CHEVRON FEDERAL CREDIT UNION
Concord, California

FINANCIAL STATEMENTS
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Supervisory Committee
Chevron Federal Credit Union
Concord, California

Opinion

We have audited the financial statements of Chevron Federal Credit Union, which comprise the statements of financial condition as of December 31, 2022 and 2021, and the related statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Chevron Federal Credit Union as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Crowe LLP

Crowe LLP

Los Angeles, California
March 13, 2023

CHEVRON FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
December 31, 2022 and 2021
(Dollar amounts in thousands)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 215,658	$ 269,818
Investments		
Available-for-sale	416,521	647,668
Equity securities	76,617	76,617
Restricted stock	16,153	16,153
Loans to members, net	4,002,434	3,397,600
Accrued interest receivable	8,815	8,184
National Credit Union Share Insurance Fund (NCUSIF) deposit	32,236	31,076
Derivative assets	61,442	4,347
Other assets	25,238	14,014
	$ 4,855,114	$ 4,465,477
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	$ 3,947,968	$ 3,854,245
Derivative liabilities	-	12,072
Short term borrowings	153,000	-
Accrued expenses and other liabilities	96,396	22,159
Total liabilities	4,197,364	3,888,476
Commitments and contingent liabilities		
Members' equity		
Retained earnings	664,698	578,659
Accumulated other comprehensive income (loss)	(6,948)	(1,658)
Total members' equity	657,750	577,001
	$ 4,855,114	$ 4,465,477

See accompanying notes to financial statements.

CHEVRON FEDERAL CREDIT UNION
STATEMENTS OF INCOME
For the years ended December 31, 2022 and 2021
(Dollar amounts in thousands)

	2022	2021
Interest income		
Interest on loans to members	$ 127,820	$ 112,970
Interest on investments and cash equivalents	5,185	3,543
	133,005	116,513
Interest expense		
Dividends on members' shares	42,035	23,464
Interest on borrowed funds	1,034	-
Derivative interest expense	1,981	10,949
	45,050	34,413
Net interest income	87,955	82,100
Provision for loan losses	9,590	4,385
Net interest income after provision for loan losses	78,365	77,715
Non-interest income		
Change in fair value of derivatives	70,719	21,850
Other non-interest income	8,949	8,557
	79,668	30,407
Non-interest expenses		
Salaries and benefits	45,263	43,280
Operations	23,977	21,840
Occupancy	2,754	3,027
	71,994	68,147
Net income	$ 86,039	$ 39,975

See accompanying notes to financial statements.

CHEVRON FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2022 and 2021
(Dollar amounts in thousands)

	2022	2021
Net income	$ 86,039	$ 39,975
Other comprehensive income (loss)		
Unrealized holding gain (loss) on investments classified as available-for-sale arising during the year	(5,290)	(3,001)
Comprehensive income	$ 80,749	$ 36,974

See accompanying notes to financial statements.

CHEVRON FEDERAL CREDIT UNION
STATEMENTS OF MEMBERS' EQUITY
For the years ended December 31, 2022 and 2021
(Dollar amounts in thousands)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity
Balance, January 1, 2021	$ 538,684	$ 1,343	$ 540,027
Net income	39,975	-	39,975
Net change in unrealized gain (loss) on available-for-sale investments	-	(3,001)	(3,001)
Balance, December 31, 2021	578,659	(1,658)	577,001
Net income	86,039	-	86,039
Net change in unrealized gain (loss) on available-for-sale investments	-	(5,290)	(5,290)
Balance, December 31, 2022	$ 664,698	$ (6,948)	$ 657,750

See accompanying notes to financial statements.

CHEVRON FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021
(Dollar amounts in thousands)

	2022	2021
Cash flows from operating activities		
Net income	$ 86,039	$ 39,975
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	9,590	4,385
Depreciation and amortization	12,551	10,808
Change in fair value of derivatives	(70,719)	(21,850)
Net change in:		
Accrued interest receivable	(631)	(1,029)
Other assets	(10,228)	(2,280)
Accrued expenses and other liabilities	74,237	3,656
Net cash provided by operating activities	100,839	33,665
Cash flows from investing activities		
Purchases of available-for-sale investments	-	(464,336)
Proceeds from maturities and paydowns of available-for-sale investments	217,092	238,100
Net funding of loans to members	(614,423)	(329,977)
Increase in the National Credit Union Share Insurance Fund deposit	(1,160)	(2,650)
Purchases of property and equipment	(3,230)	(1,116)
Net cash used in investing activities	(401,721)	(559,979)
Cash flows from financing activities		
Net increase in members' shares	93,722	276,484
Net proceeds for short term borrowings	153,000	-
Net cash provided by financing activities	246,722	276,484
Increase (decrease) in cash and cash equivalents	(54,160)	(249,830)
Cash and cash equivalents at beginning of year	269,818	519,648
Cash and cash equivalents at end of year	$ 215,658	$ 269,818
Supplemental cash flow information		
Dividends paid on members' shares	$ 42,035	$ 23,464

See accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Chevron Federal Credit Union (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 that qualify for membership, including employees and retirees of Chevron Corporation, its wholly owned subsidiaries, selected affiliated companies of Chevron Corporation, and selected contractors of Chevron Corporation; employees of Bechtel Corporation, its wholly owned subsidiaries and affiliated companies; employees of other select companies; members of several non-profit associations; persons who live, work, worship or attend school in select areas of San Francisco, CA and Frederick County, MD; and family of Credit Union members. The field of membership is defined in the Credit Union's Charter.

Subsequent Events: The Credit Union has evaluated subsequent events for recognition and disclosure through March 13, 2023, which is the date the financial statements were available to be issued.

Use of Estimates: To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions, and treasury securities with maturities of less than 90 days. Net cash flows are reported for member loan and share transactions.

Investments: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income.

Interest income includes amortization of purchase premium or accretion of discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment (OTTI) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or if it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Securities: Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

Equity investments include our Visa Class B share holdings, which do not have a readily determinable fair value. For equity investments without readily determinable fair values, when the Credit Union executes a transaction of these securities, we use valuation techniques permitted under ASC 820, *Fair Value Measurement,* to evaluate the observed transaction(s) and adjust the carrying value.

Restricted Stock: The Credit Union is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB Stock is carried at cost, classified as restricted stock, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans to Members: Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at the principal balance outstanding less deferred loan fees and costs and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method based on contract terms.

Interest income accrual on loans is discontinued at the time the loan is 90 days delinquent. Consumer loans are typically charged off no later than 180 days past due. Past due status is based on the contractual terms of the loan. For all loan classes, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

Concentration of Credit Risk: Most of the Credit Union's business activity is with its members who are or were employed by Chevron Corporation, Bechtel Corporation, or affiliated companies, and thus their business could be impacted by a sustained decrease in oil and gas prices. The majority of the Credit Union's loan portfolio is comprised of mortgage loans.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, current loan to value, current credit score, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, economic conditions, and other factors.

Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component covers non-classified loans and is based on historical loss experience adjusted for current factors.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A loan is impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

Factors considered by management in determining impairment include payment status and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's ability to pay, and the amount of the shortfall in relation to the principal and interest owed.

Troubled debt restructurings are measured at the present value of estimated future cash flows using the loan's effective rate at inception including the probability of re-default. If a troubled debt restructuring is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of collateral. For troubled debt restructurings that subsequently default, the Credit Union determines the amount of reserve in accordance with the accounting policy for the allowance for loan losses.

The general component covers non-impaired loans and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Credit Union over the most recent 12 months. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: current loan to value, current credit score, levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. The following portfolio segments have been identified: mortgage loans, vehicle loans, and consumer loans. The Credit Union reviews the credit risk exposure of all its portfolio segments by internally assessing risk factors. Risk factors impacting loans in each of the portfolio segments include broad deterioration of property values, and reduced credit availability.

<u>NCUSIF Deposit</u>: The National Credit Union Share Insurance Fund (NCUSIF) deposit is in accordance with National Credit Union Administration (NCUA) regulations and requires the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. Generally, the NCUSIF deposit is non-interest bearing. However, a special dividend may be paid on the NCUSIF deposit if the NCUSIF maintains a predetermined amount of reserves.

<u>NCUSIF Insurance Premiums</u>: A credit union is required to pay an annual insurance premium equal to one-twelfth of 1% of its total insured shares, unless the payment is waived or reduced by the NCUA Board.

Special assessments will be determined by the NCUA Board and will be expensed at the date they are assessed by the NCUA Board. No such premiums were assessed or paid during 2022 or 2021.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives of approximately 30 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from three to seven years.

