Report of Independent Auditors
and Consolidated Financial Statements

# Redstone Federal Credit Union and Subsidiary

June 30, 2025 and 2024

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# Report of Independent Auditors

The Board of Directors and Supervisory Committee
Redstone Federal Credit Union and Subsidiary

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the consolidated financial statements of Redstone Federal Credit Union and Subsidiary, which comprise the consolidated statements of financial condition as of June 30, 2025 and 2024, and the related consolidated statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Redstone Federal Credit Union and Subsidiary as of June 30, 2025 and 2024, 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 Financial Statements section of our report. We are required to be independent of Redstone Federal Credit Union and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 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 Redstone Federal Credit Union and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

***Auditor's Responsibilities for the Audit of the 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 Redstone Federal Credit Union and Subsidiary'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 Redstone Federal Credit Union and Subsidiary'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.

Baker Tilly US, LLP

Spokane, Washington
September 30, 2025

# Consolidated Financial Statements

# Redstone Federal Credit Union and Subsidiary
## Consolidated Statements of Financial Condition
## June 30, 2025 and 2024
## (Dollar amounts in thousands)

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 455,913 | $ 502,391 |
| Investments in available-for-sale debt securities (amortized costs of $3,808,022 and $3,279,394 at June 30, 2025 and 2024, respectively) | 3,572,603 | 2,962,845 |
| Allowance for credit losses – securities | (1,113) | (1,312) |
| Equity securities, at fair value | 102,301 | 63,052 |
| Loans held for sale | 9,720 | 4,266 |
| Loans to members, net of deferred origination fees and costs | 3,709,172 | 3,797,168 |
| Allowance for credit losses – loans | (38,623) | (44,919) |
| Accrued interest receivable | 23,420 | 20,480 |
| Property and equipment, net | 216,386 | 198,281 |
| National Credit Union Share Insurance Fund (NCUSIF) deposit | 66,003 | 62,874 |
| Other investments | 6,265 | 5,665 |
| Net pension asset | 54,754 | 47,581 |
| Other assets | 51,874 | 42,334 |
| Total assets | $ 8,228,675 | $ 7,660,706 |
| **LIABILITIES AND MEMBERS' EQUITY** | | |
| Liabilities | | |
| Members' shares | $ 7,315,799 | $ 6,907,148 |
| Accrued expenses and other liabilities | 61,641 | 91,393 |
| Total liabilities | 7,377,440 | 6,998,541 |
| Contingent liabilities (Note 9) | | |
| Members' equity | | |
| Retained earnings | 1,083,811 | 981,171 |
| Accumulated other comprehensive loss | (232,576) | (319,006) |
| Total members' equity | 851,235 | 662,165 |
| Total liabilities and members' equity | $ 8,228,675 | $ 7,660,706 |

See accompanying notes.

# Redstone Federal Credit Union and Subsidiary
## Consolidated Statements of Income
## Years Ended June 30, 2025 and 2024
## (Dollar amounts in thousands)

| | 2025 | 2024 |
|---|---|---|
| Interest income | | |
| Interest on loans | $ 254,376 | $ 255,745 |
| Interest and dividends on investments and cash equivalents | 126,421 | 106,047 |
| Total interest income | 380,797 | 361,792 |
| Interest expense | | |
| Dividends on members’ shares | 102,521 | 81,048 |
| Interest on borrowed funds | - | 7,374 |
| Total interest expense | 102,521 | 88,422 |
| Net interest income | 278,276 | 273,370 |
| Provision for credit losses | 30,433 | 43,830 |
| Net interest income after provision for credit losses | 247,843 | 229,540 |
| Noninterest income | | |
| Loan late and over limit fees | 4,903 | 6,754 |
| Loan servicing | 1,870 | 1,654 |
| Mortgage banking revenue | 1,899 | 2,177 |
| Nonsufficient fund and overdraft fees | 22,556 | 21,505 |
| Debit card interchange | 47,085 | 47,400 |
| Credit card interchange | 23,137 | 25,417 |
| Insurance and investment commissions | 13,682 | 15,740 |
| Net gain on sale of securities | 4,378 | 3,243 |
| Net gain on sale covered call options | 3,245 | - |
| Unrealized gain on equity securities | 4,364 | 3,072 |
| Other noninterest income | 17,810 | 45,708 |
| Total noninterest income | 144,929 | 172,670 |
| Noninterest expenses | | |
| Salaries and benefits | 144,524 | 138,982 |
| Occupancy | 22,822 | 23,371 |
| Data processing | 21,727 | 21,605 |
| Debit and credit card processing | 22,451 | 23,605 |
| Cash back rebate on credit and debit cards | 23,880 | 25,017 |
| Loan processing and servicing | 6,060 | 6,854 |
| Member education and promotion | 9,684 | 10,792 |
| Professional and outside services | 16,678 | 15,085 |
| Uncollectible accounts | 7,811 | 9,819 |
| Other operating expense | 14,495 | 9,612 |
| Total noninterest expense | 290,132 | 284,742 |
| Net income | $ 102,640 | $ 117,468 |

See accompanying notes.

# Redstone Federal Credit Union and Subsidiary
## Consolidated Statements of Comprehensive Income
## Years Ended June 30, 2025 and 2024
## (Dollar amounts in thousands)

| | 2025 | 2024 |
|---|---|---|
| Net income | $ 102,640 | $ 117,468 |
| Other comprehensive income | | |
| Net change in defined benefit plan obligations | 5,551 | 10,153 |
| Net change in postretirement benefit plan obligations | (252) | 416 |
| Net change in unrealized holding losses on investments in available-for-sale securities | 85,509 | 24,358 |
| Reclassification adjustment for net gain realized in income from sale of investments in available-for-sale securities | (4,378) | (3,243) |
| Other comprehensive income | 86,430 | 31,684 |
| Comprehensive income | $ 189,070 | $ 149,152 |

See accompanying notes.

# Redstone Federal Credit Union and Subsidiary
## Consolidated Statements of Members' Equity
## Years Ended June 30, 2025 and 2024
## (Dollar amounts in thousands)

| | Retained Earnings | | | Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|---|
| | Regular Reserve | Unappropriated | Total | |
| Balance, June 30, 2023 | $ 24,833 | $ 848,840 | $ 873,673 | $ (350,690) |
| Impact of ASC 326 adoption | - | (9,970) | (9,970) | - |
| Net income | - | 117,468 | 117,468 | - |
| Other comprehensive income | - | - | - | 31,684 |
| Balance, June 30, 2024 | 24,833 | 956,338 | 981,171 | (319,006) |
| Net income | - | 102,640 | 102,640 | - |
| Other comprehensive income | - | - | - | 86,430 |
| Balance, June 30, 2025 | $ 24,833 | $ 1,058,978 | $ 1,083,811 | $ (232,576) |

See accompanying notes.

# Redstone Federal Credit Union and Subsidiary
## Consolidated Statements of Cash Flows
## Years Ended June 30, 2025 and 2024
## (Dollar amounts in thousands)

| | 2025 | 2024 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | $ 102,640 | $ 117,468 |
| Adjustments to reconcile net income to net cash from operating activities | | |
| Capitalization of mortgage servicing rights | (434) | (415) |
| Amortization of mortgage servicing rights | 602 | 557 |
| Amortization of premiums and discounts on investments in securities, net | 8,714 | 9,534 |
| Provision for credit losses | 30,433 | 43,830 |
| Adjustment to allowance related to Rural King termination | - | (11,515) |
| Depreciation and amortization of property and equipment | 13,446 | 13,997 |
| Lease right-of-use operating expense | 186 | 302 |
| Mortgage banking revenue | (2,068) | (2,218) |
| Proceeds from sales of loans held for sale | 87,219 | 82,033 |
| Origination of loans held for sale | (90,953) | (79,196) |
| Net loss on derivatives | 169 | 42 |
| Net gain on sale of equity investments | (4,310) | (3,503) |
| Net gain on sale of debt securities | (68) | 260 |
| Net gain on sale of covered call options | (3,245) | - |
| Unrealized gain on equity securities | (4,364) | (3,072) |
| Net loss on disposition of property and equipment | 1 | (478) |
| Net change in | | |
| Accrued interest receivable | (2,940) | (3,239) |
| Defined benefit pension asset | (1,620) | 77 |
| Other assets | (8,694) | (12,192) |
| Accrued expenses and other liabilities | (29,994) | 16,648 |
| Net cash from operating activities | 94,720 | 168,920 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments in available-for-sale securities | (1,003,579) | (290,717) |
| Proceeds from maturities of investments in securities | 465,418 | 320,747 |
| Proceeds from sales of investments in securities | 889 | 8,810 |
| Purchase of equity investments | (57,817) | (43,040) |
| Proceeds from sales of equity investments | 30,486 | 42,543 |
| Purchase of other investments | (600) | (1,483) |
| Net change in loans to members | 50,222 | (57,490) |
| Change in the NCUSIF deposit | (3,129) | 1,165 |
| Proceeds from disposition of property and equipment | - | 765 |
| Purchases of property and equipment | (31,739) | (32,754) |
| Net cash from investing activities | $ (549,849) | $ (51,454) |

See accompanying notes.

# Redstone Federal Credit Union and Subsidiary
## Consolidated Statements of Cash Flows
## Years Ended June 30, 2025 and 2024
## (Dollar amounts in thousands)

| | 2025 | 2024 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase in members' shares | $ 408,651 | $ 101,535 |
| Proceeds from borrowed funds | 2,200 | 879,907 |
| Repayment of borrowed funds | (2,200) | (879,907) |
| Net cash from financing activities | 408,651 | 101,535 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (46,478) | 219,001 |
| CASH AND CASH EQUIVALENTS, beginning of year | 502,391 | 283,390 |
| CASH AND CASH EQUIVALENTS, end of year | $ 455,913 | $ 502,391 |
| SUPPLEMENTAL CASH FLOWS INFORMATION | | |
| Dividends paid on members' shares and interest paid on borrowed funds | $ 102,521 | $ 81,040 |
| NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Impact of Adoption of ASC 326 | $ - | $ 9,970 |
| Transfer of loans into other real estate owned | $ 846 | $ 217 |

See accompanying notes.

## Note 1 – Nature of Operations and Significant Accounting Policies

**Principles of consolidation** – The accompanying consolidated financial statements include the accounts of Redstone Federal Credit Union (Credit Union) and its wholly owned subsidiary, RS Alliance Group, LLC (RSAG). Redstone Services Group, LLC (RSG), Redstone Title Services, LLC (RTS), Redstone Realty Solutions, LLC (RRS), and Ascent Security Group, LLC (ASG) are wholly owned subsidiaries of RSAG. All significant intercompany balances and transactions have been eliminated in consolidation. RTS was dissolved effective May 5, 2025.

