LOCAL GOVERNMENT FEDERAL CREDIT UNION
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Members of the Supervisory Committee and Board of Directors
Local Government Federal Credit Union and Subsidiaries
Raleigh, North Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Local Government Federal Credit Union and Subsidiaries, which comprise the consolidated statements of financial condition as of June 30, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Local Government Federal Credit Union and Subsidiaries as of June 30, 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Local Government Federal Credit Union and Subsidiaries, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' 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 auditors' 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 Local Government Federal Credit Union and Subsidiaries' 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 Local Government Federal Credit Union and Subsidiaries' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 26, 2023

LOCAL GOVERNMENT FEDERAL CREDIT UNION
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 290,379,016	$ 162,327,362
Investment Securities:		
Available-for-Sale	111,522,163	128,659,391
Other Investments	18,836,300	1,749,200
Loans to Members, Net of Allowance for Loan Losses	3,538,402,665	3,166,664,877
Accrued Interest Receivable	10,120,586	10,370,125
Due from State Employees' Credit Union, Net	-	50,950,124
Premises and Equipment, Net	60,368,350	61,455,559
NCUSIF Deposit	31,286,132	29,204,378
Credit Union Owned Life Insurance	29,920,005	27,452,236
Split-Dollar Collateral Assignment Life Insurance	21,057,749	21,434,894
Other Assets	7,144,127	10,942,459
Total Assets	$ 4,119,037,093	$ 3,671,210,605
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Share and Savings Accounts	$ 3,207,237,213	$ 3,263,755,350
Accrued Interest Payable	1,713,896	347,127
Due to State Employees' Credit Union, Net	1,771,531	-
Accrued Expenses and Other Liabilities	44,982,763	41,052,212
Borrowed Funds	547,900,000	53,300,000
Total Liabilities	3,803,605,403	3,358,454,689
MEMBERS' EQUITY		
Undivided Earnings	331,132,678	323,603,499
Accumulated Other Comprehensive Loss	(15,700,988)	(10,847,583)
Total Members' Equity	315,431,690	312,755,916
Total Liabilities and Members' Equity	$ 4,119,037,093	$ 3,671,210,605

See accompanying Notes to Consolidated Financial Statements.

LOCAL GOVERNMENT FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
INTEREST INCOME		
Loans to Members	$ 174,300,739	$ 131,825,694
Investment Securities and Cash Equivalents	8,203,885	2,639,481
Total Interest Income	182,504,624	134,465,175
INTEREST EXPENSE		
Members' Share and Savings Accounts	32,134,943	8,610,948
Borrowed Funds	12,814,642	34,932
Total Interest Expense	44,949,585	8,645,880
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	137,555,039	125,819,295
PROVISION FOR LOAN LOSSES	35,908,570	13,120,713
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	101,646,469	112,698,582
NONINTEREST INCOME		
Service Charges and Fees	56,294,561	52,888,930
Grant Income	488,500	2,067,515
Gain on Insurance Proceeds	90,746	462,125
Net Loss on Sale of Loans	(6,922,965)	-
Other Noninterest Income	8,440,761	8,956,424
Total Noninterest Income	58,391,603	64,374,994
NONINTEREST EXPENSE		
Compensation and Benefits	46,204,089	42,105,462
Occupancy	2,942,169	2,950,145
Operations	95,704,616	75,727,932
Other Noninterest Expense	7,658,019	6,041,714
Total Noninterest Expense	152,508,893	126,825,253
NET INCOME	$ 7,529,179	$ 50,248,323

See accompanying Notes to Consolidated Financial Statements.

LOCAL GOVERNMENT FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
NET INCOME	$ 7,529,179	$ 50,248,323
OTHER COMPREHENSIVE LOSS		
Securities, Available-for-Sale		
Unrealized Holding Loss Arising During the Period	(4,853,405)	(10,646,126)
COMPREHENSIVE INCOME	$ 2,675,774	$ 39,602,197

See accompanying Notes to Consolidated Financial Statements.

LOCAL GOVERNMENT FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED JUNE 30, 2023 AND 2022

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
BALANCES - JUNE 30, 2021	$ 8,568,384	$ 264,786,792	$ (201,457)	$ 273,153,719
Net Income	-	50,248,323	-	50,248,323
Other Comprehensive Loss	-	-	(10,646,126)	(10,646,126)
Cumulative Effect of Change in Regulation	(8,568,384)	8,568,384	-	-
BALANCES - JUNE 30, 2022	-	323,603,499	(10,847,583)	312,755,916
Net Income	-	7,529,179	-	7,529,179
Other Comprehensive Loss	-	-	(4,853,405)	(4,853,405)
BALANCES - JUNE 30, 2023	$ -	$ 331,132,678	$ (15,700,988)	$ 315,431,690

See accompanying Notes to Consolidated Financial Statements.

LOCAL GOVERNMENT FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 7,529,179	$ 50,248,323
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	3,420,061	3,664,016
Amortization of Premiums and Discounts, Net	245,508	298,458
Provision for Loan Losses	35,908,570	13,120,713
Loans Originated for Sale	(22,567,590)	-
Proceeds from Loans Sold	246,410,133	-
Loss on Sale of Loans	6,922,965	-
Loss (Gain) on Sale of Foreclosed Assets	100,845	(80,130)
Gain on Insurance Proceeds	-	(462,125)
Effects of Changes in Operating Assets and Liabilities:		
Accrued Interest Receivable	249,539	(1,828,736)
Due to (from) State Employees' Credit Union, Net	52,721,655	(44,843,110)
Credit Union Owned Life Insurance	(697,769)	(671,118)
Split-Dollar Collateral Assignment Life Insurance	377,145	(577,344)
Other Assets	3,638,872	(2,315,139)
Accrued Interest Payable	1,366,769	13,829
Accrued Expenses and Other Liabilities	3,930,551	8,092,892
Net Cash Provided by Operating Activities	339,556,433	24,660,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Securities:		
Available-for-Sale	-	(66,546,138)
Proceeds from Maturities and Pay Downs of Investment Securities:		
Available-for-Sale	12,038,315	12,531,573
Purchases of FHLB Stock	(23,462,100)	(229,900)
Proceeds from Sale of FHLB Stock	6,375,000	-
Proceeds from Maturities of Other Investments (CDs)	-	250,000
Purchases of Credit Union Owned Life Insurance	(1,770,000)	-
Proceeds from Insurance Claims	-	462,125
Loans to Members, Net of Principal Collections	(638,612,732)	(788,168,935)
Increase in NCUSIF Deposit	(2,081,754)	(3,665,397)
Proceeds from Sale of Foreclosed Assets	259,481	259,605
Purchases of Premises and Equipment	(2,332,852)	(3,467,316)
Net Cash Used by Investing Activities	(649,586,642)	(848,574,383)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease) Increase in Members' Share and Savings Accounts	(56,518,137)	383,331,691
Advances in Borrowed Funds	495,000,000	52,500,000
Repayment of Long-term Borrowed Funds	(400,000)	(400,000)
Net Cash Provided by Financing Activities	438,081,863	435,431,691
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,051,654	(388,482,163)
Cash and Cash Equivalents - Beginning of Year	162,327,362	550,809,525
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 290,379,016	$ 162,327,362

See accompanying Notes to Consolidated Financial Statements.

