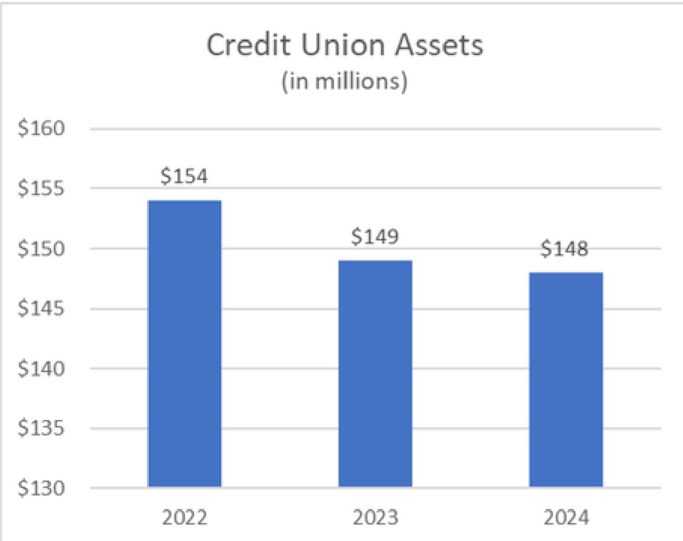
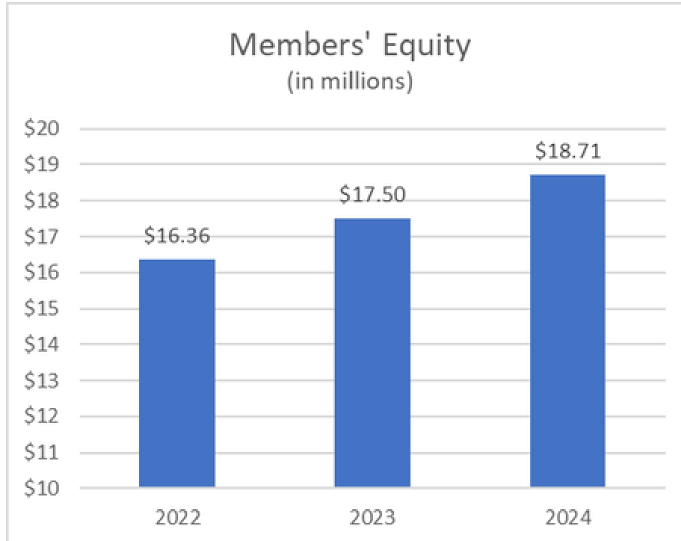
Hartford Federal
Credit Union

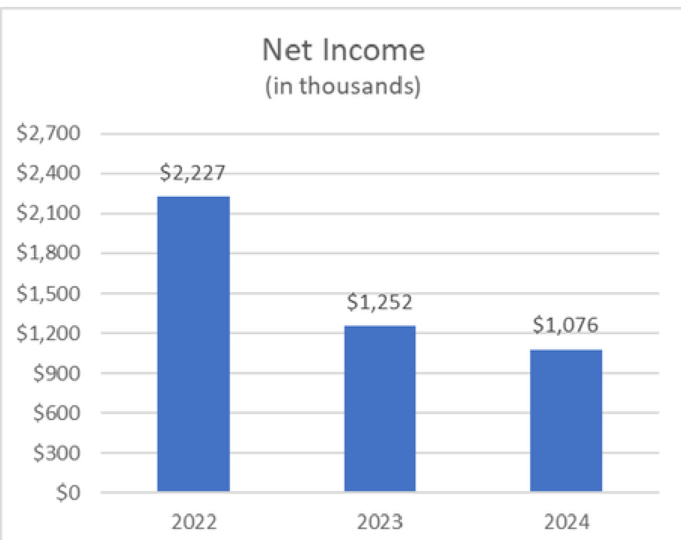
Annual Report
2024

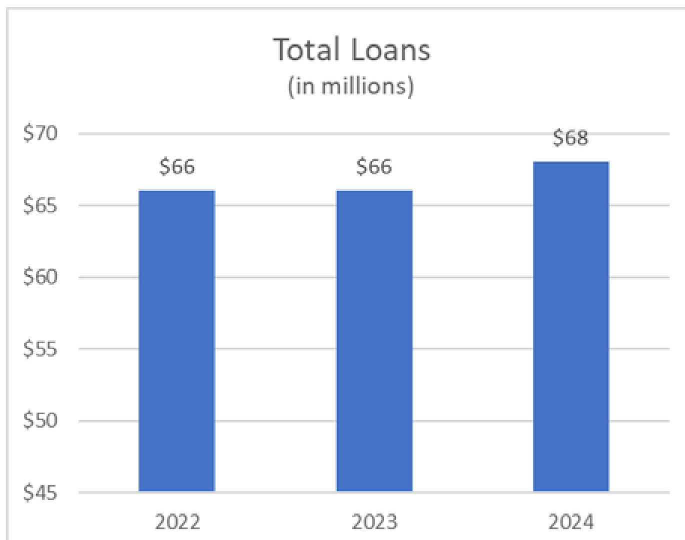
Rooted In Community. Growing Together.

Financial Highlights









Our Mission

Hartford Federal Credit Union is the leading provider of high-quality financial products that delivers personalized service and value to strengthen the financial and general well-being of our members and the communities we serve.

2024 ANNUAL REPORT

From the President

Hartford Federal Credit Union continues to stand tall as one of the strongest credit unions in the nation. For the 33rd consecutive year, we have earned a 5-star "Superior" rating from *BauerFinancial Inc.*, placing us in the top 5% of credit unions nationwide. This distinction underscores our commitment to financial strength, stability, and exceptional member service.

I am pleased to report that we have maintained strong financial performance throughout the year, ending with a robust net income of $1,075,000. With a capital ratio of 12.52%, we lead all Connecticut credit unions in our peer group. Our charge-off ratio is among the lowest in the industry, validating our prudent lending practices. These outstanding achievements highlight the exemplary financial strength that makes Hartford Federal Credit Union the premier choice for our members. But success is not just measured in numbers, it is defined by the impact we make in our members' lives and our unwavering commitment to our communities. The decisions we make are guided by the member-centric core values outlined in our mission statement:

"*Hartford Federal Credit Union is the leading provider of high-quality financial products that delivers personalized service and value to strengthen the financial and general well-being of our members and the communities we serve.*"

In 2024, we contributed to dozens of organizations that provide essential support to families in need, such as the Joan C. Dauber Food Pantry at St. Francis Hospital, Safe Net Ministries, Salvation Army, Simsbury Food Pantry, South Windsor Food & Fuel Bank, The Village for Families & Children, and Tunnel to Towers. Whether it is feeding families, funding scholarships, or supporting youth sports programs, we believe in lifting up those of modest means and supporting the communities that have always stood with us.