**Nature of operations** – The Credit Union is a cooperative association holding a corporate charter under the provisions of the Federal Credit Union Act. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

RSG is engaged primarily in selling insurance products to nonmember customers. RTS provided title insurance and settlement services to members and nonmember customers. RRS provides real estate brokerage services to members and nonmember customers. ASG provides security officer services to the Credit Union and nonmember customers. ASG also provides armored services to the Credit Union and nonmember customers.

**Significant accounting policies** – The Credit Union follows the accounting standards set by the Financial Accounting Standards Board (FASB). The FASB establishes accounting principles generally accepted in the United States of America (GAAP) that are followed to ensure consistent reporting of the financial condition, results of operations, and cash flows of the Credit Union. References to GAAP issued by the FASB in these footnotes are to The FASB Accounting Standards Codification™ (ASC) commonly referred to as the Codification.

**Revenue from contracts with customers** – All of the Credit Union's revenue from contracts with customers in the scope of ASC 606 are recognized within noninterest income. A description of the revenue streams accounted for under ASC 606 follows:

*Service charges* – The Credit Union recognizes revenue for fees and charges at the point in time the member uses the selected service to execute a transaction (e.g., ACH or wire or paid item fee). Lending income for non-portfolio loans and servicing fees are recognized when earned either by closing or servicing the loan.

*Card and ATM fees* – Card and ATM fees include the combined amounts of credit card, debit card, and ATM related revenue. The majority of the fees are card interchange where the Credit Union earns a fee for remitting cardholder funds (or extending credit) via a third-party network to merchants. The Credit Union satisfies performance obligations for each transaction at the point in time the card is  and the funds are remitted. The network establishes interchange fees that the merchant remits to the Credit Union for each transaction, and the Credit Union incurs costs from the network for facilitating the interchange with the merchant. Due to its inability to establish prices and direct activities of the related processing network's service, the Credit Union is deemed the agent in this arrangement and records interchange revenues net of related costs.

Card and ATM fees also include ATM fee income generated from allowing a Credit Union cardholder to withdraw funds from a non-Credit Union ATM and from allowing a non-Credit Union cardholder to withdraw funds from a Credit Union ATM. The Credit Union satisfies performance obligations for each transaction at the point in time that the withdrawal is processed. The Credit Union does not direct activities of the related processing network's service and recognizes revenue on a net basis as the agent in each transaction.

*Insurance* – The Credit Union offers various insurance products to members and nonmembers through the CUSO including auto insurance and homeowners insurance. Insurance contracts have two distinct performance obligations. The first performance obligation is the selling of the policy as an agent for the carrier. This performance obligation is satisfied upon binding of the policy. The second performance obligation is the ongoing servicing of the policy which is satisfied over the life of the policy. Payments are typically received at, or in advance of, the policy period and revenue is recognized at that time. Servicing of the policy only occurs when a claim is made against the policy. Management's analysis of revenues from insurance sales indicated that substantially all revenues were from sources excluded from the scope of the standard. For those revenue sources within the scope of the standard, there was no material impact on revenues based upon the guidance.

*Other income* – Other income represents a variety of revenue streams such as real estate commissions, real estate title services, and computer software sales and service. The Credit Union recognizes revenue at the time the service is provided.

**Use of estimates** – The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income 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 relate to the determination of the allowance for credit losses, fair value of investment securities, and the defined benefit pension plan obligation.

**Subsequent events** – Subsequent events are events or transactions that occur after the date of the Consolidated Statements of Financial Condition but before the consolidated financial statements are available to be issued. The Credit Union recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the Consolidated Statements of Financial Condition, including the estimates inherent in the process of preparing the consolidated financial statements. The Credit Union's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial condition but arose after the date of the Consolidated Statements of Financial Condition and before the consolidated financial statements are issued.

Management of the Credit Union has evaluated subsequent events through September 30, 2025, which is the date the consolidated financial statements were available to be issued.

**Concentrations of credit risk** – Historically, most of the Credit Union's business activity was with members who reside in the north Alabama and middle Tennessee areas. The Credit Union was exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in Alabama and Tennessee.

**Cash and cash equivalents** – For the purpose of the Consolidated Statements of Financial Condition and the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, amounts due from financial institutions, and highly liquid debt instruments classified as cash that were purchased with original maturities of three months or less. Amounts due from financial institutions may, at times, exceed federally insured limits.

**Investments** – Debt securities are classified as held to maturity when the Credit Union has the ability and positive intent to hold them to maturity. Securities classified as held to maturity are carried at cost, adjusted for amortization of premiums to the earliest callable date and accretion of discounts to the maturity date and, if appropriate, any credit impairment losses. Securities available-for-sale consist of debt securities that the Credit Union has the intent and ability to hold for an indefinite period, but not necessarily to maturity. Securities available-for-sale are reported at fair value. Realized gains and losses on securities available-for-sale, determined using the specific identification method, are included in results of operations. Amortization of premiums and accretion of discounts are recognized as adjustments to yield over the contractual lives of the related securities with the exception of premiums for non-contingently callable debt securities which are amortized to the earliest call date, rather than the contractual maturity date. Dividends and interest income are recognized when earned.

A debt security is placed on nonaccrual status at the time any principal and interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income. There was no accrued interest reversed against interest income for the years ended June 30, 2025 and 2024.

Each reporting period management evaluates impairment where there has been a decline in fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline in fair value. Management considers the nature of the collateral, potential future changes in collateral values, default rates, delinquency rates, third-party guarantees, credit ratings, interest rate changes since purchase, volatility of the security's fair value and historical loss information for financial assets secured with similar collateral among other factors. Credit losses are calculated individually, rather than collectively, using a discounted cash flow method, whereby management compares the present value of expected cash flows with the amortized cost basis of the security. The credit loss component recognized through the Provision for Credit Losses on the Consolidated Statements of Income.

**Allowance for credit losses on held to maturity debt securities** – Management measures expected credit losses on held to maturity securities by individual basis. Accrued interest receivable on held to maturity debt securities is excluded from the estimate of credit losses. The estimate of expected credit losses considers credit ratings and historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.

**Allowance for credit losses on available-for-sale securities** – For available-for-sale securities in an unrealized loss position, management first assesses whether it intends to sell, or is more likely than not to be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis.

Changes in the allowance for credit losses are recorded as a provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale debt securities is not included in the estimate of credit losses.

**Charitable donation account** – The Credit Union holds investments in a segregated custodial charitable donation account. A charitable donation account is a hybrid charitable and investment vehicle that is funded as a means to provide charitable contributions to qualified charities. The value of the charitable donation account cannot exceed 5% of the Credit Union's net worth and the Credit Union is required to distribute a minimum of 51% of the total return on assets no less frequently than every five years or upon termination of the charitable donation account. The charitable donation account has no stated maturity date, is owned by the Credit Union, and may be terminated at the sole discretion of the Credit Union. Charitable donation account assets are measured at fair value on a recurring basis. In the accompanying Consolidated Statements of Income for the years ended June 30, 2025 and 2024, a gain of $1,345 and a gain of $1,134, respectively, is included as a component of noninterest income, and $1,638 and $1,248, respectively, is included as a component of interest and dividends on investments. Distributions to qualified charities recognized as charitable contribution expense for the years ended June 30, 2025 and 2024, were $855 and $375, respectively.

**Employee benefit funding account** – The Credit Union holds investments in a segregated benefit investment account for the Credit Union's medical employee benefit obligations. The Credit Union funds the investment account with amounts sufficient to result in actual investment returns not to exceed the respective underlying medical benefit obligations. The account has no stated maturity date and may be terminated at the sole discretion of the Credit Union. Benefits funding assets are measured at fair value on a recurring basis. In the accompanying Consolidated Statements of Income for the years ended June 30, 2025 and 2024, gains of $6,331 and $5,179, respectively, are included as a component of noninterest income, and $6,636 and $5,313, respectively, are included as a component of interest and dividends on investments. The assets are owned by the Credit Union and are revocable at any time at the discretion of the Credit Union.

**Federal Home Loan Bank (FHLB) stock** – The Credit Union is a member of the FHLB system. Members are required to own a certain amount of stock based on the Credit Union’s total assets plus a percentage of outstanding advances and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on the ultimate recovery of par value. Both cash and stock dividends are reported as income. FHLB stock is reported on the Consolidated Statements of Financial Condition as a component of other investments.

**Loans held for sale** – Mortgage loans originated and intended for sale in the secondary market are carried at fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Most mortgage loans held for sale are sold with the mortgage service rights retained by the Credit Union. Gains or losses on sales of residential mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold. All sales are made without recourse.

**Loans, net of deferred origination fees and costs** – The Credit Union grants residential mortgage, business, and consumer loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions of the area.

Loans the Credit Union has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, and net of certain direct loan origination fees and costs. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

The accrual of interest income on loans is discontinued at the time the loan is 91 days past due unless the credit is well secured and in the process of collection. Other personal loans are typically charged off no later than 180 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if the collection of principal and interest is considered doubtful.

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

Certain direct loan origination costs and related fees are deferred and are recognized as an adjustment to interest income using the interest method or the straight-line method over the contractual life of the loans.

**Allowance for credit losses** – The allowance for credit losses on loans is a valuation account that is deducted from the loans’ amortized cost basis 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 and recoveries are credited to the allowance when received. In the case of recoveries, amounts may not exceed the aggregate of amounts previously charged off.

Management utilizes relevant available information, from internal and external sources, relating to past events, current conditions, historical loss experience, 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 the current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

Accrued interest receivable is excluded from the estimate of credit losses for loans other than credit cards.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Credit Union has identified the following portfolio segments and measures the allowance for credit losses using the following methods:

| Pool | Methodology |
|---|---|
| Consumer | |
| Direct Auto | Life-Cycle DCF |
| Indirect Auto | Life-Cycle DCF |
| RK Loans | Life-Cycle DCF |
| Other Secured | Life-Cycle DCF |
| Unsecured | Reporting Period Non-Linear DCF |
| Negative Shares | Reporting Period Non-Linear DCF |
| Residential Real Estate | |
| First Mortgage | Life-Cycle DCF |
| Other Real Estate | Life-Cycle DCF |
| First Time Homebuyers | Reporting Period Non-Linear DCF |
| Commercial | Life-Cycle DCF |
| Credit Cards | Life-Cycle DCF |

Discounted Cash Flow (DCF) models begin with contractual cash flows based on the attributes of the loan at the time of modeling, including loan amount, interest rate, and loan term. The total contractual cash flows are then modified to derive expected life-of-loan cash flows. The life cycle of a loan refers to the period of time from when the loan was originated until it is fully repaid or charged off resulting in various vintages in the pool. The reporting period model refers to all the activity in a pool over a certain window of time.

