USSCO JOHNSTOWN FEDERAL CREDIT UNION

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023
(With Independent Auditor's Report Thereon)

DoerenMayhew
ASSURANCE

USSCO JOHNSTOWN FEDERAL CREDIT UNION

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DoerenMayhew
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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
USSCO Johnstown Federal Credit Union

Opinion

We have audited the financial statements of USSCO Johnstown Federal Credit Union (the Credit Union), which comprise the statements of financial condition as of December 31, 2024 and 2023, and the related statements of income, comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements 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 (GAAP).

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 Audits 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 GAAP, 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 for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audits of the Financial Statements

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

In performing audits in accordance with GAAS, we:

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

- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Doeren Mayhew Assurance

Miami, Florida
April 14, 2025

USSCO JOHNSTOWN FEDERAL CREDIT UNION

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2024 AND 2023

Assets	**2024**	**2023**
Cash and cash equivalents	$ 9,199,200	$ 12,232,743
Interest-bearing deposits	1,992,000	-
Available-for-sale investments (Note 2)	66,280,598	64,501,487
Loans to members, net of allowance for credit losses of $419,313 and $557,836 as of December 31, 2024 and 2023, respectively (Note 3)	80,107,708	77,136,885
Accrued interest receivable	429,002	356,564
Prepaid and other assets	2,011,978	1,524,078
Property and equipment, net (Note 4)	2,430,305	2,507,865
National Credit Union Share Insurance Fund (NCUSIF) deposit	1,513,466	1,527,084
Total assets	$ 163,964,257	$ 159,786,706
Liabilities and Members' Equity		
Liabilities		
Members' shares and savings accounts (Note 5)	$ 152,546,004	$ 149,685,245
Accrued expenses and other liabilities	512,149	1,039,366
Total liabilities	153,058,153	150,724,611
Members' equity		
Undivided earnings	17,439,624	16,301,212
Equity acquired through merger	2,518,597	2,518,597
Accumulated other comprehensive loss	(9,052,117)	(9,757,714)
Total members' equity	10,906,104	9,062,095
Total liabilities and members' equity	$ 163,964,257	$ 159,786,706

See accompanying notes to financial statements

USSCO JOHNSTOWN FEDERAL CREDIT UNION

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Interest income		
Loans to members	$ 3,930,016	$ 3,052,140
Investments	1,794,424	1,528,714
Total interest income	5,724,440	4,580,854
Interest expense		
Members' shares and savings accounts	1,354,784	915,632
Net interest income	4,369,656	3,665,222
Provision for (recapture of) credit losses	(6,321)	(22,268)
Net interest income after provision for (recapture of) credit losses	4,375,977	3,687,490
Non-interest income		
Interchange income	627,897	623,995
Fees and charges	538,378	577,055
Other income	289,458	204,191
Total non-interest income	1,455,733	1,405,241
Non-interest expenses		
Compensation and benefits	2,044,464	1,772,906
Professional and outside services	1,364,207	1,443,623
Office operations	350,003	322,584
Office occupancy	442,764	422,592
Other expenses	491,860	433,410
Total non-interest expenses	4,693,298	4,395,115
Net income	$ 1,138,412	$ 697,616

See accompanying notes to financial statements

USSCO JOHNSTOWN FEDERAL CREDIT UNION

STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Net income	$ 1,138,412	$ 697,616
Other comprehensive income		
Available-for-sale investments		
Net unrealized holding gains on available-for-sale investments	705,597	2,205,991
Other comprehensive income	705,597	2,205,991
Comprehensive income	$ 1,844,009	$ 2,903,607

See accompanying notes to financial statements

USSCO JOHNSTOWN FEDERAL CREDIT UNION

STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023

	Undivided Earnings	Equity Acquired Through Merger	Accumulated Other Comprehensive Income/(Loss)	Total
Members equity - December 31, 2022	$ 15,823,299	$ 2,518,597	$ (11,963,705)	$ 6,378,191
Cumulative effect from change in accounting principle (Note 1)	(219,703)	-	-	(219,703)
Restated balance - January 1, 2023	15,603,596	2,518,597	(11,963,705)	6,158,488
Net income	697,616	-	-	697,616
Other Comprehensive income	-	-	2,205,991	2,205,991
Members' equity - December 31, 2023	16,301,212	2,518,597	(9,757,714)	9,062,095
Net income	1,138,412	-	-	1,138,412
Other comprehensive income	-	-	705,597	705,597
Members' equity - December 31, 2024	$ 17,439,624	$ 2,518,597	$ (9,052,117)	$ 10,906,104

