PURDUE FEDERAL
CREDIT UNION

SHOWING *Strength*
THROUGHOUT INDUSTRY CHALLENGES

BOARD OF DIRECTORS


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Edgar Cyr
Vice Chair


Laura Carson
Treasurer

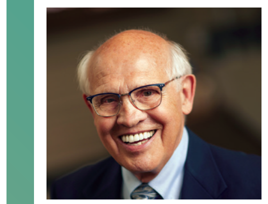

Sundeep S. Rao
Secretary


Jená Bellezza
Director


Joe Balagtas
Director


Rick Davis
Director


Steven Mogensen
Director


John Schneider
Director

EXECUTIVE LEADERSHIP

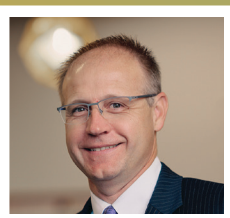

Bob Falk
President & CEO

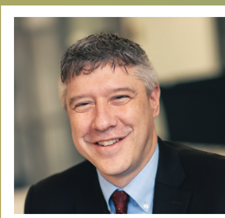

Jackie Hofman
Senior Vice President
Human Resources &
Marketing


Matthew Lerzak
Senior Vice President
Chief Exp Ofc/CIO


Brian Musser
Senior Vice President
Finance & CFO


Evelyn Royer
Senior Vice President
Operations


Sam Burns
Vice President
Business Services


Jim Dougherty
Vice President
Retail Sales
& Service


Nikki Gaylord
Vice President
Lending


John Newman
Vice President
Enterprise Risk
Management &
General Counsel
(began December 2023)


Cathleen Wyatt
Vice President
Enterprise Risk
Management &
General Counsel
(left December 2023)

VOLUNTEER COMMITTEES

Asset & Liability
Laura Carson, Chair
Rick Davis
Joe Balagtas
Jeremy Dewell
Doug Crider
Tom Gilliom

Member Business Services
John Schneider, Chair
Joe Balagtas
David Kish

Membership Services
Jená Bellezza, Chair
Rick Davis
Steve Mogensen
Kindra Rodgers

Supervisory
Chris Martin, Chair
Edgar Cyr
Jillian Henry
Julie Kercher-Updike
Jon Story

In 2023, the entire Purdue Federal Credit Union team and Board of Directors showed great resilience and strength in the face of unforeseen adversity. In a year where the financial services industry showed signs of trouble late in Q1, our capital improved and our liquidity and interest rate risks were well managed. By minimizing risks and by having crisis plans and safeguards in place, we were able to remain stable and ensure the security of our member-owners' funds that they entrust to us.

Not only did we maintain the trust of our members through a very stressful economic time, but we also worked to improve the benefits that we offer to our member-owners every day. We underwent a system upgrade which helped us to improve the way we do business. This upgrade has helped our member consultants and back office departments to more effectively meet the ever changing and growing needs of our member-owners. We sincerely thank our member-owners for their patience during the implementation of these upgrades. We also worked to ensure that our products and services stood out in a competitive environment. We were able to offer higher deposit rates, a new money market product, and lower fees compared to many of our competitors which continues to give our member-owners better control over their finances.

As we continue through 2024, we want to thank you –our member-owner– for choosing Purdue Federal. We assure you that we are always looking to continue to improve our member experience, both in-branch and through our digital platforms, and to expand the products and services we offer.

Sincerely,

Bob Falk
President/CEO

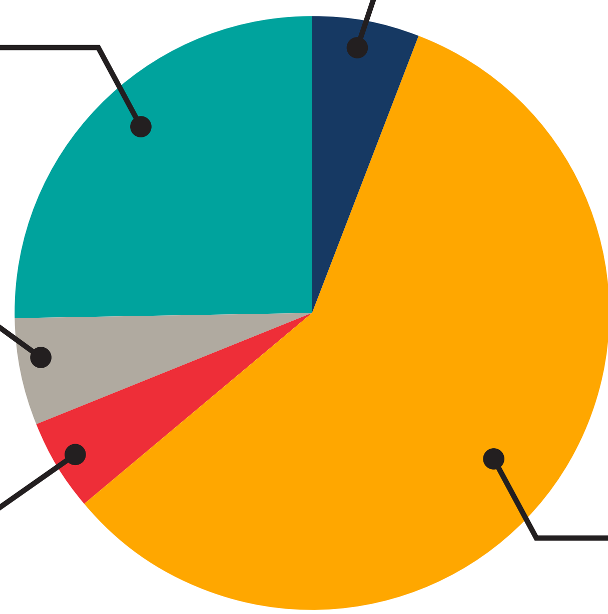
David Kish
Board Chair

PURDUE FEDERAL
CREDIT UNION

PO BOX 1950
WEST LAFAYETTE, IN 47996
765.497.3328 // 800.627.3328
PURDUEFED.COM

Membership SUCCESS

103,775 members as of December 31, 2023



Loan GROWTH

Student Loans
11.6%

Home Equities
10.9%

Business Loans
5.8%

Unsecured Loans
3.1%

First Mortgages
1.5%

Committed to our COMMUNITIES

Volunteer Time Off (VTO)
- Hours Volunteered: 602.50

Financial Wellness
- Total One-on-One Counseling Sessions: 662
  - Purdue Federal: 479
  - Boiler Financial Track: 183

Financial Wellness Presentations
- Total Presentation Attendees: 8,405
  - Purdue Federal: 6,755
  - Boiler Financial Track: 1,650

PURDUE FEDERAL
CREDIT UNION

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Purdue Federal Credit Union

TREASURER'S REPORT

SUPERVISORY COMMITTEE'S REPORT

INDEPENDENT AUDITOR'S REPORT and CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

PURDUE FEDERAL
CREDIT UNION

Treasurer's Report *on 2023*

Purdue Federal Credit Union continues to grow with total assets increasing $144 million to almost $2 billion. The credit union remains fiscally strong despite a challenging economy by remaining focused on prudent lending and conservative financial management.

Member capital ended 2023 at 10.5%, well above the 7% deemed well-capitalized by the National Credit Union Association. Total loans increased by $43 million to $1.4 billion, mainly driven by growth in first mortgage and commercial loans.

Your Board of Directors and Senior Leadership Team remain committed to making sound financial decisions that are in the best interest of the membership and ensuring that Purdue Federal remains your trusted financial partner for life. The credit union is financially sound and well positioned for a successful year in 2024.

Respectfully submitted on behalf of the Purdue Federal Credit Union Board of Directors.

Laura Carson

Laura Carson
Treasurer

PURDUE FEDERAL
CREDIT UNION

Supervisory Committee's Report *on 2023*

The Supervisory Committee is a volunteer group of Purdue Federal members that is appointed annually by the Board of Directors. The purpose of the Supervisory Committee is to ensure the financial condition of the credit union is accurately and fairly presented in the organization's financial statements, and also that the credit union's management practices and procedures are in accordance with federal regulations and are sufficient to safeguard members' assets and sensitive information.

Under the direction of the Supervisory Committee, an annual audit is performed by an independent, outside accounting firm with proven knowledge of credit union regulations and operations. This year that firm is FORVIS, LLP (formerly BKD). The committee then works with the board and Purdue Federal's Leadership Team to address any areas of concern raised in the audit.

After completion of this year's external audit, FORVIS met with the Supervisory Committee on March 21, 2024. The discussion items included a complete review of the financial statements and audit reports. FORVIS proposed no audit adjustments, resulting in a clean, unmodified opinion of Purdue Federal's financial statements and did not note any material weaknesses or significant deficiencies relating to internal controls at Purdue Federal. All financial and required letters were reviewed with no major exceptions found. We are pleased that our financial condition and management practices play a role in helping Purdue Federal to be the area's leader in financial services.

The audit opinion from FORVIS reflects the good leadership and careful work of the Internal Audit, Finance, and Accounting Departments, as well as the Purdue Federal Credit Union Leadership Team.

The Internal Audit Department staff also report to the Supervisory Committee at regular meetings throughout the year. The basic work performed by the Internal Audit Department consists of internal audits, internal control testing, and coordination of specialized external audits, such as those surrounding information technology and information security. All items are supervised by the Assistant Vice President of Internal Audit and overseen by the Vice President of Enterprise Risk Management.