This year also marks the retirement of Elizabeth Frechette from our Board of Directors. Her dedication and leadership have been instrumental in the growth and strength of our credit union, and we express our deepest gratitude for her 18 years of service.

The cover of this year's Annual Report features the image of a tree, symbolizing our theme, *"Rooted in Community. Growing Together."* This symbol represents not just our longevity, but our commitment to nurturing growth, fostering financial security, and standing strong for our members through every stage of their financial journey. It also serves as a tribute to Jacki Olmstead, a beloved employee whose legacy will forever remain with us. In accordance with her wishes, her ashes were planted with a tree, a lasting and poignant reminder of her dedication and the lives she touched. She is deeply missed, but her influence and impact will continue to grow.

As we look ahead, we remain steadfast in our commitment to financial strength, service excellence, and support for our members. Hartford Federal Credit Union is not just a financial institution. We are a family, a pillar of stability, and a beacon of hope for those striving for financial well-being. Thank you for your trust and continued support.

Edward Danek, Jr. CPA CCE
President & CEO

REPORTS

From the Chairperson

Reflecting on the past year, I am proud to share that Hartford Federal Credit Union continues to thrive, despite ongoing economic uncertainties. Our commitment to strategic planning, financial strength, and member-centric services has positioned us for long-term success. By focusing on digital transformation, operational efficiency, and financial education, we have strengthened our ability to serve our members in an evolving financial landscape.

Through every milestone, every decision, and every challenge we face, our members remain at the heart of everything we do. This commitment is evident in our Net Promoter Score (NPS), which increased from 53 to 56—well above the industry average of 34. This achievement underscores our unwavering focus on enhancing member satisfaction and loyalty, ensuring that every member receives the service and support they deserve.

Beyond financial services, we remain deeply engaged in strengthening the communities we serve. This year, we expanded our financial education initiatives, offering valuable resources on financial literacy, credit management, and fraud prevention. By equipping our members with essential financial knowledge, we empower them to make informed decisions and build stronger financial futures.

We are also building an exceptional leadership team to guide us forward. In August, we welcomed Lucas Manzi as our new Chief Financial Officer, bringing invaluable expertise to our management structure. Additionally, we have solidified our long-term leadership strategy, with Executive Vice President Beth Mazza set to become CEO in early 2026. This transition follows the planned retirement of Ed Danek, who has led the Credit Union with distinction for over 35 years. His leadership has been instrumental in our success, and we are confident that Beth will continue to guide us with the same vision and commitment to excellence.

The strength of our Credit Union is rooted in the dedication of our Board of Directors, committee members, management, and staff. Their hard work and passion drive our mission forward, and I am grateful for their continued commitment. Most importantly, I want to extend my sincere gratitude to our members—your trust and support allow us to grow, innovate, and remain a strong financial partner.

Looking ahead, we remain committed to upholding our core values, adapting to industry advancements, and ensuring that Hartford Federal Credit Union continues to be a trusted financial resource for generations to come. We are preparing to move to a more dynamic core system, launch Person-to-Person (P2P) payment options, execute a digital advertising plan to drive loan volume, and increase the number of our financial education seminars.

Thank you for being part of our Credit Union family.

Keisha Palmer
Chairperson of the Board

REPORTS

From the Treasurer

Hartford Federal Credit Union remains well-positioned for long-term success, demonstrating resilience in an evolving economic landscape. Through strategic financial management and a prudent approach to risk, we have continued to grow our earnings while maintaining the financial strength that our members rely on.

For the year ended December 31, 2024, we achieved net income of $1,075,000, marking a strong performance despite economic headwinds. Our members' equity reached a record $18,500,000, equating to a capital ratio of 12.52% - 78.9% above the NCUA's definition of a well-capitalized credit union. This high capital level and strong net income reinforce our ability to weather economic uncertainties while continuing to invest in products, services, and technologies that benefit our members.

While total assets experienced a modest decrease due to many of our members feeling the effects of inflation, our prudent investment strategy helped offset this impact. We achieved a 21% increase in interest earned on investments, contributing to overall revenue growth. Additionally, net interest income expanded by 10% to a record level, reflecting our commitment to responsible financial stewardship.

To further strengthen our liquidity position, we expanded our available line of credit with our corporate credit union from $3 million to $10 million, significantly increasing our financial flexibility. This move ensures that we can continue to meet members' borrowing needs if instant liquidity is needed.

In addition to these financial achievements, we remain committed to responsible lending and risk management. Our loan portfolio continues to perform exceptionally well, with net charge-offs significantly below industry averages. By carefully balancing growth with sound financial oversight, we ensure that our Credit Union remains a trusted and secure institution for our members.

Looking ahead, we will continue to focus on preserving financial strength, enhancing member value, and positioning the Credit Union for future success. Through disciplined financial management and a dedication to serving our members, Hartford Federal Credit Union will remain a stable and reliable financial partner for generations to come.

Thank you for your continued trust and support.

Steven LeFebvre
Treasurer

REPORTS

From the Supervisory Committee

The responsibility of the Supervisory Committee is to oversee the Credit Union's system of internal accounting, operational, and safeguard controls, as well as to ensure compliance with federal regulations.

In 2024, the Credit Union underwent thorough independent audits and assessments, including:

- Whittlesey PC conducted an audit of financial statements in accordance with Generally Accepted Auditing Standards (GAAS).Their unmodified opinion, along with the audited financial statements are contained within this Annual Report.

- The Credit Union League of Connecticut reviewed of our compliance with the Bank Secrecy Act (BSA) and the Office of Foreign Assets Control (OFAC), yielding a Strong rating for compliance.

- Whittlesey PC reviewed internal controls for the Credit Union's Information Security & Technology. Their findings validated compliance with National Credit Union Administration Information Security and Technology requirements.