See accompanying notes to financial statements

USSCO JOHNSTOWN FEDERAL CREDIT UNION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash flows from operating activities		
Net income	$ 1,138,412	$ 697,616
Adjustments		
Recapture of credit losses	(6,321)	(22,268)
Depreciation and amortization	238,026	233,970
Increase in assets		
Accrued interest receivable	(72,438)	(18,493)
Prepaid and other assets	(487,900)	(3,545)
Decrease in liabilities		
Accrued expenses and other liabilities	(527,217)	(160,891)
Total adjustments	(855,850)	28,773
Net cash provided from operating activities	282,562	726,389
Cash flows from investing activities		
Purchase of interest-bearing deposits	$ (1,992,000)	$ -
Proceeds from the sales, calls, maturities, and repayments of available-for-sale investments	5,119,546	5,620,399
Purchase of available-for-sale investments	(6,193,060)	-
Net change in loans to members	(2,964,502)	3,936,231
Purchase of property and equipment	(160,466)	(153,300)
Decrease/(increase) in NCUSIF deposit	13,618	(64,070)
Net cash (used in)/provided from investing activities	(6,176,864)	9,339,260
Cash flows from financing activities		
Net change in members' shares and savings accounts	2,860,759	(5,790,402)
Net cash provided from/(used in) financing activities	2,860,759	(5,790,402)
Net change in cash and cash equivalents	(3,033,543)	4,275,247
Cash and cash equivalents - beginning	12,232,743	7,957,496
Cash and cash equivalents - ending	$ 9,199,200	$ 12,232,743
Supplemental Information		
Interest paid	$ 1,354,784	$ 932,401

See accompanying notes to financial statements

Note 1 – Nature of Business and Significant Accounting Policies

Organization

USSCO Johnstown Federal Credit Union (the Credit Union) is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among, and creating a source of credit for, its members. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined by the Credit Union's Charter and Bylaws.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change include the determination of the allowance for credit losses. The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information, are summarized below.

Accounting Standard Adopted January 1, 2023

Financial Instruments – Credit Losses (CECL)

The adoption of this guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This framework requires that management's estimate reflects credit losses over the instrument's remaining expected life and considers expected future changes in macroeconomic conditions. The adoption of CECL on January 1, 2023, resulted in a $219,703 decrease to undivided earnings.

Concentrations of Credit Risk

A significant amount of the Credit Union's business activity is with members who work for or reside in Cambria and Somerset Counties in central Pennsylvania. Therefore, the Credit Union may be exposed to credit risk by the economic climate of the overall geographical region in which borrowers work and reside.

Comprehensive Income/(Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) relates to the change in the unrealized gain/(loss) on available-for-sale investments. When available-for-sale investments are sold, the gain or loss realized on the sale is reclassified from accumulated other comprehensive loss to the gain/(loss) on sale of investments reported in the statements of income.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks and corporate credit unions (including cash items in the process of collection). Amounts due from banks and corporate credit unions may, at times, exceed federally insured limits.

Continued

Interest-Bearing Deposits

Interest-bearing deposits are time deposits with financial institutions. These deposits are all 100% insured as no deposit to one individual institution exceeds $250,000.

Available-for-Sale Investments

Available-for-sale debt investments are measured at fair value as of the statement of financial condition date. Unrealized gains and losses on available-for-sale debt investments are reported as a separate component of members' equity. Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for the amortization of premiums and accretion of discounts as an adjustment to interest income on investments over the term of the investment. Unrealized gains and losses on available-for-sale investments are reported as a separate component of members' equity. Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for the amortization of premiums and accretion of discounts as an adjustment to interest income on investments over the term of the investment.