The Supervisory Committee would like to acknowledge the outstanding support and professionalism exhibited by the credit union staff. We thank the Leadership Team for the exceptional care and high ethical standards shown during this past year. This past year offered us many opportunities to rethink and reevaluate our strategies and how to measure our progress towards success. It has been challenging, but the opportunities are welcome, and we believe the work of the Supervisory Committee is proving beneficial in the effort.

I would also like to acknowledge and thank all the volunteers of the Supervisory Committee for offering their time and expertise.

It is a pleasure to serve you, the members.

Edgar J. Cyr
Interim Supervisory Committee Chair

Purdue Federal Credit Union

Independent Auditor’s Report and Consolidated Financial Statements

December 31, 2023 and 2022

FORVIS

201 N. Illinois Street, Suite 700 / Indianapolis, IN 46244
P 317.383.4000 / **F** 317.383.4200
forvis.com

Independent Auditor's Report

Board of Directors and Supervisory Committee
Purdue Federal Credit Union
West Lafayette, Indiana

Opinion

We have audited the consolidated financial statements of Purdue Federal Credit Union and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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 Purdue Federal Credit Union and its subsidiary as of December 31, 2023 and 2022, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of Purdue 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2023, Purdue Federal Credit Union changed its method of accounting for credit losses on financial instruments due to the adoption of Accounting Standards Update 2016-13: *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

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 Purdue Federal Credit Union 's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit 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, but not for the purpose of expressing an opinion on the effectiveness of Purdue Federal 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 consolidated financial statements.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

FORVIS, LLP

Indianapolis, Indiana
March 28, 2024

Purdue Federal Credit Union

Consolidated Balance Sheets
December 31, 2023 and 2022

Assets

	2023	2022
Cash and due from banks	$ 8,499,984	$ 11,182,832
Interest-bearing demand deposits	176,697,754	56,709,200
Cash and cash equivalents	185,197,738	67,892,032
Interest-bearing time deposits	3,185,000	27,695,000
Available-for-sale securities	233,793,777	235,250,181
Investments with a readily determinable market value	6,064,968	4,881,366
Loans held for sale at fair value	25,190,859	8,777,577
Loans, net allowance for credit losses of $10,249,876 and $4,765,940 at December 31, 2023 and 2022	1,408,447,656	1,370,962,320
Premises and equipment, net	30,050,592	29,867,585
National Credit Union Share Insurance Fund (NCUSIF) deposit	13,267,098	13,099,559
Federal Home Loan Bank stock, at cost	5,850,000	5,400,000
Cash surrender value of life insurance	-	11,684,537
Interest receivable	5,314,808	4,286,068
Other	40,523,748	33,037,831
Total assets	$ 1,956,886,244	$ 1,812,834,056
Liabilities		
Members' deposits	$ 1,568,089,627	$ 1,538,547,328
Borrowings	170,000,000	70,000,000
Interest payable and other liabilities	40,342,218	39,428,871
Total liabilities	1,778,431,845	1,647,976,199
Members' Equity		
Undivided earnings	195,904,295	185,939,117
Accumulated other comprehensive loss	(17,449,896)	(21,081,260)
Total members' equity	178,454,399	164,857,857
Total liabilities and members' equity	$ 1,956,886,244	$ 1,812,834,056

Purdue Federal Credit Union

Consolidated Statements of Income
Years Ended December 31, 2023 and 2022

	2023	2022
Interest Income		
Loans	$ 68,058,843	$ 53,046,479
Securities	8,618,648	4,908,174
Interest-earning deposits with other financial institutions	5,349,670	1,352,901
	82,027,161	59,307,554
Interest Expense		
Members' deposits	20,190,454	4,225,448
Borrowings	6,412,396	1,076,921
Total interest expense	26,602,850	5,302,369
Net Interest Income	55,424,311	54,005,185
Provision for Credit Losses	2,945,249	936,483
Net Interest Income After Provision for Credit Losses	52,479,062	53,068,702
Other Income		
Customer service fees	2,623,740	4,590,599
Card transaction interchange	13,889,639	13,793,688
Net gains on loan sales	1,828,093	784,281
Gain (loss) on sales of securities (reclassified from accumulated other comprehensive loss)	(2,961)	6,492
Gain (loss) on sale/disposal of premises and equipment	(15,113)	4,101
Income-Other	3,468,206	3,053,108
Total other income	21,791,604	22,232,269
Other Expenses		
Salaries and employee benefits	27,497,844	28,090,376
Net occupancy expense	2,766,456	2,774,433
Office operations and equipment expense	8,735,490	6,678,658
Loan servicing	1,465,475	1,281,190
Credit card expense	9,588,792	9,830,602
ATM and debit card expense	3,863,351	3,619,369
Advertising and marketing expense	2,684,515	2,236,470
Expense-Other	2,434,217	2,132,303
Total other expenses	59,036,140	56,643,401
Net Income	$ 15,234,526	$ 18,657,570

Purdue Federal Credit Union

Consolidated Statements of Comprehensive Income
Years Ended December 31, 2023 and 2022

	2023	2022
Net Income	$ 15,234,526	$ 18,657,570
Other Comprehensive Income (Loss)		
Change in fair value of derivative financial instruments	779,831	905,273
Unrealized appreciation (depreciation) on available-for-sale securities	2,848,572	(18,778,630)
Less: reclassification adjustment for realized gain (loss) included in net income	(2,961)	6,492
	3,631,364	(17,879,849)
Comprehensive Income	$ 18,865,890	$ 777,721

Purdue Federal Credit Union

Consolidated Statements of Changes in Members' Equity
Years Ended December 31, 2023 and 2022

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2022	$7,502,640	$ 159,778,907	$ (3,201,411)	$164,080,136
Net income		18,657,570		18,657,570
Regular Reserves Reclassification	(7,502,640)	7,502,640		
Other comprehensive loss			(17,879,849)	(17,879,849)
Balance, December 31, 2022	-	185,939,117	(21,081,260)	164,857,857
Adoption of ASC 326-Credit Losses		(5,269,348)		(5,269,348)
Balance, January 1, 2023	-	180,669,769	(21,081,260)	159,588,509
Net income		15,234,526		15,234,526
Other comprehensive income			3,631,364	3,631,364
Balance, December 31, 2023	$ -	$ 195,904,295	$ (17,449,896)	$178,454,399

Purdue Federal Credit Union

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Net income	$ 15,234,526	$ 18,657,570
Items not requiring (providing) cash		
Depreciation and amortization	5,012,322	2,795,875
Provision for credit losses	2,945,249	936,483
Accretion and amortization	550,523	723,153
(Gain) Loss on sale of available-for-sale securities	2,961	(6,492)
(Gain) Loss on other investments with a readily determinable fair value	(1,186,615)	1,412,467
(Gain) Loss on sale of limited liability company	(458,295)	(1,378,243)
(Gain) Loss on the sale/disposal of premises and equipment	15,113	(4,101)
Changes in		
Interest receivable	(1,028,740)	(1,497,037)
Loans held for sale	(16,413,282)	26,613,814
Other assets	4,198,613	(13,179,488)
Other liabilities	696,139	21,129,717
Net cash provided by operating activities	9,568,514	56,203,718
Investing Activities		
Proceeds from maturities of available-for-sale securities	30,262,202	56,960,883
Proceeds from sales of available-for-sale securities	-	612,333
Net change in interest-bearing time deposits	24,510,000	(25,735,000)
Net change in loans	(45,699,926)	(139,186,171)
Purchase of available-for-sale securities	(27,076,053)	(65,809,057)
Sale of other investments with a readily determinable fair value	3,013	73,128,831
Purchase of premises and equipment	(3,645,099)	(4,044,331)
Other investment activities	(617,539)	(658,537)
Proceeds from sale of limited liability company	458,295	2,472,262
Net cash used in investing activities	(21,805,107)	(102,258,787)
Financing Activities		
Net change in members' deposits	29,542,299	5,843,446
Proceeds from borrowings	140,000,000	51,701,175
Repayment of borrowings	(40,000,000)	(26,701,175)
Net cash provided by financing activities	129,542,299	30,843,446
Increase (Decrease) in Cash and Cash Equivalents	117,305,706	(15,211,623)
Cash and Cash Equivalents, Beginning of Year	67,892,032	83,103,655
Cash and Cash Equivalents, End of Year	$ 185,197,738	$ 67,892,032
Supplemental Cash Flows Information		
Interest paid	$ 26,664,143	$ 5,252,904

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Purdue Federal Credit Union and its wholly owned credit union service organization, CU Channels, LLC (CUSO). All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

Purdue Federal Credit Union (Credit Union) is a federally chartered credit union with locations in Tippecanoe, LaPorte, and Lake Counties in Indiana. The Credit Union offers a broad range of consumer and commercial financial services to its members. The Credit Union's primary services include accepting members' deposits and making loans. The Credit Union grants loans primarily to members who are individuals (including family members) students, faculty, staff and communities where Purdue University and its regional campuses operate. The majority of its loans are collateralized by specific items, including consumer and commercial assets, residential and commercial real estate and member deposit balances. Additional services include financial planning, investment, trust and insurance services to Credit Union members through LPL Financial, a registered investment advisor and broker-dealer.

