the member credit union's assets, and there has been no historical loss. Additionally, there were no impaired loans as of December 31, 2024 and 2023; and none of the loans were past due or had been modified as troubled as of December 31, 2024 and 2023.

An allowance for credit losses is based on management's evaluation of the collectability of the loans. The evaluation of management includes consideration of prior loan-loss experience, the results of internal review procedures, the current financial condition of the borrower, the quality of the collateral, and current economic conditions affecting the inherent collection risks of the loan portfolio. The accrual of interest is discontinued when management believes that the collection of interest is doubtful. The Credit Union has not historically incurred loan losses. Management believes no allowance for credit losses is necessary at December 31, 2024 and

2023, because loans are generally short-term in nature and secured by member deposits and other assets. The Credit Union does not grant unsecured loans. There were no losses or delinquent loans in 2024 and 2023.

(5) Property and Equipment

At December 31, 2024 and 2023, property and equipment consisted of the following:

	2024	2023
Furniture and equipment	$ 137,265	135,360
Leasehold improvements	8,039	8,039
	145,304	143,399
Less: accumulated depreciation	(141,789)	(135,296)
	$ 3,515	8,103

Depreciation expense was $6,493 and $9,386 for the years ended December 31, 2024 and 2023, respectively.

(6) Leases

The Credit Union leases its main office facilities under an operating lease through 2028. At December 31, 2024 and 2023, right-of-use assets and lease liabilities, which are included in other assets and accounts payable and other liabilities, respectively, totaled approximately $204,000 and $265,000, respectively. Operating cash flows from operating leases total approximately $62,000 in both 2024 and 2023.

Operating lease expenses were $63,249 and $66,851 for the years ended December 31, 2024 and 2023, respectively, and are included in office occupancy and operations in the statements of income and comprehensive income (loss).

(7) Members' Shares and Certificates

At December 31, 2024 and 2023, members' shares and certificates consisted of the following:

	2024	2023
Daily shares	$ 133,006,631	87,067,806
Fixed callable certificates	3,273,000	2,498,000
Nonmember deposits	10,000,000	-
	$ 146,279,631	89,565,806

During 2024, the Credit Union issued $775,000 of callable, fixed rate share certificates, which mature on October 7, 2026, if not called prior by the Credit Union.

The aggregate amounts of members' shares and certificates over $250,000 were $120,976,466 and $76,870,543 as of December 31, 2024 and 2023, respectively.

(8) Borrowed Funds

The Credit Union maintains a line of credit as follows:

	December 31, 2024	
Lender	Outstanding Balance	Available Balance
Federal Home Loan Bank	$ 20,000,000	$ 71,086,231

	December 31, 2023	
Lender	Outstanding Balance	Available Balance
Federal Home Loan Bank	$ 38,000,000	$ 53,086,231

Advances and borrowings from the FHLB are required to be collateralized by securities held in safekeeping by the FHLB (see Note 3). At December 31, 2024 and 2023, the Credit Union had securities held in safekeeping at the FHLB with fair values of approximately $102.6 million and $98.6 million, respectively, which provided an unused borrowing capacity of approximately $72.6 million and $60.6 million, respectively. The interest rate is priced daily based on the FHLB of Dallas' discount note market and was approximately 4.59% and 5.58% at December 31, 2024 and 2023, respectively.

(9) Employee Benefit Plans

(a) Defined Contribution Retirement Plans

The Credit Union sponsors a defined contribution safe harbor 401(k) retirement plan for all eligible employees. All full-time employees with one year of service are eligible, and vesting is graduated over six years. The Credit Union makes matching contributions equal to 100% of the participant's first 5% of salary contributed. The Credit Union may also make discretionary contributions at the direction of management. The plan includes a safe harbor non-elective contribution equal to 3% of eligible compensation. This safe harbor contribution is fully vested to the participants. During the years ended December 31, 2024 and 2023, the amount contributed by the Credit Union and charged to expense was $64,230 and $54,440, respectively.

(b) Supplemental Executive Retirement Plan

The Credit Union provides for a supplemental retirement benefit for an executive by entering into a collateral assignment split dollar plan with the executive. The executive is the policy owner of a life insurance policy, and the Credit Union advances the premiums due under the policy. The Credit Union also executed a limited recourse term promissory note in which the principal outstanding equals the premiums paid by the Credit Union on behalf of the executive. Pursuant to the note, the executive collaterally assigned the policy cash value of the insurance policy to the Credit Union. Total split-dollar loans outstanding at December 31, 2024 and 2023, were $961,976 and $952,357, respectively, and are included in other assets in the accompanying statements of financial condition. Termination of the plan occurs upon events specified in the plan agreement. At the termination of the plan, the

Credit Union is entitled to repayment of the outstanding loans under the note which may be repaid from the proceeds of the cash value of the policy or the death benefit.

(10) Related Party Transactions

In the normal course of business, the Credit Union makes loans to member credit unions with common directors and principal officers. These loans are made on the same terms, including interest rate and collateral, as those prevailing at the time for similar loans with other members. Loan balances outstanding from related parties at December 31, 2024 and 2023, were $0 and $7,984,978, respectively. Members' shares and certificates from related parties at December 31, 2024 and 2023, amounted to $59,769,268 and $41,086,112, respectively.

(11) Commitments and Contingencies

Financial Instruments with Off-Balance Sheet Credit Risk

The Credit Union is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Credit Union has in particular classes of financial instruments.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit 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 on-balance-sheet instruments.

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. Since 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 generally consists of the total assets of the member.