Allowance for Credit Losses on AFS Securities

The Credit Union evaluates its available-for-sale investment securities portfolio on a quarterly basis for indicators of impairment. The Credit Union assesses whether an impairment has occurred when the fair value of a debt security is less than the amortized cost at the statement of financial condition date. Management reviews the amount of unrealized loss, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. For those debt securities that the Credit Union intends to sell or is more likely than not required to sell, before the recovery of their amortized cost basis, the difference between fair value and amortized cost is considered to be impaired and is recognized in provision for credit losses. For those debt securities that the Credit Union does not intend to sell or is not more likely than not required to sell, prior to expected recovery of amortized cost basis, the credit portion of the impairment is recognized through an allowance in provision for credit losses while the noncredit portion is recognized in OCI.

In determining the credit portion, the Credit Union uses a discounted cash flow analysis, which includes evaluating the timing and amount of the expected cash flows. Non-credit-related impairment results from other factors, including increased liquidity spreads and higher interest rates. The amounts are insignificant and intentionally omitted for disclosure.

Loans to members

Loans, net, are carried at unpaid principal balances, net deferred loan origination costs or fees, and the allowance for credit losses on loans. The Credit Union recognizes interest income on loans using the interest method over the life of the loan. Accordingly, the Credit Union defers certain loan origination and commitment fees, and certain loan origination costs, and amortizes the net fee or cost as an adjustment to the loan yield over the term of the related loan. When a loan is sold or repaid, the remaining net unamortized fee or cost is recognized in interest income.

Continued

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date. A loan generally is classified as a “non-accrual” loan when it is 90 days or more past due or when it is deemed to be impaired because the Credit Union no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is current and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash.

Certain commercial and consumer loans for which repayment is expected to be provided substantially through the operation or sale of the loan collateral are considered to be collateral-dependent. Collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

Any loan in any portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment.

As part of the ongoing monitoring of the credit quality of the Credit Union’s loan portfolio, management tracks certain credit quality indicators. The Credit Union utilizes a risk grading to assess the overall credit quality of large commercial loans. All large commercial credit grades are reviewed at a minimum of once a year for pass grade loans. Loans with grades below pass are reviewed more frequently depending on the grade. A description of the general characteristics of these grades is as follows:

1 - Excellent: Borrower is of highest credit quality and loan is fully secured with highly liquid collateral; also unsecured loans to individuals with unquestionable and acceptably documented financial strength showing high liquidity, above average ratios and strong cash flow.

2 – Very Good: Borrower is of upper medium to high qualify; borrowers’ financial performance and condition is good and collateral may be liquid. There is clear access to secondary sources of repayment and loan is properly structured. No deficiencies in credit information.

3 - Good: Loans to borrowers of average quality and marketable collateral; loans are supported by traditional collateral with value and margins at policy; and borrower has consistent track record. No deficiencies in credit information and loan adheres to credit policy in every respect.

4 - Pass: Loans to borrowers of acceptable quality.

5 - Watch: Loans which possess some credit deficiency or potential weakness, which deserves close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Credit Union's credit position at some future date. Watch assets are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

6 - Substandard: A substandard loan is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged. Assets so classified have a well-defined weakness that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

7 - Doubtful: Loans that have all of the weaknesses of those classified as Substandard. However, based on currently existing facts, conditions and values, these weaknesses make full collection of principal highly questionable and improbable.

Continued

8 - Loss: Loans classified as loss are considered uncollectible and are charged off immediately.

Consumer and real estate loans are not risk graded. Rather, consumer and real estate loans in non-accrual are deemed non-performing.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is deducted from the amortized cost basis of a group of financial assets so that the statements of financial condition reflect the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net income as a credit loss expense or a reversal of credit loss expense. Management estimates the allowance by projecting and multiplying together the probability-of-default and loss-given-default depending on economic parameters for each month of the remaining contractual term. Economic parameters are developed using available information relating to past events, current conditions, and economic forecasts. The Credit Union's economic forecast period is 24 months, and afterwards reverts to a historical average loss rate on a straight-line basis over a 12-month period.

Historical credit experience provides the basis for the estimation of expected credit losses, with qualitative adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in environmental conditions, such as changes in legislation, regulation, policies, administrative practices or other relevant factors. Expected credit losses are estimated over the contractual term of the loans, adjusted for forecasted prepayments when appropriate. The contractual term excludes potential extensions or renewals. The methodology used in the estimation of the allowance for loan and lease losses, which is performed at least quarterly, is designed to be dynamic and responsive to changes in portfolio credit quality and forecasted economic conditions.

