Audited Consolidated Financial Statements
and
Other Financial Information

AmeriCU CREDIT UNION
AND SUBSIDIARIES

December 31, 2021 and 2020

Audited Consolidated Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee
and Board of Directors
AmeriCU Credit Union
Rome, New York

Opinion

We have audited the accompanying consolidated financial statements of AmeriCU Credit Union and Subsidiaries (the Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Kirley, Moran, Kreer & Esso, CPA, P.C.

Syracuse, New York
March 11, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AmeriCU CREDIT UNION AND SUBSIDIARIES

	December 31, 2021	December 31, 2020
ASSETS		
Cash and cash equivalents	$ 197,283,636	$ 101,446,649
Deposits at corporate credit union	812,292	768,959
Investments--available for sale	319,069,502	197,240,748
Loans to members, net of allowance for loan losses	1,937,239,181	1,821,390,737
Loans held for sale	-0-	296,040
Accrued interest receivable	4,766,918	4,288,800
Property and equipment, net	30,140,108	31,961,609
Other assets	53,859,297	55,422,805
TOTAL ASSETS	$2,543,170,934	$2,212,816,347
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' share and nonmembers' deposit accounts	$2,275,817,557	$1,926,301,726
Borrowed funds	50,000,000	100,000,000
Accounts payable and accrued liabilities	20,823,159	21,843,666
TOTAL LIABILITIES	2,346,640,716	2,048,145,392
MEMBERS' EQUITY	196,530,218	164,670,955
TOTAL LIABILITIES AND MEMBERS' EQUITY	$2,543,170,934	$2,212,816,347

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

AmeriCU CREDIT UNION AND SUBSIDIARIES

	Year ended December 31, 2021	Year ended December 31, 2020
Income:		
Interest on loans	$ 81,638,186	$ 59,315,826
Investment income	3,909,535	6,073,811
	85,547,721	65,389,637
Interest expense:		
Dividends and interest	14,788,777	20,711,217
Borrowed funds	1,135,443	1,614,344
	15,924,220	22,325,561
NET INTEREST INCOME	69,623,501	43,064,076
Provision for loan losses	6,711,000	14,150,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	62,912,501	28,914,076
Non-interest income:		
Fees, service charges and other income	24,120,611	21,322,612
Corporate credit union claim distribution	2,414,020	-0-
(Loss) gain on sales of investments	(126,908)	4,672,817
Gain on sales of loans	3,063,621	198,090
	29,471,344	26,193,519
Non-interest expense:		
Compensation and benefits	26,936,233	24,308,659
Office occupancy and operations	20,787,528	19,098,535
Professional services	4,121,776	3,068,991
Membership services, promotions and other	2,798,581	2,815,350
	54,644,118	49,291,535
NET INCOME	$ 37,739,727	$ 5,816,060

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

AmeriCU CREDIT UNION AND SUBSIDIARIES

	Year ended December 31, 2021	Year ended December 31, 2020
Net income	$ 37,739,727	$ 5,816,060
Other comprehensive loss:		
Unrealized holding (losses) gains on investments--available for sale arising during the year, net	(6,007,372)	3,339,484
Reclassification adjustment for net losses (gains) included in net income	126,908	(4,672,817)
OTHER COMPREHENSIVE LOSS	(5,880,464)	(1,333,333)
TOTAL COMPREHENSIVE INCOME	$ 31,859,263	$ 4,482,727

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

AmeriCU CREDIT UNION AND SUBSIDIARIES

	Regular Reserve	Appropriated Undivided Earnings	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2019	$25,722,824	$ 200,000	$ 131,291,259	$ 2,974,145	$160,188,228
Net income			5,816,060		5,816,060
Other comprehensive loss				(1,333,333)	(1,333,333)
BALANCES AT DECEMBER 31, 2020	25,722,824	200,000	137,107,319	1,640,812	164,670,955
Net income			37,739,727		37,739,727
Other comprehensive loss				(5,880,464)	(5,880,464)
Reclassification adjustment		(200,000)	200,000		-0-
BALANCES AT DECEMBER 31, 2021	$25,722,824	$ -0-	$ 175,047,046	$ (4,239,652)	$196,530,218

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AmeriCU CREDIT UNION AND SUBSIDIARIES

	Year ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 37,739,727	$ 5,816,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	6,711,000	14,150,000
Depreciation and amortization	3,329,780	2,534,682
Loss (gain) on sales of investments, net	126,908	(4,672,817)
Investments--available for sale discount accretion, net	3,403,000	2,220,081
Gain on sales of loans	(3,063,621)	(198,090)
Gain (loss) on sales of other real estate owned, net	(57,528)	68,338
Changes in operating assets and liabilities:		
Loans held for sale	296,040	1,242,770
Accrued interest receivable	(478,118)	519,409
Other assets	2,376,842	141,715
Accounts payable and accrued liabilities	(1,020,507)	3,812,603
NET CASH PROVIDED BY OPERATING ACTIVITIES	49,363,523	25,634,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deposits at corporate credit unions	(43,333)	(592,767)
Purchases of investments--available for sale	(217,793,310)	(266,606,705)
Proceeds from sales/maturities of investments--available for sale	86,554,184	459,509,801
Loan originations, net of principal collected	(278,149,928)	(243,211,490)
Proceeds from loans and loan participations sold	166,943,146	7,261,774
Purchases of loan participations	(9,166,575)	(373,859,562)
Purchases of property and equipment	(1,508,279)	(1,932,234)
Proceeds from sales of other real estate owned	121,728	57,466
NET CASH USED IN INVESTING ACTIVITIES	(253,042,367)	(419,373,717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' share and nonmembers' deposit accounts	349,515,831	340,333,400
Net (decrease) increase in borrowed funds	(50,000,000)	50,000,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	299,515,831	390,333,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,836,987	(3,405,566)
Cash and cash equivalents at beginning of year	101,446,649	104,852,215
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 197,283,636	$ 101,446,649

CONSOLIDATED STATEMENTS OF CASH FLOWS--Continued

AmeriCU CREDIT UNION AND SUBSIDIARIES

	Year ended December 31, 2021	2020
SUPPLEMENTAL DISCLOSURES		
Dividends and interest paid on members' share and nonmembers' deposit accounts	$ 14,788,777	$ 20,711,217
Transfer of loans to other real estate owned	$ 1,357,251	$ -0-
Interest on borrowed funds	$ 1,135,443	$ 1,614,344
NON-CASH INVESTING ACTIVITIES		
Unrealized holding (losses) gains on investments--available for sale arising during the year, net	$ (6,007,372)	$ 3,339,484

See accompanying notes to consolidated financial statements.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Business: AmeriCU Credit Union (AmeriCU or the Credit Union) is a state chartered cooperative association organized in accordance with the provisions of the State of New York and is administratively responsible to the New York State Department of Financial Services. It promotes thrift among, and creates a source of credit for, its members located in the New York State counties of Oneida, Onondaga, Cayuga, Madison, Jefferson, Oswego, Lewis, Herkimer and Cortland.