Use of Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported and disclosed in the consolidated financial statements, and future results could differ from those estimates. A significant area involving the use of management's estimates and assumptions is the allowance for credit losses.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses, loan servicing rights and derivative asset.

Cash and Cash Equivalents

The Credit Union considers all liquid investments with original maturities of three months or less to be cash equivalents.

At December 31, 2023, the Credit Union's cash accounts exceeded the insured limits by approximately $106,249,177. This amount represents uninsured funds held with the Federal Reserve Bank and Federal Home Loan Bank of Indianapolis, which are not federally insured.

Interest-Bearing Time Deposits

The fair value of interest-bearing time deposits approximates cost.

Available-for-Sale Securities

Available-for-sale securities, encompassing federal agency securities, mortgage-backed securities, and corporate bonds, are held by the Credit Union without an immediate intention to sell. However, they might be sold in the future. These securities are reported at their fair value. Any unrealized gains or losses are recognized in other comprehensive income (OCI). Premium amortization and discount accretion related to these securities are treated as interest income. Meanwhile, realized gains and losses are reflected as net security gains or losses.

Concerning the Allowance for Credit Losses on Available-for-Sale Securities: When available-for-sale debt securities are in an unrealized loss position, the Credit Union first assesses its intention to sell. If the intent to sell is confirmed, the security's amortized cost basis is adjusted down to its fair value and recognized through income. For those securities not intended to be sold, the Credit Union evaluates whether the decrease in fair value is due to credit losses or other factors. This assessment considers the difference between fair value and amortized cost, any changes in the security's rating by a rating agency, and specific adverse conditions related to the security, among others. If a credit loss is identified—indicated by the present value of expected cash flows being less than the security's amortized cost—an allowance for credit losses is established up to the amount by which the fair value falls short of the amortized cost basis. Any impairment not accounted for through an allowance for credit losses is recognized in OCI.

Adjustments in the allowance for credit losses are recorded as a credit loss expense or reversal. Losses are debited against the allowance when the Credit Union determines that the collectability of an available-for-sale security is no longer probable or when the criteria for the intent or requirement to sell are met.

As of December 31, 2023, accrued interest receivable on available-for-sale debt securities amounted to $919,104. This figure is excluded from the credit loss estimation process.

Other Investments With a Readily Determinable Market Value

Equity securities and mutual funds, which are traded in active markets, are measured at fair value with changes recognized in net income. Gains and losses on sales of securities are determined on the specific-identification method.

Federal Home Loan Bank (FHLB) Stock

FHLB stock is a required investment based upon predetermined formulas and is carried at cost. The FHLB stock may only be sold to the FHLB at par value.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market under mandatory pricing agreements are carried at fair value to facilitate hedging of the loans. Gains and losses resulting from changes in fair value are included in other income. Loans sold in the secondary market are sold with the servicing of the loans being retained.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for credit losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage, commercial and consumer loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual 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 are 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.

Allowance for Credit Losses

Loans

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost bases to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in inflation in current economic environment, experience of lending staff and unemployment factors in the geographical footprint that the Credit Union operates.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Credit Union has identified the portfolio segments as described in Note 3 and measures the allowance for credit losses using the methods below.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Credit Union.

Accrued interest receivable totaled $4,395,704 at December 31 2023, and was reported in Interest receivable on the consolidated balance sheets and is excluded from the estimate of credit losses.

Off Balance Sheet Credit Exposures (Unfunded Commitments)

The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Premises and Equipment

Premises and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable. Leasehold improvements are amortized over the shorter of the estimated useful lives of the related assets or the lease term.

Long-Lived Asset Impairment

The Credit Union evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Cash surrender value of life insurance

In December 2023, the Credit Union initiated a transaction to sell the Corporate Owned Life Insurance Investments (COLI). The cash had not been received as of December 31, 2023, for $9,014,451 and is included in the Other section on the consolidated balance sheet.

Mortgage-Servicing Rights

Mortgage-servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

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

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with net gains on loan sales on the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Servicing fee income is recorded for fees 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 mortgage-servicing rights is netted against loan servicing fee income.

Investment in Limited Liability Company

In 2020, the Credit Union has entered into a subscription agreement to purchase units in a limited liability company. The investment in the limited liability company is recorded using the equity method of accounting. Losses due to impairment are recorded when it is determined that the investment no longer has the ability to recover its carrying amount. This investment is included in Other on the consolidated balance sheets. In 2022, this investment was sold.

NCUSIF Deposit

The National Credit Union Share Insurance Fund (NCUSIF) is required by National Credit Union Association (NCUA) regulations in an amount equal to one percent of the Credit Union's insured shares. The noninterest-earning deposit is intended to provide insurance coverage on members' deposits.

NCUA Insurance Premiums

A credit union may be required to pay an annual insurance premium to the NCUSIF equal to one-twelfth of one percent of its total insured shares. There were no premiums assessed for 2023 or 2022.

The fund was created by Congress in 1970 to insure member deposits in credit unions and currently insures member deposits up to $250,000. Administered by NCUA, the NCUSIF is backed by the "full faith and credit" of the U.S. Government. 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.

Members' Deposits

Members' deposits are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' deposits is based on available earnings and is not guaranteed by the Credit Union. Interest rates on members' deposits are set by the board of directors, based on an evaluation of a number of factors, including market conditions.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive loss includes unrealized gains and losses on securities available for sale and change in derivative financial instruments that qualify for hedge accounting, which is recognized as a separate component of members' equity.

Advertising Expenses

Advertising expenses are expensed as incurred.

Income Taxes

The Credit Union is exempt by statute from federal and state income taxes.

Revenue Recognition

A description of the Credit Union's revenue streams accounted for under Topic 606 are as follows:

Customer Service Fees. The Credit Union generates revenues through fees charged to members related to deposit account maintenance fees, overdrafts, ATM fees, wire transfers and additional miscellaneous services provided at the request of the depositor. For deposit-related services, revenue is recognized when performance obligations are satisfied, which is, generally, at a point in time.

Card Transaction Interchange. The Credit Union earns interchange fees from card transaction interchange conducted through credit card payment networks. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Derivative Instruments

Derivative instruments can be designated as fair value hedges or cash flow hedges. The Credit Union uses interest rate swaps to hedge risk associated with interest rate volatility, either as hedges of the change in value of certain fixed-rate assets or as hedges of the variability in cash flows related to floating-rate interest payments. Changes in the fair value of fair value hedges are recorded in the same consolidated statements of income line item as the related hedged item. Changes in fair value of cash flow hedges are reported as a component of AOCI and are reclassified into earnings in the same period – and same income statement line as the hedged item – when the hedged transaction affects earnings.