LOCAL GOVERNMENT FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
ADDITIONAL NONCASH AND CASH FLOW INFORMATION		
Cash Paid During the Year for Interest is as Follows:		
Interest on Members' Share and Savings Accounts	$ 30,768,174	$ 8,597,119
Interest on Borrowed Funds	$ 11,392,753	$ 34,932
Transfers from Loans to Members to Foreclosed Assets	$ 200,866	$ 361,634
Transfer of Loans Held for Investment to Held For Sale	$ 230,765,508	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Local Government Federal Credit Union (the Credit Union or LGFCU) is a federally chartered credit union organized under the Federal Credit Union Act of 1934 and administratively responsible to the National Credit Union Administration (NCUA). The primary purpose is to promote thrift among and create a source of credit for its members. The Credit Union's primary source of revenue is interest earned from providing loans to its members.

The Credit Union serves its members through the State Employees' Credit Union branch network. This network includes 275 offices throughout the state of North Carolina.

Membership

Participation in the Credit Union is limited to those individuals that qualify for membership as defined in the Credit Union's Charter and Bylaws. The primary field of membership consists of local government employees, elected and appointed officials, volunteers, and their families in North Carolina.

Variable Interest Entity

Civic Federal Credit Union (Civic) was chartered by the NCUA in December 2017. LGFCU was instrumental in the chartering of Civic by providing the financial support and management structure necessary to obtain a charter. LGFCU makes a determination at the start of each year whether Civic is considered a variable interest entity (VIE). Civic was determined to be a VIE of LGFCU for the years ended June 30, 2023 and 2022. Civic's financial statements are included in the consolidated financial statements of LGFCU. No significant net income was derived from Civic for the years ended June 30, 2023 and 2022. LGFCU will continue to support Civic financially as well as operationally and will continue to evaluate Civic's VIE status. See further discussion regarding specific Civic transactions in Notes 11 and 12.

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union, Civic, and wholly owned Credit Union Service Organization (CUSO) subsidiaries; LGFCU Financial Partners, LLC (LGFCUFP), LGFCU Trustee, LLC, and Civic Trustee, LLC. LGFCUFP, LGFCU Trustee, LLC, and Civic Trustee, LLC are engaged in providing business loans to local government entities as well as acting in the capacity of trustee under the deed of trust loans made by LGFCU and LGFCUFP. No significant net income is derived from the Credit Union's CUSOs.

All significant intercompany accounts and transactions have been eliminated during consolidation for both the Credit Union's wholly owned CUSO subsidiaries and Civic.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include the valuation of investment securities and determination of the adequacy of allowance for loan losses.

Financial Instruments with Concentrations of Credit Risk

The Credit Union may be exposed to credit risk from a regional economic standpoint because a significant concentration of its borrowers work or reside throughout the state of North Carolina.

Cash and Cash Equivalents

For purposes of the consolidated statements of financial condition and consolidated statements of cash flows, cash and cash equivalents include funds due from banks, corporate credit unions, and highly liquid debt instruments with original maturities of three months or less.

The Credit Union maintains cash in deposit accounts at financial institutions approved by the board of directors. Accumulated deposits at these institutions, at times, may exceed federally insured limits.

Investment Securities

Debt securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses reported in other comprehensive loss. Realized gains and losses on securities available-for-sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment in other comprehensive loss. Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities (Continued)

Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union's intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more-likely-than-not that the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary impairment (OTTI) is recorded as a loss in noninterest income.

The Credit Union did not record any OTTI during the years ended June 30, 2023 and 2022.

Federal Home Loan Bank (FHLB) stock and certificates of deposit are stated at cost and are subject to impairment.

Loans Held-For-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate, as determined by outstanding commitments from investors or current investor yield requirements. Net unrealized losses are recognized in a valuation allowance by charges to income. Realized gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans and are recorded in noninterest income. All sales are made without recourse and are sold without the mortgage servicing rights retained by the Credit Union. The Credit Union did not have any loans held for sale as of June 30, 2023 and 2022.

Loans to Members, Net of Allowance for Loan Losses

The Credit Union grants mortgage, member business, and consumer loans to members. In addition, the Credit Union purchases loan participations from other financial institutions. A substantial portion of the loan portfolio is represented by automobile and real estate loans to members. A significant portion of its members' ability to honor their loan agreements is dependent upon the economic stability of the various groups comprising the Credit Union's field of membership.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans to Members, Net of Allowance for Loan Losses (Continued)

The accrual of interest on loans is discontinued at the time a loan is 90 days delinquent. Consumer loans are typically charged-off no later than 180 days past due. Loans may be charged-off at an earlier date if collection of principal or interest is considered doubtful. Past due loan 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 management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

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

The Credit Union does not charge fees on certain consumer loans. Fees are charged on mortgage loans; however, such fees are remitted to State Employees' Credit Union as compensation for originating the loans on behalf of the Credit Union. The Credit Union has not capitalized any loan origination costs or fees. The Credit Union does not charge commitment fees.

Allowance for Loan Losses

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

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, and the estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience and the impact of current internal and external influences on credit loss and the levels of nonperforming loans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment.

Specific allowances for loan losses are established for impaired loans on an individual basis. The specific allowance established for these loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

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

Impairment is measured on a loan-by-loan basis for member business and residential real estate loans by either the present value of the expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral, less estimated selling costs, if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are generally collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual consumer loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

The Credit Union maintains a separate general valuation allowance for homogeneous loan portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Residential Real Estate: This portfolio consists of residential mortgage loans. The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than commercial real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

The portfolio segment that is risk rated and its risk characteristics is described as follows:

Commercial: Typical industry commercial portfolios consist of member business loans secured by real estate generally possessing a higher inherent risk of loss than residential real estate portfolio segments. LGFCU provides loans for apparatus, equipment, real estate, and construction for the North Carolina Fire, Rescue and EMS Departments. In addition, Civic provides commercial real estate loans to its members. Historically and currently, losses in this portfolio have been minimal.