Principles of Consolidation: The financial statements include the accounts of AmeriCU and its wholly owned subsidiaries, Hamilton Associates, Inc., AmeriCU Insurance Services (formerly AmeriCU Services, LLC) and AmeriCU Capital Management, LLC. These subsidiaries are credit union organizations (collectively the CUOs) incorporated and organized for the primary purpose of providing services to AmeriCU's members. These services include electronic tax filing, insurance and investment services. All significant intercompany accounts and transactions have been eliminated in the financial statements. AmeriCU Capital Management, LLC has been inactive since December 31, 2020.

Significant Accounting Policies: The Credit Union and its subsidiaries follow the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes accounting principles generally accepted in the United States of America (GAAP) that are followed to ensure consistent reporting of the financial condition, results of operations and cash flows of the Credit Union and its subsidiaries. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (the Codification or FASB ASC).

Use of Estimates: The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For the purpose of the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, certain operating bank account balances and money market funds. Amounts held on deposit with other financial institutions may, at times, exceed federally insured limits.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Investments: The Credit Union is required to categorize each investment as either held to maturity, available for sale, or trading. At December 31, 2021 and 2020, the Credit Union did not maintain trading or held to maturity investment portfolios. Securities not classified as held to maturity or trading are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported as other comprehensive income or loss.

Premiums are amortized over the period through the call date or maturity date, whichever is earliest; and discounts are accreted through the maturity date of the security as an adjustment to yield using the interest method. Declines in the fair value of available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other than temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) the current liquidity and volatility of the market for each of the individual security categories, (4) the projected cash flows from the specific security type, (5) the financial guarantee and financial rating of the issuer, and (6) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. There are no other than temporary impairment losses at December 31, 2021 or 2020. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

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

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged-off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

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

Certain direct origination costs are deferred and recognized as an adjustment to interest income using the sum of the years digits method over the weighted average life of the loans.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Because of uncertainties inherent in the estimation process, management's estimate of loan losses within the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible, if any, cannot be estimated.

The allowance consists of specific, general and unallocated components. Specific allowances for loan losses are established for impaired loans on an individual basis as required by the Codification. The general component is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses.

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

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Loan Servicing: Servicing assets are recognized as separate assets when servicing rights are retained as mortgage loans are sold. When sold, a portion of the basis in the mortgage loan is allocated to the servicing right based on relative fair value. Fair value is based on market prices for comparable loan servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are reported in other assets and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Income is recognized as fees are earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan and are recorded as income when earned. The amortization of loan servicing rights is netted against loan servicing fee income.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. If the Credit Union later determines that all or a portion of the impairment no longer exists, a reduction of the allowance may be recorded as an increase to income.

Troubled Debt Restructurings: The Credit Union performs a loan-level valuation of those loans identified by the Credit Union as troubled debt restructurings. The Credit Union believes that each loan included in the analysis constitutes a troubled debt restructuring when, prior to the restructuring, the borrower experiences financial difficulty and, in response, the Credit Union grants a concession to the borrower, such as a reduction of interest rate, extension of the loan term or other concession that the Credit Union would not otherwise consider.

The Credit Union estimates the impairment of a troubled debt restructured loan by discounting expected cash flows of the restructured loans at the original interest rate. If applicable, the identified impairment amount would then be reserved for as part of the allowance for loan loss account.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Loans Held for Sale: Loans held for sale are those mortgage loans the Credit Union has the intent to sell in the foreseeable future. They are carried at the lower of aggregate cost or market value. Net unrealized losses, if any, are recognized through a valuation allowance by charges to non-interest income. Gains and losses on sales of mortgage loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans after allocating cost to servicing rights retained. All sales are made without recourse subject to the customary representations and warrantees.

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

Property and Equipment: Land is carried at cost. Buildings, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings, furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

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

National Credit Union Share Insurance Fund Insurance Premium: The Credit Union is required to pay an annual insurance premium equal to one-twelfth of 1 percent of total insured shares, unless the payment is waived or reduced by the NCUA. The Credit Union recognizes NCUSIF premiums when approved by the NCUA. The NCUA Board voted in 2021 and 2020 to waive the annual insurance premium.

Corporate Credit Union Claim Distribution: During the fiscal year ended December 31, 2021, the NCUA distributed $2,414,020 to the Credit Union for a claim representing a partial recovery of its membership capital account previously held at a corporate credit union, which was liquidated in 2010. This amount is recorded in the statement of income as non-interest income.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Members' Share and Nonmembers' Deposit Accounts: Members' share and nonmembers' deposit accounts are subordinated to all other liabilities of the Credit Union upon liquidation. However, in the event of liquidation, their accounts are insured in accordance with NCUA regulations through the NCUSIF. Dividends on members' shares and interest on nonmembers' deposit accounts are based on available earnings at the end of a dividend period or interest period and are not guaranteed by the Credit Union. Dividend and interest rates on members' share and nonmembers' deposit accounts, respectively, are set by the Board of Directors, based on an evaluation of current and future market conditions.

Members' Equity: The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of undivided earnings, is not available for the payment of dividends. The appropriated undivided earnings was established at the discretion of the Board of Directors and is not available for the payment of dividends. For the year ending December 31, 2021, the Board of Directors voted to eliminate the appropriated undivided earnings and transfer the remaining balance to undivided earnings.

Advertising Costs: The Credit Union follows the policy of expensing its advertising costs (including any production costs) as incurred. Advertising expense was approximately $1,783,000 and $1,573,000 for the years ended December 31, 2021 and 2020, respectively.