- Computer Services, Inc., OSCP-, GIAC-, and CISSP-certified cybersecurity consultants conducted a comprehensive External IT Penetration and Vulnerability Assessment in accordance with recognized industry standards. They confirmed the Credit Union's cybersecurity infrastructure is well-managed and presents a low risk.

Based on the opinions and findings reached during these independent examinations, together with the Committee's own observations, reviews, and analysis, we conclude that Hartford Federal Credit Union has an effective system of internal controls and is in compliance with established policies and federal regulations.

We extend our appreciation to the Board of Directors, Supervisory Committee members, management team, and staff for their unwavering dedication to maintaining our financial integrity.

Gloria Myers

Gloria Myers
Supervisory Committee Chairperson

Wendell Avery
Guy Drapeau

REPORTS

From the Loan Officer

Despite the challenges of a high-interest-rate environment, Hartford Federal Credit Union achieved record-high loan balances in 2024, reaching $67,870,000—an increase of $2,306,000 over the prior year. This growth underscores our commitment to providing competitive and accessible lending solutions, ensuring that members continue to have access to the financing they need.

Our lending performance was strong across multiple loan categories:

- Home Equity loans grew by $1,265,000, while Home Equity Lines of Credit (HELOCs) increased by $1,164,000, reflecting homeowners' continued need for flexible borrowing options.

- Auto loan balances rose by $969,000, demonstrating sustained demand for vehicle financing, even as rising costs impacted affordability.

- We further expanded our "*Less Than Perfect Credit*" auto lending program, providing fair and affordable financing options to members who might otherwise struggle to obtain loans.

Our charge-off rate of just 0.06% far outperforms the peer group average of 0.45%. Additionally, our delinquency ratio stands at 1.31%, which is higher than our historical norm, but it is important to highlight that these loans are large real estate loans with low loan-to-value (LTV) ratios, ensuring minimal risk of financial loss to the Credit Union. Furthermore, we achieved a record number of recoveries on previously charged-off loans, reinforcing our strong risk management practices and proactive loan servicing approach. These results demonstrate our responsible lending philosophy and commitment to protecting our members' financial interests.

Beyond loan growth, our lending team remains focused on providing personalized service and financial education to help members make informed borrowing decisions. We continue to prioritize member success and ensuring access to financial opportunities for all.

This year's record loan balances are a testament to the trust our members place in us and the expertise of our lending team. As we look ahead, we remain committed to responsible lending, financial accessibility, and delivering superior member service—ensuring that Hartford Federal Credit Union remains the first choice for our members' borrowing needs.

Thank you for allowing us to serve you.

Mary-Elizabeth Mazza

Mary-Elizabeth Mazza
Executive Vice President

To the Supervisory Committee
Hartford Federal Credit Union
Hartford, Connecticut

Opinion

We have audited the accompanying financial statements of Hartford Federal Credit Union (the "Credit Union"), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2024 and 2023, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Credit Union changed its method of accounting for credit losses in 2023 as required by the provisions of FASB Accounting Standards Update Number 2016-13. Our opinion is not modified with respect to that matter.

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 the 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 the 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.

Whittlesey PC

Hartford, Connecticut
March 6, 2025

STATEMENTS OF FINANCIAL CONDITION

December 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	$ 7,244,882	$ 15,442,180
Investments:		
Available for sale debt securities (note 3)	25,251,289	15,853,867
Held to maturity debt securities (note 4)	31,879,439	40,305,246
Interest bearing deposits (note 2)	10,308,000	5,680,000
Permanent capital deposit	276,850	276,850
Other investments	392,968	395,557
Loans, net of allowance for credit losses of $930,435 and $868,111 at 2024 and 2023, respectively (notes 5 and 6)	67,047,356	64,787,914
Accrued interest receivable (notes 3, 4 and 5)	460,281	504,523
Property and equipment, net (note 8)	2,864,635	3,161,662
Deposit in NCUSIF	1,253,386	1,313,097
Other assets	824,605	937,959
Total assets	$ 147,803,691	$ 148,658,855
Liabilities and Members' Equity		
Liabilities:		
Members' shares and savings accounts (note 7)	$ 126,303,452	$ 128,751,839
Accounts payable and accrued expenses	2,344,731	1,620,368
Operating lease liabilities (note 9)	652,739	789,541
Total liabilities	129,300,922	131,161,748
Members' equity (note 13)	18,502,769	17,497,107
Total liabilities and members' equity	$ 147,803,691	$ 148,658,855

The accompanying footnotes are an integral part of the financial statements.

STATEMENTS OF INCOME
For the Years Ended December 31, 2024 and 2023

	2024	2023
Interest income		
Interest on loans	$ 3,576,617	$ 3,430,249
Interest on investments	2,156,060	1,785,278
Total interest income	5,732,677	5,215,527
Interest expense		
Dividends	689,321	639,113
Net interest income	5,043,356	4,576,414
Provision for credit losses	100,000	100,000
Net interest income after provision for credit losses	4,943,356	4,476,414
Non-interest income/(loss)		
Fees, charges and other	1,891,940	1,875,555
Employee retention credits	-	228,886
Stabilization refund	-	55,060
Net loss on investments sales	(22,710)	(64,320)
Total non-interest income	1,869,230	2,095,181
Total income	6,812,586	6,571,595
Operating expenses		
Compensation and benefits	3,866,016	3,348,987
Travel and conferences	51,351	33,760
Office occupancy	611,885	701,738
Office operations	737,127	759,936
Educational and promotional	108,472	114,228
Loan servicing expense	165,000	151,180
Professional and outside services	105,058	107,928
Operating fees	29,170	25,583
Miscellaneous operating expense	62,775	75,981
Total operating expenses	5,736,854	5,319,321
Net income	$ 1,075,732	$ 1,252,274

The accompanying footnotes are an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2024 and 2023

	2024	2023
Comprehensive income		
Net income	$ 1,075,732	$ 1,252,274
Other comprehensive (loss)/income:		
Net change in unrealized gain/loss on available for sale securities	(70,070)	168,023
Total comprehensive income	$ 1,005,662	$ 1,420,297