Leases: Leases are classified as operating or finance leases at the lease commencement date. The Credit Union leases certain locations and equipment. The Credit Union records leases on the statement of financial condition in the form of a lease liability for the present value of the future minimum payments under the lease terms and a right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. This discount rate used in determining the lease liability is based upon incremental borrowing rates the Credit Union could obtain for similar loans as of the date of commencement or renewal. The Credit Union does not record leases that are classified as short term (less than one year).

Derivatives: At the inception of a derivative contract, the Credit Union designates the derivative as one of three types based on the Credit Union's intentions and belief as to its likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), or (3) an instrument with no hedging designation (stand-alone derivative). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item, is recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. For both types of hedges, changes in the fair value of derivatives that are not highly effective in hedging the changes in fair value or expected cash flows of the hedged item are recognized immediately in current earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting or that have no hedging designation are reported in current earnings as non-interest income.

Net cash settlements on interest rate cap and swap derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements and amortization of premium on interest rate cap and swap derivatives that do not qualify for hedge accounting are reported in interest expense. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged. Periodic market value adjustments are reported in non-interest income.

The Credit Union enters into economic derivative hedges that mitigate interest rate risk but do not qualify as fair value or cash flow hedges. Changes in the fair value of these instruments are recognized in earnings.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which are recognized as separate components of members' equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe that there are any such matters that will have a material effect on the financial statements.

(Continued)

(Dollar amounts in thousands)

NOTE 2 – INVESTMENTS

The following table summarizes the amortized cost and fair value of the available-for-sale investment securities portfolio at December 31, 2022 and 2021 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
2022				
Available-for-sale				
U.S. Treasury and federal agency	$ 402,424	$ -	$ (6,584)	$ 395,840
Adjustable rate mortgage-backed securities: residential	21,037	21	(377)	20,681
Fixed rate mortgage-backed securities: residential	-	-	-	-
Total available-for-sale	$ 423,461	$ 21	$ (6,961)	$ 416,521

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
2021				
Available-for-sale				
U.S. Treasury and federal agency	$ 621,196	$ -	$ (2,493)	$ 618,703
Adjustable rate mortgage-backed securities: residential	28,121	843	-	28,964
Fixed rate mortgage-backed securities: residential	1	-	-	1
Total available-for-sale	$ 649,318	$ 843	$ (2,493)	$ 647,668

All U.S. Treasury and Agency securities that are not classified as cash and cash equivalents and federal agency securities mature in one to five years. The Credit Union's adjustable and fixed rate mortgage-backed securities have a variety of maturity dates. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalty.

There were no sales of available for sale investments during the years ending December 31, 2022 and 2021.

There were no investments pledged as collateral at December 31, 2022 and 2021.

At December 31, 2022, US Treasury securities with a fair value of $395,840 were in an unrealized loss position of $6,584 that was outstanding greater than 12 months. All other securities were in an unrealized loss position less than 12 months. At December 31, 2021, US Treasury and Agency securities with a fair value of $111,884 were in an unrealized loss position of $368 that was outstanding greater than 12 months. All other securities were in an unrealized loss position less than 12 months.

(Dollar amounts in thousands)

NOTE 2 – INVESTMENTS (Continued)

At December 31, 2022 and 2021, all of the available for sale investments held by the Credit Union were issued by the US Treasury and U.S. government-sponsored entities and agencies, primarily Ginnie Mae, Fannie Mae, Freddie Mac and FHLB. The Credit Union has the ability to hold and does not have the intent to sell and it is more likely than not that the Credit Union will not be required to sell a security in a net loss position. The decline in fair value is largely due to changes in interest rates and market conditions.

Equity securities consist of the Credit Union's Visa Class B shares acquired through participation in the Visa network. During the year ended December 31, 2022 there were no sales of Visa Class B shares. During the year ended December 31, 2020, the Credit Union sold 377 thousand shares of Visa Class B shares for $73,502, establishing observable transactions at which to value the Visa Class B holdings. As a result of these sales, the remaining 381 thousand shares were written up from a previous carrying value of $0 to $76,617.