Each quarter the Credit Union reassesses the appropriateness of the economic forecasting period, the reversion period and historical mean at the portfolio segment level, considering any required adjustments for differences in underwriting standards, portfolio mix, and other relevant data shifts over time. The allowance for credit losses on loans is measured on a collective (pool) basis when similar risk characteristics exist. The portfolio segment represents the level at which a systematic methodology is applied to estimate credit losses.

Loans that do not share risk characteristics are evaluated on an individual basis. These include loans that are in nonaccrual status with balances above management determined materiality thresholds depending on loan class. If a loan is determined to be collateral-dependent or meets the criteria to apply the collateral-dependent practical expedient, expected credit losses are determined based on the fair value of the collateral at the reporting date, less costs to sell as appropriate.

The Credit Union maintains an allowance for credit losses on off-balance sheet credit exposures. The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life. The allowance for credit losses on off-balance sheet credit exposures was deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union has elected to exclude accrued interest receivable from the measurement of its allowance for credit loss given the well-defined non-accrual policies in place for all loan portfolios which results in timely reversal of outstanding interest through interest income.

Continued

The allowance for credit losses on loans totaled $419,313 and $557,836 as of December 31, 2024 and 2023, respectively. During the 12 months ended December 31, 2024, the allowance for credit losses on loans changed $138,523 based on an updated economic outlook and changes in portfolio composition and quality. During the 12 months ended December 31, 2023, the allowance for credit losses on loans increased $219,703 for the adoption of ASU 2016-13 and changed $116,834 based on an updated economic outlook and changes in portfolio composition and quality.

Property and Equipment

Land is carried at cost. Buildings and improvements and furniture and equipment are carried at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method based upon the useful lives of the related assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized.

National Credit Union Share Insurance Fund (NCUSIF) Deposit

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

The deposit would be refunded to the credit union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The NCUSIF deposit is required to be periodically reviewed for impairment.

Perpetual Contributed Capital (PCC)

As a requirement of membership, the Credit Union maintains a PCC account with Vizo Financial Corporate Credit Union (VFCCU). The Credit Union maintained approximately $690,000 in PCC at VFCCU as of December 31, 2024 and 2023. The PCC is not subject to share insurance coverage by the NCUSIF or other deposit insurer. PCC is uninsured and cannot be withdrawn; however, it is required to be a member of VFCCU. PCC can be used by VFCCU to absorb any operating losses that exceed the balance of retained earnings. The PCC is included with prepaid and other assets in the statements of financial condition.

Members’ Shares and Savings Accounts

Members’ shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in annual elections of the Board of Directors. Irrespective of the number of shares owned, no member has more than one vote. Members’ shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members’ shares and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members’ share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Continued

Equity Acquired in Merger

Equity acquired in a merger represents equity accounted for in accordance with the acquisition method of accounting. Under this method, undivided earnings of the acquired credit union is combined on the acquirer's statements of financial condition as a separate component of equity. This component of equity is considered part of net worth as defined by the regulations established by the NCUA.

Revenue from Contracts with Customers

The Credit Union's revenue in the scope of ASC 606, Revenue from Contracts with Customers, is recognized and disaggregated within non-interest income in the statements of income. A description of the Credit Union's revenue streams accounted for under ASC 606 are as follows. Other revenue recognized is not within the scope of ASC 606.

Fees and Charges

Fees and service charges include charges related to depository accounts under standard service agreements (e.g., courtesy pay fees, insufficient funds charges, late fees, etc.). Transaction-based fees are recognized at the time of transaction which is the point in time the Credit Union fulfills the member's request. Other account maintenance fees are generally earned over the course of month which is the period the Credit Union satisfies it performance obligation.

Interchange Income

Interchange income includes interchange fees from credit and debit cards processed through card association networks. The Credit Union earns a percentage of the underlying value of each transaction. These fees are recognized daily when the processing service is provided to the member. The costs of related loyalty rewards programs are presented separately in non-interest expenses.

Income Taxes

The Credit Union is exempt, by the Internal Revenue Code Section 501(c)(1)(a)(i), from federal and state income taxes.