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

For the Years Ended December 31, 2024 and 2023

	Statutory Reserve	Undivided Earnings	Equity Acquired Through Merger	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2023	$ 972,131	$ 14,516,424	$ 1,175,211	$ (300,256)	$ 16,363,510
Adoption of ASC 326	-	(286,700)	-	-	(286,700)
Net income	-	1,252,274	-	-	1,252,274
Other comprehensive income:					
Net change in unrealized gain/loss on available for sale securities	-	-	-	168,023	168,023
Balance, December 31, 2023	972,131	15,481,998	1,175,211	(132,233)	17,497,107
Net income	-	1,075,732	-	-	1,075,732
Other comprehensive loss:					
Net change in unrealized gain/loss on available for sale securities	-	-	-	(70,070)	(70,070)
Balance, December 31, 2024	$ 972,131	$ 16,557,730	$ 1,175,211	$ (202,303)	$ 18,502,769

The accompanying footnotes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net income	$ 1,075,732	$ 1,252,274
Adjustments to reconcile net income to net change in cash and cash equivalents from operating activities:		
Provision for credit losses	100,000	100,000
Depreciation	262,088	295,818
Net (accretion)/amortization of discounts and premiums on securities	(52,508)	37,093
Loss on sale of debt securities	22,710	64,320
Change in operating assets and liabilities:		
Accrued interest receivable	44,242	(36,327)
Other assets	126,349	(3,577)
Accounts payable and accrued expenses	711,368	(83,163)
Operating lease liabilities	(136,802)	(143,811)
Net change from operating activities	2,153,179	1,482,627
Cash flows from investing activities		
Proceeds from maturities and sales of available for sale debt securities	3,411,079	500,000
Purchases of available for sale debt securities	(12,958,333)	(8,702,403)
Proceeds from maturities and sales of held to maturity debt securities	8,535,367	11,435,680
Purchases of other investments	2,589	(375,557)
Purchases of property and equipment	34,939	(89,455)
Proceeds from sale of property	-	145,392
Change in interest bearing deposits	(4,628,000)	1,332,000
Net change in loans to members	(2,359,442)	343,951
NCUSIF deposit	59,711	67,261
Net change from investing activities	(7,902,090)	4,656,869
Cash flows from financing activities		
Net change in members' shares and savings accounts	(2,448,387)	(6,383,907)
Net change in cash and cash equivalents	(8,197,298)	(244,411)
Cash and cash equivalents at beginning of year	15,442,180	15,686,591
Cash and cash equivalents at end of year	$ 7,244,882	$ 15,442,180
Supplemental disclosures		
Dividends paid on members' shares	$ 689,321	$ 639,113
Noncash investing and financing activities:		
Net change in unrealized gain/(loss) on available for sale debt securities	$ (70,070)	$ 168,023

The accompanying footnotes are an integral part of the financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Hartford Federal Credit Union (the "Credit Union") is chartered under the Federal Credit Union Act and is administratively responsible to the National Credit Union Administration ("NCUA"). The Credit Union provides a variety of financial services, principally related to holding deposits and for making loans to its members. Participation in the Credit Union is limited to those individuals that qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws.

Subsequent Events – Management has monitored and evaluated subsequent events for footnote disclosures or adjustments required in its financial statements for the year ended December 31, 2024 through March 6, 2025, the date on which the financial statements were available to be issued.

Significant Accounting Policies – The Credit Union follows the accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB establishes generally accepted accounting principles ("GAAP") that are followed to ensure consistent reporting of the financial condition, results of operations, and cash flows of the Credit Union.

Use of Estimates in the Preparation of Financial Statements – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. An estimate that is particularly critical and susceptible to change in the near term is the allowance for credit losses. Actual results could differ from those estimates.

Cash and Cash Equivalents – For the purpose of the statements of financial condition and the statements of cash flows, cash and cash equivalents include cash on hand and amounts due from financial institutions. Amounts due from Eastern Corporate Federal Credit Union ("EasCorp"), the Credit Union's primary financial institution will generally exceed federally insured limits. The NCUA share insurance coverage on deposits in corporate credit unions is limited to $250,000.

Permanent Capital Deposit – The Credit Union has deposited funds with EasCorp and Alloya Corporate Federal Credit Union ("Alloya") in order to conduct certain business transactions. The deposit can only be redeemed by another credit union purchasing the deposit.

Investments – The Credit Union's investments are classified and accounted for as follows:

> <u>Available for Sale</u>: Debt securities which the Credit Union anticipates could be sold in response to rate changes, liquidity risks, availability of, and the yield on, alternative investments and other market and economic factors. These securities are reported at fair value.
>
> <u>Held to Maturity</u>: Investments which the Credit Union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the effective interest method over the period to maturity. Sales of held to maturity investments made within 90 days of maturity are permitted under GAAP.
>
> <u>Interest Bearing Deposits</u>: Investments in this category do not meet the definition of a debt or equity security under GAAP. These investments are interest bearing term deposits with a stated maturity that management has elected to classify as investments.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Other: Investments in this category do not meet the definition of a debt or equity security under GAAP. The Credit Union has investments in FHLB stock and the NCUA's Central Liquidity Facility. These investments are recorded at cost and management performs an annual impairment analysis on other investments and determined the carrying amounts are a reasonable estimate of fair value.

Effective January 1, 2023, the Credit Union may establish an allowance for credit losses on investment securities for held to maturity and available for sale investments in accordance with *ASC 326* - "*Financial Instruments-Credit Losses.*"

Credit Losses on Securities: The Credit Union performs a qualitative evaluation for securities. The Credit Union has determined that an allowance for credit losses is not required as the debt securities are U.S. treasury notes and are guaranteed by the Federal Government of the United States. For available for sale debt securities where estimated fair value was below amortized cost, such declines were deemed non-credit related, and recorded as an adjustment to accumulated other comprehensive income. Non-credit related declines in fair value of available for sale debt securities can be attributed to changes in interest rates and other market related factors.

Gains and losses on the sale of investment securities are recorded on the trade date and are determined using the specific identification method.

Loans to Members – Loans to members are stated at unpaid principal balances, less an allowance for credit losses. Interest on loans is recognized over the term of the loan and is calculated using the effective interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued after such loans are 90 days or more past due or earlier when concern exists as to the ultimate collectability of principle or interest, unless the credit is well secured and in process of collection. Past-due status is based on contractual terms of the loan. Uncollectible interest previously accrued is reversed against interest income when a loan becomes more than 90 days past due. Income is subsequently recognized only to the extent that cash payments are received until, in management's judgement, the borrower's ability to make periodic interest and principal payments is re-established, in which case the loan is returned to accrual status.