The Credit Union assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectibility of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Credit Risk Grade 1 – Highest Quality: Assigned to credits which possess the lowest possible risk; the underlying borrower has established a borrowing relationship with LGFCU or Civic; and the loan(s) are 110% collateralized by deposits held by LGFCU and/or Civic.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Credit Risk Grade 2 – Good Quality: Credit is entirely acceptable and extended to the highest quality borrower and based on audited or reviewed financials as well as the following traits: a business entity in existence for a relatively long period, with many years of consecutive profits; strong equity position, good liquidity, excellent debt service ability, and unblemished past performance; relationships with reasonably strong borrowers supported by: a strong guarantor; and/or fully secured cash deposits held by LGFCU and/or Civic; other collateral with established value that is capable of being liquidated within a reasonable length of time where the maximum original loan-to-value is 80%.

Credit Risk Grade 3 – Acceptable: Credit is acceptable and extended to a borrower not as strong and established as in credit risk grade 2. Financial information must be at minimum compiled financial statements and/or tax returns prepared by an independent accountant and upon analysis must show: no apparent weaknesses, but statement analysis reveals leverage, liquidity, or debt service ability to be less than optimal; credit to a borrower is not strong enough to sustain any major setbacks (typically uncovered during sensitivity analysis) but supported by collateral with established value which is capable of being liquidated.

Credit Risk Grade 4 – Pass: The credit risk is acceptable; however, financial statements cannot be relied upon to objectively and accurately provide the Credit Union with a reliable financial position.

Credit Risk Grade 5 – Watch: A credit that is currently an acceptable risk; however, trends are developing that are not promising and should be reversed if the borrower is to continue normal operations in the long run as well as the following traits: performance has not met expectations; however, the credit has not deteriorated sufficiently to be criticized or classified; earnings/cash flow problems are likely within the next 12 months; management may have defined weaknesses; the industry may be cyclically vulnerable or relatively unimportant.

Credit Risk Grade 6 – Other Assets Especially Mentioned (OAEM): Borrower risk rating 6/OAEM is a specific loan classification which is assigned to a credit when the borrower or guarantor has deteriorated or is deteriorating to a level below borrower risk rating 5 but has not reached the level of weakness and/or adverse financial trends that characterize borrower risk rating 7.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Assets Subject to Criticism

The following credit risk grades are assigned to loan assets which display risk profiles which are deemed higher than is normally acceptable. As a consequence, depending upon the factors specific to the affected credit, it may be necessary to establish a reserve to absorb any loss which may occur.

Credit Risk Grade 7 – Substandard: Loans so classified must have a clear and well-defined weakness which jeopardizes the repayment of the underlying obligation(s). Loans possessing this classification are strong candidates for nonaccrual.

Credit Risk Grade 8 – Doubtful: A loan subject to this classification has all of the weaknesses inherent in an asset classified substandard, with the added provision, that the weaknesses are pronounced to a point where collection or liquidation in full, on the basis of currently existing facts, conditions and values, is highly questionable and improbable.

Credit Risk Grade 9 – Loss: Loans classified loss are considered uncollectible and of such little value that their continuance as active assets of the Credit Union is not warranted. Assets classified as loss must be charged-off.

Each portfolio segment has applicable funding requirements based on the Credit Union’s historical loss ratio as determined by the allowance methodology. Net charge-offs are used to calculate historical losses. The Credit Union utilizes a range of 12 to 60 months based on the most applicable charge-off period for the losses present at that date for each portfolio segment, with 60 months being the maximum look-back period. In addition, management considers the impact of current and relevant environmental factors and documents which factors have been used in the analysis and how these factors affect the loss measurements.

Transfers of Financial Assets and Participating Interests

Transfers of financial assets or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers of Financial Assets and Participating Interests (Continued)

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Foreclosed Assets and Collateral in Process of Liquidation

Assets acquired through, or in lieu of, loan repossession or foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of repossession or foreclosure, establishing a new cost basis. Subsequent to repossession or foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in noninterest expense. As of June 30, 2023 and 2022, the amount of foreclosed assets and collateral in process of liquidation included in Other Assets totaled $810,414 and $789,463, respectively.

Premises and Equipment, Net

Land is carried at cost. Buildings, furniture and equipment, computers, and automobiles are carried at cost, less accumulated depreciation. Buildings, furniture and equipment, computers, and automobiles are depreciated using the straight-line method over the estimated useful lives of the assets.

Impairment of Long-Lived Assets

The Credit Union tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Share and Savings Accounts

Share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on share and savings accounts, except for interest on certificates of deposit which are set in advance, are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on share and savings accounts are set by the board of directors, based on an evaluation of current and future market conditions.

Members’ Equity

Prior to January 1, 2022, the Credit Union was required to maintain a statutory reserve (Regular Reserve). This Regular Reserve, which represented a regulatory restriction of members’ equity, was established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earnings. The Regular Reserve was not available for the payment of interest. Effective January 1, 2022, the Regular Reserve is no longer required by regulation. All Regular Reserve amounts were transferred to Undivided Earnings effective January 1, 2022.

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

Grant Income

Periodically, the Credit Union received grants from the Community Development Financial Institutions. The purpose of these grants are to support communities impacted by the COVID-19 pandemic and other communities served by low-income designated credit unions. The Credit Union used these funds to support the funding of the allowance for loan losses. The performance obligation is satisfied when the Credit Union meets one of the authorized assistance activities per the grant award and therefore grant income is recognized. The Credit Union met the above requirements and recognized $488,500 and $2,067,515 in grant income during the years ended June 30, 2023 and 2022, respectively.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive loss. Accumulated other comprehensive loss recognized as a separate component of members’ equity, includes valuation adjustments for available-for-sale investment securities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Members

The Credit Union recognizes revenue in accordance with *Revenue from Contracts with Customers (Topic 606)*. The Credit Union has elected to use the following optional exemptions that are permitted under the Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Credit Union recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Credit Union would have recognized is one year or less.
- For performance obligations satisfied over time, if the Credit Union has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Credit Union’s performance completed to date, the Credit Union will generally recognize revenue in the amount to which the Credit Union has a right to invoice.
- The Credit Union does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Credit Union recognizes revenue in the amount to which the Credit Union has a right to invoice.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to noninterest income such as deposit related fees and interchange fees. Significant components of Noninterest Income considered to be within the scope of Topic 606 are discussed below.

Service Charges and Deposit Account Fees

The Credit Union earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member’s request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the performance obligation is satisfied. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the member’s account balance.

Interchange Income

When members use their debit and credit cards to pay merchants for goods or services, the Credit Union retains a fee from the funds collected from the related deposit or loan account and transfers the remaining funds to the payment network for remittance to the merchant. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network. Interchange income is recorded net of the related member rewards cost incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Members (Continued)

Other

Other revenues subject to ASC 606 include miscellaneous transaction-based fees where satisfaction of the performance obligation and collection of the related fees generally coincide.

Income Taxes

As federal instrumentalities, both the Credit Union and Civic are exempt from federal and state income taxes. The income from the CUSOs, all organized as an LLCs, flows through to the Credit Union, and therefore are not subject to federal and state income taxes.

