alloya®

Corporate Federal Credit Union

# 2024 Audited Financials

**Report of the Chairman**

I am pleased to report that during 2024, Alloya continued to fulfill its mission to support credit union success while remaining a top-tier employer of choice, earning record member survey scores and exceeding financial goals. Through their Alloya membership, credit unions represent an outstanding example of the *Power of Cooperation*, and we proved once again that great results can be achieved when working together.

The corporate has continued to enhance its technologies as a Cooperative Fintech. Following the modernization of Premier View and the development of Premier Core (our proprietary core processing platform), Premier Mobile was successfully launched, enabling credit union staff to complete tasks remotely without a physical token.

In 2024, Alloya distinguished itself as a Payments Leader within the credit union system by educating credit unions on the new FedNow® Service and investing resources to ensure compatibility of its wire system with ISO 20022. This project will have a substantial impact on members, as each credit union using Alloya Wires will encounter changes in their processes. As such, significant efforts were dedicated to updating Alloya's systems in 2024. Alongside the wire upgrade, Alloya will continue assisting credit unions in implementing solutions to leverage the FedNow Service.

The corporate's long-standing tradition of providing dependable liquidity access was also upheld in 2024. Throughout the year, Alloya fulfilled over 10,000 line-of-credit advances, with loan balances at $214.8 million. In addition, credit unions raised over $1 billion through Alloya's certificate issuance program.

Credit unions have been rewarded for their investment in Alloya. In addition to core dividends, Alloya shared a significant portion of its refunds from the U.S. Central Estate through special dividends. In total, Alloya has paid out over $144 million in cash dividends to Perpetual Contributed Capital (PCC) investors. In addition to paying out cash dividends, Alloya has been able to achieve its financial goals and long-term capital goals. As a newly formed corporate credit union back in 2011, retained earnings were $0. Today, retained earnings total $433.7 million as of December 31, 2024.

As we look to the future, Alloya remains exceptionally well positioned to support credit union success for many years to come. Alongside my fellow directors, who generously volunteer their time and talents, I look forward to continuing to serve and grow our corporate together. With the ongoing support of the credit union membership, our collective future has never looked brighter.

**David B. Suvall**
February 27, 2025

## Report of the CEO

Thanks to the continued support of its membership, 2024 was another outstanding year of performance for Alloya. Over the past year, Alloya has fulfilled its mission of supporting credit union success while advancing its three key strategic goals: People and Culture, Member Service and Financial Performance/Compliance.

**People and Culture**
Alloya remains a top-tier employer of choice, with employee engagement scores retaining their upward trend. Our team of over 200 professionals remain engaged, believe in our mission, and feel valued for the work they perform. While many companies characterize the past few years as the “Great Resignation,” Alloya can claim it has been the “Great Retention.” Further, as Alloya has listened to the needs of its professionals and has embraced remote work, we have been able to hire outstanding talent from across the country. In 2024, we added 26 skilled professionals to our team.

**Member Service**
Alloya continues to maintain a high-performing member service team. When credit unions call, they speak directly to an in-house trained professional who will answer in an average of under four seconds. Our member services professionals are a model of efficiency, completing over 74,000 calls and 15,000 emails in 2024. The past year also marked the launch of Premier View Mobile, which addresses the limitations of Premier View Desktop. Now, credit union staff can complete tasks remotely without being at the office!

Combining excellent member service with innovative Premier View technology, Alloya earned a record member survey score of 4.93 out of 5.0 in 2024. Alloya's Net Promoter Score also reached its highest level with a score of 90, placing the company among the top tiers of member service compared to other financial institutions.

**Financial Performance and Compliance**
Alloya remains safe, secure, relevant and compliant with all rules and regulations. Alloya’s net income remained strong at $78.4 million for 2024, and Alloya continued its streak of monthly profitability since its inception over 13 years ago. Balance sheet highlights include total assets of $7.1 billion, members’ equity of $689.7 million and cash of $3.7 billion. Alloya maintained a highly liquid balance sheet throughout 2024 and supported its membership, as over 50% of credit union members accessed their Advised Line of Credit at least once during the year. Investment has continued to increase, evidencing credit unions’ support of the cooperative business model. As of December 31, 2024, investments stand at $290.5 million. In addition, in light of exceeding 2024 financial expectations, Alloya waived all fees for November to share this success with members, totaling $2.89 million in added value.

For more details on how Alloya supports credit union success, I encourage you to review this year’s *Report to the Membership*, available on Alloya’s website. On behalf of the Alloya team, thank you for your continued support.

**Todd M. Adams**
February 27, 2025

# ALLOYA CORPORATE FEDERAL CREDIT UNION

## CONSOLIDATED FINANCIAL STATEMENTS

## DECEMBER 31, 2024 AND 2023

*(With Independent Auditor's Report Thereon)*

# ALLOYA CORPORATE FEDERAL CREDIT UNION

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# INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee, Board of Directors and Management
**Alloya Corporate Federal Credit Union**

## Opinion

We have audited the consolidated financial statements of Alloya Corporate Federal Credit Union, which comprise the consolidated statement of financial condition as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alloya Corporate Federal 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Alloya Corporate Federal 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 Consolidated Financial Statements

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

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

## Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alloya Corporate Federal 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.

## Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Alloya Corporate Federal Credit Union's internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control— Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 27, 2025, expressed an unmodified opinion.

Doeren Mayhew Assurance

Troy, Michigan
February 27, 2025

## ALLOYA CORPORATE FEDERAL CREDIT UNION

### CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
### AS OF DECEMBER 31, 2024 AND 2023

| Assets | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | $ 3,713,777,342 | $ 3,548,194,808 |
| Investments: | | |
| Available-for-sale securities (Note 2) | 2,877,728,525 | 1,962,858,738 |
| Other investments (Note 3) | 116,873,853 | 116,458,109 |
| Loans, net of allowance for credit losses of $1,874,597 and $2,471,515 as of December 31, 2024 and 2023, respectively (Note 4) | 309,949,588 | 474,130,862 |
| Collateral assignment split dollar (CASD) (Note 7) | 11,356,586 | 11,073,927 |
| Goodwill | 10,719,470 | 10,719,470 |
| Intangible assets, net of amortization | 13,373,811 | 14,507,484 |
| Accrued income and other assets | 36,601,664 | 34,756,274 |
| Total assets | $ 7,090,380,839 | $ 6,172,699,672 |
| **Liabilities and Members' Equity** | | |
| Liabilities: | | |
| Members' shares (Note 5) | $ 4,139,762,249 | $ 3,256,519,877 |
| Members' certificates (Note 5) | 1,491,870,459 | 1,057,078,246 |
| Borrowings (Note 6) | 700,000,000 | 1,166,000,000 |
| Counterparty Collateral (Note 10) | 24,485,000 | 40,185,000 |
| Accrued interest expense and other accrued liabilities | 30,101,563 | 30,495,945 |
| Deposits in collection | 14,503,304 | 24,088,297 |
| Total liabilities | 6,400,722,575 | 5,574,367,365 |
| Commitments (Note 8) | | |
| Members' equity: | | |
| Perpetual contributed capital | 290,491,122 | 282,979,911 |
| Retained earnings | 433,691,991 | 362,542,640 |
| Accumulated other comprehensive income (loss) | (34,524,849) | (47,190,244) |
| Total members' equity | 689,658,264 | 598,332,307 |
| Total liabilities and members' equity | $ 7,090,380,839 | $ 6,172,699,672 |

See accompanying notes to the consolidated financial statements.

# ALLOYA CORPORATE FEDERAL CREDIT UNION

## CONSOLIDATED STATEMENTS OF INCOME
## YEARS ENDED DECEMBER 31, 2024 AND 2023

| | 2024 | 2023 |
|---|---|---|
| Interest income: | | |
| Investments | $ 336,437,553 | $ 240,711,442 |
| Loans to members | 21,005,937 | 36,012,914 |
| Total interest income | 357,443,490 | 276,724,356 |
| Interest expense: | | |
| Members' shares and certificates | 204,219,879 | 120,362,081 |
| Borrowings | 52,974,736 | 63,661,614 |
| Total interest expense | 257,194,615 | 184,023,695 |
| Net interest income | 100,248,875 | 92,700,661 |
| Provision for credit losses | 542,565 | 1,192,091 |
| Net interest income after provision | 99,706,310 | 91,508,570 |
| Non-interest income: | | |
| Payment and technology fee income, net of expense | 18,719,797 | 17,200,284 |
| Capital markets fee income, net of expense | 16,840,581 | 15,574,034 |
| Member solutions fee income, net of expense | 5,001,593 | 2,946,704 |
| Other income (expense) (Note 13) | (1,540,754) | 18,269,630 |
| Total non-interest income | 39,021,217 | 53,990,652 |
| Non-interest expense: | | |
| Compensation and benefits | 39,623,147 | 33,264,890 |
| Professional and outside services | 5,464,345 | 5,317,514 |
| Training, travel and communications | 5,442,985 | 4,250,136 |
| Office operations | 1,942,694 | 1,604,854 |
| Office occupancy | 1,592,469 | 1,678,422 |
| Miscellaneous | 2,291,886 | 2,189,407 |
| Research and development | 4,000,000 | 6,000,000 |
| Total non-interest expenses | 60,357,526 | 54,305,223 |
| Net income | $ 78,370,001 | $ 91,193,999 |

See accompanying notes to the consolidated financial statements.