Allowance for Credit Losses – the Credit Union accounts for credit losses on loans in accordance with *ASC 326* - "*Financial Instruments-Credit Losses.*" The allowance for credit losses for loans ("ACL") is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on the loans. The Credit Union has elected to exclude accrued interest receivable from the amortized cost basis in the estimate of the ACL. The provision for credit losses reflects the amount required to maintain the ACL at an appropriate level based upon management's evaluation of the adequacy of collective and individual loss reserves. The Credit Union's methodologies for determining the adequacy of ACL are set forth in a formal policy and take into consideration the need for a valuation allowance for loans evaluated on a collective pool basis which have similar risk characteristics, as well as allowances that are tied to individual loans that do not share risk characteristics and are individually evaluated. The Credit Union increases its ACL by charging the provision for credit losses on its statements of income. Losses related to specific assets are applied as a reduction of the carrying value of the assets and charged against the ACL when management believes the non-collectability of a loan balance is confirmed. Recoveries on previously charged off loans are credited to the ACL.

The ACL is measured on a collective pool basis when similar risk characteristics exist. In estimating the component of the ACL for loans that share common risk characteristics, loans are pooled based on the loan types and areas of risk concentration. For loans evaluated collectively as a pool, the ACL is calculated using the weighted average remaining maturity ("WARM") method. The WARM method utilizes a historical

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

average annual charge-off rate containing credit loss information over a historical lookback period that is used as a foundation for estimating the ACL for the remaining outstanding balances of loans in a segment at a particular statement of financial condition date. In the event there is insufficient historical loan data to establish a reliable credit loss rate, peer credit union data may be utilized to establish credit loss rates.

The calculation of the ACL is adjusted using qualitative factors to compensate for additional areas of uncertainty inherent in the portfolio that are not directly reflected in the Credit Union's historical credit losses, and may include adjustments for changes in environmental and economic conditions, and other relevant factors in near to medium term of time.

Portfolio segmentation is defined as the level at which an entity develops and documents a systematic methodology to determine its ACL. The method for determining the ACL described above is used to determine the ACL in each portfolio segment in the Credit Union's loan portfolio. The Company has designated the following portfolio segments of loans:

> Residential Real Estate – Residential real estate loans consist of residential first and second mortgages with fixed rates, hybrid mortgages which have an initial, fixed-rate period followed by an adjustable rate period and variable rate home equity lines of credit.
>
> Vehicle – Vehicle loans consist of new and used automobiles at fixed interest rates.
>
> Personal – Personal loans consist of unsecured and share/certificate secured loans and overdrawn share accounts at fixed interest rates.

Loans that do not share risk characteristics with other loans in the portfolio are individually evaluated for a required ACL and are not included in the collective evaluation. Factors involved in determining whether a loan should be individually evaluated include, but are not limited to, the financial condition of the borrower and the value of the underlying collateral. Expected credit losses for loans evaluated individually are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, when the Credit Union determines that foreclosure is probable, the expected credit loss is measured based on the fair value of the collateral as of the reporting date, less estimated selling costs. The Credit Union assesses these loans on each reporting date to determine whether repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty.

Allowance for Credit Losses – Off-Balance Sheet Commitments – The estimate of the ACL for off-balance sheet commitments provides a liability for current estimated credit losses for the unused portion of collective pools of off-balance sheet credit exposures expected to be funded, except for unconditionally cancellable commitments for which no reserve is required. The ACL for off-balance sheet commitments includes reserve factors that are consistent with the ACL methodology for loans using the expected loss factors and an estimated utilization or probability of draw factor, which are based on historical experience. Changes in the ACL for off-balance sheet commitments are reported as a component of the provision for credit losses in the income statements. The allowance for credit losses for off-balance sheet commitments is not material to the financial statements and has not been recorded.

Other Real Estate Owned – Properties acquired through or in lieu of loan foreclosure are initially recorded at lower of cost or fair value less estimated selling cost 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 credit losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis, or fair value less the cost to sell. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

Leases – The Credit Union assesses all of its leases as either an operating lease or a financing lease. Both operating leases and financing leases are recorded and disclosed separately as a right to use asset and a lease liability. Management of the Credit Union determined that all of the Credit Union's leases are operating leases. Operating lease right of use assets are recorded in property and equipment, and the lease liability is presented separately within liabilities.

Property and Equipment – Land is carried at cost. Building and improvements, land improvements, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and leasehold amortization. Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the term of the respective leases.

Maintenance and repairs are expensed, and major improvements and renovations are capitalized. Management reviews premises and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Gains and losses on disposals are included in current operations.

National Credit Union Share Insurance Fund ("NCUSIF") Deposit and Insurance Premiums – The deposit in the NCUSIF is in accordance with NCUA regulations, which require the maintenance of a deposit by each federally insured credit union in an amount equal to one percent of its insured members' shares, less any reportable impairment. The deposit would be refunded to the Credit Union if its insurance coverage was terminated, if it converted its insurance coverage to another source, or if management of the fund was transferred from the NCUA Board. The Credit Union is also required to pay an annual insurance premium equal to one-twelfth of one percent of total insured members' shares, unless the payments are waived or reduced by the NCUA Board.

Members' Shares and Savings Accounts – Members' shares are the savings accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are not guaranteed by the Credit Union. Dividend rates are based on an evaluation of current and future market conditions.

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

Federal and State Income Taxes – The Credit Union is exempt, by statute, from federal and state income taxes.

Fair Value – The Credit Union is required to account for certain assets at fair value. 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 Credit Union in an orderly transaction between market participants. The guidance also establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

> <u>Level 1</u> – Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
>
> <u>Level 2</u> – 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.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

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

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

The following methods and assumptions were used to estimate the fair value of each class:

Available for Sale Debt Securities –Fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability. All available for sale debt securities have been classified as Level 2.

Individually Evaluated Loans – Individually evaluated loans are generally not recorded at fair value on a recurring basis. Periodically, the Credit Union records nonrecurring adjustments to the carrying value of collateral dependent loans based on fair value measurements when establishing the allowance for credit losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan less the calculated valuation amount does not necessarily represent the fair value of the loan. Collateral is typically valued using appraisals or other indications of value based on recent comparable sales of similar properties or other assumptions. Estimates of fair value based on collateral are generally based on assumptions not observable in the marketplace and therefore such valuations have been classified as Level 3.

Advertising – The Credit Union directly expenses costs associated with advertising as they are incurred.