NOTE 3 – LOANS

Loans at year end were as follows:

	2022	2021
Mortgage loans		
First mortgage	$ 3,063,802	$ 2,736,260
Equity loans	98,836	76,551
	3,162,638	2,812,811
Solar loans	657,671	407,083
Vehicle loans	187,988	167,879
Other consumer loans	100,627	80,421
	4,108,924	3,468,194
Less: Net deferred loan fees	(83,336)	(53,092)
Allowance for loan losses	(23,154)	(17,502)
Loans, net	$ 4,002,434	$ 3,397,600

(Dollar amounts in thousands)

NOTE 3 – LOANS (Continued)

Activity in the allowance for loan losses by portfolio segment is summarized as follows for the years ended December 31:

	Mortgage	Vehicle	Other Consumer	Solar	Total
Balance at January 1, 2021	$ 4,818	$ 2,499	$ 3,610	$ 3,719	$ 14,646
Provision for loan losses	1,036	(299)	203	3,445	4,385
Loans charged off	-	(100)	(679)	(1,358)	(2,137)
Recoveries	-	40	274	294	608
Balance at December 31, 2021	$ 5,854	$ 2,140	$ 3,408	$ 6,100	$ 17,502
Provision for loan losses	704	-	1,138	7,748	9,590
Loans charged off	-	(318)	(1,102)	(3,080)	(4,500)
Recoveries	-	29	269	264	562
Balance at December 31, 2022	$ 6,558	$ 1,851	$ 3,713	$ 11,032	$ 23,154

The following table presents gross loans individually and collectively evaluated for impairment by portfolio segment as of December 31, 2022 and 2021:

	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total
2022			
Allowance for loan losses attributable to:			
Mortgage loans			
First mortgage loans	$ 132	$ 6,224	$ 6,356
Equity loans	2	200	202
Total mortgage loans	134	6,424	6,558
Vehicle loans	-	1,851	1,851
Solar loans	-	11,032	11,032
Other consumer loans	-	3,713	3,713
Total allowance for loan losses	$ 134	$ 23,020	$ 23,154
Loans:			
Mortgage loans			
First mortgage loans	$ 5,206	$ 3,058,596	$ 3,063,802
Equity loans	119	98,717	98,836
Total mortgage loans	5,325	3,157,313	3,162,638
Vehicle loans	-	187,988	187,988
Solar loans	-	657,671	657,671
Other consumer loans	-	100,627	100,627
Total loans	$ 5,325	$ 4,103,599	$ 4,108,924

(Continued)

(Dollar amounts in thousands)

NOTE 3 – LOANS (Continued)

	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Total
2021			
Allowance for loan losses attributable to:			
Mortgage loans			
First mortgage loans	$ 143	$ 5,554	$ 5,697
Equity loans	3	154	157
Total mortgage loans	146	5,708	5,854
Vehicle loans	-	2,140	2,140
Solar loans	-	6,100	6,100
Other Consumer loans	-	3,408	3,408
Total allowance for loan losses	$ 146	$ 17,356	$ 17,502
Loans:			
Mortgage loans			
First mortgage loans	$ 4,729	$ 2,731,531	$ 2,736,260
Equity loans	375	76,176	76,551
Total mortgage loans	5,104	2,807,707	2,812,811
Vehicle loans	-	167,879	167,879
Solar loans	-	407,083	407,083
Other Consumer loans	-	80,421	80,421
Total loans	$ 5,104	$ 3,463,090	$ 3,468,194

If a loan is impaired, a portion of the allowance is allocated so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely for the collateral. For loans where no loss is expected based on this analysis, no allowance is allocated.

(Continued)

(Dollar amounts in thousands)

NOTE 3 – LOANS (Continued)

The following table presents information related to impaired loans by class of loans as of the year ended December 31, 2022 and 2021:

	Average Impaired Loans	Monthly Unpaid Principal Balance	Recorded Investment	Allowance Allocated
2022				
With no related allowance recorded:				
Mortgage loans				
First mortgage loans	$ 3,126	$ 3,985	$ 3,980	$ -
Equity loans	201	89	91	-
Subtotal	3,327	4,074	4,071	-
With an allowance recorded:				
Mortgage loans				
First mortgage loans	1,222	1,221	1,220	132
Equity loans	38	30	31	2
Subtotal	1,260	1,251	1,251	134
Total	$ 4,587	$ 5,325	$ 5,322	$ 134
2021				
With no related allowance recorded:				
Mortgage loans				
First mortgage loans	$ 3,126	$ 3,526	$ 3,519	$ -
Equity loans	178	340	347	-
Subtotal	3,304	3,866	3,866	-
With an allowance recorded:				
Mortgage loans				
First mortgage loans	1,222	1,203	1,201	143
Equity loans	38	35	36	3
Subtotal	1,260	1,238	1,237	146
Total	$ 4,564	$ 5,104	$ 5,103	$ 146

Recorded investment in loans is the unpaid principal balance less net deferred fees and expenses. Interest income on impaired loans was not material for the years ending December 31, 2022 and 2021.

