REPORT OF INDEPENDENT AUDITORS AND
CONSOLIDATED FINANCIAL STATEMENTS

ARIZONA FEDERAL CREDIT UNION AND SUBSIDIARIES

December 31, 2020 and 2019

MOSSADAMS

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Report of Independent Auditors

To the Board of Directors and Supervisory Committee
Arizona Federal Credit Union and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Arizona Federal Credit Union and Subsidiaries (the "Credit Union"), which comprise the consolidated statements of financial condition as of December 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arizona Federal Credit Union and Subsidiaries as of December 31, 2020 and 2019, 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.

Moss Adams LLP

Phoenix, Arizona
March 30, 2021

ASSETS

	December 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 519,709,547	$ 169,664,399
Investments		
Securities available-for-sale	448,590,572	389,116,452
Other	13,651,181	19,547,010
Loans held-for-sale	10,534,836	1,327,989
Loans receivable, net	1,173,044,665	1,203,782,209
Accrued income receivable	6,069,694	5,668,317
Property held-for-sale	3,230,000	5,303,535
Property and equipment, net	43,326,116	46,880,316
National Credit Union Share Insurance Fund (NCUSIF) deposit	17,266,125	15,671,239
Goodwill	33,116,981	33,116,981
Other intangibles, net	735,130	1,261,659
Other assets	61,022,851	46,378,296
Total assets	$ 2,330,297,698	$ 1,937,718,402

LIABILITIES AND MEMBERS' EQUITY

	2020	2019
LIABILITIES		
Members' share accounts	$ 1,993,120,885	$ 1,606,699,996
Accrued expenses and other liabilities	32,722,340	28,727,025
Total liabilities	2,025,843,225	1,635,427,021
MEMBERS' EQUITY		
Regular reserve	30,424,552	30,424,552
Undivided earnings	275,818,212	273,164,878
Accumulated other comprehensive loss	(1,788,291)	(1,298,049)
Total members' equity	304,454,473	302,291,381
Total liabilities and members' equity	$ 2,330,297,698	$ 1,937,718,402

Arizona Federal Credit Union and Subsidiaries
Consolidated Statements of Income

	Years Ended December 31, 2020	2019
INTEREST INCOME		
Loans receivable	$ 60,566,570	$ 46,107,530
Investments and cash and cash equivalents	7,593,324	12,894,817
Total interest income	68,159,894	59,002,347
INTEREST EXPENSE		
Members' share accounts	5,188,690	7,560,765
Borrowed funds	-	5
Total interest expense	5,188,690	7,560,770
NET INTEREST INCOME	62,971,204	51,441,577
PROVISION FOR LOAN LOSSES	24,145,771	2,432,082
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	38,825,433	49,009,495
NONINTEREST INCOME		
Interchange income	20,570,499	20,028,244
Other fees and charges	14,148,946	18,929,024
Other income	14,014,555	19,610,028
Gain on sale of investments, net	2,577,114	2,539
Gain (loss) on property held-for-sale	(84,999)	565,685
Gain on sale of loans, net	5,244,835	36,414
Loss on disposal of property and equipment	(52,978)	(23,174)
Total noninterest income	56,417,972	59,148,760
NONINTEREST EXPENSE		
Compensation and benefits	53,379,002	43,075,492
Operations	33,166,711	25,441,167
Occupancy	6,044,358	5,042,373
Total noninterest expense	92,590,071	73,559,032
NET INCOME	$ 2,653,334	$ 34,599,223

See accompanying notes.

	Years Ended December 31, 2020	2019
NET INCOME	$ 2,653,334	$ 34,599,223
OTHER COMPREHENSIVE INCOME (LOSS)		
Securities available-for-sale		
Unrealized holding gains arising during the year, net	2,086,872	8,755,757
Reclassification adjustment for realized gains included in net income	(2,577,114)	(2,539)
Total other comprehensive income (loss)	(490,242)	8,753,218
COMPREHENSIVE INCOME	$ 2,163,092	$ 43,352,441

See accompanying notes.

Arizona Federal Credit Union and Subsidiaries
Consolidated Statements of Members' Equity

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE, December 31, 2018	$ 30,424,552	$ 238,565,655	$ (10,051,267)	$ 258,938,940
Net income	-	34,599,223	-	34,599,223
Other comprehensive income	-	-	8,753,218	8,753,218
BALANCE, December 31, 2019	30,424,552	273,164,878	(1,298,049)	302,291,381
Net income	-	2,653,334	-	2,653,334
Other comprehensive loss	-	-	(490,242)	(490,242)
BALANCE, December 31, 2020	$ 30,424,552	$ 275,818,212	$ (1,788,291)	$ 304,454,473

See accompanying notes.

	Years Ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,653,334	$ 34,599,223
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	5,183,594	5,852,453
(Gain) loss on sale of property held-for-sale	84,998	(565,685)
Amortization of investments, net	5,304,275	3,824,959
Provision for loan losses	24,145,771	2,432,082
Amortization of intangible assets	576,529	625,605
Appreciation of credit union owned life insurance	(1,193,791)	(948,088)
Gain on sale of investments	(2,577,114)	(2,539)
Loss on disposal of property and equipment	52,979	23,174
Proceeds from loans held-for-sale	(5,244,835)	(36,414)
Originations of loans held-for-sale	(3,962,012)	(28,016)
Net change in operating assets and liabilities		
Accrued interest receivable	(401,377)	129,312
NCUSIF deposit	(1,594,886)	(2,605,099)
Other assets	(3,450,764)	(1,421,441)
Accrued expenses and other liabilities	3,995,315	(1,062,785)
Net cash provided by operating activities	23,572,016	40,816,741
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available-for-sale	(495,878,419)	(70,292,520)
Proceeds from maturities and principal payments received on securities available-for-sale	139,051,145	119,143,739
Proceeds from sales of securities available-for-sale	294,135,751	75,024,789
Proceeds from note receivable, net	-	-
Redemption of FHLB stock	675,900	207,000
Proceeds from maturity of investments in certificates of deposit	5,704,000	8,756,354
Net purchase of central liquidity facility stock	(484,071)	-
Net decrease (increase) in loans receivable	69,959,747	(71,639,690)
Purchase of loan participations	(63,367,974)	(75,842,121)
Purchase of credit union owned life insurance	(10,000,000)	-
Proceeds from redemption of credit union owned life insurance	-	3,315,358
Purchases of property and equipment	(1,682,372)	(4,538,399)
Proceeds from sale of property held-for-sale	1,988,536	1,750,474
Purchase of employment agreements	(50,000)	-
Liabilities assumed through business acquisitions	-	10,983,073
Net cash used in investing activities	(59,947,757)	(3,131,943)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' share accounts	386,420,889	61,556,347
Net cash provided by financing activities	386,420,889	61,556,347
CHANGE IN CASH AND CASH EQUIVALENTS	350,045,148	99,241,145
CASH AND CASH EQUIVALENTS, beginning of year	169,664,399	70,423,254
CASH AND CASH EQUIVALENTS, end of year	$ 519,709,547	$ 169,664,399

	Years Ended December 31,	
	2020	2019
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Net assets acquired through acquisition of Pinnacle Bank, net of cash received	$ -	$ 189,591,912
Liabilities assumed	$ -	$ 231,442,082
Cash consideration	$ -	$ 49,000,000
Goodwill	$ -	$ 29,484,577
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Dividends paid on members' share accounts	$ 5,188,690	$ 7,560,765
Interest paid on borrowed funds	$ -	$ 5

Note 1 – Summary of Significant Accounting Policies

Principles of consolidation – The consolidated financial statements include the accounts of Arizona Federal Credit Union (the "Credit Union") and its wholly owned subsidiaries, Western States Financial Group, LLC ("WSFG") and Arizona Federal Insurance Solutions, LLC ("AFIS"). WSFG is engaged in providing auto-buying services to members through third-party relationships. AFIS was formed and organized under the laws of the State of Arizona on November 21, 2005. AFIS is licensed to own and operate general property/casualty and life insurance agencies. AFIS operates principally in the Southwest Region of the United States. All significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of business – The Credit Union is a federally chartered Credit Union organized under the Federal Credit Union Act and administratively responsible to the National Credit Union Administration (the "NCUA"). The primary purpose of the Credit Union is to promote thrift among and create a source of credit for its members. 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. The Credit Union's primary source of revenue is providing loans to its members.