Retirement Plan

The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable Internal Revenue Service (IRS) limitations of the participant's annual compensation. The Credit Union makes discretionary matching contributions as approved by the board of directors. The Credit Union's contributions to the plan were $3,084,713 and $2,888,200 for the years ended June 30, 2023 and 2022, respectively.

Credit Union Owned Life Insurance Policies

The Credit Union is the owner and substantial beneficiary of several life insurance policies on certain key executives. The policies are recorded at their cash surrender value (CSV) and increases or decreases in their CSV are included in other noninterest income.

Split-Dollar Collateral Assignment Life Insurance

The Credit Union has made nonrecourse loans to select executives to fund life insurance policy premiums. The executives own the policies death benefit and sole control over listed beneficiaries, but the Credit Union holds a first lien on the policies account as security for repayment of the advanced funds plus compounded interest at the long-term applicable federal rate.

According to policy provision, the executives can borrow from the CSV's to supplement retirement income. Policy borrowing is strictly limited so that it never puts the policy at risk of lapsing.

As early as possible after specified dates, the Credit Union is repaid the amount it advanced for policy premiums. At the executive's death, the death benefit proceeds are allocated to (i) repay the insurance carrier for the executive's retirement loans, (ii) pay the Credit Union any premium advances amount not recovered from the policy during the executive's life, (iii) pay the Credit Union the interest on its funding amount, and (iv) provide a death benefit for the executive's beneficiaries.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split-Dollar Collateral Assignment Life Insurance (Continued)

The policies are carried at the lesser of the CSV of the policies and loan balance, plus any accrued interest receivable. The outstanding loan balances, plus accrued interest, due from the executives were $22,578,778 and $22,011,620 at June 30, 2023 and 2022, respectively. The collateral consists of the cash surrender value of the policies and a premium deposit funding account, totaling $21,057,749 and $21,434,894 at June 30, 2023 and 2022, respectively.

Advertising Costs

Advertising and promotion costs which totaled $8,029,559 and $6,685,612 for the years ended June 30, 2023 and 2022, respectively, are expensed as incurred and included in operations expense on the consolidated statements of income.

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Union adopted the policy to value certain financial instruments at fair value. The Credit Union has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

New Accounting Pronouncements

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In November 2018, the FASB approved ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB approved ASU 2019-10, *Financial Instruments- Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2019-10, ASU 2016-13 is effective for the Credit Union for the fiscal year and all interim periods beginning after December 15, 2022. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. Management continues to evaluate the impact of the adoption of ASU 2016-13 but does not anticipate a significant change to the allowance for loan losses.

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through September 26, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENT SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2023				
Federal Agency Mortgage-Backed Securities	$ 91,105,086	$ -	$ (13,646,282)	$ 77,458,804
Collateralized Mortgage Obligation Securities	36,118,065	-	(2,054,706)	34,063,359
Total	$ 127,223,151	$ -	$ (15,700,988)	$ 111,522,163

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2022				
Federal Agency Mortgage-Backed Securities	$ 100,302,200	$ -	$ (10,691,528)	$ 89,610,672
Collateralized Mortgage Obligation Securities	39,204,774	15,883	(171,938)	39,048,719
Total	$ 139,506,974	$ 15,883	$ (10,863,466)	$ 128,659,391

There were no sales of investment securities available-for-sale during the years ended June 30, 2023 and June 30, 2022.

The amortized cost and fair value of securities, at June 30, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Federal Agency Mortgage-Backed Securities and Collateralized Mortgage Obligation Securities:		
After Ten Years	$ 127,223,151	$ 111,522,163

NOTE 2 INVESTMENT SECURITIES (CONTINUED)

Temporarily Impaired Investment Securities

Information pertaining to securities with gross unrealized losses at June 30, aggregated by investment category and length of time that individual investment securities have been in a continuous loss position, are as follows:

	2023			
	Continuous Unrealized Losses Existing			
	Less than 12 months		Greater than 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
Federal Agency Mortgage-Backed Securities	$ -	$ -	$ (13,646,282)	$ 77,458,804
Collateralized Mortgage Obligation Securities	(1,001,505)	16,376,897	(1,053,201)	17,686,462
Total	$ (1,001,505)	$ 16,376,897	$ (14,699,483)	$ 95,145,266

	2022			
	Continuous Unrealized Losses Existing			
	Less than 12 months		Greater than 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
Federal Agency Mortgage-Backed Securities	$ (4,536,519)	$ 45,652,670	$ (6,155,009)	$ 43,958,002
Collateralized Mortgage Obligation Securities	(171,938)	20,211,870	-	-
Total	$ (4,708,457)	$ 65,864,540	$ (6,155,009)	$ 43,958,002

At June 30, 2023, 16 securities with unrealized losses depreciated 12.34% from the Credit Union's amortized cost basis. All of these securities are either guaranteed by federal insurance, the U.S. government, and/or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities and does not relate to credit risk. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability and intent to hold securities until maturity or for the foreseeable future for those classified as available-for-sale, no declines are deemed to be other than temporary.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

NOTE 2 INVESTMENT SECURITIES (CONTINUED)

Other investments at June 30 are summarized as follows:

	2023	2022
FHLB Stock	$ 18,836,300	$ 1,749,200

FHLB Stock

The Credit Union has an investment in Federal Home Loan Bank of Atlanta (FHLB) stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and, as such, is not subject to investment security accounting treatment and is therefore reported at cost, subject to impairment.

NOTE 3 LOANS TO MEMBERS, NET OF ALLOWANCE FOR LOAN LOSSES

The composition of loans to members, net of allowance for loan losses at June 30 is as follows:

	2023	2022
Commercial:		
Member Business	$ 175,393,880	$ 162,237,715
Residential Real Estate:		
First Mortgage	1,978,005,651	1,850,522,614
Home Equity Line	223,988,658	135,231,688
Total Residential Real Estate	2,201,994,309	1,985,754,302
Consumer:		
New Auto	192,422,382	160,053,003
Used Auto	482,762,035	450,278,674
Credit Card	142,351,477	122,086,444
Other	379,624,904	311,739,731
Total Consumer	1,197,160,798	1,044,157,852
Subtotal	3,574,548,987	3,192,149,869
Less: Allowance for Loan Losses	(36,146,322)	(25,484,992)
Total	$ 3,538,402,665	$ 3,166,664,877

The Credit Union has $16,748,984 and $32,294,343 of mortgage loan commitments at June 30, 2023 and 2022, respectively, not included in the residential real estate loan segment above.