(Continued)

(Dollar amounts in thousands)

NOTE 3 – LOANS (Continued)

The following table presents the recorded investment of nonaccrual loans as of December 31, 2022 and 2021:

	Nonaccrual		Loans Past Due Over 90 Days Still Accruing	
	2022	2021	2022	2021
Mortgage loans				
First mortgage	$ 1,883	$ 2,319	$ -	$ -
Equity	26	78	-	-
Vehicle loans				
New	94	120	-	-
Used	297	48	-	-
Other Consumer loans				
Secured	484	238	-	-
Unsecured	522	262	-	-
Solar	2,972	1,260	-	-
Total	$ 6,278	$ 4,325	$ -	$ -

The Credit Union has allocated $134 and $146 of specific reserves to members whose loan terms have been modified in troubled debt restructurings (TDR's) as of December 31, 2022 and 2021 respectively. Loans considered as TDR's at December 31, 2022 and 2021 totaled $1,420 and $1,240, respectively. The Credit Union has not committed to lend additional amounts to members with outstanding loans that are classified as troubled debt restructurings. During the year ended December 31, 2022 and 2021, there was 11 and 8 loans modified as troubled debt restructurings.

The following table represents the aging of the recorded investment in past due loans as of December 31, 2022 by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	> 90 Days Past Due	Total Past Due	Loans Not Past Due	Total
Mortgage loans						
First mortgage	$ 15,521	$ 1,589	$ 1,883	$ 18,993	$ 3,042,183	$ 3,061,176
Equity loans	588	227	26	841	100,670	101,511
Participations	-	-	-	-	-	-
Vehicle loans						
New	385	149	94	628	123,627	124,255
Used	466	31	297	794	63,276	64,070
Other consumer loans						
Secured	323	325	484	1,132	35,473	36,605
Unsecured	659	411	522	1,592	63,010	64,602
Solar	3,720	1,955	2,972	8,647	564,722	573,369
	$ 21,662	$ 4,687	$ 6,278	$ 32,627	$ 3,992,961	$ 4,025,588

(Continued)

(Dollar amounts in thousands)

NOTE 3 – LOANS (Continued)

The following table represents the aging of the recorded investment in past due loans as of December 31, 2021 by class of loans:

	30-59 Days Past Due	60-89 Past Due	Days Past Due	> 90 Days Past Due	Total Past Due	Loans Not Total
Mortgage loans						
First mortgage	$ 16,383	$ 1,019	$ 2,319	$ 19,721	$ 2,711,260	$ 2,730,981
Equity loans	367	269	78	714	78,220	78,934
Participations	-	-	-	-	-	-
Vehicle loans						
New	183	14	120	317	107,006	107,323
Used	522	65	48	635	60,262	60,897
Other consumer loans						
Secured	162	187	238	587	27,789	28,376
Unsecured	445	211	262	918	51,348	52,266
Solar	2,556	1,133	1,260	4,949	351,376	356,325
	$ 20,618	$ 2,898	$ 4,325	$ 27,841	$ 3,387,261	$ 3,415,102

The Credit Union considers the performance of the consumer loan portfolio and its impact on the allowance for loan losses. For consumer loan classes, the Credit Union evaluates credit quality for members based on borrower activity. The following table presents the recorded investment in consumer loans based on payment activity as of December 31, 2022 and 2021:

	Not Classified	Extensions	Workout	Bankruptcy	>90 Days Past Due	Total
2022						
Vehicle loans						
New	$ 119,090	$ 4,948	$ -	$ 123	$ 94	$ 124,255
Used	60,581	3,165	-	27	297	64,070
Other consumer loans						
Secured	33,533	2,435	-	154	484	36,606
Unsecured	61,277	2,710	20	73	522	64,602
Solar	562,766	7,309	-	322	2,972	573,369
	$ 837,247	$ 20,567	$ 20	$ 699	$ 4,369	$ 862,902

	Not Classified	Extensions	Workout	Bankruptcy	>90 Days Past Due	Total
2021						
Vehicle loans						
New	$ 101,719	$ 5,452	$ -	$ 32	$ 120	$ 107,323
Used	57,225	3,597	-	27	48	60,897
Other consumer loans						
Secured	25,490	2,593	4	51	238	28,376
Unsecured	49,165	2,802	26	11	262	52,266
Solar	349,266	5,420	-	379	1,260	356,325
	$ 582,865	$ 19,864	$ 30	$ 500	$ 1,928	$ 605,187

(Continued)

NOTE 4 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other 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.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Credit Union uses the following methods and significant assumptions to estimate fair value:

Equity Securities - The fair values for equity securities are determined based on observed transactions (Level 1).