Field of membership and sponsor – The Credit Union obtained a community charter from the NCUA; accordingly, the field of membership includes all persons who live, work, worship, or attend school in, and businesses and other legal entities located in, Maricopa and Pinal counties, Arizona, and the city of Tucson, Arizona.

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses.

Fair value – Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, provides a framework for measuring fair value that requires an entity to determine fair value based on the exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities.

Level 1 – asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities;

Note 1 – Summary of Significant Accounting Policies (continued)

Level 2 – asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities, quoted market prices that are not in an active market, or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

The Credit Union's financial instruments and other accounts subject to fair value measurement and/or disclosure are summarized in Note 15.

Cash and cash equivalents – Cash consists of funds due from banks, Credit Unions cash, cash in vaults, automatic teller machines (ATMs), and cash on-hand. For purposes of the consolidated statements of cash flows, the Credit Union considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Amounts due from financial institutions may, at times, exceed federally insured limits.

Investments – Debt securities that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available-for-sale and carried at fair value. Unrealized gains and losses on securities available-for-sale are recognized as a direct increase or decrease in other comprehensive income. Amortization of purchased premiums are included in interest income from investments.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of individual securities available-for-sale below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. Management evaluates securities for other-than-temporary impairment (OTTI) on at least a quarterly basis and more frequently when economic or market concerns warrant such evaluation. In determining whether OTTI exists, management considers many factors, including (1) the length of time and extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Credit Union to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and determined using the specific-identification method.

Other investments are classified separately and stated at cost.

Federal Home Loan Bank (FHLB) stock – The Credit Union, as a member of the FHLB system, is required to maintain an investment in restricted capital stock of the FHLB in an amount equal to the greater of 1% of its Membership Asset Value, subject to a cap of $15 million or 2.7% of advances from the FHLB. There is no ready market for the restricted FHLB stock; therefore, it has no quoted market value and is reported on the consolidated statements of financial condition at cost. FHLB stock is periodically reviewed for impairment based on the ultimate recovery of par value (cost). Both cash and stock dividends are included in interest income from investments.

Note 1 – Summary of Significant Accounting Policies (continued)

Loans receivable, net – Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses, net deferred loan origination fees and costs, and net discounts and premiums on acquired loans. Interest on loans is recognized over the term of the loan and calculated using the simple-interest method on principal amounts outstanding, other than the industry standard representations and warranties.

The accrual of interest on loans is generally discontinued at the time the loan is 91 days delinquent. Loans are typically charged-off no later than 180 days past due. Past-due status is based on the contractual terms of the loan and the actual number of days since the last payment date. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

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

Certain loan fees and direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

Allowance for loan losses – The Credit Union maintains an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance is based on ongoing monthly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses and decreased by charge-offs when management believes the uncollectibility of a loan is confirmed. Subsequent recoveries, if any, are credited to the allowance.

Management develops and documents its systematic methodology for determining the allowance for loan losses by first dividing its portfolio into three segments: commercial, residential real estate, and consumer. The Credit Union further divides the portfolio segments into classes based on initial measurement attributes, risk characteristics, or its method of monitoring and assessing credit risk. The commercial portfolio segment is comprised of commercial real estate and non-real estate loans. The classes within the residential real estate portfolio segment are first mortgage and home equity line of credit (HELOC) and other mortgages. The classes within the consumer portfolio segment are automobile, credit card, and other consumer.

Note 1 – Summary of Significant Accounting Policies (continued)

The allowance for loan losses consists of the specific loan loss allowance for impaired loans and the general loan loss allowance. The Credit Union evaluates the residential real estate and consumer segments for impairment on a pooled basis, unless they represent Troubled Debt Restructurings (TDRs), as part of the general loan loss allowance and evaluates the commercial segment individually. Impaired loans are subject to the specific loan loss allowance. Loans are considered impaired when the individual evaluation of current information regarding the borrower's financial condition, loan collateral, and cash flows indicates that the Credit Union will be unable to collect all amounts due according to the contractual terms of the loan agreement, including interest payments. Impairment is measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate or, as an expedient, at the loan's observable market price or the fair value of the collateral, less costs to sell, if the loan is collateral dependent.

A general loan loss allowance is provided for loans not specifically identified as impaired. The allowance is determined by pooling residential real estate, consumer, and non-impaired commercial loans by portfolio class and applying a historical loss percentage to each class. The Credit Union's historical loss percentage may be adjusted for significant qualitative and environmental factors that, in management's judgment, affect the collectability of the portfolio as of the evaluation date. The conditions evaluated for qualitative and environmental factors may include existing general economic and business conditions affecting the key lending areas and products of the Credit Union, credit quality trends and risk identification, collateral values, loan volumes, underwriting standards and concentrations, specific industry conditions within portfolio segments, recent loss experience in particular classes of the portfolio, and duration of the current business cycle.

As a result of the onset and spread of the COVID-19 coronavirus, management evaluated the qualitative and environmental factors related to general economic and business conditions which resulted in a significant increase in the loan loss provision of approximately $25,000,000 in the first quarter of 2020.

In estimating the allowance for loan losses, the significant risk characteristics considered for the residential real estate segment were historical and expected future charge-offs, borrower's credit, and property collateral. The significant characteristics considered for the commercial segment were type of property, geographical concentrations and risks, and individual borrower financial condition.

Troubled debt restructurings (TDRs) – In situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession to a member for other than an insignificant period of time that the Credit Union would not otherwise consider, the related loan is classified as a TDR. The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance, and other actions intended to minimize the economic loss and avoid foreclosure or repossession of the collateral. In cases where the Credit Union grants a member new terms that provide for a reduction of interest or principal, the Credit Union measures any impairment on the restructuring using the methodology for individually impaired loans. Loans classified as TDRs are reported as impaired loans.

Note 1 – Summary of Significant Accounting Policies (continued)

In conjunction with the passage of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in March 2020, financial institutions have been provided the option, for loans meeting specific criteria, to temporarily suspend certain requirements under U.S. GAAP related to TDRs for a limited time to assist borrowers experiencing financial hardship due to the COVID-19 Pandemic (the “Pandemic”). As a result, the Credit Union has not recognized eligible CARES Act loan modifications as TDRs. Additionally, loans qualifying for these modifications are not required to be reported as delinquent, nonaccrual, impaired or criticized solely as a result of loan modification resulting from the economic effects of the Pandemic. Modifications include deferral of payments and interest only periods. The Credit Union accrues and recognizes interest income on loans under payment relief based on the original contractual interest rates. When payments resume at the end of the relief period, the payments will generally be applied to accrued interest due until accrued interest is fully paid. Accrued interest balances are assessed for collectability on a periodic basis.

Loans held-for-sale - Loans are designated as held-for-sale when the Credit Union has a positive intent to sell them. Loans are transferred to the loans held-for-sale category at the lower of cost or fair market value. At the time of transfer, write-downs on the loans are recorded as charge-offs against the allowance for loan losses. Any subsequent lower of cost or market adjustment is determined on an individual basis and is recognized as a valuation allowance with any charges included in other noninterest income. Gains or losses on the sale of these loans, including direct origination costs and fees of which are deferred at the origination of the loan, are included in other noninterest income when realized.

Mortgage loans held-for-sale are generally sold without servicing rights retained, other than the industry standard representations and warranties.

Sale of SBA loan participations – The Credit Union sells participations in fully funded Small Business Administration (SBA) loans. The Credit Union will generally sell only the guaranteed portion of the loan and retain the unguaranteed portion as a loan held for investment. The Credit Union issues various representations and warranties associated with the sale of loans. The Credit Union has not incurred any losses resulting from these provisions. The Credit Union also generally retains the right to service the loans sold. The book basis of SBA loan participations sold are reduced by the amount allocated to the loan servicing asset. Gains and losses on sales of SBA loan participations are based on the difference between the selling price and the carrying value of the related loan sold.