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 foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs.

When the discounted cash flow method is used to determine the allowance for credit losses, management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Contractual Term: Expected credit losses are estimated over the contractual term of loans, adjusted for expected prepayments, when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless the following applies: management has a reasonable expectation at the reporting date that an extension or renewal option are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Credit Union.

Certain loans receivable such as credit cards and lines of credit do not have stated maturities. Management has elected to set an estimated maturity date for the discounted cash flow calculations used when determining the allowance for credit loss. Credit cards have an estimated maturity of 60 months and lines of credit have an estimated maturity of 160 months. All other variables of the allowance calculation follow standard life-cycle discounted cash flow modeling.

**Allowance for credit losses on off-balance sheet credit exposures** – The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposure is adjusted through a provision for 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. The estimate utilizes the same factors and assumptions as the allowance for credit losses on loans and is applied at the same collective cohort level.

**Transfers of financial assets** – Transfers of an entire financial asset, a group of financial assets, or a participating interest in an entire financial asset, are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Credit Union, the transferee obtains the right to pledge or exchange the transferred assets, and the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

**Loan servicing** – Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. 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. Capitalized servicing rights are reported in other assets and are amortized into noninterest expense in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights into tranches based on predominant risk 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 capitalized amount for the tranche. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular tranche, a reduction of the allowance may be recorded as an increase to income.

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 included in loan servicing expense.

**Property and equipment** – Land is carried at cost. Land improvements, buildings, building improvements, leasehold improvements, and furniture and equipment are carried at cost less accumulated depreciation and amortization. Land improvements, buildings and building improvements, and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 2 to 40 years. The cost of leasehold improvements is amortized using the straight-line method over the lesser of the useful life of the assets or the expected terms of the related leases. Expected terms include lease option periods to the extent the exercise of such options is reasonably assured. Management reviews premises and equipment for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

**Leases** – For all leases (with the exception of short-term leases), the Credit Union, as the lessee, recognizes the following at the commencement date: a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under Codification Topic 842, *Leases*, the Credit Union elected certain relief options for practical expedients: the option to not separate lease and nonlease components and instead to account for them as a single lease component, and the option to not recognize right-of-use assets and lease liabilities that arise from short-term leases (i.e., lease terms of 12 months or less). As of June 30, 2025 and 2024, the Credit Union recorded a $512 and $657, respectively, right-of-use asset in property and equipment and a $508 and $656, respectively, lease liability on its Consolidated Statements of Financial Condition.

**National Credit Union Share Insurance Fund (NCUSIF) deposit and insurance premium** – The deposit in the NCUSIF is in accordance with National Credit Union Administration (NCUA) regulations, which requires the maintenance of a deposit by each federally insured credit union in an amount equal to 1% of its insured members' shares. The deposit would be refunded to the Credit Union if its insurance coverage was terminated, if it converted its insurance coverage to another source, or if management of the fund was transferred from the NCUA Board. The Credit Union is also required to pay an annual insurance premium as assessed by the NCUA Board.

**Other real estate owned** – Real estate and other property acquired in full or partial settlement of loan obligations is referred to as other real estate owned. Other real estate owned is originally recorded in the Credit Union's consolidated financial statements at fair value less any estimated costs to sell. When property is acquired through foreclosure or surrendered in lieu of foreclosure, the Credit Union measures the fair value of the property acquired against its recorded investment in the loan. If the fair value of the property at the time of acquisition is less than the recorded investment in the loan, the difference is charged to the allowance for credit losses. Any subsequent fluctuations in the fair value of other real estate owned are charged to noninterest expense. All related operating or maintenance costs are charged to noninterest expense as incurred. Any subsequent gains or losses on the sale of other real estate owned are recorded in other income or expense as incurred.

**Members' shares** – Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the number of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are set by the Credit Union's Board of Directors.

**Advertising costs** – Advertising costs are expensed as incurred. Total advertising costs for the years ended June 30, 2025 and 2024, were $7,162 and $8,714, respectively.

**Income taxes** – The Credit Union is exempt, by statute, from federal and state income taxes. The Credit Union Service Organizations, RSAG, RSG, RTS, RRS, and ASG are wholly owned limited liability companies and are not subject to federal and state income taxes.

**Defined benefit plans** – The Credit Union has a qualified, noncontributory defined benefit pension plan and a postretirement benefit plan covering certain employees as more fully disclosed in Note 10. The Credit Union's policy is to fund an amount in excess of the minimum amount required under the Employee Retirement Income Security Act (ERISA).

**Comprehensive income (loss)** – Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale debt securities and changes in the funded status of the pension and postretirement benefit plans, are reported as a separate component of the members' equity section of the Consolidated Statements of Financial Condition.

**Fair value of financial instruments** – Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

**Collaborative arrangement** – The Credit Union was party to a contract with RK Family, Inc., Rural King Holdings, LLP, and RK Finance, LLC (collectively referred to as Rural King) under which the Credit Union provided financial services to Rural King customers. Rural King is a retail provider of farm equipment and other home products. The program included loans for equipment purchases, credit cards, and in-store branches. Rural King customers who obtained a loan or credit card were required to become members of the Credit Union, thereby expanding and diversifying the Credit Union's membership. The Credit Union and Rural King shared in all revenues and expenses of the loan and credit card programs. Revenues and expenses related to the in-store branch program belong entirely to the Credit Union.

This program was accounted for as a collaborative arrangement as outlined in ASC 808 – *Collaborative Arrangements*. Both the Credit Union and Rural King were active participants in the program, and both were exposed to risk or reward depending on the success of the program activities. The Credit Union originated and serviced loans, as well as provided limited branch services to Rural King customers. Loan origination was provided through an online portal in store or on Rural King's website. Rural King assisted customers in the store with loan and credit card applications, as well as marketed the loan and credit card products within their stores and on their website. Rural King provided dedicated space within selected stores for in-store branches operated by the Credit Union.

Revenue generated and costs incurred from transactions with members were recorded at their gross amount in the appropriate category in the Consolidated Statements of Income. Any gain or loss resulting from these transactions were shared with Rural King with the shared amount recorded in other noninterest income or other operating expense. All other program expenses from transactions with other third parties that were incurred by the Credit Union and Rural King were combined and shared. The net amount of these expenses after payment to or from Rural King were included by the Credit Union in the appropriate expense category on the Consolidated Statements of Income.

The program terminated March 22, 2024, and final settlement of program assets occurred June 28, 2024. As part of the final settlement, the Credit Union agreed to split subsequent net recoveries of charged off credit card loans for twelve months. See Note 15 for additional financial information attributed to this collaborative arrangement.

**Reclassifications** – Certain account reclassifications have been made to the 2024 consolidated financial statements in order to be in accordance with classifications used in the current year with no impact on prior year reported net income or members' equity.

(Dollar amounts in thousands)

## Note 2 – Investments

The following tables present the amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of securities.

Investments classified as available-for-sale debt securities consist of the following at June 30:

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Allowance for Credit Losses | Fair Value |
| **Operating investments** | | | | | |
| Collateralized debt obligations | $ 19,070 | $ - | $ (904) | $ - | $ 18,166 |
| Residential mortgage-backed securities | 1,103,305 | 1,800 | (90,126) | - | 1,014,979 |
| Commercial mortgage-backed securities | 2,506,707 | 7,446 | (150,580) | (454) | 2,363,119 |
| **Charitable donation account** | | | | | |
| Fixed income bonds | 32,294 | 251 | (809) | (134) | 31,602 |
| **Employee benefit funding account** | | | | | |
| Fixed income bonds | 146,646 | 1,282 | (3,779) | (525) | 143,624 |
| | $ 3,808,022 | $ 10,779 | $ (246,198) | $ (1,113) | $ 3,571,490 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Amortized Cost | Unrealized Gains | Unrealized Losses | Allowance for Credit Losses | Fair Value |
| **Operating investments** | | | | | |
| Collateralized debt obligations | $ 24,478 | $ - | $ (1,735) | $ - | $ 22,743 |
| Residential mortgage-backed securities | 1,031,393 | 31 | (128,341) | - | 903,083 |
| Commercial mortgage-backed securities | 2,081,906 | 2,701 | (180,849) | (216) | 1,903,542 |
| **Charitable donation account** | | | | | |
| Fixed income bonds | 27,143 | 49 | (1,541) | (223) | 25,428 |
| **Employee benefit funding account** | | | | | |
| Fixed income bonds | 114,474 | 202 | (7,066) | (873) | 106,737 |
| | $ 3,279,394 | $ 2,983 | $ (319,532) | $ (1,312) | $ 2,961,533 |

**(Dollar amounts in thousands)**

Sales of investments in available-for-sale debt securities resulted in the following:

| | 2025 | | | |
|---|---|---|---|---|
| | Proceeds from Sales | Gross Realized Gains | Gross Realized Losses | Net Realized Gain (Loss) |
| Charitable donation account | 324 | 22 | (6) | 16 |
| Employee benefit funding account | 565 | 75 | (23) | 52 |
| | $ 889 | $ 97 | $ (29) | $ 68 |

| | 2024 | | | |
|---|---|---|---|---|
| | Proceeds from Sales | Gross Realized Gains | Gross Realized Losses | Net Realized Gain (Loss) |
| Charitable donation account | 1,724 | 152 | (118) | 34 |
| Employee benefit funding account | 7,086 | 371 | (665) | (294) |
| | $ 8,810 | $ 523 | $ (783) | $ (260) |

During the year ended June 30, 2025, the Credit Union implemented an income generating covered call option strategy. The Credit Union sells covered call option contracts on equity shares held in the employee benefit funding account and charitable donation account. Premiums are recognized as income at settlement. Total premiums recognized as income for the years ended June 30, 2025 and 2024, were $3,245 and $0, respectively.

Debt securities with fair value of $713,652 and $760,850 have been pledged as collateral to secure advances from the Federal Reserve Bank discount window as of June 30, 2025 and 2024, respectively, as more fully disclosed in Note 7. Securities with fair value of $259,476 and $251,915 have been pledged as collateral to secure advances from the Federal Home Loan Bank as of June 30, 2025 and 2024, respectively.