Investments - The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Derivatives - The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2).

Impaired Loans - The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on recent mortgage loan appraisals. These appraisals primarily utilize the comparable sales approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Impaired loans are evaluated on a monthly basis for additional impairment and adjusted accordingly. These fair values are obtained from external sources and are not generally adjusted by management except for costs to sell of 6 - 8%, and unobservable fair value inputs are not available to management.

(Continued)

(Dollar amounts in thousands)

NOTE 4 – FAIR VALUE (Continued)

Assets and liabilities measured at fair value on a recurring basis, including financial assets and liabilities for which the Credit Union has elected the fair value option, are summarized below:

		Fair Value Measurements at December 31 Using		
2022	Carrying Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Investment securities available-for-sale				
U.S. Treasury and federal agency	$ 395,840	$ 395,840	$ -	$ -
Adjustable rate mortgage-backed securities: residential	20,681	-	20,681	-
Fixed rate mortgage-backed securities: residential	-	-	-	-
Total investment securities available-for-sale	$ 416,521	$ 395,840	$ 20,681	$ -
Equity securities	$ 76,617	$ 76,617	$ -	$ -
Derivative assets				
Caps	$ 14,890	$ -	$ 14,890	$ -
Swaps	46,552	-	46,552	-
Financial liabilities				
Derivative liabilities				
Swaps	$ -	$ -	$ -	$ -

(Continued)

(Dollar amounts in thousands)

NOTE 4 – FAIR VALUE (Continued)

2021	Carrying Value	Fair Value Measurements at December 31 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
Investment securities available-for-sale				
U.S. Treasury and federal agency	$ 618,703	$ 468,271	$ 150,432	$ -
Adjustable rate mortgage-backed securities: residential	28,964	-	28,964	-
Fixed rate mortgage-backed securities: residential	1	-	1	-
Total investment securities available-for-sale	$ 647,668	$ 468,271	$ 179,397	$ -
Equity securities	$ 76,617	$ 76,617	$ -	$ -
Derivative assets				
Caps	$ 2,426	$ -	$ 2,426	$ -
Swaps	1,921	-	1,921	-
Financial liabilities				
Derivative liabilities				
Swaps	$ (12,072)	$ -	$ (12,072)	$ -

There were no transfers between Level 1 and Level 2 during 2022 and 2021.

There were no impaired loans measured for impairment using fair value of collateral at December 31, 2022 and 2021.

NOTE 5 – PROPERTY AND EQUIPMENT

Year-end property and equipment were as follows:

	2022	2021
Buildings	$ 871	$ 871
Leasehold improvements	1,680	1,826
Furniture and equipment	16,616	16,096
	19,167	18,793
Less accumulated depreciation	(15,155)	(15,779)
	$ 4,012	$ 3,014

Depreciation expense was $2,232 and $2,006 for 2022 and 2021, respectively.

(Dollar amounts in thousands)

NOTE 6 – MEMBERS' SHARES

Members' shares are summarized as follows:

	2022	2021
Regular shares	$ 420,921	$ 487,455
Share draft accounts	412,786	435,490
Money market accounts	2,125,185	2,073,870
Individual retirement accounts	30,548	34,262
Share certificates	900,708	760,634
Individual retirement certificates	57,820	62,534
	$ 3,947,968	$ 3,854,245

Share certificates and individual retirement certificates of $250 or more are $365,398 and $300,545 at December 31, 2022 and 2021, respectively.

Scheduled maturities of share certificates and individual retirement certificates for the next five years are as follows:

2023	$ 767,127
2024	151,946
2025	13,987
2026	7,020
2027	18,448
	$ 958,528

NOTE 7 – EMPLOYEE BENEFIT PLANS

The Credit Union has a 401(k) benefit plan which allows employee contributions. Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Contributions for 2022 and 2021 were $2,259 and $2,227, respectively.