Loan servicing assets – When loans are sold with servicing rights retained, loan servicing assets are recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. All loan servicing assets are subsequently measured using the amortization method which requires loan servicing assets to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Note 1 – Summary of Significant Accounting Policies (continued)

Loan servicing assets are evaluated for impairment based upon the fair value of the servicing rights as compared to the asset carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Credit Union later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported within other noninterest expenses on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as other noninterest 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 loan servicing assets is netted against loan servicing fee income. Servicing fees totaled approximately $545,000 and $53,000 for the years ended December 31, 2020 and 2019, respectively.

Mortgage banking derivatives – The Credit Union enters into commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed. Interest rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives and are, therefore, recorded at fair value with changes in fair value recorded in earnings. To avoid interest rate risk, institutions may enter into mortgage loan sales commitments at the time they make an interest rate lock commitment to the buyer. They can enter into mortgages sales commitments on a “mandatory” or “best efforts” basis. Mandatory commitments provide that the loan must be delivered, or the commitment be “paired off.” In general, best efforts commitments provide that the loan can be delivered if and when it closes. Mandatory delivery commitments are referred to as forward sales commitments and are considered to be derivatives. The Credit Union did not have any forward commitments as of December 31, 2020 or 2019.

Other real estate owned – Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure. Any write-downs based on the asset’s fair value at the date of acquisition are charged to the allowance for loan losses. Subsequent to foreclosure, valuations are periodically performed by management and property held-for-sale is carried at the lower of the initial cost basis or fair value less costs to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Property and equipment – Land is carried at cost. Buildings, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Buildings, furniture, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 1 to 50 years. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

Valuation of long-lived assets – The Credit Union evaluates long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

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

NCUSIF insurance premiums and Temporary Corporate Credit Union Stabilization Fund (TCCUSF) assessment – The Credit Union is required to pay an annual insurance premium based on a percentage of its total insured shares, unless the payment is waived or reduced by the NCUA Board. The NCUA did not approve an assessment during the years ended December 31, 2020 and 2019. On May 21, 2019, the NCUA approved a $160.1 million Share Insurance Fund equity distribution applied pro rata to each of the 5,500 eligible institutions.

Goodwill and intangible assets – Goodwill and intangible assets that have indefinite useful lives are not amortized, but rather are tested at least annually for impairment. If impairment has occurred, the asset will be reduced to the fair value, which is determined using the net present value of anticipated cash flows. Intangible assets with a finite useful life are amortized over their estimated useful lives.

Accounts receivable from insurance – Accounts receivable of AFIS represent billed insurance premiums and commissions for insurance coverage provided by various insurance carriers represented by AFIS. Trade credit is generally extended on a short-term basis; thus, trade receivables do not bear interest. It also includes a contract asset generated by implementation of Accounting Standards Update (ASU) No. 2014-09 and a receivable which represents the bonus and contingent commissions revenues estimated to be received during 2020. The total amount of accounts receivable of AFIS included in other assets on the consolidated statements of financial condition is $2,246,175 and $2,158,957 as of December 31, 2020 and 2019, respectively.

Note 1 – Summary of Significant Accounting Policies (continued)

AFIS follows the direct write-off method of recognizing uncollectible accounts receivable, which management believes approximates the allowance method. The direct write-off method recognizes a bad debt expense only when a specific account is determined to be uncollectible. Under certain circumstances, uncollectible accounts receivable are charged directly against a producer's commissions. In the opinion of the management of AFIS, no existing accounts receivable are deemed uncollectible. For the year ended December 31, 2020, AFIS recorded bad debt expense in the amount of $2,053. For the year ended December 31, 2019, AFIS had no bad debt expense.

Credit union owned life insurance – The carrying amount of credit-union-owned life insurance approximates its fair value, net of any surrender charges.

Members' share accounts – Members' share accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' share accounts are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors based on an evaluation of current and future market conditions.

Members' equity – The Credit Union is required by regulation to maintain a statutory regular reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends.

Income taxes – The Credit Union is exempt by statute from federal and state income taxes. Income from WSFG and AFIS flows through to the Credit Union and, therefore, is not subject to federal and state income taxes.

Advertising costs – Advertising costs are generally charged to operations when incurred. Certain advertising costs related to prepaid marketing campaigns are capitalized and expensed as the advertising takes place.

Comprehensive income – Accounting principles generally require that recognized revenue, expenses, and gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available-for-sale, are reported as a separate component of the equity section on the consolidated statements of financial condition.

Note 1 – Summary of Significant Accounting Policies (continued)

Summary of Recent Accounting Standards Not Yet Adopted:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The FASB is issuing this Update to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. The Update requires enhanced disclosures and judgments in estimating credit losses and also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This original amendment was effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In October 2019, FASB unanimously approved a vote to delay the effective date of this Standard to be effective for fiscal years beginning after December 15, 2022. While the Credit Union is currently unable to reasonably estimate the impact of adopting this new guidance, management expects the impact of adoption will be significantly influenced by the composition and quality of the Credit Union's loan portfolio as well as the economic conditions as of the date of adoption. The Credit Union also anticipates significant changes to the processes and procedures for calculating the reserve for credit losses and continues to evaluate the potential impact on the Credit Union's financial statements. Additionally, in regard to the recently approved delay in implementation, the Credit Union continues to evaluate its expected implementation date.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). This Topic was newly created and supersedes Topic 840 *Leases*. ASU 2016-02 primarily affects the way lessees account for leases, with minimal changes to lessor accounting. The guidance requires the Organization, as lessee, to recognize the lease assets and lease liabilities arising from operating leases in the consolidated statements of financial condition, which will result in a gross up of assets and liabilities on the balance sheet. The effective date of this ASU was delayed one year to annual and interim periods, beginning after December 15, 2020. The Credit Union is currently assessing the impact of this ASU.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date 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 balance sheet, 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 balance sheet but arose after the balance sheet date and before the consolidated financial statements are available to be issued. The Credit Union has evaluated subsequent events through March 30, 2021, which is the date the consolidated financial statements became available to issue.

Reclassifications – Certain reclassifications have been made to the prior year's consolidated financial statements to conform with current year presentation. These reclassifications had no impact on previously reported net income or members' equity.

Note 2 – Investments

The amortized cost and fair value of securities available-for-sale at December 31 are as follows:

2020	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	$ 22,191,128	$ 128,504	$ (304,396)	$ 22,015,236
Collateralized mortgage obligations	91,946,078	50,427	(1,166,327)	90,830,178
Mortgage-backed and asset-backed securities	336,241,657	1,562,551	(2,059,050)	335,745,158
	$ 450,378,863	$ 1,741,482	$ (3,529,773)	$ 448,590,572

2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	$ 29,633,475	$ 17,076	$ (394,912)	$ 29,255,639
Collateralized mortgage obligations	26,818,140	30,483	(93,390)	26,755,233
Mortgage-backed and asset-backed securities	324,301,949	1,406,419	(2,308,181)	323,400,187
Commercial mortgage-backed securities	9,660,936	44,457	-	9,705,393
	$ 390,414,500	$ 1,498,435	$ (2,796,483)	$ 389,116,452

Note 2 – Investments (continued)

Gross unrealized losses and fair value by length of time the individual securities have been in a continuous unrealized loss position at December 31 are as follows:

		Continuous Unrealized Losses Existing for		
2020	Fair Value	Less than 12 Months	12 Months or Longer	Total Unrealized Losses
Federal agency securities	$ 17,073,634	$ -	$ (304,396)	$ (304,396)
Collateralized mortgage obligations	87,487,998	(1,166,327)	-	(1,166,327)
Mortgage-backed and asset-backed securities	182,448,869	(2,056,024)	(3,026)	(2,059,050)
	$ 287,010,501	$ (3,222,351)	$ (307,422)	$ (3,529,773)
2019				
Federal agency securities	$ 24,813,075	$ (82,569)	$ (312,343)	$ (394,912)
Collateralized mortgage obligations	15,849,616	(93,390)	-	(93,390)
Mortgage-backed and asset-backed securities	201,542,600	(402,891)	(1,905,290)	(2,308,181)
	$ 242,205,291	$ (578,850)	$ (2,217,633)	$ (2,796,483)

As of December 31, 2020, twenty-three investments had been in a continuous unrealized loss position for less than 12 months and eight had been in a continuous unrealized loss position for 12 months or longer. As of December 31, 2019, eight investments had been in a continuous unrealized loss position for less than 12 months and forty-five had been in a continuous unrealized loss position for 12 months or longer. The unrealized losses associated with these investments are considered temporary, as the Credit Union has the ability to hold these investments for a period of time sufficient to allow for any anticipated recovery in fair value.