**(Dollar amounts in thousands)**

Investments in debt securities by contractual maturity as of June 30, 2025, are summarized as follows:

| | Available-for-sale | |
|---|---|---|
| | Amortized Cost | Fair Value |
| **Operating investments** | | |
| Collateralized debt obligations | $ 19,070 | $ 18,166 |
| Residential mortgage-backed securities | 1,103,305 | 1,014,979 |
| Commercial mortgage-backed securities | 2,506,707 | 2,363,119 |
| **Charitable donation account** | | |
| Less than 1 year maturity | 2,741 | 2,713 |
| 1-5 years maturity | 22,076 | 21,507 |
| 5-10 years maturity | 7,322 | 7,234 |
| Greater than 10 year maturity | 155 | 148 |
| **Employee benefit funding account** | | |
| Less than 1 year maturity | 11,653 | 11,502 |
| 1-5 years maturity | 98,290 | 95,559 |
| 5-10 years maturity | 36,021 | 35,920 |
| Greater than 10 year maturity | 682 | 643 |
| | $ 3,808,022 | $ 3,571,490 |

Expected maturities of collateralized debt obligations and mortgage-backed securities may differ from contractual maturities because borrowers may have the right to call or prepay the obligations and are, therefore, classified separately with no specific maturity date.

The table below presents a roll forward by major security type for the year ended June 30, 2025 and 2024, of the allowance for credit losses on debt securities available-for-sale held at period end:

| | Mortgage-backed | Other |
|---|---|---|
| Beginning balance, July 1, 2024 | $ 216 | $ 1,097 |
| Provision for credit losses | 238 | (438) |
| Ending balance, June 30, 2025 | $ 454 | $ 659 |

| | Mortgage-backed | Other |
|---|---|---|
| Beginning balance, July 1, 2023 | $ - | $ - |
| Impact of adopting ASC 326 | 89 | 1,292 |
| Provision for credit losses | 127 | (195) |
| Ending balance, June 30, 2024 | $ 216 | $ 1,097 |

**(Dollar amounts in thousands)**

The following table summarizes debt securities available-for-sale in an unrealized loss position at June 30, 2025 and 2024, aggregated by major security type and length of time in a continuous loss position:

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Fair Value Associated with Unrealized Losses Existing for | | Continuous Unrealized Losses Existing for | | Total |
| | Less Than 12 Months | More Than 12 Months | Less Than 12 Months | More Than 12 Months | Unrealized Losses |
| **Available-for-sale** | | | | | |
| **Operating investments** | | | | | |
| Collateralized debt obligations | $ - | $ 18,166 | $ - | $ 904 | $ 904 |
| Residential mortgage-backed securities | 40,679 | 743,118 | 194 | 89,932 | 90,126 |
| Commercial mortgage-backed securities | 327,880 | 1,336,573 | 1,813 | 148,767 | 150,580 |
| **Charitable donation account** | | | | | |
| Fixed income bonds | 3,098 | 14,006 | 45 | 764 | 809 |
| **Employee benefit funding account** | | | | | |
| Fixed income bonds | 8,484 | 62,363 | 135 | 3,644 | 3,779 |
| | $ 380,141 | $ 2,174,226 | $ 2,187 | $ 244,011 | $ 246,198 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Fair Value Associated with Unrealized Losses Existing for | | Continuous Unrealized Losses Existing for | | Total |
| | Less Than 12 Months | More Than 12 Months | Less Than 12 Months | More Than 12 Months | Unrealized Losses |
| **Available-for-sale** | | | | | |
| **Operating investments** | | | | | |
| Collateralized debt obligations | $ - | $ 22,743 | $ - | $ 1,735 | $ 1,735 |
| Residential mortgage-backed securities | 65,996 | 839,808 | 315 | 128,026 | 128,341 |
| Commercial mortgage-backed securities | 156,584 | 1,419,841 | 1,031 | 179,818 | 180,849 |
| **Charitable donation account** | | | | | |
| Fixed income bonds | 6,153 | 16,742 | 93 | 1,448 | 1,541 |
| **Employee benefit funding account** | | | | | |
| Fixed income bonds | 18,076 | 76,897 | 227 | 6,839 | 7,066 |
| | $ 246,809 | $ 2,376,031 | $ 1,666 | $ 317,866 | $ 319,532 |

At June 30, 2025 and 2024, the investment portfolio included 296 and 317 available-for-sale debt securities, respectively, with unrealized losses.

The gain recognized on equity securities in the Consolidated Statement of Income was composed of the following for the years ended June 30:

| | 2025 | 2024 |
|---|---|---|
| Net unrealized gain recognized on equity securities | $ 8,675 | $ 23,894 |
| Less net gain recognized on equity securities sold | 4,311 | 20,822 |
| Unrealized gain recognized on equity securities held | $ 4,364 | $ 3,072 |

(Dollar amounts in thousands)

In 2008, the Credit Union was issued VISA common stock Class-B shares as compensation for becoming a member in the loss sharing agreement related to the legal action known as In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation (MDL 1720). The shares had zero basis and were not recorded on the balance sheet. The shares were sold on November 27, 2023, for a gain of $17,320, included in unrealized net gain recognized on equity securities and net gain recognized on equity securities sold in the above table. Realized gain is included within other noninterest income in the consolidated statements of income.

Other investments consist of the following as of June 30:

| | 2025 | 2024 |
|---|---|---|
| FHLB of Atlanta stock | $ 5,523 | $ 5,283 |
| Minority Interest in CUSO's | 742 | 382 |
| | $ 6,265 | $ 5,665 |

The Credit Union views its investment in FHLB of Atlanta stock as a long-term investment. Accordingly, when evaluating for impairment, the value is determined based on the ultimate recoverability of the par value rather than recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability is influenced by factors such as 1) the significance of the decline in net assets of the institution as compared to the investment amount and length of time a decline has persisted, 2) impact of legislative and regulatory changes on the institution, and 3) the liquidity position of the institution. The Credit Union does not believe that its investment in the FHLB of Atlanta stock is impaired as of June 30, 2025.

**Note 3 – Loans, Net**

The following table presents the principal balance of total loans outstanding by portfolio segment and class of loans receivable at June 30, 2025 and 2024:

| | 2025 | 2024 |
|---|---|---|
| Member business loans | $ 519,386 | $ 443,280 |
| Residential real estate and home equity | 1,487,445 | 1,414,966 |
| Consumer loans – collateralized | 1,240,622 | 1,468,693 |
| Consumer loans | 450,298 | 456,073 |
| Gross loans outstanding | 3,697,751 | 3,783,012 |
| Deferred net loan origination costs | 11,421 | 14,156 |
| Allowance for credit losses | (38,623) | (44,919) |
| | $ 3,670,549 | $ 3,752,249 |

**(Dollar amounts in thousands)**

The following table presents, by portfolio segment, the changes in the allowance for credit losses and the recorded investment in loans for the years ended June 30, 2025 and 2024:

| | 2025 | | | |
|---|---|---|---|---|
| | Member Business | Residential Real Estate and Home Equity | Consumer | Total |
| Balance at beginning of year | $ 1,012 | $ 5,145 | $ 38,761 | $ 44,918 |
| Provision for credit losses | 946 | 1,959 | 27,567 | 30,472 |
| Loans charged off | (498) | (2,168) | (44,980) | (47,646) |
| Recoveries of loans | 81 | 158 | 10,640 | 10,879 |
| Balance at end of year | $ 1,541 | $ 5,094 | $ 31,988 | $ 38,623 |

| | 2024 | | | |
|---|---|---|---|---|
| | Member Business | Residential Real Estate and Home Equity | Consumer | Total |
| Balance at beginning of year | $ 2,388 | $ 6,182 | $ 32,656 | $ 41,226 |
| Impact of adopting ASC 326 | (1,441) | (956) | 10,682 | 8,285 |
| Provision for loan losses | 717 | 373 | 31,354 | 32,444 |
| Loans charged off | (687) | (632) | (45,416) | (46,735) |
| Recoveries of loans | 35 | 178 | 9,485 | 9,698 |
| Balance at end of year | $ 1,012 | $ 5,145 | $ 38,761 | $ 44,918 |

The Credit Union offers nontraditional mortgage loans to its members. These loans include hybrid/balloon, which consist of loans that are fixed for an initial period of three, five, seven, or ten years. After this period, the mortgages are converted to a variable rate using the fully indexed rate, which can result in significant payment adjustment to the borrower.

Nontraditional mortgage loans may have significantly different credit risk characteristics than traditional fixed and variable rate mortgages. However, the Credit Union believes it has established prudent underwriting standards as well as adequate risk management functions to monitor these additional risks.

The allowance for credit losses is considered by the Credit Union as adequate to cover expected losses in the loan portfolio at June 30, 2025. However, no assurance can be given the Credit Union will not sustain credit losses that exceed the allowance or that subsequent evaluation of the loan portfolio, in light of the prevailing factors, including economic conditions, credit quality of the assets comprising the portfolio, and the ongoing evaluation process, will not require significant changes in the allowance for credit losses.

(Dollar amounts in thousands)

The following tables are disclosed at principal, the difference between principal and amortized cost is not material.