At the inception of a qualifying hedge accounting relationship, the Credit Union designates each qualifying hedge relationship as a hedge of the fair value of a specifically identified asset or liability (fair value hedge), or as a hedge of the variability of cash flows to be received or paid, related to a recognized or forecasted asset or liability (cash flow hedge). The Credit Union formally documents all relationships between hedging instruments and hedged items, as well as the risk management objectives for undertaking such hedge transactions. Both at hedge inception and on an ongoing basis, the Credit Union formally assesses whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivative instruments qualifying as fair value hedges, along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in current period earnings. For qualifying cash flow hedges, changes in the fair value of the derivative financial instruments are recorded in accumulated other comprehensive income (loss), and recognized in the income statement when the hedged cash flows affect earnings. Hedge accounting treatment is no longer applied if a derivative financial instrument is terminated, the hedge designation is removed, or the derivative instrument is assessed to be no longer highly effective. For terminated fair value hedges, any changes to the hedged asset or liability remain as part of the basis of the hedged asset or liability and are recognized into income over the remaining life of the hedged item. For terminated cash flow hedges, unless the forecasted cash flows are probable not to occur within a specified period, any changes in fair value of the derivative financial instrument previously recognized remain in accumulated other comprehensive income (loss), and are reclassified into earnings in the same period that the hedged cash flows affect earnings. In all instances, after hedge accounting is no longer applied, any subsequent changes in fair value of the derivative instrument will be recorded into earnings. Changes in the fair value of derivative financial instruments held for risk management purposes that are not designated as accounting hedges under GAAP are reported in current period earnings.

CECL Adoption

On January 1, 2023, the Credit Union adopted Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, (ASC326) which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Credit Union adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

The following table reflects the impacts of the Credit Union's adoption of ASC 326:

	January 01, 2023		
	As Reported Under ASC 326	**Pre-ASC326 Adoption**	**Impact of ASC 326 Adoption**
Assets			
Allowance for Credit Losses on Loans			
Consumer - Secured	$ 767,847	$ 254,028	$ 513,819
Consumer - Unsecured	3,679,111	1,511,128	2,167,983
Residential - First Mortgage	1,096,891	331,354	765,537
Residential - Home Equity	1,143,634	47,552	1,096,082
Commercial	2,940,919	2,621,878	319,041
Total	$ 9,628,402	$ 4,765,940	$ 4,862,462
Liabilities			
Allowance for credit losses on OBS Credit Exposures			
Residential - First Mortgage	$ 5,279		$ 5,279
Residential - Home Equity	189,384		189,384
Commercial	212,223	-	212,223
Total	$ 406,886	$ -	$ 406,886

Note 2: Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of available-for-sale securities are as follows:

	2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities				
Government-sponsored entities (GSE) residential	$ 207,068,422	$ 89,347	$ (13,966,642)	$ 193,191,127
Private CMO	8,608,061	43,655	(649,122)	8,002,594
Corporate bonds	33,326,295	123,066	(849,305)	32,600,056
Total investment securities	$ 249,002,778	$ 256,068	$ (15,465,069)	$ 233,793,777

	2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities				
Government-sponsored entities (GSE) residential	$ 218,351,551	$ 879	$ (16,181,763)	$ 202,170,667
Private CMO	5,587,566	-	(778,188)	4,809,378
Corporate bonds	29,368,638	77,556	(1,176,057)	28,270,137
Total investment securities	$ 253,307,755	$ 78,435	$ (18,136,008)	$ 235,250,182

The amortized cost and fair value of available-for-sale securities at December 31, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale	
	Amortized Cost	Fair Value
Within one year	$ 8,488,307	$ 8,265,675
One to five years	24,012,006	23,602,690
Five to ten years	825,982	731,692
	33,326,295	32,600,057
Mortgage-backed securities		
Government-sponsored entities (GSE) residential	$ 207,068,422	$ 193,191,127
Private CMO	8,608,061	8,002,593
Totals	$ 249,002,778	$ 233,793,777

Gross gains of approximately $423 resulting from sales of available-for-sale securities were realized for 2023. Gross gains of approximately $7,137 resulting from sales of available-for-sale securities were realized for 2022. Gross losses of approximately $3,384 resulting from sales of available-for-sale securities were recognized for 2023. Gross losses of approximately $646 resulting from sales of available-for-sale securities were recognized for 2022.

Certain investments in debt securities are reported in the consolidated financial statements at an amount less than their historical cost. Total fair value of these investments at December 31, 2023 and 2022 was $218,415,706 and $228,260,446, which is 93% and 97% respectively, of the Credit Union's available-for-sale investment portfolio. These declines in fair values primarily resulted from changes in market interest rates.

The unrealized losses on the Credit Union's available-for-sale investments were caused by changes in interest rates and illiquidity. The Credit Union expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and illiquidity, and not a credit quality, and because the Credit Union does not intend to sell the investments and it is not more likely than not the Credit Union will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Credit Union does not consider those investments to have any credit related impairment at December 31, 2023.

The following tables display the gross unrealized losses and fair value of the Credit Union's investments, with unrealized losses aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2023, and 2022:

2023						
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities						
GSE residential	$ 5,556,140	$ (35,576)	$ 180,067,770	$ (13,931,066)	$ 185,623,910	$ (13,966,642)
Private CMO	649,905	(1,303)	4,324,057	(647,819)	4,973,962	(649,122)
Corporate bonds	9,544,960	(174,635)	18,272,874	(674,670)	27,817,834	(849,305)
Total	$ 15,751,005	$ (211,514)	$ 202,664,701	$ (15,253,555)	$ 218,415,706	$ (15,465,069)

2022						
	Less Than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities						
GSE residential	$ 153,913,465	$ (9,603,119)	$ 47,692,043	$ (6,578,644)	$ 201,605,509	$ (16,181,763)
Private CMO	2,519,526	(287,951)	2,289,852	(490,237)	4,809,378	(778,188)
Corporate bonds	9,196,586	(202,945)	12,648,973	(973,113)	21,845,559	(1,176,057)
Total	$ 165,629,577	$ (10,094,015)	$ 62,630,869	$ (8,041,994)	$ 228,260,446	$ (18,136,008)

The unrealized losses on corporate bonds, private CMOs, and mortgage-backed securities at December 31, 2023 and 2022 were primarily due to changes in interest rates and illiquidity. The Credit Union expects to recover the amortized cost basis of these securities over the terms of the securities. Because the Credit Union does not intend to sell the investments, and it is not likely the Credit Union will be required to sell the investments before recovery of their amortized cost basis prior to maturity, the Credit Union does not consider these investments to have any credit related impairment at December 31, 2023.

Other Investments with a Readily Determinable Market Value

Other investments with a readily determinable fair value are carried at fair value, which include mutual funds and equity securities with changes in fair value recognized in other income in the consolidated statements of income.

The amortized cost and estimated fair value of other investments with a readily determinable fair value at December 31 are summarized as follows:

	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Bond mutual funds	$ -	$ -	$ 3,083	$ 3,010
Equity securities	4,465,979	6,064,968	4,465,979	4,878,356
Other investments with a readilydeterminable market value	$ 4,465,979	$ 6,064,968	$ 4,469,062	$ 4,881,366

Certain information concerning changes in fair value of investments with a readily determinable fair value for the years ended December 31 was as follows:

	2023	2022
Net unrealized gains (losses) recognized	$ 1,186,615	$ (1,412,467)

Note 3: Loans and Allowance for Credit Losses

Portfolio segments of loans at December 31 include:

	2023	2022
Consumer - secured	$ 86,757,397	$ 89,548,206
Consumer - unsecured	95,334,978	92,460,874
Residential - first mortgage	717,481,418	707,069,651
Residential - home equity	85,016,163	76,644,980
Commercial	432,246,919	408,376,043
Subtotal	1,416,836,875	1,374,099,754
Net deferred loan origination costs	1,860,657	1,628,506
Allowance for Credit losses	(10,249,876)	(4,765,940)
	$ 1,408,447,656	$ 1,370,962,320

At December 31, 2023 and 2022, rental housing approximated 34% and 36% of the commercial loan portfolio, respectively.

In the normal course of business, the Credit Union makes loans to directors, supervisory committee members, other committee members and executive officers (related parties). The aggregate dollar of these loans amounted to approximately $2,401,000 and $3,483,000 on December 31, 2023 and 2022, respectively.

The risk characteristics of each loan portfolio segment are as follows:

Consumer Secured, Consumer Unsecured, Residential First Mortgage, Residential Home Equity

Consumer and residential loans consist of four segments - consumer secured, consumer unsecured, residential first mortgage and residential home equity loans. Consumer secured loans are secured by personal assets, such as automobiles or recreational vehicles. Consumer unsecured loans are primarily made up of outstanding VISA credit card balances. For residential first mortgage loans that are secured by 1-4 family residences and are generally owner-occupied, the Credit Union generally establishes a maximum loan-to-value ratio of 80% and requires private mortgage insurance if that ratio is exceeded. Home equity loans are typically secured by a subordinate interest in 1-4 family primary residences. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas, such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Commercial

The Credit Union's commercial loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The characteristics of properties securing the Credit Union's commercial real estate portfolio are diverse. However, most properties are located within the Credit Union's market area. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria.