Note 2 – Investments (continued)

The amortized cost and fair value of investments by contractual maturity are shown below. Because borrowers may prepay obligations with or without call or prepayment penalties, the expected maturities of mortgage-backed securities and collateralized mortgage obligations may differ from the contractual maturities. Mortgage-backed securities and collateralized mortgage obligations are therefore classified separately with no specific maturity date.

	Available-for-Sale		
2020	Amortized Cost	Fair Value	Other
No contractual maturity	$ -	$ -	$ 12,907,181
Less than one year	-	-	496,000
One to five years	2,512,878	2,478,270	248,000
Five to ten years	4,813,098	4,941,602	-
More than ten years	14,865,152	14,595,364	-
	22,191,128	22,015,236	13,651,181
Mortgage-backed, commercial mortgage-backed asset-backed securities, and collateralized mortgage obligations	428,187,735	426,575,336	-
	450,378,863	448,590,572	$ 13,651,181
2019			
No contractual maturity	$ -	$ -	$ 13,099,010
Less than one year	-	-	5,704,000
One to five years	3,337,898	3,311,811	744,000
Five to ten years	4,587,223	4,514,117	-
More than ten years	21,708,354	21,429,711	-
	29,633,475	29,255,639	19,547,010
Mortgage-backed, commercial mortgage-backed asset-backed securities, and collateralized mortgage obligations	360,781,025	359,860,814	-
	$ 390,414,500	$ 389,116,453	$ 19,547,010

Proceeds from sale of securities, gross gains/losses – During the year ended December 31, 2020, the Credit Union sold securities totaling $294,135,751 with gross gains totaling $2,758,952 and gross losses totaling $181,838. During the year ended December 31, 2019, the Credit Union sold securities totaling $75,024,789 with gross gains totaling $234,551 and gross losses totaling $232,012.

Note 2 – Investments (continued)

Other investments at December 31 consist of the following:

	2020	2019
Note receivable, net	$ 744,000	$ 6,448,000
Federal Home Loan Bank stock	8,590,500	9,266,400
Central Liquidity Facility (CLF) stock	4,296,681	3,812,610
Other	20,000	20,000
	$ 13,651,181	$ 19,547,010

The Credit Union is a member of the CLF, where it maintains capital stock of the CLF and has a credit facility as described in Note 9.

Note 3 – Loans Receivable, Net

Total loans outstanding by portfolio segment and class of loan at December 31 are as follows:

	2020	2019
Commercial		
Commercial - non real estate	$ 85,753,478	$ 25,346,907
Commercial real estate	314,254,218	219,898,299
	400,007,696	245,245,206
Residential real estate		
First mortgage	158,922,290	203,589,560
HELOC and other mortgage	115,442,762	142,265,741
	274,365,052	345,855,301
Consumer		
Automobile	402,701,209	467,193,413
Credit card	99,520,787	118,840,758
Other consumer	29,035,685	36,107,500
	531,257,681	622,141,671
Total loans	1,205,630,429	1,213,242,178
Deferred loan origination costs (fees), net	(722,875)	1,689,278
(Discount) premium on acquired loans, net	(1,926,474)	(4,036,539)
Allowance for loan losses	(29,936,415)	(7,112,708)
Total loans receivable, net	$ 1,173,044,665	$ 1,203,782,209

Note 3 – Loans Receivable, Net (continued)

The allowance for loan losses and loans outstanding, by portfolio segment, at December 31 is as follows:

2020	Commercial	Residential Real Estate	Consumer	Total
Allowance for loan losses				
Beginning balance	$ 1,101,605	$ 1,644,112	$ 4,366,991	$ 7,112,708
Charge-offs	(107,869)	(2,848)	(5,637,486)	(5,748,203)
Provision (credit) for loan losses	7,874,027	3,211,655	13,060,089	24,145,771
Recoveries	83,558	921,490	3,421,091	4,426,139
Ending balance	$ 8,951,321	$ 5,774,409	$ 15,210,685	$ 29,936,415
Ending balance: individually evaluated for impairment	$ 344,620	$ 340,379	$ 14,809	$ 699,808
Ending balance: collectively evaluated for impairment	8,606,701	5,434,030	15,195,876	29,236,607
Ending balance	$ 8,951,321	$ 5,774,409	$ 15,210,685	$ 29,936,415
Recorded investment in loans:				
Ending balance: individually evaluated for impairment	$ 11,345,654	$ 3,506,848	$ 228,460	$ 15,080,962
Ending balance: collectively evaluated for impairment	388,662,042	270,858,204	531,029,221	1,190,549,467
Ending balance	$ 400,007,696	$ 274,365,052	$ 531,257,681	$1,205,630,429

2019	Commercial	Residential Real Estate	Consumer	Total
Allowance for loan losses				
Beginning balance	$ 1,022,400	$ 1,300,381	$ 4,820,660	$ 7,143,441
Charge-offs	-	(64,739)	(6,484,845)	(6,549,584)
Provision (credit) for loan losses	79,205	(529,667)	2,882,544	2,432,082
Recoveries	-	938,137	3,148,632	4,086,769
Ending balance	$ 1,101,605	$ 1,644,112	$ 4,366,991	$ 7,112,708
Ending balance: individually evaluated for impairment	$ -	$ 947,376	$ 20,587	$ 967,963
Ending balance: collectively evaluated for impairment	1,101,605	696,736	4,346,404	6,144,745
Ending balance	$ 1,101,605	$ 1,644,112	$ 4,366,991	$ 7,112,708
Recorded investment in loans:				
Ending balance: individually evaluated for impairment	$ -	$ 4,833,985	$ 370,825	$ 5,204,810
Ending balance: collectively evaluated for impairment	245,245,206	341,021,316	621,770,846	1,208,037,368
Ending balance	$ 245,245,206	$ 345,855,301	$ 622,141,671	$1,213,242,178

Note 3 – Loans Receivable, Net (continued)

Credit quality indicators – The Credit Union assesses the credit quality of its commercial loans with an eight-grade risk rating system whereby a higher grade represents a higher level of credit risk. The eight-grade risk rating system can generally be classified into the following categories: pass or watch, special mention, substandard, doubtful, and loss. The risk ratings reflect the relative strength of the sources of repayment.

Pass or watch loans are generally considered to have sufficient sources of repayment in order to repay the loan in full in accordance with all terms and conditions. These borrowers may have some credit risk that requires monitoring, but full repayment is expected. Special mention loans are considered to have potential weaknesses that warrant close attention by management. Special mention is considered a transitory grade, and generally, the Credit Union has not had a loan remain categorized as special mention for longer than six months. If any potential weaknesses are resolved, the loan is upgraded to a pass or watch grade. If negative trends in the borrower's financial status or other information is presented indicating that the repayment sources may become inadequate, the loan is downgraded to substandard. Substandard loans are considered to have well-defined weaknesses that jeopardize the full and timely repayment of the loan. Substandard loans have a distinct possibility of loss if the deficiencies are not corrected. Additionally, when management has assessed a potential for loss but a distinct possibility of loss is not recognizable, the loan is still classified as substandard. Doubtful loans have insufficient sources of repayment and a high probability of loss. Loss loans are considered to be uncollectible and are therefore charged-off. These internal risk ratings are reviewed continuously and adjusted for changes in borrower status and the likelihood of loan repayment.