Income Taxes: The Credit Union is exempt, by statute, from federal and state income taxes. The Credit Union's subsidiary, Hamilton Associates, Inc., is a C corporation and is subject to federal and state income taxes. Its other CUOs are each limited liability companies and are disregarded as separate tax entities. Operations of the CUOs resulted in immaterial amounts of income tax expense in 2021 and 2020.

The Credit Union is a state-chartered credit union described in Internal Revenue Code (IRC) Section 501(c)(14). As such, the Credit Union is exempt from federal taxation of income derived from the performance of activities that are in furtherance of its exempt purpose. The Credit Union continually assesses its activities for any potential federal or state income tax liability. In the opinion of management, any liability arising from federal or state taxation of activities deemed to be unrelated to its exempt purposes is not expected to have a material effect on the Credit Union's financial position or results of operation. The Credit Union annually files federal and state unrelated business income tax (UBIT) returns. Amounts of UBIT tax from the performance of activities unrelated to the Credit Union's tax exempt function resulted in immaterial amounts of tax expense in 2021 and 2020.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Income Taxes--Continued: The Credit Union complies with FASB ASC Topic 740-10, “Accounting for Uncertainty in Income Taxes”, which clarifies the accounting for uncertainty in income taxes. There was no impact to the accompanying financial statements attributable to this ASC for the years ended December 31, 2021 and 2020.

The Credit Union is potentially subject to income tax examinations for its U.S. federal and state income taxes for the years 2018 through 2021.

Fair Value Measurements: The Credit Union uses fair value measurements to record fair value adjustments to certain assets. FASB ASC Topic 820, “Fair Value Measurement”, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. Guidance under GAAP establishes a three tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of financial instruments as noted below:

Level 1 - quoted prices in active markets for identical inputs

Level 2 - other significant observable inputs

Level 3 - significant unobservable inputs (including the Credit Union’s own assumptions in determining fair value)

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Financial instruments not adjusted to fair value on a recurring basis are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). See Note M for additional information.

Revenue Recognition: The Credit Union has adopted Accounting Standards Update (ASU) No 2014-09 “Revenue from Contracts with Customers” (Topic 606) and all subsequent ASUs that modified Topic 606. Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain non-interest income streams such as fees associated with mortgage servicing rights, financial guarantees, and certain credit card fees are also outside the scope of the newly adopted guidance. Topic 606 is applicable to the Credit Union's non-interest revenue streams including its member deposit related fees, electronic payment interchange fees and ATM fees. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Non-interest revenue streams in-scope of Topic 606 are discussed below (service fees).

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Service Fees: Deposit service fees consist of overdraft protection fees, debit and credit card income, ATM fees, other revenues from processing wire transfers, bill pay service, cashier's checks, foreign exchange debit and credit card income and interchange fees earned at the time the Credit Union's debit and credit cards are processed through card payment networks such as Visa. The Credit Union's performance obligation for service fees is generally satisfied, and the related revenue recognized, when the services are rendered or the transaction has been completed. Payment for service fees is typically received at the time it is assessed through a direct charge to member's accounts or on a monthly basis.

Future Application of Accounting Pronouncements: In February 2016, the FASB issued ASU No. 2016-02, “Leases”. The guidance in this ASU supersedes the leasing guidance in Topic 840, “Leases”. Under the new guidance, a lessee will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than twelve months. Leases will be classified as either finance or operating, with classification affecting only presentation of expenses and cash flows. The accounting guidance for lessors is largely unchanged. This standard is effective for the Credit Union for the year ending December 31, 2022. The Credit Union is currently evaluating the impact this ASU will have on the financial statements.

In June 2016, FASB issued ASU No. 2016-13 “Financial Instruments--Credit Losses: Measurement of Credit Losses on Financial Instruments”. This standard adds an impairment model, the Current Expected Credit Loss (CECL) model, that is based on expected credit losses rather than incurred losses, which the FASB believes will result in a more timely recognition of such losses. This standard is effective for the Credit Union for the year ending December 31, 2023. The Credit Union is currently evaluating the provisions of this ASU and will be closely monitoring developments and additional guidance to determine the potential impact this standard will have on the financial statements.

Events Occurring After Reporting Date: The Credit Union has evaluated events and transactions that occurred between December 31, 2021 and March 11, 2022, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements. There were no such events or transactions identified by the Credit Union.

NOTE B--DEPOSITS AT CORPORATE CREDIT UNION

Credit unions that are participating in corporate credit unions acquire membership privileges by maintaining a deposit with a corporate credit union. The Credit Union is a member of, and transacts business with, Alloya Corporate Federal Credit Union (Alloya). Deposits at Alloya consist of the following:

	December 31, 2021	December 31, 2020
Plateau and money market accounts	$637,292	$593,959
Perpetual contributed capital	175,000	175,000
	$812,292	$768,959

Perpetual Contributed Capital: The Credit Union maintains a capital deposit with Alloya in a perpetual contributed capital account. The deposit allows the Credit Union to participate as a member of the corporate credit union. The deposit is uninsured and requires approval by the corporate credit union in order to withdraw the funds. The perpetual contributed capital account of a corporate credit union is subordinate to all other liabilities of a corporate credit union.

NOTE C--INVESTMENTS--AVAILABLE FOR SALE

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	At December 31, 2021			
Investments under the TBPF Program:				
Corporate Bonds	$ 24,187,334	$ 313,338	$ 295,504	$ 24,205,168
Other investments:				
Commercial mortgage-backed securities obligations	47,412,504	-0-	622,937	46,789,567
Collateral mortgage obligations	17,375,009	-0-	302,489	17,072,520
Mortgage-backed securities	217,379,082	-0-	3,237,967	214,141,115
Municipal taxable bonds	6,114,539	164	99,678	6,015,025
Small Business Administration loan pools	7,845,656	61,137	13,989	7,892,804
US Treasury notes and bonds	995,030	-0-	16,905	978,125
Agency notes and bonds	2,000,000	-0-	24,822	1,975,178
	$ 323,309,154	$ 374,639	$ 4,614,291	$ 319,069,502

NOTE C--INVESTMENTS--AVAILABLE FOR SALE--Continued

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	At December 31, 2020			
Investments under the TBPF Program:				
Corporate Bonds	$ 24,683,658	$ 1,309,314	$ 1,450	$ 25,991,522
Other investments:				
Collateral mortgage obligations	30,033,124	96,644	35,983	30,093,785
Mortgage-backed securities	140,883,154	468,970	196,683	141,155,441
	$ 195,599,936	$ 1,874,928	$ 234,116	$ 197,240,748

The Credit Union has made certain investments via a Total Benefit Pre-Funding Program (TBPF Program). The investments made via the TBPF Program are primarily made up of assets normally impermissible to the Credit Union, but allowable if the investments are specifically earmarked for the purpose of pre-funding future employee benefit obligations, with the proceeds offsetting general employee benefits expense. The TBPF investments have been classified as investments--available for sale in the accompanying Consolidated Statements of Financial Condition.