The following presents, by portfolio segment, the activity in the allowance for credit losses for the years ended December 31, 2023 and 2022:

	2023					
	Consumer - Secured	Consumer - Unsecured	Residential - First Mortgage	Residential - Home Equity	Commercial	Total
Beginning Balance	$ 254,028	$ 1,511,128	$ 331,354	$ 47,552	$ 2,621,878	$ 4,765,940
Impact of Adopting ASC 326	513,819	2,167,983	765,537	1,096,082	319,041	4,862,462
Provision (Credit) for Loan Losses (1)	111,511	1,749,302	73,152	173,472	187,725	2,295,162
Loans Charged Off	(236,695)	(1,950,163)	-	(77,330)	(48,249)	(2,312,437)
Recoveries	79,828	515,804	-	18,241	24,876	638,749
Ending Balance	$ 722,491	$ 3,994,054	$ 1,170,043	$ 1,258,017	$ 3,105,271	$ 10,249,876

(1) Excludes a provision for credit losses of $375,087 related to off-balance sheet credit exposure. This does not include $275,000 related to available–for- sale securities.

	2022					
	Consumer - Secured	Consumer - Unsecured	Residential - First Mortgage	Residential - Home Equity	Commercial	Total
Beginning Balance	$ 260,333	$ 1,487,964	$ 240,238	$ 24,122	$ 2,816,935	$ 4,829,592
Provision (Credit) for Loan Losses	155,527	810,817	137,392	23,430	(190,683)	936,483
Loans Charged Off	(250,859)	(1,228,999)	(65,158)	-	(10,649)	(1,555,665)
Recoveries	89,027	441,346	18,882	-	6,275	555,530
Ending Balance	$ 254,028	$ 1,511,128	$ 331,354	$ 47,552	$ 2,621,878	$ 4,765,940

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on the portfolio segment and impairment method as of December 31, 2022:

	2022					
	Consumer Secured	**Consumer Unsecured**	**Residential First Mortgage**	**Residential Home Equity**	**Commercial**	**Total**
Allowance Balances:						
Individually evaluated for impairment	$ -	$ -	$ 3,308	$ -	$ -	$ 3,308
Collectively evaluated for impairment	254,028	1,511,128	328,046	47,552	2,621,878	4,762,632
Total allowance for loan losses	$ 254,028	$ 1,511,128	$ 331,354	$ 47,552	$ 2,621,878	$ 4,765,940
Loan Balances:						
Individually evaluated for impairment	$ -	$ -	$ 243,637	$ -	$ -	$ 243,637
Collectively evaluated for impairment	89,548,206	92,460,874	706,826,014	76,644,980	408,376,043	1,373,856,117
Total loan balances	$89,548,206	$92,460,874	$ 707,069,651	$ 76,644,980	$ 408,376,043	$ 1,374,099,754

Management's general practice is to proactively classify loans individually evaluated for impairment to the fair value on the underlying collateral. Consistent with regulatory guidance, charge-offs on all loan segments are taken when specific loans, or portions thereof, are considered uncollectible. Generally, charge-offs occur within six months or when collateral is obtained, whichever is later. The Credit Union's policy is to promptly charge these loans off in the period the uncollectible loss is reasonably determined.

Management grades all loans except commercial loans as performing or nonperforming. Nonperforming are defined as those loans that are more than 90 days past due and nonaccruing.

The following tables present the credit risk profile of the Credit Union's consumer and residential loan portfolio based on rating category and payment activity as of December 31, 2023 and 2022:

	2023					
	Consumer Secured	Consumer Unsecured	Residential First Mortgage	Residential Home Equity	Commercial	Total
Grade:						
Performing	$ 86,686,267	$ 94,195,669	$ 716,389,353	$ 84,804,648	$ 432,178,015	$ 1,414,253,952
Nonperforming	71,130	1,139,309	1,092,065	211,515	68,904	2,582,923
Total	$ 86,757,397	$ 95,334,978	$ 717,481,418	$ 85,016,163	$ 432,246,919	$ 1,416,836,875

	2022					
	Consumer Secured	Consumer Unsecured	Residential First Mortgage	Residential Home Equity	Commercial	Total
Grade:						
Performing	$ 89,378,294	$ 91,799,037	$ 707,069,651	$ 76,576,658	$ 408,368,450	$ 1,373,192,090
Nonperforming	169,912	661,837	-	68,322	7,593	907,664
Total	$ 89,548,206	$ 92,460,874	$ 707,069,651	$ 76,644,980	$ 408,376,043	$ 1,374,099,754

For commercial loans, the Credit Union promptly classifies loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations.

Internal Risk Categories

Commercial loan grades are numbered 1 through 8. Grades 1 through 4 are considered satisfactory grades. The grades of 5-6, or Substandard, 7, or Doubtful, and 8, or Loss, refer to assets that are classified. The use and application of these grades by the Credit Union will be uniform and shall conform to the Credit Union's policy.

Pass (1-4) loans are of reasonable credit strength and repayment ability providing an acceptable credit risk due to one or more underlying weaknesses.

Special Mention (5) loans that do not currently exhibit a sufficient degree of risk to warrant adverse classification, but do possess credit deficiencies deserving close attention by management. These credits are considered criticized.

Substandard (6) loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful (7) loans have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions and values, highly questionable and improbable.

Loss (8) loans are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer writing off even though partial recovery may be affected in the future.

The following table presents the credit risk profile of the Credit Union's commercial loan portfolio based on internal rating category and payment activity as of December 31, 2023 and 2022:

	Commercial 2023	Commercial 2022
Grade:		
Pass (1-4)	$ 427,876,244	$ 401,675,576
Special Mention (5)	4,370,675	6,700,467
Substandard (6)	-	-
Doubtful (7)	-	-
Loss (8)	-	-
Total	$ 432,246,919	$ 408,376,043

The following tables present the Credit Union's loan portfolio aging analysis of the recorded investment in loans as of December 31, 2023 and 2022:

2023

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
Consumer - secured	$ 664,715	$ 253,511	$ 71,130	989,356	$ 85,768,041	$ 86,757,397
Consumer - unsecured	1,103,873	682,595	1,139,309	2,925,777	92,409,201	95,334,978
Residential - first	4,849,818	332,490	1,092,065	6,274,373	711,207,045	717,481,418
Residential - home equity	614,357	108,746	211,515	934,619	84,081,544	85,016,163
Commercial	21,735	2,159	68,904	92,797	432,154,122	432,246,919
Total loans	$7,254,498	$ 1,379,501	$ 2,582,923	$ 11,216,922	$ 1,405,619,953	$ 1,416,836,875

2022

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans
Consumer - secured	$ 507,147	$ 103,890	$ 169,912	$ 780,949	$ 88,767,257	$ 89,548,206
Consumer - unsecured	733,412	300,843	661,837	1,696,091	90,764,783	92,460,874
Residential - first	1,734,663	110,768	-	1,845,431	705,224,220	707,069,651
Residential - home equity	606,651	41,490	68,322	716,463	75,928,517	76,644,980
Commercial	2,354	5,035	7,593	14,982	408,361,061	408,376,043
Total loans	$3,584,227	$ 562,025	$ 907,663	$ 5,053,916	$ 1,369,045,838	$ 1,374,099,754

All loans greater than 90 days past due are nonaccrual loans. There were no accruing loans delinquent 90 days or more at December 31, 2023 and 2022.

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as December 31, 2023

	Loan Balance	Collateral Type
Consumer - Secured	$ 19,783	Vehicle
Residential - First Mortgage	830,580	Mortgage
Residential - Home Equity	324,980	Mortgage
Total	$ 1,175,343	

The following table present impaired loans for the year ended December 31, 2022:

	2022				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment Impaired Loans	Interest Income Recognized
Impaired loans without a specific valuation allowance:					
Residential - first mortgage	$ 243,637	$ 243,637	$ 3,308	$ 244,931	$ 3,760
Total impaired loans with no related specific reserve	$ 243,637	$ 243,637	$ 3,308	$ 244,931	$ 3,760
Impaired loans with a specific valuation allowance:					
Residential - first mortgage	-	-	-	159,247	-
Total impaired loans with an allowance recorded	$ -	$ -	$ -	$ 159,247	$ -
Total impaired loans	$ 243,637	$ 243,637	$ 3,308	$ 404,178	$ 3,760

Interest income on loans individually classified as impaired is recognized on a cash basis after all past due and current principal payments have been made.

Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collection of interest or principal. The Credit Union requires a period of satisfactory performance of not less than six months before returning a nonaccrual loan to accrual status.

When cash payments are received on impaired loans in any loan classification, the Credit Union records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the negotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with renegotiated terms for a period of at least six months.

In the course of working with borrowers, the Credit Union may choose to restructure the contractual terms of certain loans. In this scenario, the Credit Union attempts to optimize collectability of the loan. Any loans that are modified are reviewed by the Credit Union to identify if a troubled debt restructuring (TDR) has occurred, which is when, for economic or legal reasons related to a borrower's financial difficulties, the Credit Union grants concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with its current financial status and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms or a combination of the two. If such efforts by the Credit Union do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time foreclosure proceedings are initiated. At any time prior to a sale of the property at foreclosure, the Credit Union may terminate foreclosure proceedings if the borrower is able to work out a satisfactory payment plan.

It is the Credit Union's policy that any restructured loans on nonaccrual status prior to being restructured remain on nonaccrual status until six months of satisfactory borrower performance, at which time management would consider its return to accrual status. If a loan was accruing at the time of restructuring, the Credit Union reviews the loan to determine if it is appropriate to continue the accrual of interest on the restructured loan.

There was one newly classified loan modification with a loan amount of approximately $92,335 in 2023 that received a payment modification. There was one troubled debt restructure with a loan amount of approximately $148,000 in 2022.

There were no loans modified in the past 12 months that subsequently defaulted.

Note 4: Premises and Equipment

Major classifications of premises and equipment, stated at cost, are as follows:

	2023	2022
Land	$ 2,883,568	$ 2,883,568
Buildings	22,527,593	22,609,335
Furniture, fixtures and equipment	27,410,364	20,888,562
Fixed Assets in process	807,005	5,213,497
Leasehold improvements	2,370,810	2,385,586
	55,999,340	53,980,548
Less accumulated depreciation	(25,948,748)	(24,112,963)
	$ 30,050,592	$ 29,867,585

Depreciation expense was $3,446,979 and $2,795,875 in 2023 and 2022, respectively.

Note 5: Mortgage-Servicing Rights

Mortgage loans sold and serviced for Purdue Federal Credit Union members are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgage loans serviced was approximately $460,156,192 and $446,240,573 on December 31, 2023 and 2022 respectively.

Custodial escrow balances maintained in connection with the loan servicing, and included in demand deposits, were approximately $3,258,023 and $2,903,633 at December 31, 2023 and 2022, respectively.

Activity in the balance of mortgage-servicing rights, which is included in Other assets on the Consolidated Balance Sheets, was as follows:

	2023	2022
Amortized cost		
Balance beginning of year	$ 1,247,248	$ 1,438,564
Additions	131,463	453,511
Amortization	(543,297)	(644,827)
Balance end of year	$ 835,414	$ 1,247,248
Fair value disclosures		
Fair value as of the beginning of the period	$ 5,196,471	$ 3,165,750
Fair value as of the end of the period	5,250,382	5,196,471

Note 6: Members' Deposits

	2023	2022
Checking	$ 401,570,597	$ 461,121,746
Regular and IRA savings accounts	466,783,873	550,428,669
Money market accounts	406,665,823	379,605,797
Share and IRA certificate accounts	293,069,334	147,391,116
	$ 1,568,089,627	$ 1,538,547,328

Individual share certificates of $250,000 or more were approximately $71,212,205 and $37,425,954 at December 31, 2023 and 2022, respectively.

At December 31, 2023, scheduled maturities of certificates for the next five years were as follows:

Share and IRA certificate accounts	
2024	$ 236,574,514
2025	47,943,572
2026	5,580,983
2027	2,531,100
2028	439,165
	$ 293,069,334

Deposits from related parties held by the Credit Union at December 31, 2023 and 2022 totaled $3,652,806 and $3,532,000, respectively.

Note 7: Borrowings

The Credit Union has $170,000,000 worth of borrowings, which include both Federal Reserve and Federal Home Loan Bank Advances. Federal Reserve advances, totaling $140,000,000 and $0 at December 31, 2023 and 2022, respectively, are secured by pledge investments totaling $140,000,000 at December 31,2023. Federal Home Loan Bank advances, totaling $30,000,000 and $70,000,000 at December 31, 2023 and 2022, respectively are secured by mortgage loans. Advances, at interest rates from 1.4 to 4.74 percent and maturity dates ranging from 2024 to 2025, are subject to restrictions or penalties in the event of prepayment.

Aggregate annual maturities at December 31, 2023 are:

2024	$ 155,000,000
2025	15,000,000
	$ 170,000,000

The Credit Union has a $300,000,000 Board-approved advance borrowing agreement with the Federal Home Loan Bank, of which $25,000,000 is available as an overnight line of credit. The overnight line of credit agreement was renewed in August 2023. At December 31, 2023 and 2022, the Credit Union has approximately $426,550,405 and $661,473,934, respectively, of mortgage loans pledged to FHLB. Additionally, the Credit Union has available a $243,949,971 and $264,033,665 line of credit from the Federal Reserve Bank with no maturity date and $434,703,656 and $461,745,195 in loans pledged as collateral to the Federal Reserve Bank at December 31, 2023 and 2022, respectively. There were no borrowings on these lines of credit at December 31, 2023 and 2022.

Note 8: Derivative Financial Instruments

The Credit Union uses derivative financial instruments to help manage exposure to interest rate risk and the effects that changes in interest rates may have on net income and the fair value of assets and liabilities. The Credit Union enters into forward contracts for the future delivery of mortgage loans to third-party investors and enters into interest rate lock commitments (IRLC) with potential borrowers to fund specific mortgage loans that will be sold into the secondary market. The forward contracts are entered into in order to economically hedge the effect of changes in interest rates resulting from the Credit Union's commitment to fund the loans.

Derivatives Not Designated as Hedging Instruments

These items are considered derivatives, but are not designated as accounting hedges, and are recorded at fair value with changes in fair value reflected in net gain on loan sales on the consolidated statements of income. The fair value of derivative instruments with a positive fair value are reported in other on the consolidated balance sheets while derivative instruments with a negative fair value are reported in other liabilities on the consolidated balance sheets.

Cash is pledged as collateral to counterparties that the derivatives have been executed with to mitigate unsecured financial transactions. The amount pledged to counterparties totaled $730,000 and $44,816 as of December 31, 2023 and 2022, respectively. The amount pledged from counterparties totaled $46,406 and $90,000 as of December 31, 2023 and 2022, respectively.

The notional amount and fair value of IRLCs and forward contracts utilized by the Credit Union were as follows for the years ended December 31, 2023 and 2022:

	2023				
	Balance Sheet Location		Fair Value		Notional Amount
Asset Derivatives					
Derivatives not designated as hedging instruments					
Interest rate lock commitments	Other assets	$	73,544	$	3,850,650
Liability Derivatives					
Derivatives not designated as hedging instruments					
TBA Forward Contract	Other liabilities	$	(197,091)	$	(23,200,000)

	2022				
	Balance Sheet Location		Fair Value		Notional Amount
Asset Derivatives					
Derivatives not designated as hedging instruments					
Interest rate lock commitments	Other assets	$	5,157	$	709,800
TBA Forward Contract	Other assets	$	47,867	$	-
Liability Derivatives					
Derivatives not designated as hedging instruments					
Interest rate lock commitments	Other liabilities	$	1,103	$	240,000
TBA Forward Contract	Other liabilities	$	-	$	6,200,000

Fair values of derivative financial instruments were estimated using changes in mortgage interest rates from the date the Credit Union entered into the IRLC and the balance sheet date. Periodic changes in the fair value of the derivative financial instruments on the consolidated statements of income for the years ended December 31, 2023 and 2022 were as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized		Amount of Gain (Loss) Recognized in Income 2023
Interest rate lock commitments	Net gain on loan sales	$	(69,490)
Forward contracts	Net gain on loan sales	$	(183,897)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized	Amount of Gain (Loss) Recognized in Income 2022
Interest rate lock commitments	Net gain on loan sales	$ (199,315)
Forward contracts	Net gain on loan sales	3,277,625

Derivatives Designated as Hedging Instruments

As a strategy to maintain acceptable levels of exposure to the risk due to interest rate fluctuations, the Credit Union has entered into various interest rate swap agreements for portions of its loans and deposit accounts to its members. The agreements provide for the Credit Union to receive interest from the counterparty at the monthly weighted-average of the daily Fed Funds index and to pay interest to the counterparty at a fixed rate. Under the agreement, the Credit Union pays or receives the net interest amount monthly, with the monthly settlements included within interest income for loans (Fair Value Hedge).