NOTE 3 LOANS TO MEMBERS, NET OF ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Specific changes in the allowance for loan losses and recorded investment in loans by segment for the year ended June 30, 2023 are as follows:

	Commercial	Residential Real Estate	Consumer	Total
Allowance for loan losses:				
Beginning Balance	$ 418,890	$ 6,899,529	$ 18,166,573	$ 25,484,992
Provision for Loan Losses	51,929	748,672	35,107,969	35,908,570
Recoveries	-	-	3,690,034	3,690,034
Charge-offs	-	(14,992)	(28,922,282)	(28,937,274)
Ending Balance	$ 470,819	$ 7,633,209	$ 28,042,294	$ 36,146,322
Ending Balance:				
Individually Evaluated for Impairment	$ -	$ 923,096	$ 399,204	$ 1,322,300
Collectively Evaluated for Impairment	470,819	6,710,113	27,643,090	34,824,022
Total	$ 470,819	$ 7,633,209	$ 28,042,294	$ 36,146,322
Loans to members:				
Ending Balance:				
Individually Evaluated for Impairment	$ -	$ 110,719,977	$ 1,008,751	$ 111,728,728
Collectively Evaluated for Impairment	175,393,880	2,091,274,332	1,196,152,047	3,462,820,259
Total	$ 175,393,880	$ 2,201,994,309	$ 1,197,160,798	$ 3,574,548,987

Specific changes in the allowance for loan losses and recorded investment in loans by segment for the year ended June 30, 2022 are as follows:

	Commercial	Resident Real Estate	Consumer	Total
Allowance for loan losses:				
Beginning Balance	$ 293,501	$ 4,640,587	$ 18,934,557	$ 23,868,645
Provision for Loan Losses	125,389	2,326,694	10,668,630	13,120,713
Recoveries	-	490	3,361,080	3,361,570
Charge-offs	-	(68,242)	(14,797,694)	(14,865,936)
Ending Balance	$ 418,890	$ 6,899,529	$ 18,166,573	$ 25,484,992
Ending Balance:				
Individually Evaluated for Impairment	$ -	$ 639,395	$ 177,402	$ 816,797
Collectively Evaluated for Impairment	418,890	6,260,134	17,989,171	24,668,195
Total	$ 418,890	$ 6,899,529	$ 18,166,573	$ 25,484,992
Loans to members:				
Ending Balance:				
Individually Evaluated for Impairment	$ -	$ 78,828,018	$ 606,539	$ 79,434,557
Collectively Evaluated for Impairment	162,237,715	1,906,926,284	1,043,551,313	3,112,715,312
Total	$ 162,237,715	$ 1,985,754,302	$ 1,044,157,852	$ 3,192,149,869

NOTE 3 LOANS TO MEMBERS, NET OF ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following table shows the commercial loan portfolio segment allocated by managements internal risk ratings as of June 30:

Commercial Loan Risk Ratings	2023	2022
Pass (Risk Grade 1 - 4)	$ 174,496,847	$ 161,321,333
Watch	897,033	916,382
Other Assets Especially Mentioned	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
Total	$ 175,393,880	$ 162,237,715

Commercial, Residential Real Estate, and Consumer Loan Credit Quality Indicators: As part of the on-going monitoring of the credit quality of the Credit Union's loan portfolio, management tracks the loan's performance and when the loan becomes 90 days past due they are classified as nonperforming loans.

The following tables show the classes within the homogenous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent and still accruing interest.

June 30, 2023	Payment Activity		
	Performing	Nonperforming	Total
Commercial:			
Member Business	$ 175,393,880	$ -	$ 175,393,880
Residential Real Estate:			
First Mortgage	1,957,951,037	20,054,614	1,978,005,651
Home Equity Line	223,529,646	459,012	223,988,658
Consumer:			
New Auto	191,412,043	1,010,339	192,422,382
Used Auto	476,658,165	6,103,870	482,762,035
Credit Card	140,937,625	1,413,852	142,351,477
Other	376,670,839	2,954,065	379,624,904
Total	$ 3,542,553,235	$ 31,995,752	$ 3,574,548,987

June 30, 2022	Payment Activity		
	Performing	Nonperforming	Total
Commercial:			
Member Business	$ 162,237,715	$ -	$ 162,237,715
Residential Real Estate:			
First Mortgage	1,833,787,345	16,735,269	1,850,522,614
Home Equity Line	135,022,014	209,674	135,231,688
Consumer:			
New Auto	159,378,783	674,220	160,053,003
Used Auto	446,807,974	3,470,700	450,278,674
Credit Card	121,472,571	613,873	122,086,444
Other	310,665,563	1,074,168	311,739,731
Total	$ 3,169,371,965	$ 22,777,904	$ 3,192,149,869

NOTE 3 LOANS TO MEMBERS, NET OF ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The following tables show an aging analysis of the loan portfolio at June 30, by time past due:

2023	Current	Accruing Interest 30-59 Days Past Due	Accruing Interest 60-89 Days Past Due	Nonaccrual 90 Days or More Past Due	Total Loans to Members
Commercial:					
Member Business	$ 175,393,880	$ -	$ -	$ -	$ 175,393,880
Residential Real Estate:					
First Mortgage	1,860,401,302	69,353,619	28,196,116	20,054,614	1,978,005,651
Home Equity Line	222,483,740	813,839	232,067	459,012	223,988,658
Consumer:					
New Auto	187,288,947	2,918,338	1,204,758	1,010,339	192,422,382
Used Auto	460,446,740	10,848,295	5,363,130	6,103,870	482,762,035
Credit Card	137,240,097	2,272,778	1,424,750	1,413,852	142,351,477
Other	368,153,748	5,485,938	3,031,153	2,954,065	379,624,904
Total	$ 3,411,408,454	$ 91,692,807	$ 39,451,974	$ 31,995,752	$ 3,574,548,987

2022	Current	Accruing Interest 30-59 Days Past Due	Accruing Interest 60-89 Days Past Due	Nonaccrual 90 Days or More Past Due	Total Loans to Members
Commercial:					
Member Business	$ 162,237,715	$ -	$ -	$ -	$ 162,237,715
Residential Real Estate:					
First Mortgage	1,778,061,824	40,612,691	15,112,830	16,735,269	1,850,522,614
Home Equity Line	134,369,325	434,507	218,182	209,674	135,231,688
Consumer:					
New Auto	156,681,183	1,999,450	698,150	674,220	160,053,003
Used Auto	433,901,266	9,067,576	3,839,132	3,470,700	450,278,674
Credit Card	118,744,182	1,989,237	739,152	613,873	122,086,444
Other	304,896,921	4,039,155	1,729,487	1,074,168	311,739,731
Total	$ 3,088,892,416	$ 58,142,616	$ 22,336,933	$ 22,777,904	$ 3,192,149,869

The Credit Union had no loans that were greater than 90 days past due for which the loans were accruing interest at June 30, 2023 and 2022.

Interest income foregone on nonaccrual loans was deemed immaterial by management for the years ended June 30, 2023 and 2022.