## ALLOYA CORPORATE FEDERAL CREDIT UNION

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

| | 2024 | 2023 |
|---|---|---|
| Net income | $ 78,370,001 | $ 91,193,999 |
| Other comprehensive income: | | |
| Net unrealized holding gains (losses) on derivatives designated as cash flow hedges | - | - |
| Net unrealized holding gains (losses) on investments classified as available-for-sale | 28,762,254 | 38,561,497 |
| Reclassification adjustments for gains (losses) included in net income | (16,096,859) | (12,578,073) |
| Other comprehensive income | 12,665,395 | 25,983,424 |
| Comprehensive income | $ 91,035,396 | $ 117,177,423 |

See accompanying notes to the consolidated financial statements.

## ALLOYA CORPORATE FEDERAL CREDIT UNION

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

| | Perpetual Contributed Capital | Retained Earnings | Accumulated Other Comprehensive Income/(Loss) | Total |
|---|---|---|---|---|
| Balance, December 31, 2022 | $ 267,970,320 | $ 291,088,486 | $ (73,173,668) | $ 485,885,138 |
| Cumulative effect of change in accounting principle (Note 1) | - | (1,246,134) | - | (1,246,134) |
| Restated balance January 01, 2023 | $ 267,970,320 | $ 289,842,352 | $ (73,173,668) | $ 484,639,004 |
| Net income | - | 91,193,999 | - | 91,193,999 |
| Perpetual contributed capital acquired from members | 15,009,591 | - | - | 15,009,591 |
| Dividends on perpetual contributed capital | - | (6,209,336) | - | (6,209,336) |
| Special dividend on perpetual contributed capital | - | (12,284,375) | - | (12,284,375) |
| Other comprehensive income | - | - | 25,983,424 | 25,983,424 |
| Balance, December 31, 2023 | $ 282,979,911 | $ 362,542,640 | $ (47,190,244) | $ 598,332,307 |
| Net income | - | 78,370,001 | - | 78,370,001 |
| Perpetual contributed capital acquired from members | 7,511,211 | - | - | 7,511,211 |
| Dividends on perpetual contributed capital | - | (7,220,650) | - | (7,220,650) |
| Other comprehensive income | - | - | 12,665,395 | 12,665,395 |
| Balance, December 31, 2024 | $ 290,491,122 | $ 433,691,991 | $ (34,524,849) | $ 689,658,264 |

See accompanying notes to the consolidated financial statements.

# ALLOYA CORPORATE FEDERAL CREDIT UNION

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

| | 2024 | 2023 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 78,370,001 | $ 91,193,999 |
| Adjustments: | | |
| (Gain) Loss on financial instruments | 52,185 | (21,359) |
| Net amortization (accretion) of premiums and discounts on available-for-sale securities | 7,788,580 | 1,118,250 |
| Amortization of premiums on loan participations | 489,335 | 400,561 |
| Accretion of gain on teminated interest rate swaps | (2,353,599) | (1,219,361) |
| Amortization of intangible assets | 1,133,673 | 960,340 |
| Change in cash surrender value of CASD | (282,659) | 55,763 |
| Change in cash surrender value of GICs | (1,588,855) | (1,277,307) |
| Provision for credit losses | 542,565 | 1,192,091 |
| Changes in operating assets and liabilities: | | |
| Change in accrued income and other assets | (1,845,390) | (1,291,273) |
| Change in accrued interest expense and other accrued liabilities | (394,382) | 1,451,160 |
| Total adjustments | 3,541,453 | 1,368,865 |
| Net cash provided by operating activities | 81,911,454 | 92,562,864 |

See accompanying notes to the consolidated financial statements.

# ALLOYA CORPORATE FEDERAL CREDIT UNION

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

**Cash Flows (Continued)**

| | 2024 | 2023 |
|---|---|---|
| Cash flows from investing activities: | | |
| Acquisition of QCash Financial, LLC | $ - | $ (20,700,188) |
| Proceeds from maturities and repayments of available-for-sale investments | 473,851,362 | 995,056,397 |
| Purchase of available-for-sale investments | (1,365,299,442) | (174,237,327) |
| Net change in loans to members | 139,993,328 | 244,239,883 |
| Net change in loan participations | 24,023,356 | (11,961,960) |
| Purchase of guaranteed investment contracts | - | (20,000,000) |
| Proceeds from maturities of GICs | 10,303,291 | - |
| Increase (decrease) in counterparty collateral | (15,700,000) | (13,125,000) |
| Net other (increase) decrease in other investments | (25,595,889) | 40,579,588 |
| Net cash provided by (used in) investing activities | (758,423,994) | 1,039,851,393 |
| Cash flows from financing activities: | | |
| Net change in members' shares and certificates | 1,317,389,506 | (227,467,231) |
| Change in deposits in collection | (9,584,993) | (4,270,985) |
| Net change in borrowings | (466,000,000) | 161,000,000 |
| Net change in reverse repurchase agreements | - | (102,175,000) |
| Perpetual contributed capital raised | 7,511,211 | 15,009,591 |
| Dividends on perpetual contributed capital | (7,220,650) | (18,493,711) |
| Net cash provided by (used in) financing activities | 842,095,074 | (176,397,336) |
| Net change in cash and cash equivalents | 165,582,534 | 956,016,921 |
| Cash and cash equivalents, beginning of year | 3,548,194,808 | 2,592,177,887 |
| Cash and cash equivalents, end of year | $3,713,777,342 | $3,548,194,808 |

**Supplemental Cash Flows Disclosure**

| | | |
|---|---|---|
| Interest paid | $ 258,728,858 | $ 183,867,293 |

See accompanying notes to the consolidated financial statements.

## Note 1 - Significant Accounting Policies

Organization

Alloya Corporate Federal Credit Union (the Credit Union) was chartered in October 2011 and provides liquidity, payment, investment, and member solutions services to credit unions and their affiliated organizations through a national field of membership. The Credit Union is primarily a “business to business” provider and is used by its members as their primary point of cash settlement and as a source for operational and term liquidity through an advised line of credit program. The Credit Union also offers a back-office technology solution, Premier View, which is an efficient and secure solution for members to process transactions such as wires, ACH, checks, international payments and coin and currency delivery to their branches and ATMs. The Credit Union further supports members by providing clearing, research, adjustment and compliance functions related to these transactions.

Alloya Solutions, LLC (AS) is a wholly-owned subsidiary of the Credit Union. AS offers services through CU Investment Solutions, LLC, a credit union service organization (CUSO) in which the Credit Union owns a minority interest. CU Investment Solutions, LLC, is registered with the Securities and Exchange Commission as a broker-dealer under the Securities Exchange Act of 1934. AS offers securities transactions to its customers, principally credit unions and CUSOs. AS also offers time deposit products to financial institutions through its partnership with Primary Financial Company, LLC, a CUSO in which the Credit Union owns a minority interest.

QCash Financial, LLC (QCash) is a wholly-owned subsidiary acquired by the Credit Union on March 31, 2023. QCash offers a relationship-based lending platform that empowers credit unions to improve the financial well-being of their communities by providing small-dollar loans to their members without the use of a credit score, and with a decision to lend made at the time of application. This product falls under the Credit Union’s member solutions product offerings. See section on Business Combination below for further details on the acquisition.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. The significant accounting principles and policies used in the preparation of these consolidated financial statements, together with certain related information, are summarized below.

**Note 1 - Significant Accounting Policies (Continued)**

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Credit Union and its wholly-owned subsidiaries, AS and QCash. All significant intercompany balances and transactions have been eliminated in consolidation.