The amortized cost and estimated fair value of investments--available for sale by contractual maturity are shown below as of December 31, 2021.

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	$ -0-	$ -0-
Due from one to five years	10,820,911	10,900,596
Due in more than five years	312,488,243	308,168,906
	$323,309,154	$319,069,502

Actual maturities may differ from contractual maturities because issuers may have the right to prepay or call certain obligations with or without prepayment penalties.

NOTE C--INVESTMENTS--AVAILABLE FOR SALE--Continued

The following table presents the fair value of the Credit Union's investments--available for sale and the related gross unrealized losses aggregated by the length of time the individual securities have been in a continuous unrealized loss position:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	At December 31, 2021					
Investments under the TBPF Program:						
Corporate bonds	$ 11,530,781	$ (279,865)	$ 405,765	$ (15,639)	$ 11,936,546	$ (295,504)
Other investments:						
Commercial mortgage-backed securities obligations	46,789,567	(622,937)	-0-	-0-	46,789,567	(622,937)
Collateral mortgage obligations	13,970,319	(229,738)	3,102,201	(72,751)	17,072,520	(302,489)
Mortgage-backed securities	184,811,284	(2,425,440)	29,329,831	(812,527)	214,141,115	(3,237,967)
Municipal taxable bonds	4,997,145	(99,678)	-0-	-0-	4,997,145	(99,678)
Small Business Administration loan pools	3,176,004	(13,989)	-0-	-0-	3,176,004	(13,989)
US Treasury notes and bonds	978,125	(16,905)	-0-	-0-	978,125	(16,905)
Agency notes and bonds	1,975,178	(24,822)	-0-	-0-	1,975,178	(24,822)
	$268,228,403	$(3,713,374)	$ 32,837,797	$(900,917)	$301,066,200	$(4,614,291)
	At December 31, 2020					
Investments under the TBPF Program:						
Corporate bonds	$ 426,985	$ (1,443)	$ 555,733	$ (7)	$ 982,718	$ (1,450)
Other investments:						
Collateral mortgage obligations	4,025,856	(35,983)	-0-	-0-	4,025,856	(35,983)
Mortgage-backed securities	54,906,462	(196,683)	-0-	-0-	54,906,462	(196,683)
	$ 59,359,303	$ (234,109)	$ 555,733	$ (7)	$ 59,915,036	$ (234,116)

NOTE C--INVESTMENTS--AVAILABLE FOR SALE--Continued

Unrealized losses are driven by various economic and financial factors, including overall market demand and the interest rate environment. The Credit Union does not intend to sell the investments, it is not more likely than not that the Credit Union will be required to sell the investments prior to their anticipated recovery of the unrealized losses and the Credit Union believes the decline in fair value for these securities to be temporary. Should the impairment of any of these securities become other than temporary, the cost basis of the investment would be reduced and the resulting loss recognized in net income in the period in which the other than temporary impairment is identified.

NOTE D--LOANS TO MEMBERS

Loans to members consist of the following (in 000's):

	December 31,	
	2021	2020
Member business loans	$ 216,280	$ 202,796
Mortgages and other real estate:		
Mortgages	607,427	647,684
Home equity/improvement loans	288,801	347,806
	896,228	995,490
Vehicles and other consumer:		
Vehicles	305,688	273,423
Credit cards and other lines of credit	63,964	57,892
Education loans	17,161	18,716
Unsecured signature/personal	460,795	292,766
	847,608	642,797
	1,960,116	1,841,083
Less allowance for loan losses	22,877	19,692
	$ 1,937,239	$ 1,821,391

NOTE E--LOAN QUALITY

Management performs a monthly evaluation of the adequacy of the allowance for loan losses (ALL). For the purposes of calculating the ALL, the Credit Union segregates its loan portfolio into the following general segments: member business, mortgages and other real estate and vehicles and other consumer.

The following is an analysis of the allowance for loan losses by segment:

	Allowance for Loan Losses			
	Member business	Mortgages and other real estate	Vehicles and other consumer	Total
	December 31, 2021			
Beginning balance	$ 3,639,353	$ 463,549	$ 15,589,064	$ 19,691,966
Charge-offs	(304,490)	(557,041)	(4,850,834)	(5,712,365)
Recoveries	82,523	252,277	1,851,748	2,186,548
Provision	1,515,781	3,038,994	2,156,225	6,711,000
Ending balance	$ 4,933,167	$ 3,197,779	$ 14,746,203	$ 22,877,149
	December 31, 2020			
Beginning balance	$ 952,830	$ 2,378,922	$ 9,779,860	$ 13,111,612
Charge-offs	(2,427,966)	(20,954)	(7,059,103)	(9,508,023)
Recoveries	17,363	150,154	1,770,860	1,938,377
Provision	5,097,126	(2,044,573)	11,097,447	14,150,000
Ending balance	$ 3,639,353	$ 463,549	$ 15,589,064	$ 19,691,966

NOTE E--LOAN QUALITY--Continued

The following presents, by loan segment, loans that were evaluated for the allowance for loan losses individually and those that were evaluated collectively as of December 31, 2021 and 2020:

	Member business	Mortgages and other real estate	Vehicles and other consumer	Total
	December 31, 2021			
Allowance for loan losses:				
Ending balance allocated to loans individually evaluated for impairment	$ 1,503,657	$ 287,380	$ 461,865	$ 2,252,902
Ending balance allocated to loans collectively evaluated for impairment	3,429,510	2,910,399	14,284,338	20,624,247
TOTAL	$ 4,933,167	$ 3,197,779	$ 14,746,203	$ 22,877,149
Loans outstanding:				
Ending balance of loans individually evaluated for impairment	$ 17,622,075	$ 6,490,751	$ 1,374,214	$ 25,487,040
Ending balance of loans collectively evaluated for impairment	198,658,082	889,737,495	846,233,713	1,934,629,290
TOTAL	$ 216,280,157	$ 896,228,246	$ 847,607,927	$ 1,960,116,330
	December 31, 2020			
Allowance for loan losses:				
Ending balance allocated to loans individually evaluated for impairment	$ 797,266	$ 302,951	$ 674,539	$ 1,774,756
Ending balance allocated to loans collectively evaluated for impairment	2,842,087	160,598	14,914,525	17,917,210
TOTAL	$ 3,639,353	$ 463,549	$ 15,589,064	$ 19,691,966
Loans outstanding:				
Ending balance of loans individually evaluated for impairment	$ 5,269,978	$ 4,684,022	$ 2,485,839	$ 12,439,839
Ending balance of loans collectively evaluated for impairment	197,526,151	990,805,976	640,310,737	1,828,642,864
TOTAL	$ 202,796,129	$ 995,489,998	$ 642,796,576	$ 1,841,082,703

NOTE E--LOAN QUALITY--Continued

The following table shows additional information about those loans individually identified as impaired at December 31, 2021 and 2020:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment (Per Loan)
	December 31, 2021			
With no related allowance:				
Member business (15 loans)	$ 8,158,486	$ 8,158,486	$ -0-	$ 543,899
Mortgages and other real estate (68 loans)	5,158,994	5,158,994	-0-	75,868
Vehicles and other consumer (32 loans)	268,092	268,092	-0-	8,378
With related allowance:				
Member business (9 loan)	9,463,589	9,463,589	1,503,657	1,051,510
Mortgages and other real estate (12 loans)	1,331,757	1,331,757	287,380	110,980
Vehicles and other consumer (112 loans)	1,106,122	1,106,122	461,865	9,876
	$ 25,487,040	$ 25,487,040	$ 2,252,902	
	December 31, 2020			
With no related allowance:				
Member business (4 loans)	$ 1,823,111	$ 1,823,111	$ -0-	$ 455,778
Mortgages and other real estate (47 loans)	3,157,871	3,157,871	-0-	67,189
Vehicles and other consumer (162 loans)	747,517	747,517	-0-	4,614
With related allowance:				
Member business (2 loan)	3,446,867	3,446,867	797,266	1,723,434
Mortgages and other real estate (15 loans)	1,526,151	1,526,151	302,951	101,743
Vehicles and other consumer (173 loans)	1,738,322	1,738,322	674,539	10,048
	$ 12,439,839	$ 12,439,839	$ 1,774,756	

NOTE E--LOAN QUALITY--Continued

Past Due Loans: Loans are considered past due if the required principal and interest payments have not been received within thirty days of the payment due date. An analysis of past due loans, segregated by loan segment, as of December 31, 2021 and 2020, was as follows:

	Analysis of Past Due Loans					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
	December 31, 2021					
Member business	$ 70,919	$ 4,230	$1,237,863	$ 1,313,012	$ 214,967,145	$ 216,280,157
Mortgages and other real estate	4,817,210	1,268,544	6,325,733	12,411,487	883,816,759	896,228,246
Vehicles and other consumer	5,193,331	1,421,477	2,152,669	8,767,477	838,840,450	847,607,927
Total	$10,081,460	$ 2,694,251	$9,716,265	$22,491,976	$1,937,624,354	$1,960,116,330
	December 31, 2020					
Member business	$ 290,693	$ -0-	$ 951,920	$ 1,242,613	$ 201,553,516	$ 202,796,129
Mortgages and other real estate	3,695,797	1,283,502	5,179,181	10,158,480	985,331,518	995,489,998
Vehicles and other consumer	8,066,984	1,522,778	1,960,140	11,549,902	631,246,674	642,796,576
Total	$12,053,474	$ 2,806,280	$8,091,241	$22,950,995	$1,818,131,708	$1,841,082,703

The following table summarizes troubled debt restructurings:

	Modifications as of December 31,					
	2021			2020		
	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Troubled Debt Restructuring:						
Mortgages and other real estate	21	$2,329,144	$2,539,085	21	$ 2,136,174	$ 2,513,121

There were no troubled debt restructurings that subsequently defaulted in 2021 and 2020.

NOTE E--LOAN QUALITY--Continued

Risk Rating: In addition to monitoring the performance status of the loan portfolio, the Credit Union also utilizes a risk rating system to evaluate loan asset quality. This methodology is primarily used for loans that are reviewed individually (typically member business loans) for ALL as described previously and are not part of a homogeneous loan pool. The risk rating system considers factors such as financial condition, earnings, collateral, management and industry outlook.

The Credit Union’s internally assigned classifications are as follows:

- Superior--substantially risk free;
- Excellent--minimal risk;
- Good--modest risk;
- Acceptable--average risk;
- Acceptable with caution/watch--developing risk;
- Special mention--currently protected but potentially weak, considerable risk;
- Substandard--high and well defined risk of default;
- Doubtful--extremely high risk of loss; and
- Loss--loans classified as loss are considered non-collectible.

Risk Rating by Internally Assigned Classifications for its Member Business Loan Portfolio:

	December 31, 2021	December 31, 2020
Superior	$ 1,599,706	$ 624
Excellent	2,021,898	2,515,656
Good	19,652,526	18,095,040
Acceptable	140,085,920	131,285,792
Acceptable with caution/watch	35,298,032	45,592,255
Special mention	188,665	36,784
Substandard	16,470,041	4,475,653
Doubtful	963,369	794,325
Loss	-0-	-0-
Total	$ 216,280,157	$ 202,796,129

NOTE E--LOAN QUALITY--Continued

Risk Rating--Continued: For loans that are not rated under this system, the Credit Union evaluates credit quality based on the aging status of the loan (previously presented) and the performing status. The following table presents the performance status on selected loans:

	Mortgages and other real estate	Vehicles and other consumer	Total
	December 31, 2021		
Performing	$889,902,513	$ 845,455,258	$ 1,735,357,771
Non-performing (nonaccrual)	6,325,733	2,152,669	8,478,402
Total	$896,228,246	$ 847,607,927	$ 1,743,836,173
	December 31, 2020		
Performing	$ 990,310,817	$ 640,836,436	$ 1,631,147,253
Non-performing (nonaccrual)	5,179,181	1,960,140	7,139,321
Total	$ 995,489,998	$ 642,796,576	$ 1,638,286,574

If interest on non-performing loans had been accrued, such income would have approximated $330,500 and $209,300 for the years ended December 31, 2021 and 2020, respectively.