The credit quality of each class of commercial loan based on the internal risk grading system at December 31, is as follows:

2020	Pass/Watch	Special Mention	Substandard	Doubtful	Total
Commercial non real estate	$ 83,693,910	$ 730,069	$ 1,329,499	$ -	$ 85,753,478
Commercial real estate	297,274,716	7,272,978	9,706,524	-	314,254,218
Total	$ 380,968,626	$ 8,003,047	$ 11,036,023	$ -	$ 400,007,696

2019	Pass/Watch	Special Mention	Substandard	Doubtful	Total
Commercial non real estate	$ 25,346,907	$ -	$ -	$ -	$ 25,346,907
Commercial real estate	219,898,299	-	-	-	219,898,299
	$ 245,245,206	$ -	$ -	$ -	$ 245,245,206

The Credit Union assesses the credit quality of its residential real estate and consumer loans by delinquency status, recent FICO score, and loan-to-value (LTV) ratio.

Note 3 – Loans Receivable, Net (continued)

FICO scores – The Credit Union obtains FICO scores on residential and consumer loans at loan origination, and most scores are updated quarterly with the most recent update as of December 31, 2020. Loans that trend toward higher levels are generally associated with a lower risk factor, whereas loans that migrate toward lower ratings will generally result in a higher risk factor being applied to the related loan balances.

The FICO score distribution at December 31 is as follows:

2020	Commercial - Non Real Estate	Commercial Real Estate	First Mortgage	HELOC and Other Mortgage	Automobile	Credit Card	Other Consumer	Total
740 and above	$ -	$ 4,184,986	$ 74,046,481	$ 69,119,635	$ 237,448,261	$ 43,975,441	$ 12,853,605	$ 441,628,409
680 to 739	-	555,743	25,274,528	28,846,290	104,845,458	32,509,565	8,488,555	200,520,139
660 to 679	-	-	8,099,648	5,182,435	20,619,454	6,637,291	1,685,626	42,224,454
640 to 659	-	-	3,162,704	4,100,264	14,367,668	5,316,646	1,811,141	28,758,423
620 to 639	-	13,360	4,698,178	2,616,985	9,137,165	3,564,896	937,546	20,968,130
600 to 619	-	-	1,844,023	1,442,423	5,185,285	2,489,597	785,290	11,746,618
599 and below	330,000	8,631,404	4,626,534	3,847,369	9,627,773	4,267,410	1,329,832	32,660,322
Unknown	85,423,478	300,868,725	37,170,194	287,361	1,470,145	759,941	1,144,090	427,123,934
	$ 85,753,478	$ 314,254,218	$ 158,922,290	$ 115,442,762	$ 402,701,209	$ 99,520,787	$ 29,035,685	$ 1,205,630,429

2019	Commercial - Non Real Estate	Commercial Real Estate	First Mortgage	HELOC and Other Mortgage	Automobile	Credit Card	Other Consumer	Total
740 and above	$ -	$ -	$ 93,400,235	$ 85,373,201	$ 272,215,013	$ 51,115,605	$ 14,661,895	$ 516,765,949
680 to 739	-	-	35,179,291	33,423,936	120,907,108	38,187,974	10,610,449	238,308,758
660 to 679	-	-	3,913,006	6,095,967	24,386,971	8,493,175	2,734,973	45,624,092
640 to 659	-	-	1,746,434	5,357,047	16,238,452	6,478,881	1,932,145	31,752,959
620 to 639	-	-	1,068,088	2,950,553	11,556,394	4,796,521	1,333,335	21,704,891
600 to 619	-	-	458,188	2,148,315	7,051,728	3,180,260	960,188	13,798,679
599 and below	-	-	1,212,473	4,818,786	13,673,453	5,813,083	1,905,993	27,423,788
Unknown	25,346,907	219,898,299	66,611,845	2,097,936	1,164,294	775,259	1,968,522	317,863,062
	$ 25,346,907	$ 219,898,299	$ 203,589,560	$ 142,265,741	$ 467,193,413	$ 118,840,758	$ 36,107,500	$ 1,213,242,178

LTV ratio – Residential real estate loans and commercial real estate loans are assessed for credit quality by LTV, the ratio of the loan's unpaid principal balance to the value of the collateral securing repayment of the loan. If the Credit Union is in a junior lien position, only the excess collateral value over the amounts necessary to retire any senior lien positions is considered. LTVs are updated quarterly using a proprietary model developed by Quest, a third-party business analytics firm.

Note 3 – Loans Receivable, Net (continued)

Although residential and commercial real estate markets experienced significant declines in property values several years ago, recent analysis, as shown in the table below, highlights improvement in all loan categories. Some markets in which the Credit Union serves have seen significant improvements in property values over the past year or two. These trends are considered in the way the Credit Union monitors credit risk and establishes the residential and commercial real estate allowance for loan losses. LTV does not necessarily reflect the likelihood of performance of a given loan but does provide an indication of collateral value. In the event of default, any loss to the Credit Union should be approximately limited to the portion of the loan amount in excess of the net realizable value of the underlying real estate collateral. The LTV values presented below were most recently updated as of December 31, 2020.

The LTV distribution of first mortgage, HELOC and other mortgage, and commercial real estate at December 31 is as follows:

2020	Less Than 80%	80%-89%	90%-100%	Greater Than 100%	Unknown	Total
First mortgage	$ 155,705,106	$ 1,904,446	$ 695,257	$ 334,183	$ 283,298	$ 158,922,290
HELOC and other mortgage	112,894,656	529,658	30,663	841,198	1,146,587	115,442,762
Commercial real estate	155,642,809	2,517,610	3,460,708	4,456,524	$ 148,176,567	314,254,218
	$ 424,242,571	$ 4,951,714	$ 4,186,628	$ 5,631,905	$ 149,606,452	$ 588,619,270

2019	Less Than 80%	80%-89%	90%-100%	Greater Than 100%	Unknown	Total
First mortgage	$ 132,689,720	$ 3,328,231	$ -	$ 238,228	$ 67,333,381	$ 203,589,560
HELOC and other mortgage	132,361,113	5,180,515	198,843	1,152,925	3,372,345	142,265,741
Commercial real estate	-	-	-	-	$ 219,898,299	219,898,299
	$ 265,050,833	$ 8,508,746	$ 198,843	$ 1,391,153	$ 290,604,025	$ 565,753,600

Nonaccrual and past due loans – Information relating to the age and nonaccrual status of the loans by class at December 31 is as follows:

2020	Current	30-59 Days Past Due	60 Days or more Past Due	Total	Loans on Nonaccrual Status
Commercial - non real estate	$ 85,753,478	$ -	$ -	$ 85,753,478	$ -
Commercial real estate	311,821,313	344,660	2,088,245	314,254,218	2,088,245
First mortgage	158,341,926	427,583	152,781	158,922,290	-
HELOC and other mortgage	114,843,399	328,479	270,884	115,442,762	-
Automobile	401,480,885	783,755	436,569	402,701,209	-
Credit card	99,102,890	212,551	205,346	99,520,787	-
Other consumer	28,791,232	220,172	24,281	29,035,685	-
	$ 1,200,135,123	$ 2,317,200	$ 3,178,106	$ 1,205,630,429	$ 2,088,245

Note 3 – Loans Receivable, Net (continued)

2019	Current	30-59 Days Past Due	60 Days or more Past Due	Total	Loans on Nonaccrual Status
Commercial - non real estate	$ 25,291,033	$ 55,874	$ -	$ 25,346,907	$ 41,239
Commercial real estate	215,958,932	3,508,949	430,418	219,898,299	283,569
First mortgage	198,823,704	2,524,862	2,240,994	203,589,560	318,852
HELOC and other mortgage	141,119,835	616,170	529,736	142,265,741	280,502
Automobile	465,005,758	1,609,659	577,996	467,193,413	297,307
Credit card	118,148,439	345,682	346,637	118,840,758	109,377
Other consumer	35,727,680	283,421	96,399	36,107,500	77,870
	$ 1,200,075,381	$ 8,944,617	$ 4,222,180	$ 1,213,242,178	$ 1,408,716

There were 38 loans for a total balance of $396,313 that were 91 days or more past due and still accruing interest as of December 31, 2020. There were no loans 91 days or more past due and still accruing interest as of December 31, 2019.