Comprehensive Income/(Loss)

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in the carrying value of assets and liabilities are reported in other comprehensive income/(loss) (OCI). OCI is limited to the changes in unrealized gains/(losses) on available-for-sale securities and changes in the fair value of derivative transactions designated as cash flow hedges, if any. When available-for-sale securities are sold, any unrealized gains/(losses) included in accumulated other comprehensive income (AOCI) are reclassified into net income and are included in other income (loss) in the consolidated statements of income. Net gains/(losses) on derivative instruments designated as cash flow hedges are reclassified into earnings over the term of the instrument.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from the Federal Reserve Bank and other depository institutions, Fed Funds Sold, as well as coin and currency maintained at a courier warehouse. Amounts due from banks may, at times, exceed federally insured limits.

Federal Reserve Bank (FRB) – Excess Balance Account (EBA) Program

The Credit Union, as agent, entered into an EBA agreement with participating member credit unions and the FRB whereby the FRB opened EBAs for the benefit of the participants at the request of the agent. Accordingly, balances in the EBAs are not reflected in the Credit Union's consolidated financial statements. These balances totaled approximately $5,065,422,000 and $2,929,538,000 as of December 31, 2024 and 2023, respectively. Neither the participating member credit unions nor the agent may use the funds in the EBAs for general payments or other activities. The aggregate balance in the EBAs represents a deposit liability of the FRB due solely to the participants. The Credit Union is responsible for calculating and distributing interest payable to participants, and for potential damages owed to participants for any inaccuracy in calculating excess balances and interest.

**Note 1 - Significant Accounting Policies (Continued)**

Available-for-Sale Investments

Investment securities are classified as available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity needs, availability of and the yield on alternative investments, and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on securities classified as available-for-sale are recorded in OCI, except as discussed in the following paragraphs. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

The Credit Union evaluates available-for-sale investment securities in unrealized loss positions on a quarterly basis to determine if the decline in fair value below amortized cost is due to a credit loss or due to other factors, such as higher market interest rates or increased liquidity spreads. To make this determination, management reviews the amount of the unrealized loss, credit rating history, market trends of similar security classes, time remaining to maturity, and the source of principal and interest payments. If evidence of a credit loss is present, the Credit Union determines the amount of credit loss using a discounted cash flow analysis with an appropriate discount rate. Credit losses, if present, are recorded as an allowance with a corresponding charge to credit loss expense.

For available-for-sale securities in unrealized loss positions that the Credit Union intends to sell, or will more likely than not be required to sell, before recovery of the unrealized loss, regardless of the reason for the decline in fair value, amortized cost is reduced to fair value with a corresponding charge to earnings.

Derivative Instruments

In the normal course of business, the Credit Union is subject to risk from fluctuations in market interest rates. The Company manages this risk through a program that includes the use of derivative financial instruments, primarily interest rate swaps. Counterparties to these contracts are major financial institutions. The Credit Union is exposed to credit loss in the event of non-performance by these counterparties. The Credit Union does not use derivative instruments for trading or speculative purposes.

The Credit Union uses interest rate swaps to offset the changes in fair value of certain member loans, available-for-sale investment securities and member certificates attributable to interest rate volatility.

**Note 1 - Significant Accounting Policies (Continued)**

All of the Credit Union's outstanding derivative financial instruments are recognized at fair value in the consolidated statement of financial condition as an asset or liability. (See Note 10). The effect on earnings or other comprehensive income from recognizing the fair values of these derivative financial instruments depends on their hedge designation (or lack thereof), and their effectiveness in offsetting the exposures they are hedging. Changes in the fair values of derivative instruments that are not designated as hedges or do not qualify for hedge accounting treatment are reported in earnings.

For derivative instruments designated as fair value hedges, the gain or loss on the derivative, as well as the offsetting gain or loss on the hedged item attributable to the hedged risk, are recognized in earnings. The Credit Union includes the gain or loss on the derivative and the offsetting gain or loss on the hedged item (i.e., fixed-rate investment, loan, or member certificate) in the same interest income or interest expense line item as the hedged item.

Accounting Standards Codification (ASC) 815 allows an entity to assume perfect effectiveness in a fair value hedging relationship of interest rate risk involving a recognized interest-bearing asset or liability and an interest rate swap if certain criteria are met (short-cut method). Utilizing the short cut method allows an entity to conclude that changes in fair value of the interest-bearing asset or liability attributable to the risk being hedged exactly offset those of the interest rate swap at inception and on an ongoing basis. The Credit Union has applied the short-cut method for derivative transactions designated as fair value hedges if they meet the criteria specified in the standard.

Changes in the fair values of derivatives used to reduce or eliminate adverse fluctuations in variable interest cash flows associated with a recognized asset or liability, or the variable cash flows of forecasted transactions are reported in OCI. Amounts in AOCI are reclassified into earnings when the related hedged items affect earnings or the hedged forecasted transactions are no longer probable.

The Company discontinues the use of hedge accounting prospectively when (1) the derivative instrument is no longer effective in offsetting changes in fair value or cash flows of the hedged item, (2) the derivative instrument expires, is sold, terminated, or exercised, or (3) designating the derivative instrument as a hedge is no longer appropriate. The gain or loss at the time of discontinuance is amortized into interest income over the remaining term of the derivative instrument.

Other Investments

FHLB Capital Stock is carried at cost and its disposition is restricted. Guaranteed investment contracts (funding agreements) are carried at cash surrender value. Refer to Note 3 for further details regarding these investments.

**Note 1 - Significant Accounting Policies (Continued)**

Other Investments (Continued)

The Credit Union has investments in various CUSOs. The Credit Union uses the equity method of accounting for these investments when it is deemed that the Credit Union holds significant influence over the investee, which is assessed based on ownership percentage and other qualitative factors. For CUSO investments not meeting these requirements and without readily determinable fair values, the Credit Union carries them at cost minus impairment, if any.

Loans and Allowance for Credit Losses on Loans

*Loans*

Loans include loans to members, loan participations held for investment, net of allowance, and subordinated debt issued by member credit unions. Loans to members and subordinated debt are stated at the amount of unpaid principal. Interest is calculated using the simple-interest method on principal amounts outstanding and is recognized over the term of the loan or subordinated debt. The accrual of interest is discontinued when management believes that collection of interest is doubtful. The Credit Union reviews the loan portfolio for impairment on a regular basis.

Loan participations held for investment are initially recorded at cost as of the settlement date. An allowance for credit losses is established at purchase and the carrying value is reflected net of the allowance. Any difference between cost and par value at the settlement date for loan participations is recorded as a premium or discount. The premium or discount is amortized or accreted into interest income using the interest method over the life of the loan pool. Accrued interest on the loan pools is recorded to interest income. Principal and interest payments on the loan pools are applied monthly to reduce loan participation asset and accrued interest balances, respectively. Loan participations are charged off when the selling/servicing credit union deems the balance uncollectible.

Refer to Note 4 for credit quality indicators used by the Credit Union as part of its ongoing monitoring of the credit quality of the loan portfolio.

*Allowance for Credit Losses on Loans*

On January 1, 2023, the Credit Union adopted ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments", which resulted in a significant change to the methodology used to estimate the allowance. ASU No. 2016-13 replaced the incurred loss methodology with the current expected credit loss (CECL) methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance sheet exposures. The Credit Union adopted ASC Topic 326 using the modified retrospective method for all financial assets in scope of the standard. Upon adoption, the Credit Union recorded an increase to the allowance for credit losses of $1,246,000 and a corresponding decrease to retained earnings of the same amount.

Under this new pronouncement, the allowance for credit losses on loans is deducted from the amortized cost basis so that the balance sheet reflects the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized in net income as a credit loss expense or a reversal of credit loss expense. The methodologies used by the Credit Union to estimate the allowance for various loan types differ based on their characteristics.

***Member Loans/Subordinated Debt*** - The Credit Union's loan portfolio, other than loan participations (see below), consists of loans made to member credit unions, CUSOs, and other affiliated organizations, as well as subordinated debt issued by natural person credit unions. The Credit Union has divided this portfolio into three types of loans based on risk characteristics: settlement loans, fixed-rate term loans, and subordinated debt. Each type requires significant judgment to determine the estimation method that best fits its credit risk characteristics. All loans are evaluated on an individual basis.

Settlement loans and fixed-rate term loans are generally secured by a blanket lien against the assets of the member credit union, CUSO or affiliate. In addition, the Credit Union may also require the member to pledge specific assets and/or share and certificate accounts before extending loan advances. Loans to members can be offset against the members' share and certificate accounts, if necessary. Subordinated debt represents unsecured loans made to natural person credit unions with an acceptable risk profile. Based on the creditworthiness of the borrowing credit unions and, if applicable, available collateral, no allowance was recorded for member loans or subordinated debt holdings as of December 31, 2024 and 2023. No member loans or subordinated debt holdings were considered collateral dependent as of December 31, 2024 and 2023. The Credit Union takes a dollar-for-dollar capital deduction, per regulation, for its subordinated debt holdings.