Subsequent Events

Management has evaluated subsequent events through April 14, 2025, the date the financial statements were available to be issued. No significant such events or transactions were identified.

Reclassification

Certain amounts reported in the 2023 financial statements have been reclassified to conform to the 2024 presentation. Reclassification adjustments did not affect total members' equity or net income.

Continued

Note 2 – Available-for-Sale Investments

The following table presents the amortized cost and estimated fair value of debt securities as of December 31, 2024:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
Mortgage-backed securities (MBS)	$ 35,090,405	$ -	$ (4,896,357)	$ 30,194,048
Federal agency securities (Agency)	19,290,626	12,463	(1,586,837)	17,716,252
Collateralized mortgage obligations (CMOs)	10,625,152	-	(2,169,767)	8,455,385
Negotiable certificates of deposit (CDs)	10,191,000	-	(406,928)	9,784,072
SBA securities	135,532	-	(4,691)	130,841
Total	$ 75,332,715	$ 12,463	$ (9,064,580)	$ 66,280,598

The following table presents the amortized cost and estimated fair value of debt securities as of December 31, 2023:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale				
MBS	$ 35,754,640	$ -	$ (4,878,512)	$ 30,876,128
Agency	15,576,923	-	(1,850,636)	13,726,287
CMOs	11,317,199	-	(2,241,565)	9,075,634
Negotiable CDs	11,435,000	-	(779,914)	10,655,086
SBA securities	175,439	-	(7,087)	168,352
Total	$ 74,259,201	$ -	$ (9,757,714)	$ 64,501,487

Continued

The amortized cost and estimated fair value of debt securities as of December 31, 2024, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-sale	
	Amortized Cost	Fair Value
Within 1 year	$ 4,232,012	$ 4,168,233
1 to 5 years	19,436,754	18,209,186
5 to 10 years	5,812,860	5,122,905
MBS	35,090,405	30,194,048
CMOs	10,625,152	8,455,385
SBA securities	135,532	130,841
Total	$ 75,332,715	$ 66,280,598

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

	Continuing Unrealized Losses for Less than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale						
MBS	$ 933,569	$ (37,688)	$ 29,260,479	$ (4,858,669)	$ 30,194,048	$ (4,896,357)
Agency	-	-	13,953,789	(1,586,837)	13,953,789	(1,586,837)
CMOs	1,361,991	(12,845)	7,093,394	(2,156,922)	8,455,385	(2,169,767)
Negotiable CDs	-	-	9,784,072	(406,928)	9,784,072	(406,928)
SBA securities	-	-	130,841	(4,691)	130,841	(4,691)
Total	$ 2,295,560	$ (50,533)	$ 60,222,575	$ (9,014,047)	$ 62,518,135	$ (9,064,580)

Continued

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

	Continuing Unrealized Losses for Less than 12 Months		Continuing Unrealized Losses for 12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale						
MBS	$ -	$ -	$ 30,876,128	$ (4,878,512)	$ 30,876,128	$ (4,878,512)
Agency	-	-	13,726,287	(1,850,636)	13,726,287	(1,850,636)
CMOs	-	-	9,075,634	(2,241,565)	9,075,634	(2,241,565)
Negotiable CDs	-	-	10,655,086	(779,914)	10,655,086	(779,914)
SBA securities	-	-	168,352	(7,087)	168,352	(7,087)
Total	$ -	$ -	$ 64,501,487	$ (9,757,714)	$ 64,501,487	$ (9,757,714)

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because of the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the ability and intent to hold these securities through to recovery of fair value, which may be maturity. Unrealized losses on negotiable CDs have not been recognized into income because they are all 100% insured as no deposit to one individual institution exceeds $250,000.

Continued

Note 3 – Loans to Members

The composition of loans to members as of December 31, 2024 and 2023 is as follows:

	2024	2023
Real estate		
First mortgage	$ 630,502	$ 739,077
Home equity	10,249,332	10,334,659
Total real estate	10,879,834	11,073,736
Consumer		
Automobile	60,619,120	59,710,267
Share secured	640,816	498,077
Unsecured	4,503,828	1,965,074
Education	178,071	210,402
Total consumer	65,941,835	62,383,820
Commercial		
Real estate	2,754,364	3,210,384
Other	950,988	1,026,781
Total commercial	3,705,352	4,237,165
Total loans	80,527,021	77,694,721
Less: Allowance for credit losses	(419,313)	(557,836)
Loans to members, net	$ 80,107,708	$ 77,136,885

As of December 31, 2024 and 2023, the net deferred loan origination fees and costs, included in the principal balances of loans above, approximated $1,902,000 and $1,937,000, respectively.