NOTE 3 LOANS TO MEMBERS, NET OF ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Information concerning impaired loans by loan class as of June 30, 2023 is as follows:

	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With No Specific Reserve Recorded:			
Residential Real Estate:			
First Mortgage	$ 39,258,179	$ -	$ 32,116,484
Consumer:			
New Auto	-	-	9,009
Used Auto	54,401	-	59,257
Total	$ 39,312,580	$ -	$ 32,184,750
With Specific Reserve Recorded:			
Residential Real Estate:			
First Mortgage	$ 71,461,798	$ 923,096	$ 62,657,513
Consumer:			
New Auto	54,219	19,644	60,062
Used Auto	900,131	379,560	670,015
Other	-	-	9,304
Total	$ 72,416,148	$ 1,322,300	$ 63,396,894
Residential Real Estate	$ 110,719,977	$ 923,096	$ 94,773,997
Consumer	1,008,751	399,204	807,647
Total Loans Individually Evaluated for Impairment	$ 111,728,728	$ 1,322,300	$ 95,581,644

NOTE 3 LOANS TO MEMBERS, NET OF ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Information concerning impaired loans by loan class as of June 30, 2022 is as follows:

	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
With No Specific Reserve Recorded:			
Residential Real Estate:			
First Mortgage	$ 24,974,789	$ -	$ 23,367,800
Consumer:			
New Auto	18,017	-	9,009
Used Auto	64,113	-	45,103
Total	$ 25,056,919	$ -	$ 23,421,912
With Specific Reserve Recorded:			
Residential Real Estate:			
First Mortgage	$ 53,853,229	$ 639,395	$ 49,337,346
Consumer:			
New Auto	65,904	27,897	70,142
Used Auto	439,898	141,679	320,596
Other	18,607	7,826	13,426
Total	$ 54,377,638	$ 816,797	$ 49,741,510
Residential Real Estate	$ 78,828,018	$ 639,395	$ 72,705,146
Consumer	606,539	177,402	458,276
Total Loans Individually Evaluated for Impairment	$ 79,434,557	$ 816,797	$ 73,163,422

Interest collected on impaired loans for the years ended June 30, 2023 and 2022 was not deemed significant as interest is not accrued on nonaccrual loans or other loans past-due 90 days or more.

The Credit Union does not have material commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings or whose loans are in nonaccrual.

NOTE 3 LOANS TO MEMBERS, NET OF ALLOWANCE FOR LOAN LOSSES (CONTINUED)

A summary of TDRs by class that were granted during the year and those that were granted, and subsequently defaulted (became 90 days or more delinquent) during the years ended June 30, 2023 and 2022, are as follows. The aggregate amount of charge-offs as a result of restructuring are not significant. A summary of loan modifications by class during the years ended June 30 are as follows:

	Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
June 30, 2023	Number of Loans	Post-Modification Outstanding Balance	Number of Loans	Post-Modification Outstanding Balance
First Mortgage	55	$ 6,885,307	37	$ 5,319,890
Home Equity Line	8	452,957	-	-
New Auto	79	2,062,621	8	315,228
Used Auto	337	4,867,899	50	726,218
Other	254	2,404,419	56	383,407
Total	733	$ 16,673,203	151	$ 6,744,743

	Troubled Debt Restructurings		Troubled Debt Restructurings That Subsequently Defaulted	
June 30, 2022	Number of Loans	Post-Modification Outstanding Balance	Number of Loans	Post-Modification Outstanding Balance
First Mortgage	263	$ 4,008,640	17	$ 1,785,951
Home Equity Line	1	22,000	-	-
New Auto	56	1,249,799	-	-
Used Auto	190	2,081,939	8	113,540
Other	124	1,160,868	7	70,526
Total	634	$ 8,523,246	32	$ 1,970,017

The following tables shows the types of modifications made during the years ended June 30:

	During the Year Ended June 30, 2023				
	Interest Rate Adjustment	Extended Maturities	Partial Payment	Refinance	Total
First Mortgage	$ 195,675	$ 5,611,847	$ 515,452	$ 562,333	$ 6,885,307
Home Equity Line	-	452,957	-	-	452,957
New Auto	-	2,062,621	-	-	2,062,621
Used Auto	-	4,867,899	-	-	4,867,899
Other	-	2,404,419	-	-	2,404,419
Total	$ 195,675	$ 15,399,743	$ 515,452	$ 562,333	$ 16,673,203

	During the Year Ended June 30, 2022				
	Interest Rate Adjustment	Extended Maturities	Partial Payment	Refinance	Total
First Mortgage	$ 58,607	$ 2,913,543	$ 492,294	$ 544,196	$ 4,008,640
Home Equity Line	-	22,000	-	-	22,000
New Auto	-	1,249,799	-	-	1,249,799
Used Auto	-	2,081,939	-	-	2,081,939
Other	-	1,160,868	-	-	1,160,868
Total	$ 58,607	$ 7,428,149	$ 492,294	$ 544,196	$ 8,523,246

NOTE 4 PREMISES AND EQUIPMENT, NET

A summary of premises and equipment at June 30 is as follows:

	2023	2022
Land	$ 2,574,654	$ 2,562,729
Building	64,986,494	64,584,505
Furniture and Equipment	5,132,472	4,606,214
Computer Equipment	9,187,126	8,873,715
Automobiles	693,069	617,363
Construction in Process	3,152,938	3,479,516
Total	85,726,753	84,724,042
Less: Accumulated Depreciation and Amortization	(25,358,403)	(23,268,483)
Total	$ 60,368,350	$ 61,455,559

NOTE 5 RENTAL INCOME

Tenants were able to occupy the Quorum Center building space during the year ended June 30, 2023 under the existing noncancelable operating leases expiring in various years until fiscal year 2028. Future minimum lease income receivable under these leases as of June 30, 2023 are as follows:

Year Ending June 30,	Amount
2024	$ 195,610
2025	182,281
2026	176,881
2027	176,881
2028	162,141
Total	$ 893,794

Rental income was $354,016 for both the years ended June 30, 2023 and 2022. This is included in other noninterest income in the consolidated statements of income.

NOTE 6 SHARE AND SAVINGS ACCOUNTS

A summary of share and savings accounts by type at June 30 are as follows:

	2023	2022
Regular Share Accounts	$ 909,867,965	$ 1,003,408,652
Share Draft Accounts	614,199,254	654,859,454
Money Market Accounts	952,896,419	1,059,140,470
IRA Share Accounts	227,262,606	236,496,182
Share Term Certificates	459,166,969	309,850,592
Nonmember Certificates of Deposit	43,844,000	-
Total Share and Savings Accounts	$ 3,207,237,213	$ 3,263,755,350

NOTE 6 SHARE AND SAVINGS ACCOUNTS (CONTINUED)

The aggregate amounts of certificates of deposit in denominations of $250,000 or more was approximately $64,022,000 and $37,318,000 at June 30, 2023 and 2022, respectively.