***Loan Participations*** - Loan participations held for investment are percentage interests in pools of loans made to individuals by member credit unions. They are secured by vehicles or are unsecured. They were purchased without recourse, and the originating member credit union performs all loan servicing functions. The Credit Union records an allowance for credit losses on loans equal to the expected credit losses attributed to the current portfolio. The following approach is used by management to estimate expected credit losses on the loan participation portfolio.

## Note 1 - Significant Accounting Policies (Continued)

### *Loan Participations (Continued)*

Loan participations are segmented by loan pool and/or originating credit union. The Credit Union estimates the allowance using two methodologies – Weighted Average Remaining Maturity (WARM) Method and the Probability of Default (PD) Method. The WARM method establishes an annualized loss rate based on historical data and forecasted qualitative and economic factors. This loss rate is multiplied by the remaining weighted-average-life of the pool to arrive at a lifetime loss estimate. The PD method estimates losses at the loan level based on three components – probability of default, loss given default and exposure at default - and incorporates future economic conditions into its estimates. The recorded allowance for each loan participation pool reflects the higher of the two loss estimates.

Certain loans for which repayment is expected to be provided substantially through the sale of the loan collateral are considered to be collateral-dependent. 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. Auto and consumer collateral-dependent loans in the loan participation portfolio are deemed insignificant and intentionally omitted for disclosure purposes.

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. Loans are classified as non-accrual when the credit union no longer expects to collect all amounts due according to the contractual terms of the loan agreement. The accrual of interest is ceased for loans placed on non-accrual status.

### Goodwill and Other Intangible Assets

Goodwill and intangible assets acquired in a purchase business combination that are determined to have indefinite useful lives are not amortized. They are tested for impairment annually, or more frequently if events and circumstances indicate that an impairment test should be performed. The Credit Union has selected December 31 as the date to perform annual impairment tests and has identified the Credit Union as the reporting unit. Impairment, if any, is recognized in the period identified. Goodwill and the trade name intangible acquired as part of the QCash Financial, LLC purchase (see section on Business Combination below) have indefinite lives and are not amortized. Based on the Credit Union's financial performance and overall financial position, no impairment was recorded for the years ended December 31, 2024 and 2023.

**Note 1 - Significant Accounting Policies (Continued)**

Goodwill and Other Intangible Assets (Continued)

Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. The customer relationship intangible acquired as part of the QCash Financial, LLC purchase is being amortized straight line over its estimated useful life of fifteen years, with annual expected amortization expense of approximately $1.1 million in 2025, $840,000 in 2026, and $693,000 each year in 2027, 2028 and 2029. Intangible assets on the statements of financial condition are presented net of accumulated amortization of $2,826,200 and $1,692,500 as of December 31, 2024 and 2023, respectively.

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.

Members' Shares and Certificates

Members' shares and certificates are subordinated to all other liabilities of the Credit Union upon liquidation. Interest rates on members' shares and certificates are set by management based on a daily assessment of available earnings and are not guaranteed by the Credit Union.

Perpetual Contributed Capital (PCC)

PCC is a secondary capital instrument that is classified as equity in the consolidated statements of financial condition. PCC is not negotiable or assignable but may be transferred 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.

**Note 1 - Significant Accounting Policies (Continued)**

Deposits in Collection

Deposits in collection represent deposits the Credit Union received on the last business day of the year that will be credited to member share accounts the following business day.

Revenue Recognition

The Credit Union's revenue within the scope of ASC 606, Revenue from Contract with Customers, is recognized and disaggregated within non-interest income in the consolidated statements of income. Descriptions of the Credit Union's revenues within the scope of ASC 606 are as follows:

*Payment and technology fee income, net of expense:* The Credit Union earns fee income from its members for transaction-based services in the form of both fixed monthly and per transaction fees. Transaction-based services include automated clearing house (ACH) and share- draft processing, coin and currency vault and delivery services, and wires. Transaction fees are recognized at the time the transaction is executed. Monthly fixed fees charged for access to these services are recognized in the month the services are provided.

*Capital markets fee income, net of expense:*

- The Credit Union earns servicing fees from its loan participation marketplace. Loan participation fee income is recognized when remittances are transmitted from the loan participation seller to the buyer through the marketplace.

- The Credit Union provides security safekeeping services to its members. Transaction-based income from security safekeeping is recognized at the time the transaction is executed. Monthly fixed fees are charged for access to safekeeping services and are recognized in the month the services were provided.

- The Credit Union, as agent, earns income from the FRB EBA program based on a spread between the rate paid by the FRB on EBA balances and the rate paid through to participants. Agent income is recognized in the month of activity.

- Income received for services provided by AS consists of commissions. Commission income for investment securities transactions is recognized in the month of trade activity. Commission income for time deposit sales through the SimpliCD program offered by Primary Financial Company, LLC is recognized over the life of the corresponding time deposit.

**Note 1 - Significant Accounting Policies (Continued)**

*Member solutions fee income, net of expense:* Income received from member solutions, comprised of automated lending solutions provided by QCash, consists primarily of fixed monthly service and support fees and per-loan-funded fees. Per-loan-funded fees are recognized at the time loans are funded. Monthly fixed service and support fees are recognized in the month the services were provided.

Research and Development Expense

In 2024 and 2023, the Credit Union elected to spend $4,000,000 and $6,000,000, respectively, in research and development costs related to identifying and/or building faster payment solutions and other initiatives beneficial to its members. The expenses were largely investments in start-up entities with operating losses and were therefore not capitalized. Although it is possible that these efforts will provide future revenue streams or yield operational efficiencies, there is no guarantee that the research will lead to viable solutions. Therefore, the Credit Union has decided to expense these costs as incurred.

Business Combination

On March 31, 2023, the Credit Union entered into a purchase agreement to acquire QCash Financial, LLC for a total purchase price of $22,950,000, which is comprised of $20,700,188 in net cash consideration paid and $1,950,000 in an earnout liability. There was $299,812 of cash assumed in the transaction.

The Credit Union accounted for this acquisition under the purchase price method of accounting. The fair value of the assets acquired and liabilities assumed were based on estimates by an unaffiliated third party that specializes in business acquisition valuations. The following is a condensed summary of the assets acquired:

| | |
|---|---|
| Current Assets | $ 333,180 |
| Goodwill | 6,016,820 |
| Other intangible assets | 6,200,000 |
| Customer intangible assets | 10,400,000 |
| Total Assets | $ 22,950,000 |

Federal and State Tax Exemption

The Credit Union is exempt from most federal, state, and local taxes under the provisions of the Internal Revenue Code (IRC) and state tax laws. The Income Taxes Topic of the Financial Accounting Standards Board (FASB) ASC clarifies accounting for uncertainty in income taxes reported in the financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated as to whether they meet the “more likely than not” standard for sustainability on examination by tax authorities.

Reclassification

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

Subsequent Events

Management has evaluated subsequent events through February 27, 2025, the date the consolidated financial statements were available to be issued.

## Note 2 - Investments – Available-for-Sale Securities

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

| | As of December 31, 2024 | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Available-for-sale securities: | | | | |
| Asset-backed | $ 1,116,783,440 | $ 2,933,760 | $ (2,063,338) | $ 1,117,653,862 |
| Agency mortgage-backed | 1,354,823,899 | 1,590,459 | (35,235,483) | 1,321,178,875 |
| SBA | 19,014,937 | 2,227 | (123,631) | 18,893,533 |
| Agency | 423,479,531 | 237 | (23,834,513) | 399,645,255 |
| U.S. Treasury | 20,047,858 | 309,142 | - | 20,357,000 |
| Total | $ 2,934,149,665 | $ 4,835,825 | $ (61,256,965) | $ 2,877,728,525 |

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Amortized Costs | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Available-for-sale securities: | | | | |
| Asset-backed | $ 493,302,818 | $ 552,616 | $ (7,805,813) | $ 486,049,621 |
| Agency mortgage-backed | 1,064,775,065 | 1,290,066 | (39,332,939) | 1,026,732,192 |
| SBA | 15,081,787 | 19,864 | (31,160) | 15,070,491 |
| Corporate notes | 27,101,642 | 33,273 | (334,721) | 26,800,194 |
| Agency | 427,720,441 | 79,509 | (40,490,510) | 387,309,440 |
| U.S Treasury | 20,060,379 | 836,421 | — | 20,896,800 |
| Total | $ 2,048,042,132 | $ 2,811,749 | $ (87,995,143) | $ 1,962,858,738 |

Available-for-sale securities as of December 31, 2024, includes approximately $324,669,000 (amortized cost) of assets designated in hedging relationships. Cumulative losses relating to the hedged risk on these investments of approximately $21,896,000 were reclassified from AOCI to interest income to offset the gains recorded on the related interest rate swaps. Therefore, the ending net unrealized losses in AOCI related to investments not designated in hedging relationships is approximately $34,525,000 as of December 31, 2024.