Continued

Allowance for Credit Losses

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2024:

	Real Estate	Consumer	Commercial	Total
Allowance for credit losses				
Beginning allowance	$ 76,826	$ 444,907	$ 36,103	$ 557,836
Charge-offs	-	(219,710)	-	(219,710)
Recoveries	3,760	83,748	-	87,508
Recapture of credit losses	(25,654)	28,715	(9,382)	(6,321)
Ending allowance	$ 54,932	$ 337,660	$ 26,721	$ 419,313

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2023:

	Real Estate	Consumer	Commercial	Total
Allowance for credit losses				
Beginning allowance	$ 54,645	$ 377,001	$ 23,321	$ 454,967
Impact of adopting ASC 326	48,114	153,158	18,431	219,703
Beginning balance, restated	102,759	530,159	41,752	674,670
Charge-offs	(18,080)	(128,912)	-	(146,992)
Recoveries	5,141	47,285	-	52,426
Recapture of credit losses	(12,994)	(3,625)	(5,649)	(22,268)
Ending allowance	$ 76,826	$ 444,907	$ 36,103	$ 557,836

Continued

Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2024:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Real estate						
First mortgage	$ 16,000	$ -	$ -	$ 16,000	$ 614,502	$ 630,502
Home equity	23,829	16,373	-	40,202	10,209,130	10,249,332
	39,829	16,373	-	56,202	10,823,632	10,879,834
Consumer						
Automobile	325,850	120,515	12,769	459,134	60,159,986	60,619,120
Share secured	6,970	-	-	6,970	633,846	640,816
Unsecured	16,575	31,757	7,164	55,496	4,448,332	4,503,828
Education	-	-	-	-	178,071	178,071
	349,395	152,272	19,933	521,600	65,420,235	65,941,835
Commercial						
Real estate	-	-	-	-	2,754,364	2,754,364
Other	-	-	-	-	950,988	950,988
	-	-	-	-	3,705,352	3,705,352
Total	$ 389,224	$ 168,645	$ 19,933	$ 577,802	$79,949,219	$80,527,021

Loans on which the accrual of interest has been discontinued or reduced approximated $20,000 as of December 31, 2024. There were no loans 90 days or more past due and still accruing interest as of December 31, 2024.

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2023:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Real estate						
First mortgage	$ 76,171	$ -	$ -	$ 76,171	$ 662,906	$ 739,077
Home equity	20,701	-	-	20,701	10,313,958	10,334,659
	96,872	-	-	96,872	10,976,864	11,073,736
Consumer						
Automobile	608,034	49,629	76,107	733,770	58,976,497	59,710,267
Share secured	3,487	-	-	3,487	494,590	498,077
Unsecured	15,118	5,437	-	20,555	1,944,519	1,965,074
Education	-	-	-	-	210,402	210,402
	626,639	55,066	76,107	757,812	61,626,008	62,383,820
Commercial						
Real estate	-	-	-	-	3,210,384	3,210,384
Other	-	-	-	-	1,026,781	1,026,781
	-	-	-	-	4,237,165	4,237,165
Total	$ 723,511	$ 55,066	$ 76,107	$ 854,684	$ 76,840,037	$ 77,694,721

Loans on which the accrual of interest has been discontinued or reduced approximated $76,000 as of December 31, 2023. There were no loans 90 days or more past due and still accruing interest as of December 31, 2023.

Real Estate and Consumer Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance. For real estate and consumer loan classes, the Credit Union evaluates credit quality based on the aging status of the loan and payment activity. Accordingly, non-accrual loans are considered to be in a non-performing status for purposes of credit quality evaluation.