Concentration of Credit Risk– Most of the Credit Union's business activity is with its members who reside in or are employed in the Hartford County, Connecticut area. The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in the Hartford, Tolland, and Middlesex Counties of Connecticut. However, management of the Credit Union believes that the loan portfolio is well-diversified and is not exposed to any significant concentrations of credit risk. The Credit Union's policy for repossessing collateral is that when all other collection efforts have been exhausted, the Credit Union enforces its lien holder status and repossesses the collateral. Repossessed collateral normally consists of vehicles and residential real estate.

NOTE 2 – INTEREST BEARING DEPOSITS

Interest bearing deposits consist of certificates of deposits held in financial institutions. Certificates are generally nonnegotiable and nontransferable and may incur penalties for withdrawal prior to maturity. The Credit Union intends, and has ability, to hold these deposits until maturity. The book values of interest bearing deposits, by maturity, are summarized as follows as of December 31, 2024 and 2023:

	2024	2023
Less than one year	$ 1,240,000	$ 3,457,000
Between one and three years	7,598,000	2,223,000
Between three and five years	1,470,000	-
	$ 10,308,000	$ 5,680,000

NOTE 3 – AVAILABLE FOR SALE DEBT SECURITIES

The Credit Union's available for sale debt securities are as follows:

U.S. Treasury Notes	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
At December 31, 2024	$ 25,453,592	$ 85,090	$ (287,393)	$ 25,251,289
At December 31, 2023	$ 15,986,100	$ 148,741	$ (280,974)	$ 15,853,867

The following table summarizes the gross unrealized losses and fair value by length of time that the individual available for sale debt securities have been in a continuous unrealized loss position:

	Less than 12 months		12 Months or greater		Total	
U.S. Treasury Notes	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
At December 31, 2024	$ 5,481,797	$ (26,375)	$ 3,723,301	$ (261,018)	$ 9,205,098	$ (287,393)
At December 31, 2023	$ 2,000,000	$ (9,769)	$ 5,706,992	$ (271,205)	$ 7,706,992	$ (280,974)

Contractual maturities of available for sale debt securities are as follows as of December 31, 2024:

	Amortized Cost	Fair Value
Due within one year	$ 2,505,912	$ 2,503,242
Due after one year through five years	21,473,334	21,529,180
Due after five years through ten years	1,474,346	1,218,867
	$ 25,453,592	$ 25,251,289

The Credit Union elected to exclude accrued interest receivable from the amortized cost basis of available for sale debt securities disclosed throughout this footnote. As of December 31, 2024 and 2023, accrued interest receivable for available for sale debt securities totaled $151,531 and $111,259, respectively, and is included in the accrued interest receivable line on the Credit Union's Statements of Financial Condition.

NOTE 4 – HELD TO MATURITY DEBT SECURITIES

The Credit Union's held to maturity debt securities are as follows:

U.S. Treasury Notes	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
At December 31, 2024	$ 31,879,439	$ -	$ (1,657,583)	$ 30,221,856
At December 31, 2023	$ 40,305,246	$ -	$ (2,453,195)	$ 37,852,051

NOTE 4 – HELD TO MATURITY DEBT SECURITIES *(CONTINUED)*

The following table summarizes the gross unrealized losses and fair value by length of time that the individual held to maturity debt securities have been in a continuous unrealized loss position:

	Less than 12 months		12 Months or greater		Total	
U.S. Treasury Notes	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
At December 31, 2024	$ -	$ -	$ 30,221,856	$ (1,657,583)	$ 30,221,856	$ (1,657,583)
At December 31, 2023	$ -	$ -	$ 37,852,051	$ (2,453,195)	$ 37,852,051	$ (2,453,195)

Contractual maturity of held to maturity debt securities are as follows as of December 31, 2024:

	Amortized Cost	Fair Value
Due within one year	$ 8,494,919	$ 8,461,895
Due after one year through five years	22,889,440	21,347,227
Due after five years through ten years	495,080	412,734
	$ 31,879,439	$ 30,221,856

The Credit Union elected to exclude accrued interest receivable from the amortized cost basis of held to maturity debt securities disclosed throughout this footnote. As of December 31, 2024 and 2023, accrued interest receivable for held to maturity debt securities totaled $108,992 and $174,051, respectively, and is included in the accrued interest receivable line on the Credit Union's Statements of Financial Condition.

NOTE 5 – LOANS TO MEMBERS

The composition of loans to members is as follows as of December 31:

	2024	2023
Residential real estate loans:		
Fixed rate	$ 43,417,287	$ 41,612,116
Variable rate	-	17,055
Hybrid	2,034,207	2,690,515
Home equity lines of credit, variable rate	7,022,364	5,858,548
	52,473,858	50,178,234
Vehicle loans	12,066,279	11,372,022
Personal loans:		
Share secured	26,458	15,625
Credit card loans, unsecured	2,210,977	2,464,666
Other consumer loans, primarily unsecured	1,200,219	1,625,478
	3,437,654	4,105,769
	67,977,791	65,656,025
Allowance for credit losses	(930,435)	(868,111)
	$ 67,047,356	$ 64,787,914

NOTE 5 – LOANS TO MEMBERS *(CONTINUED)*

The Credit Union elected to exclude accrued interest receivable from the amortized cost basis of loans disclosed throughout this footnote. As of December 31, 2024 and 2023, accrued interest receivable for loans totaled $141,760 and $153,678, respectively, and is included in the accrued interest receivable line on the Credit Union's Statements of Financial Condition.