Available-for-sale securities as of December 31, 2023, includes approximately $376,361,000 (amortized cost) of assets designated in hedging relationships. Cumulative losses relating to the hedged risk on these investments of approximately $37,993,000 were reclassified from AOCI to interest income to offset the gains recorded on the related interest rate swaps. Therefore, the ending net unrealized losses in AOCI related to investments not designated in hedging relationships is approximately $47,190,000 as of December 31, 2023.

The amortized cost and estimated fair value of available-for-sale 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 certain obligations without call or prepayment penalties.

| | *Available-for-sale Securities* | |
|---|---|---|
| | **Amortized Cost** | **Fair Value** |
| Within 1 year | $ 141,995,760 | $ 138,278,645 |
| 1 to 5 years | 205,721,848 | 194,630,526 |
| Over 5 years | 95,809,781 | 87,093,084 |
| Asset-backed | 1,116,783,440 | 1,117,653,862 |
| Agency mortgage-backed | 1,354,823,899 | 1,321,178,875 |
| SBA | 19,014,937 | 18,893,533 |
| Total | $ 2,934,149,665 | $ 2,877,728,525 |

The following tables represent concentration limits for investments based on parameters established by NCUA Regulation 704.5. Per NCUA regulation, Agency and GSE debt securities are not subject to capital or asset-based limits.

| | **As of December 31, 2024** | | |
|---|---|---|---|
| | **Fair Value** | **Capital-Based Limit** | **Asset-Based Limit** |
| *Security Type*: | | | |
| Auto loan/lease asset-backed securities | $ 394,843,210 | $ 3,494,348,000 | $ 1,772,595,000 |
| Credit card asset-backed securities | 400,228,706 | 3,494,348,000 | 1,772,595,000 |
| Agency - commercial mortgage-backed | 667,781,823 | 2,096,609,000 | 1,063,557,000 |
| FFELP student loan asset-backed | 131,552,361 | 6,988,696,000 | 3,545,190,000 |
| Agency - residential mortgage-backed | 653,397,052 | 6,988,696,000 | 3,545,190,000 |
| Other asset-backed securities | 191,029,585 | 3,494,348,000 | 1,772,595,000 |
| Agency and GSE debt (exempt) | 438,895,788 | - | - |

| | **As of December 31, 2024** | |
|---|---|---|
| | **Fair Value** | **Regulatory Limit** |
| *By Issuer*: | | |
| AMXCA | $144,801,341 | $349,435,000 |
| VZMT | 107,117,968 | 174,717,000 |
| BACCT | 70,107,261 | 349,435,000 |
| CCCIT | 67,030,767 | 349,435,000 |
| COMET | 48,369,026 | 349,435,000 |
| Chase Issuance Trust | 43,676,691 | 349,435,000 |
| MetLife (GICs) | 42,617,871 | 174,717,000 |

**Note 2 - Investments – Available-for-Sale Securities (Continued)**

The following tables show the fair value and gross unrealized losses of available-for-sale securities aggregated by the length of time the individual securities have been in continuous unrealized loss positions.

| | As of December 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or Longer | | Total | |
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Asset-backed | $ 131,509,282 | $ (297,105) | $ 144,947,463 | $ (1,766,233) | $ 276,456,745 | $ (2,063,338) |
| Agency mortgage-backed | 277,605,684 | (4,483,371) | 702,925,766 | (30,752,112) | 980,531,450 | (35,235,483) |
| SBA | 10,413,594 | (77,896) | 6,721,237 | (45,735) | 17,134,831 | (123,631) |
| Agency | 48,147,334 | (1,114,470) | 350,973,125 | (22,720,043) | 399,120,459 | (23,834,513) |
| | $ 467,675,894 | $ (5,972,842) | $ 1,205,567,591 | $ (55,284,123) | $ 1,673,243,485 | $ (61,256,965) |

| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 Months | | 12 Months or Longer | | Total | |
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Asset-backed | $ 12,226,996 | $ (44,340) | $ 364,677,299 | $ (7,761,473) | $ 376,904,295 | $ (7,805,813) |
| Agency mortgage-backed | 74,675,924 | (828,916) | 863,002,561 | (38,504,023) | 937,678,485 | (39,332,939) |
| SBA | 6,448,573 | (12,794) | 4,963,667 | (18,366) | 11,412,240 | (31,160) |
| Corporate notes | --- | --- | 13,823,594 | (334,721) | 13,823,594 | (334,721) |
| Agency | --- | --- | 365,937,817 | (40,490,510) | 365,937,817 | (40,490,510) |
| | $ 93,351,493 | $ (886,050) | $ 1,612,404,938 | $ (87,109,093) | $ 1,705,756,431 | $ (87,995,143) |

## Note 2 - Investments – Available-for-Sale Securities (Continued)

Unrealized losses on securities issued by the U.S. Government and its Agencies, and Agency mortgage-backed securities, 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 to recovery of fair value up to amortized cost, which may be maturity.

The Credit Union evaluates asset-backed securities and corporate notes in unrealized loss positions on a quarterly basis for indicators of impairment due to credit factors. There was no impairment related to credit loss factors recognized on asset-backed securities or corporate notes during the years ended December 31, 2024 and 2023. 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 intent and ability to hold these securities to recovery of fair value up to amortized, which may be maturity.

## Note 3 - Other Investments

Other investments are comprised of the following as of December 31, 2024 and 2023:

`

| | 2024 | 2023 |
|---|---|---|
| Guaranteed Investment Contracts | $ 42,617,871 | $ 51,332,307 |
| CUSO Investments (Note 1) | 6,938,120 | 8,447,431 |
| Derivative Contracts (Note 10) | 23,871,862 | 40,337,571 |
| FHLB Capital Stock | 31,500,000 | 3,896,800 |
| Certificates of Deposit | 11,946,000 | 12,444,000 |
| Total | $ 116,873,853 | $ 116,458,109 |

Guaranteed Investment Contracts (Funding Agreements)

The Credit Union has entered into Guaranteed Investment Contracts (GICs) which are agreements whereby an insurance company guarantees a fixed rate of return in exchange for holding a deposit from the investor for the contracted period of time. GICs are accounted for using cash surrender value.

**Note 3 - Other Investments (Continued)**

FHLB Capital Stock

As a member of the FHLB system, the Credit Union is required to own a certain amount of stock based on its anticipated level of borrowings and other factors. Capital stock may be redeemed five years after written notice is provided to the FHLB. The Credit Union held capital stock issued by FHLB of Chicago of approximately $31,500,000 and $3,897,000 as of December 31, 2024 and 2023, respectively. FHLB Capital stock is carried at cost and its disposition is restricted.

**Note 4 - Loans**

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

| | 2024 | 2023 |
|---|---|---|
| Member: | | |
| Term loans | $ 133,974,742 | $ 179,488,487 |
| Settlement loans | 80,796,153 | 174,408,426 |
| | 214,770,895 | 353,896,913 |
| Subordinated debt | 20,250,000 | 20,250,000 |
| Loan participations | | |
| Secured | 76,648,719 | 102,000,071 |
| Unsecured | 154,571 | 455,393 |
| | 76,803,290 | 102,455,464 |
| Less: Allowance for credit losses | (1,874,597) | (2,471,515) |
| Loans, net of allowance | $ 309,949,588 | $ 474,130,862 |

Term loan balances include fair value losses of approximately $1,313,000 and $2,520,000 for the years ended December 31, 2024 and 2023, respectively. These losses are related to specific fixed-rate loans to members that are designated as hedged items for certain interest rate swaps (see Note 10).