Impaired loans – Impaired loans individually evaluated for impairment at December 31 are as follows:

	2020		2019	
	Loans Outstanding	Related Allowance	Loans Outstanding	Related Allowance
With an allowance recorded				
Commercial - non real estate	$ 757,065	$ 276,935	$ -	$ -
Commercial real estate	856,028	67,685	-	-
HELOC and other mortgage	3,354,067	340,379	4,833,985	947,376
Automobile	-	-	56,060	5,740
Other consumer	213,222	14,809	314,765	14,847
	$ 5,180,382	$ 699,808	$ 5,204,810	$ 967,963

Impaired loans individually evaluated for impairment without a specific allowance at December 31 are as follows:

	2020		2019	
	Loans Outstanding	Related Allowance	Loans Outstanding	Related Allowance
Without an allowance recorded				
Commercial - non real estate	$ 575,774	$ -	$ -	$ -
Commercial real estate	9,156,787	-	-	-
First Mortgage	152,781	-	-	-
Automobile	15,238	-	-	-
	$ 9,900,580	$ -	$ -	$ -

Note 3 – Loans Receivable, Net (continued)

There were no loans modified as TDRs during the year ended December 31, 2020. There were no loans modified as TDRs during the year ended December 31, 2019. There were no commitments to fund any TDRs at December 31, 2020 or 2019.

There were no loans restructured during the years ended December 31, 2020 and 2019, for which there was a payment default subsequent to, but within 12 months of, the restructuring.

During the years ended December 31, 2020 and 2019, the Credit Union purchased $63,367,974 and $75,842,121 of fully guaranteed commercial loan participations, respectively. The loans are guaranteed by the United States government through the U.S. SBA or the U.S. Department of Agriculture Rural Development (USDA). As the loans are fully guaranteed by the U.S. government through the respective program, the Credit Union does not maintain an allowance for loan loss against these guaranteed loans. Total loan participation guaranteed under the SBA or USDA programs as of December 31, 2020, was $167,239,235 and $110,522,444 as of December 31, 2019.

Pursuant to the CARES Act passed in March 2020, the Credit Union funded 518 loans to eligible small businesses and non-profit organizations who participated in the Paycheck Protection Program (PPP) administered by the U.S. SBA. PPP loans have terms of two to five years and earn interest at 1%. In addition, the Credit Union received a fee of 1%-5% from the SBA depending on the loan amount, which was netted with loan origination costs and amortized into interest income under the effective yield method over the contractual life of the loan. The recognition of fees and costs is accelerated when the loan is forgiven by the SBA and/or paid off prior to maturity. PPP loans are fully guaranteed by the SBA and are expected to be forgiven by the SBA if they meet the requirements of the program. The balance of PPP loans at December 31, 2020, was $43,882,813. On June 5, 2020, the PPP Flexibility Act was signed into law that modified, among other things, rules governing the PPP payment deferral period. In October 2020, due to updated guidance from the SBA that PPP loan payments were to be deferred until SBA had remitted forgiveness funds to the lender if the Borrower applied for forgiveness within ten months after the end of their covered period, the Credit Union modified the first payment due dates for PPP loans that originated prior to June 5, 2020, and extended the payment deferral period from six to sixteen months. The extended payment deferral period will affect the timing over which the accretion of PPP net loan origination fees are recognized.

Section 4013 of the CARES Act and Section 541 of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (the “Coronavirus Relief Act”) passed in January 2021 provided optional, temporary relief from evaluating loans that may have been considered TDRs under U.S. GAAP. This relief applies to loan modifications executed between March 1, 2020 and the earlier of 60 days after the national emergency related to the Pandemic is terminated, or January 1, 2022. The Credit Union elected to apply these temporary accounting provisions to payment relief loans beginning in March 2020. As of December 31, 2020, 2 loans totaling $2,536,944 were modified as CARES Act deferrals and not subject to TDR accounting and reporting. During 2020, 43 loans totaling $42,121,318 had been in a CARES Act deferment at some point during 2020 but were not in such deferment as of December 31, 2020.

Note 4 – Business Combination

On December 1, 2019, the Credit Union acquired 100% of the operations of Pinnacle Bank. Under the terms of the acquisition $49,000,000 was paid in cash for distribution to the shareholders. With the acquisition, the Credit Union is now able to offer commercial lending including SBA loans, broader residential mortgage products, and enhance business services.

The following table summarizes the fair value of the consideration transferred to the sellers as part of this transaction on December 1, 2019:

Cash	$ 49,000,000
Fair value of total consideration transferred	$ 49,000,000

Goodwill of $29,484,577 arising from the acquisition consisted of a fair market discount of $5,863,423 on the loan portfolio, a fair market premium of $640,750, and a core deposit intangible asset of $174,378 on the deposit portfolio.

Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash and cash equivalents	$ 61,365,593
Federal Home Loan Bank stock	968,300
Loans	185,232,966
Premises and equipment	759,560
Real estate owned	347,951
Other assets	2,283,135
Total assets acquired	250,957,505
Deposits	228,591,884
Other liabilities	2,850,198
Total liabilities assumed	231,442,082
Total identifiable net assets	$ 19,515,423
Goodwill	$ 29,484,577

The fair value of net assets acquired includes fair value adjustments to certain receivables that were not considered impaired as of the acquisition date. The fair value adjustments were determined using discounted contractual cash flows. However, the Credit Union believes that all contractual cash flows related to these financial instruments will be collected. As such, these receivables were not considered impaired at the acquisition date and were not subject to the guidance relating to purchased credit-impaired loans, which have shown evidence of credit deterioration since origination. Receivables acquired that were not subject to these requirements include cash and stock of the Federal Home Loan Bank $61,365,593 and $968,300 on the date of acquisition, respectively.

Note 5 – Property and Equipment

The composition of property and equipment at December 31 is summarized as follows:

	2020	2019
Land	$ 11,970,235	$ 11,970,235
Buildings	43,470,415	46,327,104
Furniture and equipment	14,150,556	36,626,839
Leasehold improvements	1,519,683	1,851,338
	71,110,889	96,775,516
Construction in progress	2,041,856	1,698,850
Accumulated depreciation and amortization	(29,826,629)	(51,594,050)
	$ 43,326,116	$ 46,880,316

Property held-for-sale represents two parcels of land which are reported at the lower of cost or net realizable value. As of December 31, 2020 and 2019, property held-for sale was valued at $3,230,000 and $5,303,535, respectively. The Credit Union recognized no impairment losses on property held-for sale for the years ended December 31, 2020 and 2019, respectively.

Depreciation and amortization for the years ended December 31, 2020 and 2019, totaled $5,183,594 and $5,852,453, respectively.

Note 6 – Members' Share Accounts

Members' share accounts at December 31 are summarized as follows:

	2020	2019
Regular share	$ 507,790,784	$ 359,864,805
Share draft	697,491,032	518,604,288
Money market	629,738,060	574,207,418
Share and Individual Retirement Account (IRA) certificate	158,101,009	154,023,485
	$ 1,993,120,885	$ 1,606,699,996

Note 6 – Members' Share Accounts (continued)

The scheduled maturities of share and IRA certificates are as follows:

Years Ending December 31,	
2021	$ 84,096,465
2022	27,710,515
2023	26,144,582
2024	9,327,229
2025	10,822,218
	$ 158,101,009

Dividend rates are set by the Board of Directors, and dividends are charged to operations. The aggregate amounts of share and IRA certificate accounts in denominations that met or exceeded the NCUSIF insurance limit were $9,554,162 and $9,568,934 at December 31, 2020 and 2019, respectively.

Note 7 – Lease Commitments

The Credit Union leases certain office facilities and branches under non-cancelable operating lease agreements expiring through December 2024, with monthly payments ranging from approximately $400 to $19,400.