Certain officers and directors of the Credit Union have incurred indebtedness in the form of loans as members. A summary of the changes in loans made to officers and directors is as follows for the years ended December 31:

	2024	2023
Balance, beginning of the year	$ 631,968	$ 695,732
New loans	77,579	15,685
Repayments	(56,734)	(79,449)
Balance, end of the year	$ 652,813	$ 631,968

NOTE 6 – ALLOWANCE FOR CREDIT LOSSES

The following table presents by portfolio segment, the changes in the allowance for credit losses for the years ended December 31:

2024	Real estate	Vehicles	Personal	Unallocated	Total
Beginning balance	$ 204,621	$ 150,221	$ 350,850	$ 162,419	$ 868,111
Charge offs	-	(31,240)	(107,591)	-	(138,831)
Recoveries	69,375	4,173	27,607	-	101,155
Provision for credit losses	(9,408)	46,839	64,995	(2,426)	100,000
Ending balance	$ 264,588	$ 169,993	$ 335,861	$ 159,993	$ 930,435

2023	Real estate	Vehicles	Personal	Unallocated	Total
Beginning balance	$ 129,879	$ 84,024	$ 119,808	$ 65,092	$ 398,803
CECL adoption	66,765	84,525	311,648	12,327	475,265
Charge offs	-	(18,328)	(135,988)	-	(154,316)
Recoveries	2,977	-	45,382	-	48,359
Provision for loan losses	5,000	-	10,000	85,000	100,000
Ending balance	$ 204,621	$ 150,221	$ 350,850	$ 162,419	$ 868,111

The allowance for credit losses is considered by management of the Credit Union as adequate to cover expected losses inherent in the loan portfolio at December 31, 2024 and 2023. However, no assurance can be given that the Credit Union will not sustain credit losses that exceed the allowance, or that subsequent evaluation of the loan portfolio, in light of then-prevailing factors, including economic conditions, credit quality of the assets comprising the portfolio and the ongoing evaluation process, will not require significant changes in the allowance for credit losses.

NOTE 6 – ALLOWANCE FOR CREDIT LOSSES *(CONTINUED)*

Loan portfolio aging analysis – The Credit Union assesses credit quality based on the contractual aging status of loans and payment activity. The following tables set forth certain information with respect to loan portfolio delinquencies by loan class and amount at December 31:

	2024					
	0-29 days	30-59 days	60-179 days	180-359 days	Over 360 days	Total
Real estate	$ 50,943,385	$ 732,286	$ 568,874	$ 62,320	$ 166,993	$ 52,473,858
Vehicle loans	11,838,032	162,910	58,621	6,716	-	12,066,279
Personal	3,371,358	41,500	24,796	-	-	3,437,654
	$ 66,152,775	$ 936,696	$ 652,291	$ 69,036	$ 166,993	$ 67,977,791

	2023					
	0-29 days	30-59 days	60-179 days	180-359 days	Over 360 days	Total
Real estate	$ 49,946,561	$ 207,506	$ 3,968	$ -	$ 20,199	$ 50,178,234
Vehicle loans	11,285,428	50,274	36,320	-	-	11,372,022
Personal	4,043,027	44,425	14,180	-	4,137	4,105,769
	$ 65,275,016	$ 302,205	$ 54,468	$ -	$ 24,336	$ 65,656,025

Collateral Dependent – The only loans the Credit Union determined are collateral dependent are vehicle loans which the secured vehicle serves as the primary source of repayment and real estate loans which are secured by real property which serves as the primary source of repayment. The amount of collateral dependent loans were not material as of December 31, 2024 and 2023.

Loans on non-accrual status –The Credit Union has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the member's statement. Interest and fees continue to accrue on past due loans until the date the loan goes into non-accrual status, if applicable. As of December 31, 2024 and 2023, no loans past due 90 days or more are accruing interest.

The following summarizes loans by segment on nonaccrual status as of December 31:

	2024			2023		
	Without an Allowance	With an Allowance	Total	Without an Allowance	With an Allowance	Total
Real estate	$ 735,867	$ 62,320	$ 798,187	$ -	$ 90,742	$ 90,742
Vehicle loans	11,064	34,883	45,947	8,610	2,821	11,431
Personal	-	-	-	4,137	5,440	9,577
	$ 746,931	$ 97,203	$ 844,134	$ 12,747	$ 99,003	$ 111,750

There were no loans past due more than 90 days and accruing interest as of December 31, 2024 and 2023.

For the years ended December 31, 2024 and 2023, loans modified to borrowers that experienced financial difficulty were insignificant, and there were no significant loans that had a payment default and were modified in the previous twelve months to borrowers that experienced financial difficulties.

NOTE 7 – MEMBERS' SHARES AND SAVINGS ACCOUNTS

A summary of member shares and savings accounts is as follows as of December 31:

	2024	2023
Shares	$ 60,036,972	$ 62,213,026
Money market accounts	28,691,835	27,039,806
Certificates	6,063,755	6,288,355
Share drafts	26,153,491	28,275,410
Individual retirement accounts certificates	4,263,168	3,708,810
Club accounts	1,094,231	1,226,432
	$ 126,303,452	$ 128,751,839

Time deposits (certificates and individual retirement accounts certificates) mature as follows at December 31:

	2024	2023
Less than one year	$ 8,999,000	$ 8,606,027
Between one and three years	768,795	1,027,237
Between three and five years	559,128	363,901
	$ 10,326,923	$ 9,997,165

Non-member certificates were $248,000 and $989,000 as of December 31, 2024 and 2023, respectively.

The aggregate amount of time deposits which meet or exceed $250,000 as of December 31, 2024 and 2023 was $1,079,545 and $604,700, respectively.

Certain officers and directors of the Credit Union have deposits with the Credit Union. Deposits held by officers and directors totaled $487,186 and $592,798 at December 31, 2024 and 2023, respectively.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows as of December 31:

	2024	2023
Land	$ 705,295	$ 689,411
Building and improvements	2,921,320	2,903,544
Furniture and equipment	1,843,787	1,856,695
Leasehold improvements	543,387	581,551
Operating lease right of use assets	652,739	789,542
	6,666,528	6,820,743
Accumulated depreciation	(3,801,893)	(3,659,081)
	$ 2,864,635	$ 3,161,662

NOTE 9 – OPERATING LEASES

The Credit Union has entered into two leasing agreements with different terms and payments. The right-of-use assets and lease liabilities are as follows as of December 31:

	2024	2023
Operating lease right-of-use assets included in property and equipment	$ 652,739	$ 789,541
Operating lease liabilities	$ 652,739	$ 789,541
Weighted-average remaining lease term in years	6.2 years	7.0 years
Weighted-average discount rate	2.16%	2.19%
Operating lease cost	$ 140,857	$ 149,413
Operating cash flows for payment of operating leases	$ 152,572	$ 162,957

Future lease payments are scheduled to be paid as follows:

For the year ending December 31, 2025	$ 142,260
2026	145,535
2027	103,217
2028	59,835
2029	61,032
Thereafter	185,021
Total	696,900
Less interest	(44,161)
Present value of lease liabilities	$ 652,739

NOTE 10 – RETIREMENT PLANS

The Credit Union has a defined contribution pension plan for the benefit of its employees. The plan contains both Money Purchase and 401(k) plan components that are funded individually. Participation in the Money Purchase plan component is limited to all full-time employees who meet specific length of service and age limitations. Participation in the 401(k) plan component allows employees to defer a portion of their salary into the 401(k) plan. The Credit Union matches a portion of the employees' wage reductions and makes additional contributions to the plan on the employees' behalf. Contribution expense, related to these plans, for the years ended December 31, 2024 and 2023, was $263,545 and $240,298, respectively.