**Note 4 - Loans (Continued)**

Allowance for Credit Losses on Loans (Allowance)

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:

| | Member Loans/Sub Debt | Loan Participations | Total |
|---|---|---|---|
| Beginning allowance | $ - | $ 2,471,515 | $ 2,471,515 |
| Charge-offs | - | (1,362,862) | (1,362,862) |
| Recoveries | - | 223,379 | 223,379 |
| Provision for credit losses | - | 542,565 | 542,565 |
| Ending allowance | $ - | $ 1,874,597 | $ 1,874,597 |

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:

| | Member Loans/Sub Debt | Loan Participations | Total |
|---|---|---|---|
| Beginning allowance | $ - | $ 928,796 | $ 928,796 |
| CECL adoption | - | 1,246,134 | 1,246,134 |
| Balance, restated | - | 2,174,930 | 2,174,930 |
| Charge-offs | - | (1,047,844) | (1,047,844) |
| Recoveries | - | 152,338 | 152,338 |
| Provision for credit losses | - | 1,192,091 | 1,192,091 |
| Ending allowance | $ - | $ 2,471,515 | $ 2,471,515 |

Aging of Past Due Loans

The following table presents the aging of past due loans 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 |
|---|---|---|---|---|---|---|
| Member: | | | | | | |
| Term Loans | $ - | $ - | $ - | $ - | $133,974,742 | $133,974,742 |
| Settlement | - | - | - | - | 80,796,153 | 80,796,153 |
| | - | - | - | - | 214,770,895 | 214,770,895 |
| Subordinated Debt | - | - | - | - | 20,250,000 | 20,250,000 |
| Loan Participations: | | | | | | |
| Secured | 1,417,315 | 462,709 | 665,092 | 2,545,116 | 74,103,603 | 76,648,719 |
| Unsecured | - | 671 | 2,348 | 3,019 | 151,552 | 154,571 |
| Total | $1,417,315 | $463,380 | $667,440 | $2,548,135 | $309,276,050 | $311,824,185 |

The following table presents the aging of past due loans 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 |
|---|---|---|---|---|---|---|
| Member: | | | | | | |
| Term Loans | $ - | $ - | $ - | $ - | $179,488,487 | $179,488,487 |
| Settlement | - | - | - | - | 174,408,426 | 174,408,426 |
| | - | - | - | - | 353,896,913 | 353,896,913 |
| Subordinated Debt | - | - | - | - | 20,250,000 | 20,250,000 |
| Loan Participations: | | | | | | |
| Secured | 953,759 | 247,818 | 538,599 | 1,740,176 | 100,259,895 | 102,000,071 |
| Unsecured | 14,010 | 8,655 | 1,115 | 23,780 | 431,613 | 455,393 |
| Total | $967,769 | $256,473 | $539,714 | $1,763,956 | $474,838,421 | $476,602,377 |

Non-performing loans on which the accrual of interest has been discontinued or reduced were insignificant as of December 31, 2024 and 2023.

*Credit Quality Indicators*

As part of the ongoing monitoring of the credit quality of the member loan portfolio, the Credit Union evaluates all lines of credit on an annual basis by reviewing members' financial condition and key ratios. A watch list is created of members that represent a credit risk or a concentration risk to the Credit Union. The following criteria are used to determine whether a loan will be placed on the watch list.

**Note 4 - Loans (Continued)**

Credit Quality Indicator:

- Capital ratio below 6%
- Negative earnings as of the prior year end and most recent quarter end, and a capital ratio below 9%
- Negative earnings as of the prior year end and most recent quarter end, a delinquency ratio above 4%, and a capital ratio below 10%

Concentration Risk Indicator:

- Line of credit in excess of 30% of the Credit Union's total members' equity
- Outstanding loan balance in excess of 10% of the Credit Union's total outstanding loan balance

The Credit Union evaluates the credit quality of the loan participation portfolio based primarily on the aging status of the loan and payment activity. Accordingly, non-accrual loans and loans modified under troubled debt restructurings that are past due in accordance with the loans' original contractual terms are considered to be in a non-performing status for purposes of credit quality evaluation.

Member credit unions on the watch list have lines of credit of approximately $2,134,568,000 and $1,853,060,000, and outstanding loan balances of approximately $98,100,000 and $102,066,000 as of December 31, 2024 and 2023, respectively. Primarily due to a strong collateral position, the Credit Union has never experienced a loss on a loan to a member.

The Credit Union recorded net losses of approximately $340,000 for the year ended December 31, 2024 on early prepayment of loans. The Credit Union recorded net gains of approximately $425,000 on early prepayment of loans for the year ended December 31, 2023. These gains and losses are included as a component of capital markets fee income in the consolidated statements of income.

## Note 5 - Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of December 31:

| | 2024 | 2023 |
|---|---|---|
| Daily shares | $ 4,139,762,249 | $ 3,256,519,877 |
| Share certificates | 1,491,870,459 | 1,057,078,246 |
| Total | $ 5,631,632,708 | $ 4,313,598,123 |

The aggregate balance of members' certificates in denominations that meet or exceed $250,000 was approximately $1,373,204,000 as of December 31, 2024.

Scheduled maturities of members' certificates as of December 31, 2024, are as follows:

| | 2024 |
|---|---|
| Within 1 year | $ 1,083,481,459 |
| 1 to 2 years | 222,729,000 |
| 2 to 3 years | 72,558,000 |
| 3 to 4 years | 65,729,000 |
| 4 to 5 years | 47,373,000 |
| Total | $ 1,491,870,459 |

## Note 6 - Lines of Credit

The Credit Union has access to secured, unsecured and repurchase lines of credit. The secured lines of credit require pledging of qualifying assets as collateral, and total amount of the lines are determined based on the value of collateral as defined in the applicable agreements. There was $700,000,000 and $1,116,000,000 outstanding as of December 31, 2024 and 2023, respectively, on the secured lines of credit. The carrying amount (fair value) of securities held as collateral related to the outstanding borrowings as of December 31, 2024 was $1,111,138,000. The carrying amount of securities held as collateral on unused lines was $193,900,000 as of December 31, 2024.

The Credit Union has established a repurchase line of credit agreement secured by unencumbered, qualified investment securities. The interest rate charged varies depending on the collateral provided and the current market conditions. There were no borrowings outstanding under this agreement as of December 31, 2024 and 2023.

The Credit Union has established unsecured federal funds agreements with various financial institutions. The agreements provide for aggregate borrowings of up to $120,000,000 as of December 31, 2024 and 2023, and interest rates are determined by the lending financial institutions. There were no borrowings outstanding under these agreements as of December 31, 2024 and 2023.

**Note 7 - Employee Benefit Plans**

401(k) and Profit-Sharing Plan

The Credit Union sponsors a defined contribution plan (Plan) established under Section 401(k) of the Internal Revenue Code. This Plan allows employees to contribute up to the Internal Revenue Service maximum allowable percentage of their compensation. The Credit Union matches 100% of the first 4% contributed by employees. Matching contributions were approximately $978,000 and $910,000 for the years ended December 31, 2024 and 2023, respectively. In addition, the Credit Union may elect to make a discretionary contribution to the Plan annually. This election requires approval by the Credit Union's Board of Directors. The Credit Union made discretionary contributions of approximately $935,000 and $838,000 for the years ended December 31, 2024 and 2023, respectively.

Collateral Assignment Split Dollar (CASD)

The Credit Union provides supplemental retirement benefits for certain Credit Union Executives through an arrangement the Internal Revenue Service (IRS) refers to as "collateral assignment split dollar" (CASD). Although the IRS requires CASD to be reported as loans, CASD is not an actual loan. There is neither a transfer of funds to the participant nor an obligation for the participant to repay funds. Instead, the Credit Union recovers its outlays plus interest from the underlying policy. The recovery right is a key advantage of CASD. With traditional deferred compensation, the Credit Union pays the benefit from corporate assets, never to recover those dollars. With CASD, the Credit Union recovers not only its outlays, but also interest.

**Note 7 - Employee Benefit Plans (Continued)**

In a CASD, the Credit Union deposits dollars directly into a life insurance policy, with the Credit Union holding a lien on the policy to ensure repayment. At specified times and subject to vesting requirements, the participant may borrow from the cash value of the policy to supplement retirement income (provided there are sufficient policy values). Borrowing is carefully monitored and limited to assure that the policy will remain in effect until the participant's death and will pay a death benefit at least sufficient to repay the Credit Union's outlays plus interest. Any remaining death proceeds are divided between the Credit Union and the participant's beneficiary as agreed upon by the parties. The CASD is recorded at the cash surrender value on the consolidated statements of financial condition.

**Note 8 - Off-Balance Sheet Risk and Commitments**

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 in excess of the amount recognized in the consolidated statements of financial condition. The Credit Union's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments.