The following tables present the recorded investment based on performance indication as of December 31, 2024 and 2023:

	December 31, 2024		December 31, 2023	
	Performing Loans	Non-Performing Loans	Performing Loans	Non-Performing Loans
Real estate				
First mortgage	$ 630,502	$ -	$ 739,077	$ -
Home equity	10,249,332	-	10,334,659	-
	10,879,834	-	11,073,736	-
Consumer				
Automobile	60,606,351	12,769	59,634,160	76,107
Share secured	640,816	-	498,077	-
Unsecured	4,496,664	7,164	1,965,074	-
Education	178,071	-	210,402	-
	65,921,902	19,933	62,307,713	76,107
Total	$ 76,801,736	$ 19,933	$ 73,381,449	$ 76,107

Commercial Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance. For commercial loan classes, the Credit Union evaluates credit quality based on risk ratings assigned to each loan as described in Note 1.

The following table presents the loan balance for commercial loans based on risk rating as of December 31, 2024:

	Real Estate	Other	Total
Credit grade			
2- Very Good	$ 268,423	$ -	$ 268,423
3 - Good	263,327	362,989	626,316
4 - Pass	1,319,448	503,545	1,822,993
5- Watch	64,000	-	64,000
Not rated*	839,166	84,454	923,620
Total	$ 2,754,364	$ 950,988	$ 3,705,352

Continued

The following table presents the loan balance for commercial loans based on risk rating as of December 31, 2023:

	Real Estate	Other	Total
Credit grade			
3 - Good	$ 1,390,535	$ 388,019	$ 1,778,554
4 - Pass	795,696	561,660	1,357,356
5 - Watch	-	-	-
Not rated*	1,024,153	77,102	1,101,255
Total	$ 3,210,384	$ 1,026,781	$ 4,237,165

* Loans that are not risk-rated represent Business Purpose Loans with exposure of less than $50,000 and Member Business Loans which do not require a risk rating according to Part 723 of NCUA Regulations.

Note 4 – Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization, and is summarized as of December 31, 2024 and 2023 by major classification as follows:

	2024	**2023**
Land	$ 1,234,565	$ 1,234,565
Buildings and improvements	3,166,324	3,152,128
Construction in process	70,695	20,695
Furniture and equipment	1,397,908	1,301,879
Leasehold improvements	9,307	9,308
	5,878,799	5,718,575
Less accumulated depreciation and amortization	(3,448,494)	(3,210,710)
	$ 2,430,305	$ 2,507,865

Depreciation and amortization charged to office operations and office occupancy expense was approximately $238,000 and $234,000 for the years ended December 31, 2024 and 2023, respectively. On June 26, 2024, the Credit Union entered into an agreement to build its new Ebensburg branch. Future expected renovation costs to complete the building are estimated by management to approximate $1,960,000.

Continued

Note 5 – Members' Shares and Savings Accounts

Members' shares and savings accounts are summarized as follows as of December 31, 2024 and 2023:

	2024	2023
Share accounts	$ 79,973,115	$ 76,905,530
Share draft accounts	35,155,654	34,079,166
Money market	5,931,140	8,426,763
Individual retirement accounts (IRAs)	3,909,657	3,776,872
Share and IRA certificates	27,576,438	26,496,914
	$ 152,546,004	$ 149,685,245

As of December 31, 2024, scheduled maturities of share and IRA certificates are as follows:

Within one year	$ 23,175,675
1 to 2 years	2,472,524
2 to 3 years	1,298,254
3 to 4 years	386,418
4 to 5 years	243,567
	$ 27,576,438

The aggregate amount of members' time deposit accounts in denominations of $250,000 or more as of December 31, 2024 was approximately $1,748,000.

Note 6 – Employee Benefits

Defined Contribution 401(k) Plan

The Credit Union maintains a 401(k) plan covering substantially all employees. Each pay period, participants may make salary deferred contributions to the Plan. The Credit Union has the ability to make discretionary matching contributions based on approval by the board of directors. As of December 31, 2024 and 2023, the Credit Union matched 50% of the employee's contributions not to exceed 6% of the employee's compensation. Participants become fully vested in the Credit Union's contributions after five years of credited service. The related matching contributions approximated $27,000 and $25,000 for the years ended December 31, 2024 and 2023, respectively.