The Credit Union has deferred compensation agreements with certain members of the executive management team which provide benefits payable to each individual employee if they remain employed by the Credit Union through certain contractual dates. The benefits are subject to forfeiture if employment is terminated for cause as defined in the agreement. The Credit Union expensed $125,200 and $125,155 for the years ended December 31, December 31, 2024 and 2023, respectively.

NOTE 11 –FAIR VALUE MEASUREMENTS

The following tables present the balances of the assets measured at fair value on a recurring basis:

Available for Sale U.S. Treasury Notes	Level 1	Level 2	Level 3
At December 31, 2024	$ -	$ 25,251,289	$ -
At December 31, 2023	$ -	$ 15,853,867	$ -

The following tables present the balances of the assets measured at fair value on a non-recurring basis:

Individually Evaluated Loans	Level 1	Level 2	Level 3
At December 31, 2024	$ -	$ -	$ 330,379
At December 31, 2023	$ -	$ -	$ 125,312

NOTE 12 – COMMITMENTS AND CONTINGENCIES

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

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

The following table is a summary of financial instruments whose contract amounts represent credit risk at December 31:

	2024	2023
Secured home equity lines of credit	$ 12,720,496	$ 12,413,598
Credit card lines	6,389,201	6,500,092
Unsecured lines of credit	706,233	719,157
Overdraft protection program commitments	3,872,167	3,965,955
	$ 23,688,097	$ 23,598,802

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. 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 amount of collateral obtained if deemed necessary by the Credit Union upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held generally consists of automobiles, and real estate.

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

NOTE 12 – COMMITMENTS AND CONTINGENCIES *(CONTINUED)*

NCUA Central Liquidity Facility – The Credit Union joined the NCUA Central Liquidity Facility ("CLF") during 2023 by purchasing capital stock in the CLF. The CLF is an instrumentality of the Federal Government owned by member credit unions. The purpose of the CLF is to provide liquidity needs to credit unions. As a member of the CLF, the Credit Union has the capacity to borrow funds as needed with typical maturity dates of 90 days secured by the Credit Union's assets. The borrowing rates and repayment terms are established when funds are advanced. At December 31, 2024 and 2023, there were no outstanding borrowings, and the Credit Union had the ability to borrow approximately $55 million and $61 million, respectively.

Line of Credit – The Credit Union maintains a line-of-credit with EasCorp in the total amount of $10,000,000, of which $1,000,000 is committed. $2,400,000 of the total line is available to the Credit Union without the requirement to pledge collateral. The line-of-credit is fully collateralized by securities pledged by the Credit Union. A rate will be determined at the time funds are borrowed. At December 31, 2024 and 2023, there were no outstanding borrowings.

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

NOTE 13 – 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 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 generally accepted accounting practices. 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 table below) of net worth (as defined) to total assets (as defined). Management believes, as of December 31, 2024 and 2023, that the Credit Union meets all capital adequacy requirements, to which it is subject.

As of December 31, 2024, 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 of 7% of assets and meet any applicable RBNWR. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

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

	Actual Net Worth		To be adequately capitalized under the Prompt Corrective Action Provisions		To be well capitalized under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2024	$ 18,705,072	12.66%	$ 8,868,221	6%	$ 10,346,258	7%
December 31, 2023	$ 17,629,340	11.86%	$ 8,919,531	6%	$ 10,406,120	7%

NOTE 14 – EMPLOYEE RETENTION TAX CREDITS

The Coronavirus Aid, Relief, And Economic Stability Act ("CARES Act") provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes. The Credit Union initially applied for approximately $719,000 related to the CARES Act ERC, of which $541,445 and $220,159 was received during the years ended December 31, 2023 and 2022, respectively (which includes interest).

During 2023, approximately $290,000 was returned to the IRS due to additional guidance from the IRS Office of Chief Counsel which determined that a federally insured Credit Union is not eligible for the ERC for 2020 only. The Credit Union determined it was eligible for an additional amount of ERC relating to 2021 in the amount of $298,570, the amount of which has not been received as of December 31, 2024 and is included within other assets on the Statement of Financial Condition.

Board of Directors

Keisha Palmer, *Chairperson*
Susan Glazier, *Vice Chairman*
Steven LeFebvre, *Treasurer*
Gloria Myers, *Secretary*
Elizabeth Frechette
Alison Faye Johnson
Thomas Potter
Galo Rodriguez
Stuart Rosenberg

Supervisory Committee

Gloria Myers, *Committee Chairperson*
Wendell Avery
Guy Drapeau

Management Team

Edward Danek, Jr., *President & CEO*
Mary-Elizabeth Mazza, *Executive Vice President*
Lucas Manzi, *Senior Vice President - CFO*
Emily Harriman, *Vice President - Marketing & Business Development*
Taylor Carlson, *Assistant Vice President - Compliance & Loss Mitigation*
Stephen Foy, *Assistant Vice President - Branch Operations*
Stacey Marsh, *Assistant Vice President - Controller*
Racquel Pelow, *Assistant Vice President - Lending*
Jacob Bohr, *IT Manager*
Shamim Bhatti, *Farmington Valley Branch Manager*
Ruth LaVoice, *Stafford Branch Manager*
Amy Mack, *South Windsor Branch Manager*
Kaydia Stewart, *Main Office Branch Manager*
Tyler Wyslick, *Human Resources Coordinator*

Professional Staff

Darlene Acosta, Jacob Arnone, Tania Bula, Basil Dyer, Tyrahn Franklin, Robie Gaston, Devon Henry, Elaine Libert, Jaina Lima Cano, Katesha Muldoon, Carol Muniz, Aiesha Norman, Rosemarie Pelletier, Marisol Perez, Matthew Perez, Samantha Perez, Laurie Persechino, Keitha Pollutro, Kaci Stonier-Torres, Fareaa Usman, Jose Velazquez, Sophie Wemmell

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