Commitments

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. Since many of the commitments may expire without being fully drawn upon and are extended as advised lines of credit, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2024, the members' unused lines of credit approximated $14,447,418,000. The Credit Union also had letters of credit outstanding with members in the amount of $50,256,000 as of December 31, 2024. The Credit Union evaluates each members' creditworthiness on a case-by-case basis. The amount of collateral obtained 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 consolidated financial statements. Failure to meet a minimum capital requirement 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/or ceasing or limiting the Credit Union's ability to accept deposits.

The current regulations encourage the Credit Union to build retained earnings to at least 250 basis points by providing the following incentives if this is achieved:

- All Perpetual Contributed Capital (PCC) will be included in Tier 1 capital. If the 250 basis point threshold is not met, PCC in excess of retained earnings minus 200 basis points of daily average net assets, will be excluded from Tier 1 capital.

- Expanded authorities for corporate credit unions to engage in the following activities:
  - Short sales
  - Purchases of principal-only stripped MBS securities
  - Dollar roll transactions
  - Purchase certain foreign investments
  - Engage in derivative transactions
  - Purchase loan participations from natural person credit unions

The Credit Union's retained earnings and other equity ratio is 6.30% and 6.33% as of December 31, 2024 and 2023, respectively. The ratio was higher than the regulatory minimum for the years ending December 31, 2024 and 2023, allowing the Credit Union to include all PCC as regulatory Tier 1 capital.

**Note 9 - Regulatory Capital (Continued)**

The NCUA has defined regulatory capital to include the following:

- Tier 1 Capital:
    - Retained earnings, plus
    - PCC, less:
        - Intangible assets that exceed one-half percent of the corporate credit union's moving daily average net assets,
        - Investments, both equity and debt, in unconsolidated CUSOs,
        - PCC or Nonperpetual Capital Accounts (NCA) maintained at another corporate credit union,
        - PCC received from federally insured credit unions that causes PCC minus retained earnings, all divided by moving daily average net assets, to exceed two percent when a corporate credit union's retained earnings ratio is less than two and one-half percent,
        - Subordinated debt instruments issued by natural person credit unions.
- Tier 2 capital includes the following:
    - Unamortized non-perpetual capital
    - Allowance for loan losses calculated under GAAP up to a maximum of 1.25% of risk- weighted assets
    - Any PCC deducted from Tier 1 capital
    - Forty-five percent of net unrealized gains (holding gains exceeding holding losses) on available-for-sale equity securities with readily determinable fair values. NCUA may disallow such inclusions in the calculation of Tier 2 capital if NCUA determines that the securities are not prudently valued.
- Total capital includes Tier 1 and Tier 2 capital.

## Note 9 - Regulatory Capital (Continued)

The Credit Union's capital amounts used in the calculations for regulatory capital as of December 31, 2024 and 2023, are as follows:

| | 2024 | 2023 |
|---|---|---|
| Total regulatory retained earnings | $ 433,691,991 | $ 362,542,640 |
| Perpetual contributed capital | 290,491,122 | 282,979,911 |
| Investments in unconsolidated CUSOs | (6,938,120) | (8,447,431) |
| Subordinated Debt | (20,250,000) | (20,250,000) |
| Tier 1 capital before PCC | 696,994,993 | 616,825,120 |
| PCC exclusion – effective December 2017 | — | — |
| Tier 1 capital | 696,994,993 | 616,825,120 |
| Tier 1 capital | $ 696,994,993 | $ 616,825,120 |
| Non-perpetual capital | — | — |
| Allowance for 1oan 1osses | 1,874,597 | 2,471,515 |
| PCC excluded from Tier 1 capital | — | — |
| 45% of unrealized net gain on equity | — | — |
| Total capital | $ 698,869,590 | $ 619,296,635 |
| Moving daily average net assets | $ 6,888,556,803 | $ 5,730,717,300 |
| Monthly moving average net risk-weighted assets (MMANRA) | $ 1,245,241,459 | $ 1,122,075,146 |

**Note 9 - Regulatory Capital (Continued)**

| Capital ratio | 2024 | 2023 | Minimum level to be classified as adequately capitalized | Minimum level to be classified as well capitalized |
|---|---|---|---|---|
| Leverage ratio (1) | 10.12% | 10.76% | 4.00% | 5.00% |
| Tier 1 risk based (2) | 55.97% | 54.97% | 4.00% | 6.00% |
| Total risk-based capital (3) | 56.12% | 55.19% | 8.00% | 10.00% |
| Retained earnings ratio (4) | 6.30% | 6.33% | N/A | N/A |

Calculations (Capital/Denominator):
(1) = T1C/MDANA
(2) = T1C/MMANRA
(3) = TC/MMANRA
(4) = Retained earnings/MDANA

T1C = Tier 1 capital  MDANA = Moving daily average net assets
TC = Total capital  MMANRA = Moving monthly average net risk-weighted assets

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

**Note 10 - Derivatives**

Derivatives as of December 31, 2024 and 2023 are comprised of twenty-five and twenty-three interest rate swaps, respectively. Interest rate derivative assets are included in other investments in the consolidated statements of financial condition. Interest rate derivative liabilities are included in accrued interest expense and other accrued liabilities in the consolidated statements of financial condition.

**Note 10 - Derivatives (Continued)**

The following tables summarize the fair value of derivatives on a gross basis:

| | As of December 31, 2024 | | |
|---|---|---|---|
| | | Fair Value | |
| | Notional/ Contract Amount | Gross Derivative Assets | Gross Derivative Liabilities |
| Interest rate swaps: | | | |
| Fair value hedges: | | | |
| Receive fixed/pay floating | $ 410,000,000 | $ 787,705 | $ (52,739) |
| Pay fixed/receive floating | 343,132,000 | 21,957,883 | - |
| Undesignated: | | | |
| Receive fixed/pay floating | - | - | - |
| Pay fixed/receive floating | 35,000,000 | 1,179,013 | - |
| Total | $ 788,132,000 | $ 23,924,601 | $ (52,739) |

| | As of December 31, 2023 | | |
|---|---|---|---|
| | | Fair Value | |
| | Notional/ Contract Amount | Gross Derivative Assets | Gross Derivative Liabilities |
| Interest rate swaps: | | | |
| Fair value hedges: | | | |
| Receive fixed/pay floating | $ 55,000,000 | $ - | $ (29,093) |
| Pay fixed/receive floating | 390,132,000 | 38,913,983 | - |
| Undesignated: | | | |
| Receive fixed/pay floating | - | - | - |
| Pay fixed/receive floating | 35,000,000 | 1,452,682 | - |
| Total | $ 480,132,000 | $ 40,366,665 | $ (29,093) |

**Note 10 - Derivatives (Continued)**

The Credit Union's strategy for the use of interest-rate swaps is to hedge the interest rate risk associated with specific fixed-rate member loans, available-for-sale investment securities and member certificates. This strategy effectively swaps the fixed-rate interest income or expense for variable-rate interest income or expense, thereby reducing the Credit Union's exposure to interest rate fluctuations. The Credit Union has elected to use fair value accounting for interest rate derivatives purchased prior to 2020 (i.e. no hedge accounting designation). There were net gains realized on these derivatives of approximately $22,000 and $19,000 for the years ended December 31, 2024 and 2023, respectively.

Derivative transactions entered into after January 1, 2021, have been designated as fair value hedges, and effectiveness is being measured using the short-cut method (see Note 1), which assumes perfect effectiveness. Total losses recognized on these swaps were approximately $16,192,000 and are included in interest income on the consolidated statements of income along with the offsetting $16,192,000 of net gains on the underlying member loans, member certificates and available-for-sale securities. During 2024 and 2022, the Credit Union terminated certain interest rate swaps and realized gains totaling $13,748,000, which are being accreted into interest income over the original terms of the agreements. As of December 31, 2024, the balance of the gains remaining to be accreted to interest income is approximately $9,986,000.

Derivative Collateral

The Credit Union has interest rate swaps with JPM and PNC Bank. Depending on whether a counterparty relationship is in a net gain or net loss position, the Credit Union either receives cash collateral from or posts cash collateral with, respectively, with these counterparties. As of December 31, 2024, the Credit Union was in receipt of cash collateral from JPM and PNC Bank of $11,795,000 and $12,690,000, respectively. As of December 31, 2023, the Credit Union was in receipt of cash collateral from JPM and PNC Bank of $23,905,000 and $16,280,000, respectively.

**Note 11 - Fair Value Measurements**

The Fair Value Measurements and Disclosures Topic of the FASB ASC provides a framework for measuring fair value that requires an entity to derive fair value from the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability. To increase consistency and comparability in fair value measurements and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value. Highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), then to inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2), and finally the lowest priority to unobservable inputs (Level 3).