Note 7 – Borrowed Funds

Vizo Financial Corporate Credit Union (VFCCU)

As of December 31, 2024 and 2023, the Credit Union maintained a secured line-of-credit with Vizo in the amount of $20,000,000. In order to access the unused portion of the line of credit, the Credit Union has granted Vizo Financial Corporate Credit Union a first priority security interest in its loan portfolio by pledging Credit Union assets, as required by the terms of the agreement. There was no balance outstanding under this line-of-credit agreement as of December 31, 2024 or 2023.

Continued

Federal Reserve Bank (FRB) of Philadelphia

The Credit Union has a line-of-credit with the Federal Reserve Bank of Philadelphia's Discount Window. The Credit Union has pledged eligible securities to secure the borrowing capacity. Based on borrowing limitations, the Credit Union's available borrowing capacity was approximately $912,000 and $867,000 as of December 31, 2024 and 2023, respectively. There were no borrowings outstanding as of December 31, 2024 or 2023.

Note 8 – Commitments and Contingent Liabilities

Off-Balance Sheet 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 more than the amount recognized in the statements of financial condition. Commitments to extend credit are agreements to lend to a member if there is no violation of any condition established in the contract.

Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2024, the total unfunded commitments under such lines of credit was approximately $7,100,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

Note 9 – 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. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Effective January 1, 2022, federally insured, natural-person credit unions defined as "complex" will have to comply with the NCUA's risk-based capital ("RBC") final rule which amends NCUA's Prompt Corrective Action ("PCA") regulations, part 702, or the newly created Complex Credit Union Leverage Ratio ("CCULR") rule. A credit union is defined as "complex" if the credit union's quarter-end total assets exceed $500,000,000, as reflected in its most recent Call Report. The rules require credit unions taking certain risks to hold capital commensurate with those risks. The RBC rule revises part 702 of NCUA's current regulations to establish an RBC ratio measure that is the percentage of a credit union's capital divided by the credit union's defined risk weighted asset base. This RBC rule more closely aligns NCUA's risk weights with those assigned by other Banking agencies.

As of December 31, 2024, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Credit Union must maintain a minimum net worth ratio of 7.00% of assets. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

Continued

The Credit Union's actual and required net worth amounts and ratios are as follows:

	December 31, 2024		December 31, 2023	
	Amount	Ratio/ Requirement	Amount	Ratio/ Requirement
Actual net worth	$ 20,030,723	12.21%	$ 18,967,010	11.86%
Amount needed to be classified as "adequately capitalized"	$ 9,842,206	6.00%	$ 9,596,034	6.00%
Amount needed to be classified as "well capitalized"	$ 11,482,573	7.00%	$ 11,195,373	7.00%

To calculate the net worth ratio as of December 31, 2024 and 2023, the Credit Union used the quarter end option, as permitted by regulation, in performing its calculation of total assets. As of December 31, 2024 and 2023, total assets and net worth were increased by the CECL transition provision of approximately $73,000 and $147,000, respectively, as required by regulation.

Note 10 – Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

Basis of Fair Value Measurements

Level 1 – Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuation is based on inputs other than quoted market 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 generated from model-based techniques that use at least one significant assumption not observable in the market. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized as follows:

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
MBS	$ -	$ 30,194,048	$ -	$ 30,194,048
Agency	-	17,716,252	-	17,716,252
CMOs	-	8,455,385	-	8,455,385
Negotiable CDs	-	9,784,072	-	9,784,072
SBA securities	-	130,841	-	130,841
Total	$ -	$ 66,280,598	$ -	$ 66,280,598

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Available-for-sale investments				
MBS	$ -	$ 30,876,128	$ -	$ 30,876,128
Agency	-	13,726,287	-	13,726,287
CMOs	-	9,075,634	-	9,075,634
Negotiable CDs	-	10,655,086	-	10,655,086
SBA securities	-	168,352	-	168,352
Total	$ -	$ 64,501,487	$ -	$ 64,501,487

Note 11 – Related Party Transactions

Loans

In the ordinary course of business, the Credit Union grants loans to directors and executive officers. Such loans aggregated approximately $627,000 and $727,000 as of December 31, 2024 and 2023, respectively.

Deposits

The aggregate deposits of the Credit Union directors and executive offers were approximately $947,000 and $1,144,000 as of December 31, 2024 and 2023, respectively.