Cash is pledged as collateral to counterparties that the derivatives have been executed with to mitigate unsecured financial transactions. The amount pledged to counterparties totaled $0 and $0 as of December 31, 2023 and 2022, respectively. The amount pledged from counterparties totaled $4,100,000 and $13,380,000 as of December 31, 2023 and 2022, respectively

The following table presents amounts that were recorded in the consolidated balance sheets related to cumulative basis adjustments for interest rate swap derivatives designated as fair value accounting hedges as of December 31, 2023 and 2022.

	Carrying Amount of Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of Hedged Assets/(Liabilities)	
Line Item in the Consolidated Balance Sheet in Which the Hedged Item is Included	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Loans	$ 409,569,259	$ 225,737,813	$ (6,481,236)	$ (16,159,736)

These amounts include the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship.

The following tables present a summary of interest rate swap derivatives designated as fair value accounting hedges of fixed-rate receivables in the Credit Union's asset/liability management activities at December 31, 2023 and 2022, identified by the underlying interest rate-sensitive instruments.

December 31, 2023

Instruments Associated With	Notional Value	Weighted-Average Remaining Maturity Years	Fair Value	Weighted-Average Rate Receive	Weighted-Average Rate Pay
Loans	$ 212,000,000	6.1	$ 4,405,034	5.03%	2.65%

December 31, 2022

Instruments Associated With	Notional Value	Weighted-Average Remaining Maturity Years	Fair Value	Weighted-Average Rate Receive	Weighted-Average Rate Pay
Loans	$ 120,000,000	5.5	$ 13,399,007	1.82%	1.38%

The fair values of interest rate swaps were estimated using a discounted cash flow method that incorporates current market interest rates as of consolidated balance sheet dates. Fair values of IRLCs and forward contracts were estimated using changes in mortgage interest rates from the date the Credit Union entered into the IRLC and the consolidated balance sheet date.

2023

	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate swaps	Other assets	$ 10,283,758	Other liabilities	$ (5,878,724)

2022

	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate swaps	Other assets	$ 13,399,007	Other liabilities	$ -

There were no gains or losses recognized on cash flow hedges for the years ended December 31, 2023 and 2022. The following table presents the effects of the Credit Union's interest rate swap agreements designated as hedging instruments on the consolidated statements of income during the years ended December 31, 2023 and 2022.

Line Item in Consolidated Statements of Income	Year Ended December 31, 2023	2022
Interest Income (Expense)		
Loans	$ 4,583,201	$ 254,112

Note 9: Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, included in members' equity, are as follows:

	2023	2022
Net unrealized loss on available-for-sale securities	$(15,209,001)	$(18,057,573)
Net unrealized loss on derivatives used for cash flow hedges	(2,240,895)	(3,023,687)
	$(17,449,896)	$(21,081,260)

Note 10: Retirement Plan

The Credit Union maintains a defined-contribution pension plan (401(k) Plan and Trust) covering substantially all employees who meet certain age and service requirements. The Credit Union's contribution and expense for the pension plan is a discretionary amount approved by the Board of Directors. The 2023 and 2022 contribution was 8% (reduced by forfeitures) of annual wages for eligible employees and was approximately $1,570,000 and $1,360,000 in 2023 and 2022, respectively.

The Credit Union participates in a Split Dollar Supplemental Retirement Plan (Retirement Plan) covering a key executive of the Credit Union's management team. The Retirement Plan provided a collateralized loan to the executive which funded a split dollar life insurance policy and an annuity contract. The loan is collateralized by the insurance policy and annuity contract and is due upon death of the executive or upon termination with cause (as defined in the agreement) of employment. The Credit Union initially funded $5,866,604 into the plan in 2015.

The receivable related to the Retirement Plan totaled and $7,073,408 and $6,928,600 as of December 31, 2023 and 2022. This amount is included in other assets on the consolidated balance sheets.

Note 11: Disclosures about Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Available-for-Sale Securities, Equity Securities and Mutual Funds

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models and quoted prices of securities with similar characteristics. The fair value measurements consider observable data, which may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond’s terms and conditions. Pricing models typically include a technique known as matrix pricing, which is a mathematical technique used in the financial institution industry to value investment securities without relying exclusively on quoted prices for specific investment securities, but, rather, relying on the investment securities’ relationship to other benchmark quoted investment securities. Level 2 securities include mortgage-backed securities and corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. No securities are classified within Level 3. The Credit Union obtains all fair value measurements from an independent pricing service.

Loans Held-for-Sale (Mandatory Pricing Agreements)

The fair value of loans held-for-sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan (Level 2).

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and is calculated using discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Forward Contracts

The fair values of forward contracts on to-be-announced (TBA) securities are determined using quoted prices in active markets, or benchmarked thereto (Level 1).

Interest Rate Lock Commitments

The fair value of interest rate lock commitments (IRLCs) are determined using the projected sale price of individual loans based on changes in market interest rates, projected pull-through rates (the probability that an IRLC will ultimately result in an originated loan), the reduction in the value of the applicant's option due to the passage of time and the remaining origination costs to be incurred based on management's estimate of market costs (Level 3).

The following tables present the fair value measurements of assets recognized in the accompanying consolidated balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

		2023 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-backed securities				
Government-sponsored				
entities residential	$ 193,191,127	$ -	$193,191,127	$ -
Private CMO	8,002,594	-	8,002,594	-
Corporate bonds	32,600,056	-	32,600,056	-
Other investments with a readily determinable				
fair value	6,064,968	6,064,968	-	-
Loans held-for-sale				
(mandatory pricing agreements)	25,190,859	25,190,859	-	-
Interest rate lock commitments - asset	73,544	-	-	73,544
Interest rate swap agreements - asset	10,283,758	-	10,283,758	-
Interest rate swap agreements - liability	(5,878,724)	-	(5,878,724)	-

	2022			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgage-backed securities				
Government-sponsored				
entities residential	$ 202,170,667	$ -	$ 202,170,667	$ -
Private CMO	4,809,378	-	4,809,378	-
Corporate bonds	28,270,137	-	28,270,137	-
Other investments with a readily determinable fair value	4,881,366	4,881,366	-	-
Loans held-for-sale (mandatory pricing agreements)	8,777,577	8,777,577	-	-
TBA Forward Contract - liability	-	-	-	-
Interest rate lock commitments - asset	5,157	-	-	5,157
Interest rate lock commitments - liability	(1,103)	-	-	(1,103)
Interest rate swap agreements - asset	13,399,007	-	13,399,007	-

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated balance sheets using significant unobservable (Level 3) inputs:

	Interest Rate Lock Commitments
Balance as of January 1, 2022	$ 203,369
Total realized gains (loss), net	
Included in net income	(199,315)
Balance as of December 31, 2022	4,054
Total realized gains (loss), net	
Included in net income	69,490
Balance, December 31, 2023	$ 73,544

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

		Fair Value at December 31, 2023	Valuation Technique	Unobservable Inputs	Range
IRLCs - Asset	$	73,544	Discounted cash	Loan closing rates	89% - 99%
IRLCs - Liability	$	-	Discounted cash	Loan closing rates	89% - 99%

		Fair Value at December 31, 2022	Valuation Technique	Unobservable Inputs	Range
IRLCs - Asset	$	5,157	Discounted cash flow	Loan closing rates	90% - 98%
IRLCs - Liability	$	1,103	Discounted cash flow	Loan closing rates	90% - 98%

Note 12: The Fair Value Option

The Credit Union has elected to measure certain loans held for sale at fair value. The Credit Union hedges its mortgage banking pipeline by entering into forward contracts for the future delivery of mortgage loans to third-party investors and entering into IRLCs with potential borrowers to fund specific mortgage loans that will be sold into the secondary market. To facilitate the hedging of the loans, the Credit Union has elected the fair value option for loans originated and intended for sale in the secondary market under mandatory pricing agreements.