**Credit quality indicators** – The Credit Union monitors past due status for the purpose of managing credit risk for all loans. The following tables provide past due amounts for each class of loan:

| | 2025 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days and Greater | Total Past Due | Current | Total Loans | Recorded Investment > 90 Days and Accruing |
| Member business loans | | | | | | | |
| Real estate secured | $ - | $ - | $ - | $ - | $ 503,498 | $ 503,498 | $ - |
| Unsecured | 40 | 70 | 13 | 123 | 7,453 | 7,576 | - |
| SBA guaranteed | - | - | - | - | 386 | 386 | - |
| Other secured | - | - | 166 | 166 | 7,760 | 7,926 | - |
| Residential real estate and home equity | | | | | | | |
| First mortgage | - | 4,722 | 7,425 | 12,147 | 973,508 | 985,655 | - |
| Second mortgage | - | - | 326 | 326 | 67,975 | 68,301 | - |
| Home equity lines of credit | 3,281 | 790 | 1,352 | 5,423 | 428,066 | 433,489 | - |
| Consumer loans - collateralized | | | | | | | |
| Automobile | 4,379 | 1,082 | 1,295 | 6,756 | 435,455 | 442,211 | - |
| Indirect automobile | 12,280 | 3,662 | 4,568 | 20,510 | 559,112 | 579,622 | - |
| Other secured | 2,792 | 1,215 | 1,778 | 5,785 | 213,004 | 218,789 | - |
| Consumer loans | | | | | | | |
| Unsecured | 1,750 | 795 | 524 | 3,069 | 189,290 | 192,359 | - |
| Credit cards | 3,232 | 1,326 | - | 4,558 | 253,381 | 257,939 | - |
| Total | $ 27,754 | $ 13,662 | $ 17,447 | $ 58,863 | $ 3,638,888 | $ 3,697,751 | $ - |

| | 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days and Greater | Total Past Due | Current | Total Loans | Recorded Investment > 90 Days and Accruing |
| Member business loans | | | | | | | |
| Real estate secured | $ - | $ - | $ - | $ - | $ 424,912 | $ 424,912 | $ - |
| Unsecured | 60 | 19 | 15 | 94 | 8,050 | 8,144 | - |
| SBA guaranteed | - | - | - | - | 1,552 | 1,552 | - |
| Other secured | 196 | 15 | - | 211 | 8,461 | 8,672 | - |
| Residential real estate and home equity | | | | | | | |
| First mortgage | - | 2,872 | 4,645 | 7,517 | 974,576 | 982,093 | - |
| Second mortgage | - | 156 | 98 | 254 | 65,167 | 65,421 | - |
| Home equity lines of credit | 2,729 | 468 | 931 | 4,128 | 363,324 | 367,452 | - |
| Consumer loans - collateralized | | | | | | | |
| Automobile | 4,159 | 1,273 | 1,647 | 7,079 | 467,208 | 474,287 | - |
| Indirect automobile | 12,829 | 4,974 | 6,302 | 24,105 | 692,623 | 716,728 | - |
| Other secured | 2,928 | 1,020 | 1,549 | 5,497 | 272,181 | 277,678 | - |
| Consumer loans | | | | | | | |
| Unsecured | 1,854 | 824 | 41 | 2,719 | 197,986 | 200,705 | - |
| Credit cards | 2,498 | 1,494 | 13 | 4,005 | 251,363 | 255,368 | - |
| Total | $ 27,253 | $ 13,115 | $ 15,241 | $ 55,609 | $ 3,727,403 | $ 3,783,012 | $ - |

The Credit Union utilizes internal risk ratings for its credit quality indicators. The internal risk ratings 1) provide a basis for evaluating, monitoring, and reporting the overall quality of the loan portfolio, 2) promptly identify deterioration of loan quality and the need for remedial action, and 3) emphasize areas requiring upgrading of policies, procedures, or documentation.

The internal risk ratings are as follows:

For member business loans, management's judgment about the quality of each individual loan is made at the time the loan is granted and the collectability of each loan is reviewed periodically and changed when warranted, based on the status of the loan or business. Loans are classified on a nine-point system ranging from Excellent to Probable Loss. Loans classified as Excellent are generally secured by marketable collateral, such as deposit accounts, pledged to the Credit Union or government backed securities. Strong loans are generally secured by pledged liquid collateral such as publicly traded stocks or corporate bonds with an adequate margin of safety. Satisfactory loans have sound credit quality, overall, but may indicate a slight potential weakness in the financial analysis. Loans classified as Acceptable have sound credit quality, overall, but may indicate several moderate trends toward weakness in the financial analysis or may be a startup business with less than 12 months of financial history. Pass with Caution loans have strained liquidity, unfavorable payment trends, management weakness, or erratic profitability and financial performance. Loans classified as Other Loans Especially Mentioned (OLEM) have been downgraded at first 30 days past due and placed on the watch list. Substandard loans are problem loans and likely to deteriorate over the near term. Loans classified as Doubtful have deteriorated and there is no defined source of repayment, identified deficiencies cannot be corrected, and credit loss is expected. Probable Loss loans have no repayment ability and credit loss is near certain.

Real estate loans, home equity, and consumer loans are generally risk based priced at the time the loan is made based on the borrower's or co-borrower's beacon score. Loans are classified as A, B, C, D, E, or Not Rated. Loans classified as A are the highest quality and the borrower's current beacon score is in the highest desirable range. E loans are generally loans with a beacon score below 620. Loans that are classified as Not Rated were either made prior to risk based pricing implementation or the borrower has no established credit score available. Real estate loans in the Not Rated category are loans granted prior to April 2011 and were generally approved based on strict underwriting guidelines. Loan classifications are performed at the time of origination.

(Dollar amounts in thousands)

The following tables presents the credit exposure of the loan classes as of June 30:

| | 2025 | | | | |
|---|---|---|---|---|---|
| Member business loans | Real Estate Secured | Unsecured | SBA Guaranteed | Other Secured | Total |
| 1 Excellent | $ - | $ 40 | $ 4 | $ 311 | $ 355 |
| 2 Strong | 10,231 | - | - | - | 10,231 |
| 3 Satisfactory | 139,153 | - | 283 | 685 | 140,121 |
| 4 Acceptable | 322,108 | 7,309 | 99 | 6,733 | 336,249 |
| 5 Pass with Caution | 18,584 | 51 | - | 12 | 18,647 |
| 6 Other Especially Mentioned | 13,306 | 58 | - | - | 13,364 |
| 7 Substandard | - | 56 | - | - | 56 |
| 8 Doubtful | 116 | 62 | - | 185 | 363 |
| 9 Probable Loss | - | - | - | - | - |
| Total | $ 503,498 | $ 7,576 | $ 386 | $ 7,926 | $ 519,386 |

| Residential real estate and home equity | First Mortgage | Second Mortgage | Home Equity Lines of Credit | Total |
|---|---|---|---|---|
| Not Rated | 12,148 | 57 | 4,082 | 16,287 |
| A | 582,637 | 32,319 | 269,819 | 884,775 |
| B | 202,840 | 16,694 | 115,384 | 334,918 |
| C | 155,893 | 18,521 | 34,654 | 209,068 |
| D | 19,144 | 579 | 9,331 | 29,054 |
| E | 8,592 | 120 | 219 | 8,931 |
| N | 4,401 | 11 | - | 4,412 |
| Total | $ 985,655 | $ 68,301 | $ 433,489 | $ 1,487,445 |

| Consumer loans - collateralized | Automobile | Indirect Automobile | Other Secured | Total |
|---|---|---|---|---|
| Not Rated | $ 3 | $ - | $ 4,061 | $ 4,064 |
| A | 248,564 | 299,649 | 131,829 | 680,042 |
| B | 125,406 | 199,256 | 58,273 | 382,935 |
| C | 42,694 | 54,030 | 14,989 | 111,713 |
| D | 18,975 | 20,314 | 5,888 | 45,177 |
| E | 6,569 | 6,373 | 3,749 | 16,691 |
| Total | $ 442,211 | $ 579,622 | $ 218,789 | $ 1,240,622 |

| Consumer loans - unsecured | Unsecured | Credit Cards | Total |
|---|---|---|---|
| Not Rated | $ 12,112 | $ - | $ 12,112 |
| A | 101,336 | 124,738 | 226,074 |
| B | 57,999 | 67,797 | 125,796 |
| C | 15,099 | 26,049 | 41,148 |
| D | 4,205 | 16,706 | 20,911 |
| E | 1,588 | 22,649 | 24,237 |
| N | 14 | - | 14 |
| S | 6 | - | 6 |
| Total | $ 192,359 | $ 257,939 | $ 450,298 |

## (Dollar amounts in thousands)

| | 2024 | | | | |
|---|---|---|---|---|---|
| Member business loans | Real Estate Secured | Unsecured | SBA Guaranteed | Other Secured | Total |
| 1 Excellent | $ - | $ 41 | $ 37 | $ 321 | $ 399 |
| 2 Strong | 2,356 | - | - | 71 | 2,427 |
| 3 Satisfactory | 108,043 | 2 | 312 | 862 | 109,219 |
| 4 Acceptable | 288,193 | 7,854 | 150 | 7,202 | 303,399 |
| 5 Pass with Caution | 9,331 | 48 | 1,053 | 18 | 10,450 |
| 6 Other Especially Mentioned | 16,457 | 33 | - | 2 | 16,492 |
| 7 Substandard | 468 | 93 | - | - | 561 |
| 8 Doubtful | 64 | 73 | - | 196 | 333 |
| 9 Probable Loss | - | - | - | - | - |
| Total | $ 424,912 | $ 8,144 | $ 1,552 | $ 8,672 | $ 443,280 |

| Residential real estate and home equity | First Mortgage | Second Mortgage | Home Equity Lines of Credit | Total |
|---|---|---|---|---|
| Not Rated | $ 14,102 | $ 79 | $ 5,786 | $ 19,967 |
| A | 571,299 | 30,564 | 224,831 | 826,694 |
| B | 201,977 | 16,024 | 98,184 | 316,185 |
| C | 160,344 | 17,881 | 31,332 | 209,557 |
| D | 20,609 | 714 | 7,104 | 28,427 |
| E | 9,861 | 148 | 215 | 10,224 |
| N | 3,901 | 11 | - | 3,912 |
| Total | $ 982,093 | $ 65,421 | $ 367,452 | $ 1,414,966 |

| Consumer loans - collateralized | Automobile | Indirect Automobile | Other Secured | Total |
|---|---|---|---|---|
| Not Rated | $ 1 | $ - | $ 3,636 | $ 3,637 |
| A | 269,210 | 374,811 | 169,072 | 813,093 |
| B | 132,776 | 244,307 | 73,974 | 451,057 |
| C | 43,529 | 64,320 | 19,932 | 127,781 |
| D | 20,926 | 25,350 | 7,869 | 54,145 |
| E | 7,845 | 7,940 | 3,195 | 18,980 |
| Total | $ 474,287 | $ 716,728 | $ 277,678 | $ 1,468,693 |

| Consumer loans - unsecured | Unsecured | Credit Cards | Total |
|---|---|---|---|
| Not Rated | $ 13,583 | $ - | $ 13,583 |
| A | 105,121 | 122,861 | 227,982 |
| B | 59,247 | 69,912 | 129,159 |
| C | 16,303 | 25,448 | 41,751 |
| D | 4,788 | 19,748 | 24,536 |
| E | 1,640 | 17,399 | 19,039 |
| N | 16 | - | 16 |
| S | 7 | - | 7 |
| Total | $ 200,705 | $ 255,368 | $ 456,073 |

