POLISH & SLAVIC FEDERAL CREDIT UNION
Brooklyn, New York

FINANCIAL STATEMENTS
September 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Supervisory Committee
Polish & Slavic Federal Credit Union
Brooklyn, New York

Report on Financial Statements

We have audited the accompanying statements of financial condition of Polish & Slavic Federal Credit Union (the Credit Union) as of September 30, 2021 and 2020, and the related statements of income, comprehensive (loss) income, changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Credit Union as of September 30, 2021 and 2020, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 21, 2021

FINANCIAL STATEMENTS

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION
September 30, 2021 and 2020
(In Thousands)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 49,796	$ 72,791
Debt securities available-for-sale	1,200,529	960,554
Other investments	8,532	7,654
Loans receivable, net	1,242,507	1,196,540
Accrued interest receivable	5,589	5,821
Premises and equipment, net	32,497	29,764
National Credit Union Share Insurance Fund deposit	20,512	17,796
Other assets	7,605	5,558
TOTAL ASSETS	$ 2,567,567	$ 2,296,478
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' shares	$ 2,333,231	$ 2,054,651
Accrued expenses and other liabilities	16,541	16,016
Total liabilities	2,349,772	2,070,667
MEMBERS' EQUITY		
Regular reserves	20,562	20,562
Undivided earnings	201,499	192,379
Accumulated other comprehensive (loss) income	(4,266)	12,870
Total members' equity	217,795	225,811
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 2,567,567	$ 2,296,478

The accompanying notes are an integral part of these financial statements.

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF INCOME
Years Ended September 30, 2021 and 2020
(In Thousands)

	2021	2020
INTEREST INCOME		
Loans	$ 45,094	$ 48,282
Investments and cash equivalents	10,509	15,212
Total interest income	55,603	63,494
INTEREST EXPENSE		
Members' shares	7,152	9,019
Borrowed funds	-	112
Total interest expense	7,152	9,131
NET INTEREST INCOME	48,451	54,363
(CREDIT) PROVISION FOR LOAN LOSSES	(228)	1,449
NET INTEREST INCOME AFTER (CREDIT) PROVISION FOR LOAN LOSSES	48,679	52,914
NON-INTEREST INCOME		
Service charges, fees, and commissions	9,741	8,068
Other	2,408	13
Total non-interest income	12,149	8,081
NON-INTEREST EXPENSE		
Salaries and benefits	28,909	29,698
Operations	9,765	9,595
Occupancy	5,706	5,548
Marketing	1,366	1,993
Loan servicing	1,806	1,832
Professional and outside services	1,091	1,351
Other	3,065	3,596
Total non-interest expense	51,708	53,613
NET INCOME	$ 9,120	$ 7,382

The accompanying notes are an integral part of these financial statements.

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
Years Ended September 30, 2021 and 2020
(In Thousands)

	2021	2020
Net income	$ 9,120	$ 7,382
Other comprehensive income:		
Net unrealized holding (loss) gain on debt securities available-for-sale arising during the year	(17,136)	11,399
Total other comprehensive (loss) income	(17,136)	11,399
TOTAL COMPREHENSIVE (LOSS) INCOME	$ (8,016)	$ 18,781

The accompanying notes are an integral part of these financial statements.

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
Years Ended September 30, 2021 and 2020
(In Thousands)

	Regular Reserves	Undivided Earnings	Accumulated Other Comprehensive (Loss) Income	Total Members' Equity
BALANCE, SEPTEMBER 30, 2019	$ 20,562	$ 184,997	$ 1,471	$ 207,030
Net income	–	7,382	–	7,382
Other comprehensive income	–	–	11,399	11,399
BALANCE, SEPTEMBER 30, 2020	20,562	192,379	12,870	225,811
Net income	–	9,120	–	9,120
Other comprehensive loss	–	–	(17,136)	(17,136)
BALANCE, SEPTEMBER 30, 2021	$ 20,562	$ 201,499	$ (4,266)	$ 217,795

The accompanying notes are an integral part of these financial statements.

POLISH & SLAVIC FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2021 and 2020
(In Thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 9,120	$ 7,382
Adjustments to reconcile net income to net cash provided by operating activities:		
Net premium amortization on debt securities available-for sale	14,293	8,615
(Credit) Provision for loan losses	(228)	1,449
Depreciation and amortization of premises and equipment	3,113	2,884
Gain on sale of Visa Class B common stock	(805)	–
Gain on sale of other real estate owned	(31)	(168)
Impairment of premises	–	441
Net gain on disposal of equipment	(17)	–
Decrease (increase) in accrued interest receivable	232	(213)
Increase in other assets	(2,047)	(616)
Increase in accrued expenses and other liabilities	525	1,875
Net cash provided by operating activities	24,155	21,649
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of debt securities available-for-sale	(745,905)	(597,060)
Proceeds from maturities of debt securities available-for-sale	474,501	381,299
Proceeds from sale of Visa Class B common stock	805	–
Increase in other investments	(878)	(398)
Originations of loans receivable, net of principal payments	(45,739)	(47,579)
Increase in the National Credit Union Share Insurance Fund deposit	(2,716)	(720)
Net purchases of premises and equipment	(5,829)	(4,961)
Proceeds from sale of other real estate owned	31	527
Net cash used by investing activities	(325,730)	(268,892)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in members' shares	278,580	251,618
Net cash provided by financing activities	278,580	251,618
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(22,995)	4,375
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	72,791	68,416
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 49,796	$ 72,791
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 7,710	$ 9,037
Transfers from loans receivable, net to other real estate owned	$ –	$ 290

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Polish & Slavic Federal Credit Union (the "Credit Union") is a cooperative association holding a corporate charter under the provisions of the Federal Credit Union Act. Participation in the Credit Union is limited to those who qualify for membership as defined in the Credit Union's Charter and Bylaws.