NOTE F--PROPERTY, EQUIPMENT AND LEASE OBLIGATIONS

Property and equipment is comprised of the following (in 000's):

	December 31, 2021	December 31, 2020
Land	$ 4,574	$ 4,410
Buildings	28,489	27,367
Furniture, fixtures and equipment	24,679	26,048
Automatic teller machines and kiosks	9,079	7,464
Leasehold improvements	4.474	4,457
	71,295	69,746
Accumulated depreciation and amortization	(41,155)	(37,784)
	$ 30,140	$ 31,962

NOTE F--PROPERTY, EQUIPMENT AND LEASE OBLIGATIONS--Continued

Depreciation and amortization expense amounted to $3,329,780 and $2,534,682 in 2021 and 2020, respectively.

The Credit Union is obligated under noncancelable operating leases for branch and office facilities. Net rent expense under these operating leases amounted to approximately $347,000 and $371,000 in 2021 and 2020, respectively. Certain leases contain renewal options.

The approximate required minimum rental payments under the terms of the leases are as follows (in 000's):

Years ending December 31,	
2022	$ 317
2023	281
2024	249
2025	139
2026	133
Thereafter	6
	$ 1,125

NOTE G--OTHER ASSETS

Other assets consist of (in 000's):

	December 31, 2021	2020
National Credit Union Share Insurance Fund deposit	$19,268	$16,631
Dealer reserves	291	622
Accounts receivable and miscellaneous clearing accounts	6,431	9,792
Mortgage servicing rights	536	557
Note receivable--related party	16,708	16,492
Other real estate owned	845	32
Prepaid and deferred expenses	3,278	3,353
Investments in unconsolidated credit union service organizations	1,482	1,534
FHLB of New York stock	3,945	5,960
NCB Community Investment Fund	250	250
Investor Secondary Capital Fund	825	200
	$53,859	$55,423

NOTE G--OTHER ASSETS--Continued

Federal Home Loan Bank of New York Stock: The Credit Union's investment in the Federal Home Loan Bank (FHLB) of New York stock was purchased to allow the Credit Union access to the services provided by the FHLB of New York. The stock is considered restricted, as it may only be resold back to the FHLB of New York at cost. To maintain a line of credit with the FHLB of New York, the Credit Union may be required to invest in additional amounts of FHLB of New York stock.

Note Receivable: As part of an executive compensation program with a Credit Union executive, the Credit Union entered into a collateral split dollar life insurance arrangement and issued a note receivable with full recourse to the executive. The proceeds of the note receivable will be used to fund the premium payments for the executive's purchase of two life insurance policies over a period of ten years. In accordance with Internal Revenue Service regulations, interest on the note receivable is fixed and charged at the long-term Applicable Federal Rate (1.31%) commencing on the date the note receivable is funded. The note receivable proceeds are maintained in an annuity purchased by the executive which is also pledged as collateral for the note receivable. Premiums are drawn from the annuity account on an annual basis. In the event of a default, the cash value accumulated under the policies and the value of the Executive's personal assets are considered for repayment.

NOTE H--MEMBERS' SHARE AND NONMEMBERS' DEPOSIT ACCOUNTS

The aggregate amount of uninsured share and certificate accounts was approximately $292,062,000 at December 31, 2021.

At December 31, 2021, scheduled maturities of members' share, IRA certificate and nonmember deposit accounts, are as follows (in 000's):

Years ending December 31,	
2022	$459,370
2023	146,173
2024	85,833
2025	62,002
2026	21,062
Thereafter	7,146
	$781,586

NOTE H--MEMBERS' SHARE AND NONMEMBERS' DEPOSIT ACCOUNTS--Continued

The total amount of nonmember deposit accounts was approximately $234,761,000 at December 31, 2021.

NOTE I--FINANCING ARRANGEMENTS

Alloya Line of Credit: The Credit Union has an $8.75 million dollar line of credit agreement with Alloya secured by the assets of the Credit Union. The interest rate is determined by Alloya at the time of borrowing and is established based on current market rates. There were no outstanding borrowings under this facility as of December 31, 2021 and 2020.

FHLB of New York Advance Agreement: The Credit Union has an advance, collateral and security agreement with the FHLB of New York. This agreement provides the Credit Union with a credit line having $236,189,461 of availability at December 31, 2021. The Credit Union is required to pledge eligible mortgage loans as collateral, with $326,132,488 of mortgages currently eligible to be pledged as collateral. The interest rate is determined by the FHLB of New York at the time of borrowing and is established based on the term of the loan selected by the Credit Union and current market rates.

Outstanding borrowings under this agreement at December 31, 2021 are as follows:

Outstanding Balance	Interest Rate	Maturity Date	Repayment Terms
$ 50,000,000	0.51%	October 16, 2023	Interest only

Outstanding borrowings under this agreement at December 31, 2020 are as follows:

Outstanding Balance	Interest Rate	Maturity Date	Repayment Terms
$ 50,000,000	3.12%	July 26, 2021	Interest only
50,000,000	0.51%	October 16, 2023	Interest only
$100,000,000			

NOTE I--FINANCING ARRANGEMENTS--Continued

Federal Reserve Bank of New York Advance Agreement: The Credit Union has an advance, collateral and security agreement with the Federal Reserve Bank of New York which provides the Credit Union with a line of credit. The Credit Union is required to pledge it's available for sale securities as collateral. The interest rate is determined at the time of borrowing and is established based on a 90-day term set by the Federal Reserve Bank of New York at prevailing market rates. There were no outstanding borrowings under this facility as of December 31, 2021 and 2020.

NOTE J--401(k) PENSION PLAN

The Credit Union maintains a 401(k) pension plan covering substantially all employees. The Plan allows employees, immediately upon date of hire, to defer a portion of their salary through contributions to the Plan. After one year of service the Credit Union makes matching contributions to the Plan based on elected compensation deferrals. The Credit Union's matching contribution is based on 100% of the elected deferral for the first 3% of compensation and 50% of the elected deferral for the next 2% of compensation. Expense for the years ended December 31, 2021 and 2020 amounted to approximately $758,000 and $634,000, respectively.