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

Standby letters of credit are conditional commitments issued by the Credit Union to guarantee the performance of a member credit union to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to members. Standby letters of credit reduce a member credit union's advised line of credit.

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

	2024	2023
Advised lines of credit - unused	$ 143,001,000	134,082,935
Standby letters of credit – unused	7,392	7,392
	$ 143,008,392	134,090,327

At December 31, 2024 and 2023, advised lines of credit – unused includes $39,500,000 and $48,225,000 to credit unions with common directors and principal officers.

The Credit Union, as agent, has entered into Excess Balance Account (EBA) agreements with participating member credit unions and the Federal Reserve Bank, whereby the Federal Reserve Bank opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in the Credit Union's financial statements. These balances totaled $8,000,000 and $0 as of December 31, 2024 and 2023, respectively. The aggregate balance in the EBA represents a deposit liability of the Federal Reserve Bank solely to the participants. The Credit Union, as agent, is responsible for calculating and distributing the interest payable to each participant on the participant's excess balance.

Other

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

During 2009, the Credit Union impaired and charged off 100% of its investment in U.S. Central Federal Credit Union (USC), which was placed in conservatorship by the NCUA on March 20, 2009. The Credit Union is entitled to available recoveries after satisfaction of all liabilities of the liquidation estate based on its pro-rata share of member contributed capital. The Credit Union was issued a claim certificate in the total amount of $7,144,197. During the years ended December 31, 2024 and 2023, the Credit Union received $0 and $883,466, respectively, in payments, which are recognized as miscellaneous operating income in the statements of income and other comprehensive income (loss).

The Credit Union has not received any further payments through April 1, 2025. The remaining claims after the aforementioned payments is $674,370; however, no assurance can be provided as to the ultimate amount, if any, to be recovered at this time. Further distributions will be evaluated by the liquidating agent on a semi-annual basis on June 30 and December 31 of each year.

(12) Fair Value Measurements

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at

the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including dismount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

GAAP also establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. These levels are as follows:

Level 1

Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2

Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 for substantially the full term of the asset or liability.

Level 3

Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis are as follows:

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
U.S. Agency securities	$ -	64,749,489	-	64,749,489
Mortgage-backed securities	-	44,588,926	-	44,588,926
Student loan asset-backed securities	-	1,283,051	-	1,283,051
	$ -	110,621,466	-	110,621,466

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
U.S. Agency securities	$ -	47,970,689	-	47,970,689
Mortgage-backed securities	-	48,691,749	-	48,691,749
Student loan asset-backed securities	-	1,926,729	-	1,926,729
	$ -	98,589,167	-	98,589,167

The Credit Union's available-for-sale debt securities are measured on a recurring basis through a model used by the Credit Union's investment custodian. All the debt security price adjustments meet Level 2 criteria at December 31, 2024 and 2023. Pricing models use actively quoted rates, prepayment models, and other underlying credit and collateral data, including data from similar issues in active markets.

(13) Regulatory Capital

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. The risk-based capital requirements are as follows:

- *Leverage Ratio* (4% to be adequately capitalized, 5% to be well capitalized) - the ratio of Tier 1 core capital to Moving Daily Average Net Assets (MDANA). Tier 1 core capital is defined as the sum of undivided earnings and perpetual contributed capital, adjusted for certain exclusions.

- *Tier 1 Risk-Based Capital Ratio* (4% to be adequately capitalized, 6% to be well capitalized) - the ratio of Tier 1 core capital to the Moving Monthly Average Net Risk-weighted Assets (MMANRA).

- *Total Risk-Based Capital Ratio* (8% to be adequately capitalized, 10% to be well capitalized) - the ratio of total capital (undivided earnings, perpetual contributed capital or non-perpetual capital, adjusted for certain exclusions) to MMANRA.

Failure to meet minimum capital requirements would require the Credit Union to submit a plan of action to correct the shortfall. Additionally, NCUA could require an increase in capital to specific levels, reduction of interest, and ceasing or limiting the Credit Union's ability to accept deposits.

The Credit Union's actual and required ratios for December 31, 2024 and 2023, are as follows:

	Actual			Minimum to be Adequately Capitalized Under Prompt Corrective Provisions		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024							
Leverage capital	$	16,305,585	9.95%	6,556,208	4.00%	8,195,260	5.00%
Tier 1 risk-based capital (Tier 1 core capital to MMANRA)	$	16,305,585	53.24%	1,225,063	4.00%	1,531,329	5.00%
Total risk-based capital (Total capital to MMANRA)	$	16,305,585	53.24%	2,450,126	8.00%	3,062,658	10.00%
Retained earnings (Retained earnings to MMANRA)	$	9,157,534	29.90%	137,820	0.45%	N/A	N/A
December 31, 2023							
Leverage capital	$	15,897,395	10.73%	5,925,903	4.00%	7,407,379	5.00%
Tier 1 risk-based capital (Tier 1 core capital to MMANRA)	$	15,897,365	45.78%	1,388,961	4.00%	1,736,201	5.00%
Total risk-based capital (Total capital to MMANRA)	$	15,897,365	45.78%	2,777,922	8.00%	3,472,403	10.00%
Retained earnings (Retained earnings to MMANRA)	$	8,744,131	25.18%	156,258	0.45%	N/A	N/A

As of December 31, 2024, and 2023, the Credit Union met all capital requirements under Section 704.3 of the NCUA Regulations.

(14) Subsequent Events

Management has evaluated subsequent events through April 1, 2025, the date which the financial statements were available to be issued and determined that no other matters required additional disclosure in the financial statements. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.