Minimum rental payments under operating leases are as follows:

Years Ending December 31,	
2021	$ 788,621
2022	485,300
2023	299,927
2024	178,526
	$ 1,752,374

Rent expense was approximately $977,000 and $349,000 for the years ended December 31, 2020 and 2019, respectively.

Note 8 – Intangible Assets and Goodwill

Intangible assets and goodwill at December 31 are summarized as follows:

	2020	2019
Intangible assets	$ 7,312,908	$ 7,261,958
Accumulated amortization	(6,577,778)	(6,000,299)
	735,130	1,261,659
Goodwill	33,116,981	33,116,981
	$ 33,852,111	$ 34,378,640

Intangible assets subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that the carrying amounts may not be recoverable. Goodwill is assigned to specific reporting units and reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

Future amortization expense for years ended December 31 is summarized as follows:

2021	$ 145,351
2022	75,462
2023	66,364
2024	66,364
2025	66,364
Thereafter	315,225
	$ 735,130

Note 9 – Borrowed Funds

Line of credit with the FHLB – The Credit Union maintains an advances and security agreement with the FHLB of San Francisco. The agreement requires the Credit Union to pledge its investment securities held in safekeeping by the FHLB. The Credit Union also pledges certain loans. The aggregate fair value of pledged securities was approximately $435,795,830 and $364,099,881 at December 31, 2020 and 2019, respectively. The aggregate fair value of pledged loans was $104,484,045 as of December 31, 2020. No such loans were pledged at December 31, 2019. Maximum available borrowings are limited to 35% of total assets as of December 31, 2020 and 2019, and were approximately $493,032,910 and $351,078,046 at December 31, 2020 and 2019, respectively. There were no outstanding borrowings under this arrangement at December 31, 2020 and 2019.

Note 9 – Borrowed Funds (continued)

Federal Reserve Bank (FRB) discount window – The Credit Union maintains a secured borrowing arrangement through the FRB discount window. At December 31, 2020 and 2019, the Credit Union had investments securities held in safekeeping at FRB as collateral with outstanding fair values of $10,766,709 and $24,792,864, respectively. Maximum available borrowings for the FRB secured borrowing is determined as a percentage of collateral. There were no outstanding borrowings as of December 31, 2020 and 2019, under the FRB secured borrowing arrangement.

U.S. Bank – The Credit Union maintains an unsecured Federal Funds Purchasing Agreement with U.S. Bank. The agreement allows the Credit Union to borrow federal funds on a revolving 15-business-day basis at a rate agreed upon at the time of the transaction. There is no limit on the number of days within a calendar year that funds may be borrowed on an overnight basis. The maximum amount of funds available to the Credit Union at any time was $10,000,000 as of December 31, 2020 and 2019. There were no outstanding borrowings as of December 31, 2020 and 2019, under this borrowing arrangement.

Central Liquidity Facility – In 2012, the Credit Union became a member of the Central Liquidity Facility (CLF) through the purchase of its capital stock. The capital stock purchase amount was calculated based on one-half of 1% of the Credit Union's paid-in and unimpaired capital and surplus. At least one-half of the payment for the subscription amount required that membership shall be transferred to the CLF. The remainder may be held by the Credit Union on call of the Board. As a member of the CLF, the Credit Union can request any amount of funding it needs up to its legal borrowing limit as long as the Credit Union is creditworthy and demonstrates liquidity needs. As of December 31, 2020 and 2019, there were no outstanding borrowings under this arrangement.

Note 10 – Other Assets

Other assets at December 31, consist of the following:

	2020	2019
Credit union owned life insurance	$ 44,843,947	$ 33,650,156
Prepaid expenses	5,589,762	3,734,580
Other assets and receivables	10,589,142	8,993,560
	$ 61,022,851	$ 46,378,296

Credit Union Owned Life Insurance (CUOLI) policies – The cash surrender value of the CUOLI policies amounts to $44,843,947 and $33,650,156 as of December 31, 2020 and 2019, respectively. Income from the increase in cash surrender value (CSV) policies was used to offset contributions to the Credit Union's Supplemental Executive Retirement Plan as described in Note 13.

Other assets and receivables – Other receivables are comprised primarily of serviced mortgage payments receivable, principal payments receivable from an investment brokerage firm, various clearing accounts, and the deferred compensation investment described in Note 13.

Note 11 – 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, which include lines of credit, credit cards, and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements. The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as the loans recorded in the consolidated financial statements.

The following financial instruments were outstanding at December 31 whose contract amounts represent credit risk:

	2020	2019
Commercial - non real estate	$ 1,363,723	$ 1,372,706
Commercial real estate	7,646,267	8,895,174
Credit card	310,294,373	296,433,678
First mortgage	20,170,430	8,794,828
HELOC and other mortgage	60,434,643	56,089,072
Other consumer	18,504,690	17,610,070
Overdraft line	89,463,366	86,791,421
	$ 507,877,492	$ 475,986,949

As of December 31, 2020 and 2019, there was $5,722,650 and $1,664,800 in mortgage loans approved but not funded, respectively.

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

Note 12 – Contingencies and Commitments

Legal contingencies – The Credit Union is party to various legal actions normally associated with the collection of loans and other business activities of financial institutions, the aggregate effect of which, in the opinion of management and legal counsel, would not be material to the consolidated financial condition of the Credit Union and subsidiaries.

Note 12 – Contingencies and Commitments (continued)

The Credit Union evaluated its December 31, 2020 consolidated financial statements for subsequent events through the date the consolidated financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net interest income. Other financial impact could occur, though such potential impact is unknown at this time.

Pandemic – During the 2020 calendar year, the World Health Organization has declared the outbreak of the coronavirus ("COVID-19") to constitute a "Public Health Emergency of International Concern." This pandemic has disrupted economic markets and the economic impact, duration, and spread of the COVID-19 virus is uncertain at this time. The Credit Union evaluated its December 31, 2020 consolidated financial statements for subsequent events through the date the consolidated financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact net interest income. Other financial impact could occur though such potential impact is unknown at this time

Note 13 – Employee Benefits

401(k) retirement plan – The Credit Union provides a 401(k) employee benefit plan that has a defined contribution retirement savings fund pension plan provision available to employees with at least 3 months of service who have attained the age of 18 years at the anniversary date of the plan. The plan provides for a portion of each participant's gross base compensation to be contributed to the plan based on the employee's number of years of service. Plan expenses for the years ended December 31, 2020 and 2019, totaled approximately $1,803,000 and $1,389,000, respectively.

Deferred compensation plan – The Credit Union has a 457(b) nonqualified deferred compensation plan for members of top management. Under the terms of the 457(b) plan, contributions made to the plan are the responsibility of the plan participants. The Credit Union is responsible for administering the plan and provides no funding. The deferred compensation investments are shown as assets on the consolidated financial statements and are available to creditors in the event of liquidation. The deferred compensation investments totaled approximately $809,000 and $733,000 as of December 31, 2020 and 2019, respectively. The Credit Union has accrued liabilities of approximately $809,000 and $733,000 at December 31, 2020 and 2019, respectively.

Supplemental Executive Retirement Plan (SERP) – Effective November 13, 2014, the Credit Union has a SERP for certain key members of management. The plan provides a cash benefit in the amount specified in the participation agreement by remaining employed with the Credit Union until the normal retirement date for such payment. The cash surrender value of the CUOLI policies amounts to $44,843,947 and $33,650,156 with a weighted-average yield of 2.66% and 2.82% as of December 31, 2020 and 2019, respectively, and is included in other assets. During the years ended December 31, 2020 and 2019, the Credit Union recognized approximately $1,194,000 and $948,000, respectively, in investment income related to the increase in cash surrender value, which was used to offset contributions to the Credit Union's SERP.

Note 13 – Employee Benefits (continued)

The Credit Union's liability under the SERP was approximately $2,259,000 and $2,275,000 as of December 31, 2020 and 2019, respectively. The costs associated with the plan totaled approximately $931,000 and $536,000 for the years ended December 31, 2020 and 2019, respectively.