NOTE K--COMMITMENTS

Financial Instruments with Off-Balance Sheet Risk: The Credit Union enters into commitments to extend credit in the normal course of meeting the financial needs of its members. Commitments to extend credit, which generally have fixed expiration dates or other termination clauses, are legally binding agreements to lend to a member (as long as there is no violation of any condition established in the contract). These commitments involve, to varying degrees, elements of credit, interest rate or liquidity risk in excess of the amount recognized in the consolidated statements of financial condition.

Credit risk is the possibility that loss may occur from the counterpart's failure to perform according to the terms of the contract. Interest rate risk is due to fluctuations in interest rates that may decrease the market value of a financial instrument. Liquidity risk is the risk that the Credit Union will not be able to meet its contractual obligations as they come due.

NOTE K--COMMITMENTS--Continued

Financial Instruments with Off-Balance Sheet Risk--Continued: The Credit Union uses the same credit policies in making commitments as it does for on-balance sheet instruments. The Credit Union controls the credit risk of commitments to extend credit through credit approvals, credit limits, monitoring procedures, and management's evaluation of each member's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the member.

The Credit Union's exposure to credit loss in the event of nonperformance by the other party for commitments to extend credit is represented by the contractual amounts of the commitments. A summary of the contract amounts of the Credit Union's commitments to extend credit at December 31, 2021 is as follows (in 000's):

Unused credit card lines	$212,864
Unused lines of credit	53,281
Overdraft protection program commitments	33,786
Loans approved not yet disbursed	32,826
Unused residential construction loans	9,766
Unfunded business loan commitments	5,262
Other unfunded commitments	2,753
	$350,538

Since portions of the above commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements.

Financial Instruments with Concentrations of Credit Risk: The Credit Union has identified certain credit risk concentrations in relation to it's on and off balance sheet financial instruments. A credit risk concentration is defined as a significant credit exposure to an individual or a group engaged in similar activities or affected similarly by economic conditions.

The Credit Union, at times, maintains deposits with depository financial institutions that exceed federally insured limits.

The Credit Union originates residential real estate loans throughout Central and Northern New York. These loans are underwritten to comply with secondary market standards and are secured by the underlying collateral. The Credit Union also grants various secured and unsecured consumer type loans to members in these regions.

NOTE K--COMMITMENTS--Continued

Pandemic Risk and Uncertainty: The coronavirus (COVID-19) outbreak that has spread across the world, continues to cause disruption to financial markets and overall economic conditions. The effects of the virus continues to evolve and, while the Credit Union is taking active risk mitigation efforts, the full impact and duration of the pandemic is uncertain and the financial condition and results of operations could be adversely affected in the future.

NOTE L--RELATED PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit to directors, supervisory committee members and executive officers. Loans to these related parties at December 31, 2021 and 2020 were approximately $19,385,000 and $17,919,000, respectively. Shares from these related parties at December 31, 2021 and 2020 amounted to approximately $13,189,000 and $12,188,000, respectively. It is the Credit Union's policy that all such transactions are on substantially the same terms as those for comparable transactions with its members.

NOTE M--FAIR VALUE MEASUREMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Investments--Available for Sale: The fair value of investments--available for sale is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers (Level 1). If listed prices or quotes are not available, fair value is based upon quoted market prices of comparable instruments or through adjusted discounted cash flow models that use other significant observable inputs (Level 2).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Credit Union believes its valuation methods 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.

NOTE M--FAIR VALUE MEASUREMENTS--Continued

Assets Measured at Fair Value on a Recurring Basis: For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2021 and 2020 are as follows:

	Fair Value	Level 1	Level 2
	December 31, 2021		
Investments under the TBPF Program:			
Corporate Bonds	$ 24,205,168		$ 24,205,168
Other investments:			
Commercial mortgage-backed securities obligations	46,789,567		46,789,567
Collateral mortgage obligations	17,072,520		17,072,520
Mortgage-backed securities	214,141,115		214,141,115
Municipal taxable bonds	6,015,025		6,015,025
Small Business Administration loan pools	7,892,804		7,892,804
US Treasury notes and bonds	978,125	$ 978,125	
Agency notes and bonds	1,975,178		1,975,178
Total	$ 319,069,502	$ 978,125	$ 318,091,377
	December 31, 2020		
Investments under the TBPF Program:			
Corporate Bonds	$ 25,991,522		$ 25,991,522
Other investments:			
Collateral mortgage obligations	30,093,785		30,093,785
Mortgage-backed securities	141,155,441		141,155,441
Total	$ 197,240,748	$ -0-	$ 197,240,748

NOTE M--FAIR VALUE MEASUREMENTS--Continued

Impaired Loans: At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value generally receive a specific valuation allowance for loan losses. Impairment is measured on a loan by loan basis as determined by the fair value of the collateral. For real estate secured loans, fair value is commonly based on recent real estate appraisals. These real estate appraisals may include up to three approaches to value: the sales comparison approach, the income approach (for income-producing property) and the cost approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available, if applicable. Although the fair value of the property normally will be used on an appraisal, the valuation should be consistent with the price that a market participant will pay to purchase the property at the measurement date. Circumstances may exist that indicate that the appraised value is not an accurate measurement of the property's current fair value. Examples of such circumstances include changed economic conditions since the last appraisal, stale appraisals, or imprecision and subjectivity in the appraisal process. Appraisal adjustment may be made by management to reflect these conditions resulting in a discount of the appraised value. In addition, a discount is typically applied to account for estimated costs to sell. The methods used to determine the fair values of impaired loans typically result in a level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly. The fair value consists of loan balances totaling $11,901,468 and $6,711,340 net of valuation allowances of $2,252,902 and $1,774,756 as of December 31, 2021 and 2020, respectively.

Foreclosed and Repossessed Assets: Assets acquired through foreclosure or transfers in lieu of foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Similar to the impaired loan disclosures above, fair value is commonly based on recent real estate appraisals adjusted as deemed necessary by independent appraisers and management and estimated costs to sell resulting in a level 3 fair value classification. Foreclosed assets are evaluated on a quarterly basis to determine whether an additional reduction in the fair value less estimated costs to sell should be recorded.