(Continued)

(Dollar amounts in thousands)

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS

The Credit Union originates and portfolios fixed rate mortgage loans with terms of 30, 20, 15, and 10 years, hybrid adjustable rate mortgages that first reprice in as long as 10 years, and solar loans with maturities ranging from 10 to 20 years. These are funded by deposits with short duration. The duration mismatch poses earnings exposure in rising interest rate environments. To mitigate the negative effects of rising interest rates, the Credit Union enters into interest rate caps and swaps to limit the impact of interest rate increases on its variable rate sources of funds. Counterparties have investment grade credit ratings. The Credit Union enters into cap contracts to receive payments in the event that interest rate exceeds the strike price and swap contracts to pay a fixed rate and receive a variable rate under terms as disclosed within the table below. There are collateral arrangements in place that serve to minimize counterparty risk. These derivative instruments do not meet hedge accounting requirements. The undersigned derivative instruments are recognized on the statement of financial condition at fair value, with changes in fair value recorded in earnings. Net cash settlements and amortization of premium on these derivatives are reported in interest expense.

The outstanding balances of derivatives cap and swap instruments as of December 31, 2022 and 2021 are as follows:

Interest Rate Derivatives	Notional Amount	Fair Value	Weighted Average Rate	Weighted Average Years Remaining
2022				
Derivative Assets:				
Caps	$ 225,000	$ 14,890	3-month LIBOR strike rates from 1.17% to 2.83% for a weighted average rate of 2.09%	3.21
Swaps	650,000	46,552	Pay fixed rate range from 1.03% to 3.10% for a weighted average rate of 1.97%. Receive variable rate range from 4.08% to 4.77% for a weighted average rate 4.54% based on 3-month LIBOR and SOFR.	4.25
Total	$ 875,000	$ 61,442		3.98

(Dollar amounts in thousands)

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Interest Rate Derivatives	Notional Amount	Fair Value	Weighted Average Rate	Weighted Average Years Remaining
2022				
Derivative Liabilities:				
Swaps	$ -	$ -		-
Total	$ -	$ -		-

Interest Rate Derivatives	Notional Amount	Fair Value	Weighted Average Rate	Weighted Average Years Remaining
2021				
Derivative Assets:				
Caps	$ 250,000	$ 2,426	3-month LIBOR strike rates from 1.17% to 2.83% for a weighted average rate of 2.08%	3.80
Swaps	125,000	1,921	Pay fixed rate range from 1.03% to 1.35% for a weighted average rate of 1.19%. Receive variable rate range from 0.05% to 0.21% for a weighted average rate of 0.16% based on 3-month LIBOR and SOFR.	7.29
Total	$ 375,000	$ 4,347		4.96
Derivative Liabilities:				
Swaps	$ 450,000	$ (12,072)	Pay fixed rate range from 1.15% to 3.10% for a weighted average rate of 2.03%. Receive variable rate range from 0.05% to 0.22% for a weighted average rate of 0.17% based on 3-month LIBOR and SOFR.	2.98
Total	$ 450,000	$ (12,072)		2.98

(Continued)

NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The fair value of the interest rate caps and swaps at December 31, 2022 and 2021 is reflected as a separate line item in the asset and liability sections of the statement of financial condition. The change in fair value resulted in $70,719 of income and $21,850 of income for 2022 and 2021 respectively, and is included in non-interest income. The amortization of the interest rate cap premium totaled $1,553 and $2,019 for 2022 and 2021 respectively, and is included as a component of interest expense.

The Credit Union and its counterparty maintain a cash collateral account to secure their derivative positions, which is settled daily. At December 31, 2022 the Credit Union held cash deposits from its counterparty of $63,460, recorded within other liabilities. At December 31, 2021 the Credit Union had cash on deposit with its counterparty of $8,320

NOTE 9 – MEMBERS' EQUITY

The Credit Union is subject to various regulatory capital requirements administered by the National Credit Union Administration. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under accounting principles generally accepted in the United States of America.

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) to total assets (as defined). Credit unions are also required to calculate whether or not the Credit Union will be considered "complex" under the regulatory framework based on the asset size threshold exceeding $500 million, which the Credit Union exceeded at December 31, 2022 and 2021.

During 2022, the Credit Union adopted the new risk-based capital ratio (RBCR) Framework, as defined in 12 CFR 702.104 (d). Under this framework, credit unions must maintain a net worth ratio of at least 7% and a risk-based capital ratio of 10% to be categorized as "well capitalized". For 2021, the Credit Union was required to calculate a risk-based net worth requirement (RBNWR). The Credit Union's RBCR and RBNWR ratios as of December 31, 2022 and 2021 were 21.42% and 12.96%, which exceeded its regulatory requirements for well-capitalized of 10.0% and 7.9%, respectively. Management believes, as of December 31, 2022, that the Credit Union meets all of the capital adequacy requirements to which it is subject.