Overdrawn share accounts reclassified to unsecured loans to members totaled approximately $5,640,000 and $705,000 at June 30, 2023 and 2022, respectively.

Scheduled maturities of share term and nonmember certificates for the years ending June 30 are as follows:

Year Ending June 30,	Amount
2024	$ 329,391,134
2025	120,406,808
2026	11,524,729
2027	5,964,869
2028	35,723,429
Total	$ 503,010,969

Member accounts are insured to at least $250,000 by the NCUSIF. The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. government.

NOTE 7 BORROWED FUNDS

At June 30, 2023 and 2022, the Credit Union had remaining available lines of credit of approximately $1,452,368,000 and $968,540,000 with the FHLB and $618,176,000 and $375,881,000 with the Federal Reserve Bank of Richmond (FRB), respectively. The FHLB line is collateralized by mortgage loans and the FRB line is collateralized by auto loans, available for sale securities, and residential real estate loans. The interest rates applied on any borrowing are determined on the date of borrowing. The lines have no expiration dates but are subject to review and change by the issuing institutions. There was $395,000,000 outstanding on the FHLB line with interest rates ranging from 5.19% to 5.24% and $100,000,000 outstanding on the FRB line with an interest rate of 4.82% at June 30, 2023. There were no balances outstanding on these lines at June 30, 2022.

Secondary Capital – National Federation of Community Developed Credit Unions
On October 2, 2017, the Credit Union obtained a secondary capital loan totaling $2 million from the National Federation of Community Development Credit Unions (the Federation) for the purpose of making loans to promote community development. The funds are committed to the Secondary Capital account for a period of seven (7) years. The secondary capital is a form of subordinated debt and is included in Borrowed Funds on the Consolidated Statements of Financial Condition.

Interest is payable quarterly in arrears each year at a rate of 3.75% per annum. Principal payments will be paid, pending approval from the NCUA, on the anniversary of the disbursement of the loan. The balance outstanding as of June 30, 2023 and 2022 was $400,000 and $800,000, respectively.

NOTE 7 BORROWED FUNDS (CONTINUED)

Secondary Capital – U.S. Treasury Emergency Capital Investment Program
On June 28, 2022, the Credit Union entered into an agreement for receipt in secondary capital funds under the U.S. Treasury's Emergency Capital Investment Program (ECIP) from the NCUA. Receiving the award totaling $52,500,000. The purpose of the award recognizes secondary capital accounts for low-income designated credit unions as capital accounts. The secondary capital is a form of subordinated debt and is included in Borrowed Funds on the Consolidated Statements of Financial Condition.

The agreement grants the Credit Union two (2) years interest free. After the second anniversary of the disbursement of the loan, interest is payable quarterly in arrears each year at a rate determined by the qualified lending, ranging from 0.5% to 2.0%. Principal payments will be paid, pending approval from the NCUA, on the anniversary of the disbursement of the loan.

At June 30, 2023 and 2022, the Credit Union applied $52,900,000 and $53,300,000, respectively, of subordinated debt towards the net worth calculation.

Expected future principal payments on borrowed funds at June 30, 2023, are as follows:

Year Ending June 30,	Amount
2024	$ 495,400,000
2025	-
2026	-
2027	-
2028	-
Thereafter	52,500,000
Total	$ 547,900,000

NOTE 8 OFF-STATEMENT OF FINANCIAL CONDITION ACTIVITIES

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which include lines-of-credit, credit cards, and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

NOTE 8 OFF-STATEMENT OF FINANCIAL CONDITION ACTIVITIES (CONTINUED)

At June 30, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2023	2022
Commitments to Grant Loans:		
Commercial	$ 17,236,006	$ 2,646,460
Home-Equity Lines of Credit	177,765,397	147,696,079
Credit Cards	222,985,768	196,188,418
Other Unfunded Commitments	71,778,490	47,652,036
Total	$ 489,765,661	$ 394,182,993

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include consumer assets, residential real estate, and member share balances.

Unfunded commitments under member business lines-of-credit and revolving credit lines are commitments for possible future extensions of credit to existing members. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may only be drawn upon to the total extent to which the Credit Union is committed.

NOTE 9 CONTINGENCIES AND COMMITMENTS

The Credit Union is periodically a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in managements and legal counsel's opinion, would not be material to the Credit Union's consolidated financial condition.

NOTE 10 REGULATORY NET WORTH

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that could have a material effect on the Credit Union's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific quantitative measures of the Credit Union's assets, liabilities, and certain off-statement-of-financial-condition items as calculated under GAAP. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by its regulators about components, risk weightings, and other factors.

NOTE 10 REGULATORY NET WORTH (CONTINUED)

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation). Effective December 31, 2021, and earlier, credit unions were also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which established whether or not the Credit Union will be considered "complex" under the regulatory framework. The minimum ratio to be considered complex under the regulatory framework was 6.00%.

Effective January 1, 2022, the NCUA adopted the optional complex credit union leverage ratio (CCULR) for credit unions with total consolidated assets greater than $500 million. The CCULR is designed to reduce regulatory burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying credit union organizations that opt into the framework. As defined by section §702-104(d) of the NCUA's regulations, a qualifying credit union organization must have a net worth ratio of 9% or greater, off-consolidated statement of financial condition exposures of 25% or less of its total consolidated assets, trading assets and trading liabilities of 5% or less of its total consolidated assets, and goodwill and other intangible assets of 2% or less of total consolidated assets. Management believes they have met the criteria and has elected to use the CCULR framework.

As of June 30, 2023, the most recent call reporting period, the NCUA categorized the Credit Union initially as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 9% of assets. There are no conditions or events since that notification that management believes have changed the institution's category.

The Credit Union's consolidated actual capital amounts and ratios are also presented in the table following.

	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provisions		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2023						
Net Worth	$ 384,032,678	9.32%	$ 247,142,226	6.00%	$ 288,332,597	7.00%
2022						
Net Worth	$ 376,903,499	10.27%	$ 220,272,636	6.00%	$ 256,984,742	7.00%

In performing its calculation of total assets, the Credit Union used the average of the current and three preceding calendar quarter-end balances option, as permitted by regulation.

NOTE 11 RELATED PARTY TRANSACTIONS

In the normal course of business, LGFCU and Civic extends credit to members of the board of directors, Supervisory Committee members, and executive officers. Included in Loans to Members, Net of Allowance for Loan Losses and Split-Dollar Collateral Assignment Life Insurance at June 30, 2023 and 2022, are loans to LGFCU's and Civic's Board of Directors, Supervisory Committee, and senior executive staff of approximately $24,547,000 and $24,533,000, respectively. The aggregate principal advances and principal repayments are not significant.