NOTE M--FAIR VALUE MEASUREMENTS--Continued

Assets Measured at Fair Value on a Nonrecurring Basis: For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2021 and 2020 are as follows:

	Fair Value	Level 1	Level 2	Level 3
	December 31, 2021			
Impaired loans	$ 9,648,566	$ -0-	$ -0-	$ 9,648,566
Foreclosed real estate	$ 845,134	$ -0-	$ -0-	$ 845,134
	December 31, 2020			
Impaired loans	$ 4,936,584	$ -0-	$ -0-	$ 4,936,584
Foreclosed real estate	$ 31,800	$ -0-	$ -0-	$ 31,800

NOTE N--REGULATORY CAPITAL

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

Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union’s assets, liabilities, and certain off balance sheet items as calculated under accounting principles generally accepted in the United States of America. The Credit Union’s capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios of net worth to total assets.

NOTE N--REGULATORY CAPITAL--Continued

Credit unions are also required to calculate a Risk-Based Net Worth (RBNW) requirement which establishes whether or not the Credit Union will be considered “complex” under the regulatory framework. A RBNW ratio of 6.0% or greater would cause the Credit Union to be considered complex. If complex, the net worth ratio must be greater than the RBNW ratio or the Credit Union will be classified as undercapitalized. The Credit Union’s RBNW ratio was 5.9% and 6.6% at December 31, 2021 and 2020, respectively. Management believes that, as of December 31, 2021 and 2020, the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2021, the most recent call reporting period, the Credit Union was categorized as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized” the Credit Union must maintain a minimum net worth ratio of 7.0% of assets and meet any applicable RBNW requirement. Management believes there are no conditions or events that have occurred since that notification that would have changed the Credit Union’s category.

The Credit Union’s actual capital amounts and ratios at December 31, 2021 and 2020 are presented in the following table (in 000’s):

	Actual		To be Well Capitalized Under Prompt Corrective Action Provisions		To be Adequately Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2021						
Net Worth	$200,770	7.9%	$ 177,874	7.0%	$ 152,464	6.0%
Risk-Based Net Worth Requirement	149,160	5.9%	N/A	N/A	N/A	N/A
December 31, 2020						
Net Worth	$163,030	7.4%	$ 154,654	7.0%	$ 132,561	6.0%
Risk-Based Net Worth Requirement	144,933	6.6%	N/A	N/A	N/A	N/A

Actual net worth amounts in the preceding table do not include accumulated other comprehensive income or (loss). In performing its calculation of total assets, the Credit Union used the quarter-end balance option, at December 31, 2021 ($2,541,058,756) and December 31, 2020 ($2,209,344,644), as permitted by regulation.

Because the RBNW requirement is less than the net worth ratio, the Credit Union retains its original category.

Firley, Moran, Freer & Eassa, CPA, P.C.

INDEPENDENT AUDITOR'S REPORT ON
OTHER FINANCIAL INFORMATION

To the Supervisory Committee
and Board of Directors
AmeriCU Credit Union
Rome, New York

We have audited the financial statements of AmeriCU Credit Union and Subsidiaries (the Credit Union) as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon, which contained an unmodified opinion on those financial statements. See pages 1-2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying other financial information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Firley, Moran, Freer & Eassa, CPA, P.C.

Syracuse, New York
March 11, 2022

DETAILS OF CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AmeriCU CREDIT UNION AND SUBSIDIARIES

December 31, 2021

	AmeriCU Credit Union	Hamilton Associates, Inc.	AmeriCU Insurance Services	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 197,283,636	$ 96,519	$1,262,309	$ 1,358,828	$ 197,283,636
Deposits at corporate credit union	812,292				812,292
Investments--available for sale	319,069,502				319,069,502
Loans to members, net of allowance for loan losses	1,937,239,181				1,937,239,181
Accrued interest receivable	4,766,918				4,766,918
Property and equipment, net	30,140,108				30,140,108
Other assets	55,209,056		282,485	1,632,244	53,859,297
TOTAL ASSETS	$2,544,520,693	$ 96,519	$1,544,794	$ 2,991,072	$2,543,170,934
LIABILITIES AND MEMBERS' EQUITY					
LIABILITIES					
Members' share and nonmembers' deposit accounts	$2,277,176,385			$ 1,358,828	$2,275,817,557
Borrowed funds	50,000,000				50,000,000
Accounts payable and accrued liabilities	20,814,090		$ 9,069		20,823,159
TOTAL LIABILITIES	2,347,990,475		9,069	1,358,828	2,346,640,716
MEMBERS' EQUITY	196,530,218	$ 96,519	1,535,725	1,632,244	196,530,218
TOTAL LIABILITIES AND MEMBERS' EQUITY	$2,544,520,693	$ 96,519	$1,544,794	$ 2,991,072	$2,543,170,934

DETAILS OF CONSOLIDATED STATEMENT OF INCOME

AmeriCU CREDIT UNION AND SUBSIDIARIES

Year ended December 31, 2021

	AmeriCU Credit Union	Hamilton Associates, Inc.	AmeriCU Insurance Services	Eliminations	Consolidated
Income:					
Interest on loans	$ 81,638,186				$ 81,638,186
Investment income	4,019,488	$ 324	$ 7,782	$ 118,059	3,909,535
	85,657,674	324	7,782	118,059	85,547,721
Interest expense:					
Dividends and interest	14,796,883			8,106	14,788,777
Borrowed funds	1,135,443				1,135,443
	15,932,326			8,106	15,924,220
NET INTEREST INCOME	69,725,348	324	7,782	109,953	69,623,501
Provision for loan losses	6,711,000				6,711,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	63,014,348	324	7,782	109,953	62,912,501
Non-interest income:					
Fees, service charges and other income	23,392,059	3,090	727,862	2,400	24,120,611
Corporate credit union claim distribution	2,414,020				2,414,020
Loss on sales of investments	(126,908)				(126,908)
Gain on sales of loans	3,063,621				3,063,621
	28,742,792	3,090	727,862	2,400	29,471,344
Non-interest expense:					
Compensation and benefits	26,541,988		394,245		26,936,233
Office occupancy and operations	20,555,068	2,793	232,067	2,400	20,787,528
Professional services	4,121,776				4,121,776
Membership services, promotions and other	2,798,581				2,798,581
	54,017,413	2,793	626,312	2,400	54,644,118
NET INCOME	$ 37,739,727	$ 621	$ 109,332	$ 109,953	$ 37,739,727