## (Dollar amounts in thousands)

**Nonaccrual loans** – The following table presents the amortized cost basis of loans on nonaccrual status as of June 30, 2025 and 2024:

| | 2025 | | |
|---|---|---|---|
| | Nonaccrual with no Allowance for Credit Losses | Nonaccrual with Allowance for Credit Losses | Total Nonaccrual |
| Member business loans | | | |
| Unsecured | $ - | $ 13 | $ 13 |
| Other secured | - | 166 | 166 |
| Residential real estate and home equity | | | |
| First mortgage | - | 7,425 | 7,425 |
| Second mortgage | - | 326 | 326 |
| Home equity lines of credit | - | 1,352 | 1,352 |
| Consumer loans – collateralized | | | |
| Automobile | - | 1,295 | 1,295 |
| Indirect automobile | - | 4,568 | 4,568 |
| Other secured | - | 1,778 | 1,778 |
| Consumer loans | | | |
| Unsecured | - | 524 | 524 |
| Total | $ - | $ 17,447 | $ 17,447 |

| | 2024 | | |
|---|---|---|---|
| | Nonaccrual with no Allowance for Credit Losses | Nonaccrual with Allowance for Credit Losses | Total Nonaccrual |
| Member business loans | | | |
| Unsecured | $ - | $ 15 | $ 15 |
| Residential real estate and home equity | | | |
| First mortgage | - | 4,645 | 4,645 |
| Second mortgage | - | 98 | 98 |
| Home equity lines of credit | - | 931 | 931 |
| Consumer loans – collateralized | | | |
| Automobile | - | 1,647 | 1,647 |
| Indirect automobile | - | 6,302 | 6,302 |
| Other secured | - | 1,549 | 1,549 |
| Consumer loans | | | |
| Unsecured | - | 41 | 41 |
| Credit cards | - | 13 | 13 |
| Total | $ - | $ 15,241 | $ 15,241 |

**(Dollar amounts in thousands)**

The amount of accrued interest reversed against interest income totaled $137 and $1,598 for the years ended June 30, 2025 and 2024.

If interest on nonaccrural loans had been accrued, such income would have been $691 and $553 for June 30, 2025 and 2024, respectively.

**Collateral-dependent loans** – Collateral-dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. As of June 30, 2025 and 2024, there were no collateral dependent loans. There have been no significant changes in the level of collateralization from the prior periods.

**Loan modification** – The Credit Union may agree to modify the contractual terms of a loan to a borrower experiencing financial difficulties as part of ongoing loss mitigation strategies. These modifications may result in principal forgiveness, other-than-insignificant payment delay, term extension, interest rate modification, or combination therein. When a principal reduction is provided, the amount of forgiveness is charged off against the allowance for credit losses. Upon determination that a modified loan, or a portion of a modified loan, has been subsequently deemed uncollectible, the loan, or portion thereof, is written off. The amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. A newly refinanced loan can be considered a modification when the terms (including its interest rate) are not at least as favorable to the lender as the terms with customers with similar collection risks that are not refinancing or restructuring their loans.

The following tables present the amortized cost basis of loans at June 30, 2025 and 2024, that were both experiencing financial difficulty and modified during the years ended June 30, 2025 and 2024, by class and type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below:

| | June 30, 2025 | | | | |
|---|---|---|---|---|---|
| | Payment Delay | Term Extension | Extension and Rate Reduction | Total | % of Total Loan Class |
| Member business loans | | | | | |
| Real estate secured | $ - | $ - | $ 13,306 | $ 13,306 | 2.13% |
| Unsecured | - | - | 23 | 23 | 0.44% |
| SBA guaranteed | - | - | - | - | 0.00% |
| Other secured | - | - | - | - | 0.00% |
| Residential real estate and home equity | - | 3,470 | - | 3,470 | 0.23% |
| Consumer loans | 3,858 | - | 3,292 | 7,150 | 0.42% |
| **Total** | $ 3,858 | $ 3,470 | $ 16,621 | $ 23,949 | 3.22% |

**(Dollar amounts in thousands)**

| | June 30, 2024 | | | | |
|---|---|---|---|---|---|
| | Payment Delay | Term Extension | Extension and Rate Reduction | Total | % of Total Loan Class |
| Member business loans | | | | | |
| Unsecured | $ - | $ - | $ 67 | $ 67 | 0.82% |
| Residential real estate and home equity | - | 4,703 | - | 4,703 | 0.33% |
| Consumer loans | 7,454 | - | - | 7,454 | 0.39% |
| **Total** | $ 7,454 | $ 4,703 | $ 67 | $ 12,224 | 1.54% |

The Credit Union closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months:

| | As of June 30, 2025 | | | |
|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90+ Days Past Due | Total Past Due |
| Residential real estate and home equity | $ - | $ 396 | $ 145 | 541 |
| Consumer loans | 1,130 | 305 | 281 | 1,716 |
| | $ 1,130 | $ 701 | $ 426 | $ 2,257 |

| | As of June 30, 2024 | | | |
|---|---|---|---|---|
| | 30-59 Days Past Due | 60-89 Days Past Due | 90+ Days Past Due | Total Past Due |
| Residential real estate and home equity | $ 235 | $ 616 | $ 177 | 1,028 |
| Consumer loans | 1,018 | 889 | - | 1,907 |
| | $ 1,253 | $ 1,505 | $ 177 | $ 2,935 |

(Dollar amounts in thousands)

**Note 4 – Loan Servicing**

Mortgage loans serviced for others are not included in the accompanying Consolidated Statements of Financial Condition. The unpaid principal balances of these loans at June 30 are summarized as follows:

| | 2025 | 2024 |
|---|---|---|
| Mortgage loan portfolio serviced for Fannie Mae | $ 518,647 | $ 542,283 |
| Mortgage loan portfolio serviced for Freddie Mac | - | 3 |
| Mortgage loan portfolio serviced for City of Huntsville | 176 | 196 |
| | $ 518,823 | $ 542,482 |

Mortgage servicing rights, net of impairment, in the amounts of $2,441 and $2,609 at June 30, 2025 and 2024, respectively, are classified as other assets in the Consolidated Statements of Financial Condition.

Custodial escrow balances maintained in connection with the foregoing loan servicing and included in members' shares in the Consolidated Statements of Financial Condition, were $6,242 and $5,541 at June 30, 2025 and 2024, respectively.

The activities in capitalized mortgage servicing rights for the years ended June 30 are summarized as follows:

| | 2025 | 2024 |
|---|---|---|
| Mortgage servicing rights | | |
| Balance, beginning of year | $ 2,609 | $ 2,751 |
| Additions | 434 | 415 |
| Amortization | (602) | (557) |
| Balance, end of year | 2,441 | 2,609 |
| Reserve for impairment of mortgage servicing rights | | |
| Balance, beginning of year | - | - |
| (Recovery) impairment | - | - |
| Balance, end of year | - | - |
| Net book value | $ 2,441 | $ 2,609 |
| Fair value | $ 5,709 | $ 6,621 |

The key market assumptions used in determining the fair value of mortgage servicing rights at June 30 were as follows:

| | 2025 | 2024 |
|---|---|---|
| Prepayment speed per year | 8.54 CPR | 8.73 CPR |
| Weighted-average discount rate | 9.50% | 9.00% |

## (Dollar amounts in thousands)

### Note 5 – Property and Equipment

Property and equipment are summarized as follows at June 30:

| | 2025 | 2024 |
|---|---|---|
| Land | $ 49,803 | $ 47,944 |
| Land improvements | 18,551 | 14,078 |
| Building and building improvements | 210,852 | 194,275 |
| Leasehold improvements | 5,466 | 5,339 |
| Furniture and equipment | 70,293 | 68,672 |
| Lease right-of-use asset | 512 | 657 |
| | 355,477 | 330,965 |
| Accumulated depreciation and amortization | (139,091) | (132,684) |
| | $ 216,386 | $ 198,281 |

Depreciation and amortization expense totaled $13,446 and $13,997 for the years ended June 30, 2025 and 2024, respectively.

### Note 6 – Members' Shares

Members' shares are summarized as follows at June 30:

| | 2025 | 2024 |
|---|---|---|
| Regular shares | $ 2,535,516 | $ 2,627,550 |
| Share draft accounts | 1,449,801 | 1,388,394 |
| Money market accounts | 1,818,575 | 1,687,176 |
| Individual retirement accounts | 30,411 | 33,963 |
| Other savings | 37,115 | 34,459 |
| Certificates | 1,444,381 | 1,135,606 |
| | $ 7,315,799 | $ 6,907,148 |

**(Dollar amounts in thousands)**

Certificates by contractual maturity as of June 30 are summarized as follows:

| | |
|---|---|
| 2026 | $ 1,204,809 |
| 2027 | 97,554 |
| 2028 | 23,245 |
| 2029 | 27,491 |
| 2030 | 30,110 |
| Thereafter | 61,172 |
| | $ 1,444,381 |

Regular shares, share draft accounts, money market accounts, individual retirement accounts, and other savings have no contractual maturity. The NCUSIF insures members' shares and certain individual retirement and Keogh accounts up to $250.

The aggregate amount of certificates in denominations of $250 or more was $273,767 and $201,580 at June 30, 2025 and 2024, respectively.

Overdraft demand shares reclassified to loans totaled $2,134 and $3,011 at June 30, 2025 and 2024, respectively.

**Note 7 – Borrowed Funds**

The Credit Union utilizes a demand loan agreement with the FHLB of Atlanta. The advances are collateralized by FHLB of Atlanta stock and pledged mortgage loan collateral, which includes residential first mortgages, home equity lines of credit, and second mortgages, under an Advances and Security Agreement between the FHLB and the Credit Union. The amount of loans pledged as collateral at June 30, 2025, is $1,637,486. Based on the qualifying collateral, the agreement provides for a maximum borrowing amount of approximately $1,082,837. There were no borrowings outstanding as of June 30, 2025 or 2024.

The Credit Union has available lines of credit with the Federal Reserve Bank of Atlanta and the Federal Home Loan Bank of Atlanta, which are secured by pledged investments from the Credit Union's investment portfolio. The terms of the agreements provide for primary credit up to the market value of the securities pledged. There were no borrowings under these agreements as of June 30, 2025 or 2024.

(Dollar amounts in thousands)

**Note 8 – Off-Balance-Sheet Activities**

The Credit Union is 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 that 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 amount of these commitments. The Credit Union follows the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

Outstanding loan commitments total $45,919 and $29,749 at June 30, 2025 and 2024, respectively. Letters of credit outstanding totaled $80 and $1,215 as of June 30, 2025 and 2024, respectively.

ACH origination limits for business customers outstanding totaled approximately $8,195 and $8,645 as of June 30, 2025 and 2024, respectively.