Members' Shares and Savings Accounts (deposits) from LGFCU's and Civic's Board of Directors, Supervisory Committee, and executive officers held by the Credit Union at June 30, 2023 and 2022 are approximately $3,864,000 and $4,880,000 respectively.

LGFCU and Civic currently have common oversight and management. While there are two independent board members for each credit union, the remaining Civic board members are also LGFCU board members. LGFCU will cover expenses on behalf of Civic in return for a service fee outlined in the Support Services Agreement. Had Civic incurred these expenses on a stand-alone basis, their operational support expenses during the fiscal year would have been approximately $24.6 million and $14.8 million during the years ended June 30, 2023 and 2022, respectively. The agreement states that LGFCU will provide substantially all of Civics support services, including property and equipment, system infrastructure, and human capital in return for a rate of 25% of the gross revenue of Civic. Operational support expenses incurred by LGFCU on behalf of Civic are included in the Credit Union's consolidated financial statements. LGFCU received approximately $1,208,000 and $788,000 in services fees from Civic during the years ended June 30, 2023 and 2022, respectively. These fees were eliminated in consolidation.

NOTE 12 VARIABLE INTEREST ENTITY

If an enterprise is the primary beneficiary of a VIE, GAAP requires the assets, liabilities, equity, and results of operations of the VIE to be included in the consolidated financial statements of the Credit Union. The Credit Union has determined that Civic is a VIE.

Summarized financial information for Civic as of and for the years ended June 30 is as follows:

	2023	2022
Total Assets	$ 99,856,806	$ 102,425,260
Total Liabilities	90,522,507	94,396,700
Total Members' Equity	$ 9,334,299	$ 8,028,560
Total Revenue	$ 4,779,072	$ 3,150,869
Total Expense	3,473,333	1,780,212
Net Income	$ 1,305,739	$ 1,370,657

NOTE 13 RELIANCE ON OTHER PARTIES

The Credit Union has an agreement with State Employees' Credit Union of North Carolina (SECU) under which SECU provides substantially all of the Credit Union's operating services including member services, branch facilities, and data processing services. SECU is compensated for such services at a rate of 25% of the gross revenue of the Credit Union, which is paid on a monthly basis. During 2023 and 2022, the Credit Union incurred service fees of $57,516,000 and $47,296,000, respectively, for services rendered under the agreement with SECU, which is included in operations expense on the consolidated statements of income. At June 30, 2023 and 2022, the payable to SECU for service fees under this agreement were approximately $5,257,000 and $4,496,000 respectively.

SECU charges the Credit Union a $0.50 processing charge for the usage of SECU automated teller machines (ATM). Total ATM fees paid to SECU were $2,146,000 and $2,263,000 for fiscal years ended June 30, 2023 and 2022, respectively. At June 30, 2023 and 2022, the payable to SECU for services rendered under this agreement was approximately $8,600 and $7,900, respectively.

SECU settles daily member transactions on behalf of the Credit Union. The Credit Union records this activity as a net receivable or payable for amounts settled but not received or paid. The Credit Union had a net receivable from SECU of approximately $3,494,000 and $55,454,000 at June 30, 2023 and 2022, respectively.

NOTE 14 FAIR VALUE

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis as of June 30:

	Balance as of June 30,	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2023					
Federal Agency Mortgage-Backed Securities	$ 77,458,804	$ -	$ 77,458,804	$ -	$ 77,458,804
Collateralized Mortgage Obligation Securities	34,063,359	-	34,063,359	-	34,063,359
Total	$ 111,522,163	$ -	$ 111,522,163	$ -	$ 111,522,163

NOTE 14 FAIR VALUE (CONTINUED)

	Balance as of June 30,	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2022					
Federal Agency Mortgage-Backed Securities	$ 89,610,672	$ -	$ 89,610,672	$ -	$ 89,610,672
Collateralized Mortgage Obligation Securities	39,048,719	-	39,048,719	-	39,048,719
Total	$ 128,659,391	$ -	$ 128,659,391	$ -	$ 128,659,391

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investment Securities: When available, the Credit Union uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3.

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment or a change in the amount of previously recognized impairment.

NOTE 14 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended June 30, 2023 and 2022 consisted of the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Losses
June 30, 2023				
Impaired Loans	$ -	$ -	$ 71,093,848	$ (1,322,300)
Foreclosed Assets	-	-	200,867	(16,242)
Total Nonrecurring	$ -	$ -	$ 71,294,715	$ (1,338,542)
June 30, 2022				
Impaired Loans	$ -	$ -	$ 53,560,841	$ (816,797)
Foreclosed Assets	-	-	360,326	(74,950)
Total Nonrecurring	$ -	$ -	$ 53,921,167	$ (891,747)

Impaired Loans: In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

Foreclosed Assets: Foreclosed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer with any impairment amount charged to the allowance for loan losses. Subsequent to the transfer, foreclosed assets are carried at the lower of cost or fair value, less estimated selling costs with changes in fair value or any impairment amount recorded in other noninterest expense. Values are estimated using Level 3 inputs based on customized discounting criteria. The carrying value of foreclosed assets is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

NOTE 14 FAIR VALUE (CONTINUED)

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Credit Union has utilized Level 3 inputs to determine fair value:

	June 30, 2023			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	$ 71,093,848	Appraisals Discounted Expected Cash Flows	Appraisal Adjustment or Discount Rates	Collateral Discount of 8% or 2.75% to 6.50% Discount Rate
Foreclosed Assets	200,867	Appraisal	Appraisal Adjustment	16%

	June 30, 2022			
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Impaired Loans	$ 53,560,841	Appraisals Discounted Expected Cash Flows	Appraisal Adjustment or Discount Rates	Collateral Discount of 8% or 2.75% to 8.25% Discount Rate
Foreclosed Assets	360,326	Appraisal	Appraisal Adjustment	16%

NOTE 15 REVENUE FROM CONTRACTS WITH MEMBERS

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended June 30:

	2023	2022
In Scope of ASC 606:		
Services Charges and Deposit Account Fees	$ 11,425,726	$ 9,868,805
Interchange Income	43,656,680	42,792,299
Other	7,893,343	10,506,187
Noninterest Income in Scope of ASC 606	62,975,749	63,167,291
Noninterest Income Not Within the Scope of ASC 606 (a)	2,338,819	1,207,703
Net Loss on Sale of Loans	(6,922,965)	-
Total Noninterest Income	$ 58,391,603	$ 64,374,994

(a) This revenue is not within the scope of ASC 606, and includes fees related to loan servicing, gain on investments, gain on sale of other assets, Credit Union Owned Life Insurance income, and credit card fees.

The Credit Union does not typically enter into long-term revenue contracts with members, and, therefore, does not experience significant contract balances. As of June 30, 2023 and 2022, the Credit Union did not have any significant contract balances and did not capitalize any contract acquisition costs.