Included in the accompanying consolidated balance sheets are loans held for sale reported at fair value of $25,190,859 and $8,777,577 at December 31, 2023 and 2022, respectively. See Note 11 for additional disclosures regarding fair value of loans held for sale.

Note 13: Commitments and Contingent Liabilities

In the normal course of business, there are outstanding commitments and contingent liabilities, such as commitments to extend credit, which are not included in the accompanying consolidated financial statements. The Credit Union's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit is represented by the contractual or notional amount of those instruments. The Credit Union uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.

Financial instruments whose contract amount represents credit risk as of December 31 were as follows:

	2023	2022
Commitments to extend credit	$ 613,392,239	$ 597,693,758

In the normal course of business, the Credit Union is subject to various legal actions. Management believes that the results of these legal actions will not have a material adverse effect on the Credit Union's consolidated financial position.

Note 15: Regulatory Capital

Effective January 1, 2022, the NCUA modified their capital reporting standards. The Credit Union has opted in to the Complex Credit Union Leverage Ratio (CCULR). This ratio requires a net worth ratio at or above 9%, off-balance sheet exposure of 25% or less of total assets, trading assets and trading liabilities less than 5% of total assets, and Goodwill and Other Intangible Assets less than 2% of total assets.

As of December 31, 2023 and 2022, the Credit Union's net worth is categorized as well capitalized under the regulatory framework for prompt corrective action. As of December 31, 2023, using the CCULR classification for risk based capital, the Credit Union is above the 9% ratio and is considered well capitalized.

	Actual		Risk Based Capital Ratio Required	
	Amount	Ratio	Amount	Ratio
	(Dollar amounts in millions)			
Current Standard as of December 31, 2023	$ 199	10.5%	$ 1,707	9.0%
Previous Standard as of December 31, 2022	$ 186	10.4%	$ 1,607	9.0%

Note 16: Subsequent Events

Subsequent events have been evaluated through March 28, 2024 which is the date the consolidated financial statements were available to be issued.

Supplementary Information

Purdue Federal Credit Union

Consolidating Schedule - Balance Sheet Information
December 31, 2023

Assets

	Purdue Federal Credit Union	CU Channels, LLC	Eliminations	Consolidating Totals
Cash and due from banks	$ 8,499,984	$ -	$ -	$ 8,499,984
Interest-bearing demand deposits	176,697,754	272,955	(272,955)	176,697,754
Cash and cash equivalents	185,197,738	272,955	(272,955)	185,197,738
Interest-bearing time deposits	3,185,000	-	-	3,185,000
Available-for-sale securities	233,793,777	-	-	233,793,777
Investments with a readily determinable market value	6,064,968	-	-	6,064,968
Loans held for sale at fair value	25,190,859	-	-	25,190,859
Loans, net allowance for Credit losses of $10,249,876 and $4,765,940 at December 31, 2023 and 2022	1,408,447,656	-	-	1,408,447,656
Premises and equipment, net	30,050,592	-	-	30,050,592
National Credit Union Share Insurance Fund (NCUSIF) deposit	13,267,098	-	-	13,267,098
Federal Home Loan Bank stock, at cost	5,850,000	-	-	5,850,000
Cash surrender value of life insurance	-	-	-	-
Interest receivable	5,314,808	-	-	5,314,808
Other	40,523,748	995	(995)	40,523,748
Total assets	$ 1,956,886,244	$ 273,950	$ (273,950)	$ 1,956,886,244
Liabilities				
Members' deposits	$ 1,568,089,627	$ -	$ -	$ 1,568,089,627
Borrowings	170,000,000	-	-	170,000,000
Interest payable and other liabilities	40,342,218	1,295	(1,295)	40,342,218
Total liabilities	1,778,431,845	1,295	(1,295)	1,778,431,845
Members' Equity				
Undivided earnings	195,904,295	272,655	(272,655)	195,904,295
Accumulated other comprehensive loss	(17,449,896)	-	-	(17,449,896)
Total members' equity	178,454,399	272,655	(272,655)	178,454,399
Total liabilities and members' equity	$ 1,956,886,244	$ 273,950	$ (273,950)	$ 1,956,886,244

Purdue Federal Credit Union

Consolidating Schedule - Statement of Income Information
Year Ended December 31, 2023

	Purdue Federal Credit Union	CU Channels, LLC	Eliminations	Consolidating Totals
Interest Income				
Loans	$ 68,058,843	$ -	$ -	$ 68,058,843
Securities	8,618,648	-	-	8,618,648
Interest-earning deposits with other financial institutions	5,349,670	9,380	(9,380)	5,349,670
	82,027,161	9,380	(9,380)	82,027,161
Interest Expense				
Members? deposits	20,190,454	-	-	20,190,454
Borrowings	6,412,396	-	-	6,412,396
Total interest expense	26,602,850	-	-	26,602,850
Net Interest Income	55,424,311	9,380	(9,380)	55,424,311
Provision for Credit Losses	2,945,249	-	-	2,945,249
Net Interest Income After Provision for Credit Losses	52,479,062	9,380	(9,380)	52,479,062
Other Income				
Customer service fees	2,623,740	-	-	2,623,740
Card transaction interchange	13,889,639	-	-	13,889,639
Net gains on loan sales	1,828,093	-	-	1,828,093
Gain (Loss) on sales of securities (reclassified from accumulated other comprehensive loss)	(2,961)	-	-	(2,961)
Gain (Loss) on sale/disposal of premises and equipment	(15,113)	-	-	(15,113)
Income-Other	3,468,206	-	-	3,468,206
	21,791,604	-	-	21,791,604
Other Expenses				
Salaries and employee benefits	27,497,844	3,600	(3,600)	27,497,844
Net occupancy expense	2,766,456	-	-	2,766,456
Office operations and equipment expense	8,735,490	-	-	8,735,490
Loan servicing	1,465,475	-	-	1,465,475
Credit card expense	9,588,792	-	-	9,588,792
ATM and debit card expense	3,863,351	-	-	3,863,351
Advertising and marketing expense	2,684,515	-	-	2,684,515
Expense-Other	2,434,217	1,101	(1,101)	2,434,217
Total other expense	59,036,140	4,701	(4,701)	59,036,140
Net Income (Loss)	$ 15,234,526	$ 4,679	$ (4,679)	$ 15,234,526

Purdue Federal Credit Union

Consolidating Schedule - Statement of Comprehensive Income Information
Year Ended December 31, 2023

	Purdue Federal Credit Union	CU Channels, LLC	Eliminations	Consolidating Totals
Net Income (Loss)	$ 15,234,526	$ 4,679	$ (4,679)	$ 15,234,526
Other Comprehensive Income				
Change in fair value of derivative financial instruments	779,831	-	-	779,831
Unrealized appreciation on available-for-sale securities	2,848,572	-	-	2,848,572
Less: reclassification adjustment for realized gain (loss) included in net income	(2,961)	-	-	(2,961)
	3,631,364	-	-	3,631,364
Comprehensive Income	$ 18,865,890	$ 4,679	$ (4,679)	$ 18,865,890

Purdue Federal Credit Union

Consolidating Schedule - Statement of Changes in Members' Equity Information
Year Ended December 31, 2023

	Purdue Federal Credit Union		CU Channels, LLC			
	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Capital Stock	Undivided Earnings	Eliminations	Consolidated Totals
Balance, December 31, 2022	$ 185,939,117	$ (21,081,260)	$ 150,000	$ 117,976	$ (267,976)	$ 164,857,857
Adoption of ASC 326-Credit Losses	(5,269,348)	-	-	-	-	(5,269,348)
Balance, January 1, 2023	180,669,769	(21,081,260)	150,000	117,976	(267,976)	159,588,509
Net income	15,234,526			4,679	(4,679)	15,234,526
Other comprehensive income		3,631,364		-	-	3,631,364
Balance, December 31, 2023	$ 195,904,295	$ (17,449,896)	$ 150,000	$ 122,655	$ (272,655)	$ 178,454,399