Unfunded loan commitments under lines of credit are summarized as follows at June 30:

| | 2025 | 2024 |
|---|---|---|
| Credit card | $ 1,319,174 | $ 1,538,367 |
| Home equity line of credit | 359,883 | 343,625 |
| Overdraft line of credit | 53,891 | 52,820 |
| Member business | 19,683 | 67,012 |
| Other consumer | 750 | 951 |
| | $ 1,753,381 | $ 2,002,775 |

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. Because 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 to secure borrowing on the lines of credit is based on management's credit evaluation of the member.

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

The Credit Union is regularly a party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of the Credit Union.

(Dollar amounts in thousands)

## Note 9 – Contingent Liabilities

**Defective loan repurchase** – In the ordinary course of business, the Credit Union sells loans that may have to be subsequently repurchased due to defects that occurred during the origination of the loan. The defects are categorized as documentation errors, underwriting errors, early payment defaults, and fraud. When a loan sold to an investor without recourse fails to perform, the investor will typically review the loan file to determine whether defects in the origination process occurred. If a defect is identified, the Credit Union may be required to either repurchase the loan or indemnify the investor for losses sustained. If there are no defects, the Credit Union has no commitment to repurchase the loan. There was one and no loans repurchased during fiscal year ended June 30, 2025 and 2024, respectively.

**Legal contingencies** – The Credit Union is party to various administrative claims and legal actions brought against it, some of which may ultimately result in settlements or decisions against the Credit Union. Management and legal counsel have determined that it is “probable” that some of these actions will result in a loss to the Credit Union and the loss amounts are reasonably measurable. The estimated liabilities for “probable” cases against the Credit Union are $14 and $164 as of June 30, 2025 and 2024, respectively, and are included in “Accrued Expenses and Other Liabilities” on the Consolidated Statements of Financial Condition.

## Note 10 – Employee Benefits

**Defined benefit pension plan** – The Credit Union sponsors a defined benefit pension plan (Plan) for the benefit of its employees. The Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the Credit Union and compensation levels at retirement. Contributions to the Plan reflect benefits attributed to employees’ services to date, as well as services expected to be earned in the future. The Plan’s status as of and for the years ended June 30 is as follows:

| | 2025 | 2024 |
|---|---|---|
| Projected benefit obligation | $ (124,975) | $ (113,677) |
| Fair value of plan assets | 179,729 | 161,258 |
| Funded status | $ 54,754 | $ 47,581 |
| Accumulated benefit obligation | $ 90,563 | $ 84,347 |
| Net pension cost | $ (121) | $ 77 |
| Employer contribution | 1,500 | - |
| Benefit payments | $ 2,626 | $ 2,210 |

**(Dollar amounts in thousands)**

The components of pension expense are as follows for the years ended June 30:

| | 2025 | 2024 |
|---|---|---|
| Service cost | $ 5,062 | $ 4,925 |
| Interest cost | 6,006 | 5,386 |
| Expected return on Plan assets | (11,189) | (10,304) |
| Amortization of loss | - | 70 |
| Net periodic pension cost | $ (121) | $ 77 |

The change in fair value of pension assets is as follows for the years ended June 30:

| | 2025 | 2024 |
|---|---|---|
| Fair value of Plan assets at beginning of year | $ 161,258 | $ 148,394 |
| Actual return on Plan assets | 19,597 | 15,074 |
| Employer contributions | 1,500 | - |
| Benefits paid | (2,626) | (2,210) |
| Fair value of Plan assets at end of year | $ 179,729 | $ 161,258 |

The change in the projected benefit obligation is as follows for the years ended June 30:

| | 2025 | 2024 |
|---|---|---|
| Projected benefit obligation at beginning of year | $ 113,677 | $ 110,888 |
| Service cost | 5,062 | 4,925 |
| Interest cost | 6,006 | 5,386 |
| Benefits paid | (2,626) | (2,210) |
| Actuarial gain (loss) | 2,856 | (5,312) |
| Projected benefit obligation at end of year | $ 124,975 | $ 113,677 |

Amounts recognized in the Consolidated Statements of Financial Condition at June 30 consist of:

| | 2025 | 2024 |
|---|---|---|
| Defined pension asset | $ 54,754 | $ 47,581 |

Amounts recognized in accumulated other comprehensive loss at June 30 consist of:

| | 2025 | 2024 |
|---|---|---|
| Unrealized losses | $ 20 | $ 5,571 |

## (Dollar amounts in thousands)

Components of net periodic pension cost over the next fiscal year ending June 30, 2025:

| | |
|---|---|
| Amortization of loss | $ - |

Expected long-term return on Plan assets is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

The Plan seeks to beat inflation, meet actuarial assumptions, meet or exceed benchmark returns, and fund Plan operating needs. The goal is to control risk through portfolio diversification and to reflect, among other possible factors, the previously stated objectives in conjunction with current and anticipated funding levels and economic and industry trends. Plan assets are primarily invested in funds with a high degree of liquidity and/or marketability. Quantitative and qualitative determinants will establish the appropriate asset allocation on a periodic, but not less than annual basis.

| | 2025 | 2024 |
|---|---|---|
| Assumptions used to determine benefit obligation | | |
| Discount rate | 5.60% | 5.35% |
| Rate of compensation increase | 5.00% | 5.00% |
| Assumptions used to determine net pension cost | | |
| Discount rate | 5.35% | 4.91% |
| Expected long-term return on Plan assets | 7.00% | 7.00% |
| Rate of compensation increase | 5.00% | 5.00% |

The Credit Union expects to contribute $1,500 to the Plan in fiscal year 2026.

The Credit Union’s pension plan weighted average asset allocations by asset category are as follows as of June 30:

| | 2025 | 2024 |
|---|---|---|
| Equity securities | 70.1% | 68.5% |
| Fixed income | 28.3% | 29.8% |
| Money market funds and cash | 1.6% | 1.7% |

The following pension benefits, which reflected expected future service, as appropriate, are expected to be paid as follows:

| | |
|---|---|
| Years Ending June 30, | |
| 2026 | $ 3,463 |
| 2027 | 3,566 |
| 2028 | 4,034 |
| 2029 | 4,497 |
| 2030 | 4,957 |
| 2031–2035 | 31,658 |
| | $ 52,175 |

**(Dollar amounts in thousands)**

The following table discloses the fair value of Pension Plan assets by level:

| June 30, 2025 | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Money market fund | $ 2,825 | $ 2,825 | $ - | $ - |
| Mutual funds | | | | |
| Domestic equity | | | | |
| Blended funds | 85,993 | 85,993 | - | - |
| International equity | 33,235 | 33,235 | - | - |
| Specialty funds | 6,838 | 6,838 | - | - |
| Fixed income | 50,838 | 50,838 | - | - |
| | $ 179,729 | $ 179,729 | $ - | $ - |

| June 30, 2024 | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Money market fund | $ 2,732 | $ 2,732 | $ - | $ - |
| Mutual funds | | | | |
| Domestic equity | | | | |
| Blended funds | 74,727 | 74,727 | - | - |
| International equity | 29,114 | 29,114 | - | - |
| Specialty funds | 6,612 | 6,612 | - | - |
| Fixed income | 48,073 | 48,073 | - | - |
| | $ 161,258 | $ 161,258 | $ - | $ - |

**Postretirement benefit plan** – The Credit Union provides certain health care benefits for all retired employees who meet eligibility requirements. The Credit Union’s share of the benefits that will be paid after retirement is being accrued by charges to expense over each employee’s service period to the dates they are fully eligible for benefits.

## (Dollar amounts in thousands)

The status of the Plan is as follows for the years ended June 30:

| | 2025 | 2024 |
|---|---|---|
| Projected benefit obligation | $ (13,896) | $ (13,579) |
| Funded status | $ (13,896) | $ (13,579) |
| Benefit cost | $ 685 | $ 749 |
| Employer contribution | $ 621 | $ 325 |
| Participant contribution | $ 9 | $ 10 |
| Benefit payments | $ 630 | $ 336 |

The components of postretirement benefit expense are as follows for the years ended June 30:

| | 2025 | 2024 |
|---|---|---|
| Service cost | $ 222 | $ 282 |
| Interest cost | 703 | 650 |
| Amortization of gain | (240) | (183) |
| Net periodic pension cost | $ 685 | $ 749 |

The Credit Union expects to contribute $787 to the Plan in fiscal year 2026.

Amounts recognized in the Consolidated Statements of Financial Condition consist of the following at June 30:

| | 2025 | 2024 |
|---|---|---|
| Accrued expenses and other liabilities | $ 13,896 | $ 13,579 |
| Total recognized | $ 13,896 | $ 13,579 |

Amounts recognized in accumulated other comprehensive (gain) loss consist of the following at June 30:

| | 2025 | 2024 |
|---|---|---|
| Unrealized (gains) losses | $ (2,862) | $ (3,114) |

(Dollar amounts in thousands)

The following are assumptions used to determine net periodic benefit cost for the Plan at June 30:

| | 2025 | 2024 |
|---|---|---|
| Weighted-average assumptions as of June 30, | | |
| Discount rate | 5.31% | 4.90% |
| Healthcare cost trend | | |
| Current | 6.00% | 7.00% |
| Ultimate | 3.94% | 3.94% |

The following benefits are expected to be paid as follows:

| | |
|---|---|
| Years Ending June 30, | |
| 2026 | $ 787 |
| 2027 | 901 |
| 2028 | 907 |
| 2029 | 908 |
| 2030 | 955 |
| 2031–2035 | 4,331 |
| | $ 8,789 |

**Defined contribution retirement savings plan** – The Credit Union has a 401(k) defined contribution plan (Plan) that allows employees to defer a portion of their salary into the Plan. The Credit Union matches a portion of employees' wage reductions. The Credit Union contributed $5,733 and $4,995 in matching contributions to the Plan for the years ended June 30, 2025 and 2024, respectively.

**Deferred compensation plans** – The Credit Union has a deferred compensation plan (Plan) created in accordance with Internal Revenue Code (IRC) Section 457(b). The Plan permits the eligible employees to defer a portion of their salary until future years. The recorded obligation of approximately $1,215 and $965 as of June 30, 2025 and 2024, respectively, was included in other liabilities.