As of December 31, 2022, the most recent call reporting period, and December 31, 2021, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" during 2022 and 2021, the Credit Union must maintain a minimum net worth ratio of 7.0% of assets and exceed its RBCR/RBNWR, as applicable. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

(Continued)

NOTE 9 – MEMBERS' EQUITY (Continued)

Actual and required capital amounts (in thousands) and ratios are presented below at year end:

	Actual		Minimum Required to be Well Capitalized	
	Amount	Ratio	Amount	Ratio
2022				
Net worth to total assets	$ 664,784	13.69%	$ 339,858	7.0%
Risk-based capital ratio	653,684	21.42%	485,511	10.0%
2021				
Net worth to total assets	$ 578,746	12.96%	$ 312,583	7.0%
Risk-based net worth	578,746	12.96%	352,773	7.9%

NOTE 10 – RELATED-PARTY TRANSACTIONS

The Credit Union extends credit to directors, supervisory committee members and executive officers. The aggregate loans to related parties at December 31, 2022 and 2021 are $5,451 and $5,155, respectively. Shares from related parties at December 31, 2022 and 2021 amounted to $6,641 and $9,930, respectively.

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 and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the 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 financial statements.

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

	2022	2021
Home equity	$ 137,132	$ 108,489
Other Consumer	113,190	113,206
	$ 250,322	$ 221,695

(Dollar amounts in thousands)

NOTE 11 – OFF-BALANCE SHEET ACTIVITIES (Continued)

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 credit worthiness 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 revolving credit lines and overdraft protection agreements are commitments for possible future fundings to existing members. These lines of credit are uncollateralized, 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.

NOTE 12 – LEASES

The Credit Union leases certain branch premises under operating lease agreements. The leases expire on various dates through 2033 and certain leases have renewal options for up to ten years. The Credit Union includes lease extension options in the lease term if, after considering relevant economic factors, it is reasonably certain the Credit Union will exercise the option. The Credit Union has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases). At December 31, 2022, minimum commitments under these non-cancellable leases with initial or remaining terms of one year or more are as follows:

2023	$ 806
2024	1,116
2025	989
2026	927
2027	906
Thereafter	5,488
Total undiscounted lease payments	10,232
Less: imputed interest	(1,970)
Net lease liabilities	$ 8,262

Leases are classified as operating at the lease commencement date. Lease expenses for operating leases are recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Rent expense under operating leases was $2,071 and $2,281 for the years ended December 31, 2022 and 2021, respectively.

The Credit Union has elected to use the FHLB standard credit program cost of borrowing for a like term at inception of the lease or adoption of ASC842.

(Continued)

(Dollar amounts in thousands)

NOTE 12 – LEASES (Continued)

Right-of-use assets and lease liabilities by lease type and the associated balance sheet classifications for the year ending December 31, 2022 are as follows:

Balance Sheet Classification	2022
Right-of-use assets:	
Operating lease - Accrued interest receivable and other assets	$ 7,765
Lease liabilities:	
Operating lease - Accrued interest payable and other liabilities	$ 8,262

NOTE 13 – SUBSEQUENT EVENTS – IMPACT OF NEW ACCOUNTING STANDARDS:

ASU 2016-13, Financial Instruments – Credit Losses. In June 2016, FASB issued guidance to replace the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses over the expected life on financial assets measured at amortized cost, including loan receivables, held-to maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor.

The standard will be effective for the Credit Union as of January 1, 2023.

Transition:

- For debt securities with other-than temporary impairment, the guidance will be applied prospectively.
- Existing purchased credit impaired (PCI) assets will be grandfathered and classified as purchased credit deteriorated (PCD) assets at the date of adoption. The asset will be grossed up for the Allowance for expected credit losses for all PCD assets at the date of adoption and will continue to recognize the noncredit discount in interest income based on the yield of such assets as of the adoption date. Subsequent changes in expected credit losses will be recorded through the allowance.
- For all other assets within the scope of CECL, a cumulative-effect adjustment will be recognized in retained earnings, as of the beginning of the first reporting period in which the guidance is effective.

Management expects to recognize a one-time cumulative effect adjustment to the allowance for credit losses as of the first reporting period in which the new standard is effective, and estimates the magnitude of the one-time adjustment or the overall impact of the one-time adjustment to the Credit Union's retained earnings of approximately $44,000 to increase the allowance for credit losses by a corresponding amount.