The Credit Union also has a Survivor Income Plan in connection with the CUOLI policies that provides limited death benefits in excess of CSV on behalf of the SERP participants.

Note 14 – Related-Party Transactions

In the normal course of business, the Credit Union extends credit to members of the Board of Directors, Supervisory Committee members, and executive officers. The aggregate loans to related parties at December 31, 2020 and 2019, totaled approximately $1,383,559 and $2,214,382, respectively. Loans to related parties are made under the same terms available to other members. Shares from related parties at December 31, 2020 and 2019, totaled approximately $7,201,042 and $4,877,665, respectively.

Note 15 – Fair Value Measurements

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value:

Securities available-for-sale – Fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or on discounted cash flow models based on the expected payment characteristics of the underlying mortgage instruments.

Impaired loans receivable – The Credit Union evaluates the residential real estate and consumer segments for impairment on a pooled basis. Impairment is measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate or, as an expedient, at the loan's observable market price or the fair value of the collateral, less costs to sell, if the loan is collateral dependent.

Property held-for-sale – Fair values of property held-for-sale are based on the fair value of the underlying asset less costs to sell. The Credit Union obtains third-party valuations including appraisals and broker's price opinions to value the asset at fair value upon transfer to property held-for-sale.

Note 15 – Fair Value Measurements (continued)

Fair values of assets measured on a recurring basis at December 31, are summarized as follows:

2020	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities available-for-sale	$ 448,590,572	$ -	$ 448,590,572	$ -
2019				
Securities available-for-sale	$ 389,116,452	$ -	$ 389,116,452	$ -

There were no transfers of assets between levels of valuation measurements during the years ended December 31, 2020 and 2019.

Fair values of assets measured on a nonrecurring basis at December 31, are summarized as follows:

2020	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans receivable, net	$ 5,180,382	$ -	$ -	$ 5,180,382
Property held-for-sale	3,230,000	-	-	3,230,000
	$ 8,410,382	$ -	$ -	$ 8,410,382
2019				
Impaired loans receivable, net	$ 5,204,810	$ -	$ -	$ 5,204,810
Property held-for-sale	5,303,535	-	-	5,303,535
	$ 10,508,345	$ -	$ -	$ 10,508,345

Note 15 – Fair Value Measurements (continued)

Additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Credit Union has utilized Level 3 inputs to determine fair value at December 31 is summarized as follows:

2020	Fair Value	Valuation Technique	Unobservable Input	Range
Impaired loans receivable, net	$ 5,180,382	Fair market value	Costs to sell	25%
Property held-for-sale	$ 3,230,000	Market approach	Adjustment for cost of sales	5%
2019				
Impaired loans receivable, net	$ 5,204,810	Fair market value	Costs to sell	25%
Property held-for-sale	$ 5,303,535	Market approach	Adjustment for cost of sales	5%

Note 16 – Revenue from Contracts with Customers

All of the Credit Union's revenue from contracts with customers in the scope of Topic 606 is recognized in non-interest income. The following table presents the Credit Union's sources of non-interest for the years ended December 31, 2020 and 2019:

	Years Ended December 31, 2020	Years Ended December 31, 2019
NONINTEREST INCOME		
In-scope of Topic 606		
Service charges on members' share accounts		
Overdraft fees	$ 8,048,483	$ 12,118,898
Other fees	3,381,727	5,039,128
Interchange income	20,570,499	20,028,244
Other noninterest income (a)	15,041,328	19,221,651
	47,042,037	56,407,921
Not in-scope of Topic 606		
Fees and charges of loan accounts	2,718,736	1,770,998
Gain on sales of loans held-for-sale	5,244,835	36,414
Other noninterest (loss) income (b)	1,412,364	933,427
Total noninterest income	9,375,935	2,740,839
Total non-interest income	$ 56,417,972	$ 59,148,760

(a) Includes ATM machine fees, insurance commissions, and investment services income.
(b) Includes net loan servicing income and income on life insurance policies.

Note 16 – Revenue from Contracts with Customers (continued)

Fees and charges – The Credit Union earns fees on deposit and transaction accounts related to fee income for periodic service charges on deposit accounts and transaction-based fees such as those related to overdrafts, ATM charges, and wire transfer fees. Performance obligations for periodic service charges on deposit accounts are typically short-term in nature and are generally satisfied on a monthly basis, while performance obligations for other transaction-based fees are typically satisfied at a point in time (which may consist of only a few moments to perform the service or transaction) with no further obligations on behalf of the Credit Union to the member. Periodic service charges are generally collected monthly directly from the member's deposit account, and at the end of a statement cycle, while transaction-based service charges are typically collected at the time of or soon after the service is performed.

Interchange income – Debit/ATM interchange income represents fees earned when a debit card issued by the Credit Union is used for a transaction. These fees are earned each time a request for payment is originated by a member debit cardholder at a merchant. In these transactions, the Credit Union transfers funds from the debit cardholder's account to a merchant through a payment network at the request of the debit cardholder by way of the debit card transaction. The related performance obligations are generally satisfied when the transfer of funds is complete, which is generally a point in time when the debit card transaction is processed and the fees are earned when the cost of the transaction is charged to the customer's account. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

ATM fees – The Credit Union charges fees to members and non-members through ATM transactions, including point of sale and surcharges. ATM fees are reported as other noninterest income in the statements of income.

Insurance commissions and investment services income – The Credit Union arranges for its members to purchase insurance products and brokerage services from contracted service providers. Insurance commissions and investment services income are reported as other non-interest income in the statements of income.

Principal versus agent considerations – When more than one party is involved in providing goods or services to a customer, ASC 606 requires the Credit Union to determine whether it is the principal or an agent in these transactions by evaluating the nature of its promise to the customer. An entity is a principal and therefore records revenue on a gross basis, if it controls a promised good or service before transferring that good or service to the customer. An entity is an agent and records as revenue the net amount it retains for its agency services if its role is to arrange for another entity to provide the goods or services. The Credit Union most commonly acts as a principal and records revenue on a gross basis.

Practical expedients – The Credit Union has elected to apply the practical expedient allowed in ASC 340-40-25-4, which permits the Credit Union to immediately expense contract acquisition costs, such as commissions, when the asset that would have resulted from capitalizing these costs would be amortized in one year or less. The practical expedient described in ASC 606-10-32-18, which is associated with the determination of whether a significant financing component exists, is not currently applicable to the Credit Union.

Note 16 – Revenue from Contracts with Customers (continued)

Contract balances – The timing of revenue recognition may differ from the timing of cash settlements or invoicing to customers. The Credit Union records contract liabilities, or deferred revenue, when payments from customers are received or due in advance of providing services to customers. The Credit Union records contract assets or receivables when revenue is recognized prior to receipt of cash from the customer. The Credit Union generally invoices and receives payments for its services during the period or at the time services are provided and, therefore, does not have material contract assets or liabilities at period end.

Note 17 – Regulatory Capital

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

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the following table) of net worth (as defined in the regulations) to assets. The Credit Union is also required to calculate a risk-based net worth (RBNW) ratio that establishes whether the Credit Union will be considered "complex" under the regulatory framework. As of December 31, 2020 and 2019, the Credit Union's RBNW ratio was 5.15% and 5.86%, respectively. The minimum ratio to be considered complex under the regulatory framework is 6.00%.

As of December 31, 2020, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Credit Union must maintain a minimum net worth ratio of 7% of assets and meet any applicable RBNW requirement. There have been no conditions or events since the calculation date that management believes have changed the Credit Union's category.

Note 17 – Regulatory Capital (continued)

The Credit Union's actual capital amounts and ratios at December 31, are as follows:

	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provisions		To Be Well Capitalized Under Prompt Corrective Action Provisions	
2020	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net worth	$ 306,242,764	13.14%	$ 139,817,862	6.00%	$ 163,120,839	7.00%
2019						
Net worth	$ 303,589,430	15.67%	$ 116,263,104	6.00%	$ 135,640,288	7.00%

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