**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**

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**Level 3**

Level 3 inputs are unobservable inputs for the asset or liability which reflect the Credit Union's own assumptions about the assumptions market participants would use in pricing the asset or liability. Assumptions about risk include risk inherent in a particular valuation technique used to measure fair value, including pricing models and/or discounted cash flow methodologies.

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

The following is a description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis:

*Available for Sale Securities*

**Asset-backed, Agency-mortgage backed securities, SBA securities, Agency and Corporate Notes** – These securities are classified as Level 2 in the fair value hierarchy and are valued based on quoted market prices for assets of similar vintage and underlying collateral in the marketplace.

**U.S. Treasury obligations** are classified as Level 1 in the fair value hierarchy and are valued based on quoted market prices for identical assets that the Credit Union has the ability to access at the measurement date.

*Other Assets/Liabilities*

**Hedged Fixed-Rate Loans** – These loans are classified as Level 2 in the fair value hierarchy and are valued based on discounted cash flow analysis using the SOFR curve.

**Hedged Fixed-Rate Member Certificates** – These certificates are classified as Level 2 in the fair value hierarchy and are valued based discounted cash flow analysis using the SOFR curve.

**Interest Rate Swaps** – Interest rate swaps are classified as Level 2 in the fair value hierarchy and are valued based on discounted cash flow analysis using the SOFR swap rate.

The following tables set forth by level, within the fair value hierarchy, the Credit Union's financial instruments measured at fair value on a recurring basis.

| | **Assets at Fair Value as of December 31, 2024** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Available-for-sale securities:** | | | | |
| Asset-backed securities | $ - | $1,117,653,862 | $ - | $1,117,653,862 |
| Agency - mortgage backed | - | 1,321,178,875 | - | 1,321,178,875 |
| SBA | - | 18,893,533 | - | 18,893,533 |
| Agency securities | - | 98,409,547 | | 98,409,547 |
| U.S. Treasury Securities | 20,357,000 | - | - | 20,357,000 |
| Hedged fixed-rate securities | - | 301,235,708 | - | 301,235,708 |
| **Total available-for- sale securities** | 20,357,000 | 2,857,371,525 | - | 2,877,728,525 |
| Hedged fixed-rate loans | - | 53,696,092 | - | 53,696,092 |
| **Derivative Assets:** | | | | |
| Interest rate contracts | - | 23,924,601 | - | 23,924,601 |
| **Total assets at fair value** | $20,357,000 | $2,934,992,218 | $ - | $2,955,349,218 |
| Liabilities: | | | | |
| Hedged fixed-rate member certificates | - | 410,734,966 | - | 410,734,966 |
| Derivative Liabilities: | | | | |
| Interest rate contracts | - | 52,739 | - | 52,739 |
| **Total liabilities at fair value** | $ - | $410,787,705 | $ - | $410,787,705 |

## Note 11 - Fair Value Measurements (Continued)

| | Assets at Fair Value as of December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Available-for-sale securities:** | | | | |
| Asset-backed securities | $ - | $ 486,049,621 | $ - | $486,049,621 |
| Agency - mortgage backed | - | 1,026,732,192 | - | 1,026,732,192 |
| SBA | - | 15,070,491 | - | 15,070,491 |
| Corporate notes | - | 26,800,194 | - | 26,800,194 |
| Agency securities | - | 55,170,589 | - | 55,170,589 |
| U.S. Treasury Securities | 20,896,800 | - | - | 20,896,800 |
| Hedged fixed-rate securities | - | 332,138,851 | - | 332,138,851 |
| **Total available-for-sale securities** | 20,896,800 | 1,941,961,938 | - | 1,962,858,738 |
| Hedged fixed-rate loans | - | 52,541,068 | - | 52,541,068 |
| **Derivative Assets:** | | | | |
| Interest rate contracts | - | 40,366,665 | - | 40,366,665 |
| **Total assets at fair value** | $ 20,896,800 | $ 2,034,869,671 | $ - | $2,055,766,471 |
| Liabilities: | | | | |
| Hedged fixed-rate member certificates | | $ 54,970,907 | | 54,970,907 |
| Derivative Liabilities: | | | | |
| Interest rate contracts | | 29,093 | | 29,093 |
| **Total liabilities at fair value** | $ - | $ 55,000,000 | $ - | $55,000,000 |

Certain assets and liabilities may be required to be measured at fair value on a non-recurring basis. These non-recurring fair value measurements usually result from the application of lower of cost or market accounting or the write-down of individual assets due to impairment. There were no assets or liabilities measured at fair value on a non-recurring basis as of December 31, 2024 and 2023.

## Note 12 - Changes in Accumulated Other Comprehensive Income/(Loss)

The following table presents the changes in accumulated other comprehensive income/(loss) by component for the years ended December 31, 2024 and 2023:

| | Unrealized (Losses)/Gains on Available-for-Sale Securities | Unrealized (Losses)/Gains on Derivatives | Total |
|---|---|---|---|
| **Balance, December 31, 2022** | ($73,173,668) | $ - | ($73,173,668) |
| Other comprehensive gains/(losses) before reclassifications | 38,561,497 | - | 38,561,497 |
| Amounts reclassified to consolidated income statement | (12,578,073) | - | (12,578,073) |
| **Balance, December 31, 2023** | ($47,190,244) | $ - | ($47,190,244) |
| Other comprehensive gains/(losses) before reclassifications | 28,762,254 | - | 28,762,254 |
| Amounts reclassified to consolidated income statement | (16,096,859) | - | (16,096,859) |
| **Balance, December 31, 2024** | ($34,524,849) | $ - | ($34,524,849) |

## Note 13 – Other Income (Expense)

The Credit Union holds a 13.2% interest in the U.S. Central Asset Management Estate, which resulted in the receipt of four cash distributions in 2021 and 2022 totaling $211,500,000. For the year ended December 31, 2023, the Credit Union received two additional distributions totaling $18,216,000. The Credit Union expects additional recoveries in 2025 of approximately $3,300,000.

In December 2024, the Credit Union waived all billed fees to member credit unions at a cost of approximately $2,889,000. Other miscellaneous income, including net gains on financial instruments, net income from equity investments in CUSOs, rental income, and income on CASD balances totaled approximately $1,348,000 and $54,000 for the years ended December 31, 2024 and 2023, respectively.

* * * End of Notes * * *

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# INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee, Board of Directors and Management
**Alloya Corporate Federal Credit Union**

## Opinion on Internal Control Over Financial Reporting

We have audited Alloya Corporate Federal Credit Union's internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control— Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, Alloya Corporate Federal Credit Union maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the consolidated financial statements of Alloya Corporate Federal Credit Union, and our report dated February 27, 2025, expressed an unmodified opinion.

## Basis for Opinion

We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting section of our report. We are required to be independent of Alloya Corporate Federal Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting.

## Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

## Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (*1*) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (*2*) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (*3*) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Doeren Mayhew Assurance

Troy, Michigan
February 27, 2025

alloya®
Corporate Federal Credit Union

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www.alloyacorp.org

# Alloya Corporate Federal Credit Union
# Management Report on Annual Report
# 2024

We, the undersigned, certify that:

1. We have reviewed the annual report (2024 audited financial statements) of Alloya Corporate Federal Credit Union (Alloya);

2. Based on our knowledge, the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of Alloya as of, and for, the periods presented in the report;

3. We, the certifying officers, are responsible for preparing Alloya's annual financial statements, including reports filed in accordance with regulatory reporting (based on the 5310 Corporate Credit Union Call Report Instructions), for establishing and maintaining an adequate internal control structure and procedures for financial reporting, and for complying with the laws and regulations relating to safety and soundness in the following areas: affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends, and regulatory reporting that meets full and fair disclosure and have:

    a. Designed such internal controls over financial reporting, or caused such internal controls to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and regulatory purposes in accordance with the 5310 Corporate Credit Union Call Report Instructions, utilizing the COSO (2013) internal control framework;

    b. Evaluated the effectiveness of such internal controls and procedures; and

    c. Concluded that there were no material changes or weaknesses in financial reporting, including reports filed in accordance with regulatory reporting (based on the 5310 Corporate Credit Union Call Report Instructions), and internal controls that materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting in 2024, and, based on our knowledge, that Alloya is in compliance with the above designated safety and soundness laws and regulations during 2024.

Date: February 27, 2025

DocuSigned by:
Todd Adams
56544F0BAFD9471...

Todd M. Adams, CEO

Signed by:
Doug Hoelscher
8399EE24708241E...

Doug Hoelscher, CFO