During fiscal years 2021, 2024, and 2025, the Credit Union entered into split dollar insurance agreements which are collateral assignment arrangements between the Credit Union and certain members of executive management. The agreements involve a method of paying for insurance coverage for the executives by splitting the elements of the life insurance policies. Under the agreements, the executives are the owners of the policies and make a collateral assignment to the Credit Union in return for a full recourse loan equal to the amount of premiums paid on behalf of the executive plus accrued interest at a specified rate. At the time of death, the Credit Union will be paid the loan amount plus accrued interest and the balance of the insurance benefit will be paid to the executive's designated beneficiary. The loan balances under these agreements are classified within other assets in the Consolidated Statements of Financial Condition and were approximately $26,001 and $19,389 as of June 30, 2025 and 2024, respectively.

(Dollar amounts in thousands)

**Note 11 – Members' Equity**

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under accounting principles generally accepted in the United States of America. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. A credit union is defined as complex and a risk-based capital measure is applicable only if the credit union's quarter-end total assets exceed $500,000, as reflected in its most recent call report. A complex credit union may calculate its risk-based capital measure either by using the risk-based capital ratio or, for a qualifying complex credit union, opting into the CCULR framework. As of June 30, 2025 and 2024, the Credit Union qualified for and opted into CCULR. The Credit Union's CCULR requirement was 9.0% as of June 30, 2025 and 2024. Management believes, as of June 30, 2025 and 2024, the Credit Union meets all capital adequacy requirements to which it is subject.

There are no conditions or events since that notification that management believes have changed the Credit Union's category. In performing its calculation of total assets, the Credit Union used the quarter end balance option, as permitted by regulation.

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows:

| | 2025 | | 2024 | |
|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio |
| Amount needed to be classified as well capitalized for CCULR | $ 740,581 | 9.00% | $ 689,464 | 9.00% |
| Actual net worth | $ 1,083,811 | 13.17% | $ 981,171 | 12.81% |

## (Dollar amounts in thousands)

### Note 12 – Changes in Accumulated Other Comprehensive Income (Loss) Balances

The changes in the balances of each component of accumulated other comprehensive income (loss) are as follows:

| | Net Change in (Losses) Gains, Prior Service Cost, and Transition Obligation on Defined Benefit Pension Plan | Net Change in Losses and Prior Service Cost on Postretirement Benefit Plan | Net Unrealized (Losses) Gains on Investments in Available-for-sale Debt Securities | Total |
|---|---|---|---|---|
| Balance as of June 30, 2023 | $ (15,724) | $ 2,698 | $ (337,664) | $ (350,690) |
| Other comprehensive income before reclassifications | 10,153 | 416 | 24,358 | 34,927 |
| Amounts reclassified from accumulated other comprehensive loss | - | - | (3,243) | (3,243) |
| Net current period other comprehensive income | 10,153 | 416 | 21,115 | 31,684 |
| Balance as of June 30, 2024 | (5,571) | 3,114 | (316,549) | (319,006) |
| Other comprehensive income (loss) before reclassifications | 5,551 | (252) | 85,509 | 90,808 |
| Amounts reclassified from accumulated other comprehensive loss | - | - | (4,378) | (4,378) |
| Net current period other comprehensive income (loss) | 5,551 | (252) | 81,131 | 86,430 |
| Balance as of June 30, 2025 | $ (20) | $ 2,862 | $ (235,418) | $ (232,576) |

### Note 13 – Related-Party Transactions

In the normal course of business, the Credit Union extends credit to directors, committee members, and executive officers. The aggregate loans to related parties are $1,126 and $2,600 at June 30, 2025 and 2024, respectively. Deposits from related parties amounted to $10,198 and $9,835 at June 30, 2025 and 2024, respectively.

**Note 14 – Fair Value Measurements**

The Codification defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is a market-based measurement, not an entity specific measurement, and the hierarchy gives the highest priority to quoted prices in active markets.

Fair value measurements are disclosed by level within the fair value hierarchy. 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. Valuation techniques are to be consistent with the market approach, the income approach, and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the fair value hierarchy establishes valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The fair value hierarchy is as follows:

**Level 1** – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. (Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.)

**Level 2** – Valuations for assets and liabilities traded in less active dealer or broker markets. (Valuations are obtained from 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** – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. (Level 3 valuations incorporate certain assumptions and projections for which require significant management judgment or estimation in determining the fair value assigned to such assets or liabilities.)

A summary of the Credit Union’s financial instruments and other accounts subject to fair value, including methodologies and resulting values follows:

**Cash and cash equivalents** – The carrying amounts of cash and cash equivalents approximate their fair value.

**Money market account** – The money market deposit accounts are public investment vehicles valued using $1 for the net asset value. The money market deposit accounts are classified within Level 2 of the valuation hierarchy.

**Investments** – Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid government bonds and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities would include U.S. agency debentures and agency issued mortgage-backed securities. In certain cases, where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

U.S. agency and agency issued mortgage-backed securities are generally based upon a matrix pricing model from an investment reporting and valuation service. Matrix pricing is a mathematical technique used principally to value debt securities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities.

Fixed income bonds in the charitable donation account and employee benefit funding account are valued using pricing models maximizing the use of observable inputs for similar securities, which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Equity securities in the charitable donation account and employee benefit funding account are valued at the closing price reported on the active market on which the individual securities are traded.

**Loans held for sale** – Loans held for sale are valued at fair value, as determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate loan basis. Loans that are committed with firm investor pricing are classified as Level 1. In the absence of a commitment, these are classified as Level 2.

**Individually evaluated loans** – The fair value of individually evaluated loans is estimated using one several methods, including collateral value, market value of similar debt, enterprise value, liquidation value, and discounted cash flows. Those individually evaluated 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. At June 30, 2025 and 2024, substantially all of the individually evaluated loans were evaluated based on the fair value of the collateral. Individually evaluated 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. For a majority of individually evaluated real estate loans, the Credit Union obtains a current external appraisal as deemed necessary. Other valuation techniques are used as well, including internal valuations, comparable property analysis, and contractual sales information.

(Dollar amounts in thousands)

**Mortgage servicing rights** – Mortgage servicing rights (MSRs) do not trade in an active, open market with readily observable prices. While sales of MSRs do occur, the precise terms and conditions typically are not readily available. Accordingly, the Credit Union estimates the fair value of MSRs and certain other retained interests in securitizations using discounted cash flow models incorporating numerous assumptions from the perspective of market participants including servicing income, servicing costs, market discount rates, prepayment speeds, and default rates. Mortgage servicing rights would be classified within Level 3 of the valuation hierarchy.

**Fair value on a recurring basis** – The table below presents the balances of assets and liabilities measured and presented in the Consolidated Statements of Financial Condition at fair value on a recurring basis:

| June 30, 2025 | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Money market accounts | | | | |
| Charitable Donation Account | $ 379 | $ - | $ 379 | $ - |
| Employee Benefit Funding Account | 6,395 | - | 6,395 | - |
| Available-for-sale debt securities | | | | |
| Operating Investments | | | | |
| Collateralized debt obligation | 18,166 | - | 18,166 | - |
| Residential Mortgage-backed securities | 1,014,979 | - | 1,014,979 | - |
| Commercial Mortgage-backed securities | 2,363,119 | - | 2,363,119 | - |
| Charitable Donation Account - fixed income bonds | 31,602 | - | 31,602 | - |
| Employee Benefit Funding Account - fixed income bonds | 143,624 | - | 143,624 | - |
| Equity securities | | | | |
| Charitable Donation Account | 18,348 | 18,348 | - | - |
| Employee Benefit Funding Account | 83,953 | 83,953 | - | - |
| | $ 3,680,565 | $ 102,301 | $ 3,578,264 | $ - |

## (Dollar amounts in thousands)

| June 30, 2024 | Total | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Money market accounts | | | | |
| Charitable Donation Account | $ 9,864 | $ - | $ 9,864 | $ - |
| Employee Benefit Funding Account | 9,530 | - | 9,530 | - |
| Available-for-sale debt securities | | | | |
| Operating Investments | | | | |
| Collateralized debt obligation | 22,743 | - | 22,743 | - |
| Residential Mortgage-backed securities | 903,083 | - | 903,083 | - |
| Commercial Mortgage-backed securities | 1,903,542 | - | 1,903,542 | - |
| Charitable Donation Account - fixed income bonds | 25,428 | - | 25,428 | - |
| Employee Benefit Funding Account - fixed income bonds | 106,737 | - | 106,737 | - |
| Equity securities | | | | |
| Charitable Donation Account | 10,528 | 10,528 | - | - |
| Employee Benefit Funding Account | 52,525 | 52,525 | - | - |
| | $ 3,043,980 | $ 63,053 | $ 2,980,927 | $ - |

**Fair value on a nonrecurring basis** – Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). There are no assets or liabilities carried on the statements of financial condition by caption and by level within the valuation hierarchy (as described above) for which a nonrecurring change in fair value has been recorded.

**Note 15 – Collaborative Arrangement with Rural King**

The Credit Union had a contract with RK Family, Inc., Rural King Holdings, LLP, and RK Finance, LLC (collectively referred to as Rural King), under which the Credit Union provided financial services to Rural King customers. Revenue and expenses were included in the Consolidated Statement of Income, net of reimbursements provided by Rural King, including post final settlement recoveries split, as described in Note 1.

The program terminated March 22, 2024, and final settlement of program assets occurred June 28, 2024. As part of the final settlement, the Credit Union agreed to split subsequent net recoveries of charged off credit card loans for twelve months.

For the years ended June 30, 2025 and 2024, the Credit Union incurred a net loss after reimbursement by Rural King of $464 and $0, respectively, from the program. Net loss is included in the Consolidated Statements of Income.

(Dollar amounts in thousands)

### Note 16 – Other Non-Interest Income and Operating Expense

Other noninterest income is composed of the following for the years ended June 30:

| | 2025 | 2024 |
|---|---|---|
| Account fees | $ 6,177 | $ 5,305 |
| Marketing incentives | 5,038 | 12,770 |
| Subsidiary income | 4,181 | 8,127 |
| Other noninterest income | 2,293 | 1,731 |
| Gain on other assets | 121 | 17,775 |
| | $ 17,810 | $ 45,708 |

Other operating expense is composed of the following for the years ended June 30:

| | 2025 | 2024 |
|---|---|---|
| Communications (telephone and postage) | $ 4,392 | $ 4,449 |
| Armored car service | - | 2 |
| Subsidiary expenses | 1,151 | 3,731 |
| Maintenance of equipment and vehicles | 1,369 | 1,098 |
| Insurance | 2,221 | 2,079 |
| Supplies | 783 | 874 |
| Rural King joint venture (income) expense | 463 | (6,530) |
| Other operating expenses | 4,116 | 3,909 |
| | $ 14,495 | $ 9,612 |