Subsequent Events: The Credit Union has considered the impact on its financial statements of events occurring subsequent to September 30, 2021 and through December 21, 2021, the date the financial statements were available to be issued.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Actual amounts or 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 includes cash on hand, amounts due from financial institutions, and interest-bearing deposits in other financial institutions. Amounts due from financial institutions and interest-bearing deposits in other financial institutions may, at times, exceed federally insured limits.

Debt Securities Available-for-Sale: Debt securities that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available-for-sale and are carried at fair value. Unrealized gains and losses on debt securities available-for-sale are excluded from earnings and accounted for as accumulated other comprehensive income (loss). Gains and losses on the sale of debt securities available-for-sale are recorded on the trade date and determined using the specific identification method. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

The Credit Union recognizes other-than-temporary impairment of a debt security if the fair value of the security is less than its amortized cost and it intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost. The credit loss component of an other-than-temporary impairment of a debt security is recognized in earnings and the non-credit component in other comprehensive income when the Credit Union does not intend to sell the security and it is more likely than not that it will not be required to sell the security prior to recovery. In estimating whether a credit loss exists on a debt security, management considers a variety of factors, including the length of time and the extent to which the fair value has been less than the amortized cost basis, adverse conditions specifically related to the security, an industry or a geographic area, the historical and implied volatility of the fair value of the security, the payment structure of the security and the likelihood of the issuer being able to make payments that increase in the future, failure of the issuer of the security to make scheduled interest or principal payments, any changes to the rating of the security by a rating agency, and recoveries of additional declines in fair value subsequent to the Statement of Financial Condition date.

Other Investments: The Credit Union, as a member of the Federal Home Loan Bank of New York ("FHLBNY") and the National Credit Union Administration ("NCUA") Central Liquidity Facility, is required to maintain an investment in the capital stock of each of these entities. In addition, as a capitalized member of Alloya Corporate Federal Credit Union ("Alloya"), the Credit Union is required to maintain an investment in Perpetual Contributed Capital Shares II issued by Alloya. No ready market exists for these investments and they do not have quoted market values. FHLBNY stock and the Alloya Perpetual Contributed Capital Shares II are carried at cost and reviewed for impairment based on the ultimate recoverability of the cost basis of the investments. NCUA Central Liquidity Facility stock is carried at cost and backed by the full faith and credit of the U.S. government.

Loans Receivable: Loans that the Credit Union has the intent and ability to hold for the foreseeable future or until maturity are classified as loans receivable and are reported at their outstanding principal balances less any charge-offs and the allowance for loan losses.

The accrual of interest on loans is discontinued on loans that become 90 days past due as to principal or interest, or when payment in full of principal or interest is doubtful. When a loan is placed on non-accrual status, accrued interest receivable is reversed against interest income and interest income is subsequently recognized on the cash basis until the loan qualifies for return to accrual status. Loans are generally returned to accrual status when all principal and interest amounts contractually due are brought current and the future collection of principal and interest payments is reasonably assured.

Allowance for Loan Losses: The allowance for loan losses is maintained at a level that management believes is adequate to absorb estimated probable credit losses inherent in the loan portfolio as of the date of the financial statements. Management's periodic evaluation of the adequacy of the allowance for loan losses is based on a variety of factors, including past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. These evaluations are inherently subjective as it requires estimates that are susceptible to significant revision as additional information becomes available. While the Credit Union makes allocations to specific loans and pools of loans, the total allowance for loan losses is available for all loan losses.

When available information indicates that specific loans or portions thereof are uncollectible, those amounts are charged off against the allowance for loan losses. Subsequent recoveries, if any, are credited to the allowance.

Specific allowances for loan losses are established, as necessary, for individual loans considered impaired. A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all principal and interest amounts due according to the contractual terms of the loan agreement. Loans individually reviewed for impairment include loans with balances of $1 million or greater, loans restructured in a troubled debt restructuring, and real estate loans in the process of foreclosure. When a loan individually reviewed for impairment has been identified as impaired, the measure of impairment is based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the underlying collateral, if collateral dependent.

General allowances for loan losses are established, on a pool basis by homogeneous products, for loans not considered impaired and are based on historical loss experience adjusted for qualitative factors.

Mortgage Servicing Rights: In connection with its sale of loans with servicing retained, the Credit Union records servicing assets based on the fair value of the servicing rights on the date the loans are sold. Changes in the fair value of mortgage servicing rights are recorded in earnings in the period in which the change occurs. Mortgage servicing rights are included in Other assets in the Statements of Financial Condition.

Other Real Estate Owned: Other real estate owned acquired through loan foreclosure or in lieu of foreclosure is held for sale and is initially recorded at fair value less estimated costs to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenues and expenses from operations, changes in the valuation allowance, write-downs subsequent to foreclosure, and realized gains and losses upon sales of properties are reflected in non-interest income and non-interest expense as appropriate.

The Credit Union did not have any other real estate owned at September 30, 2021 or 2020. At September 30, 2021 and 2020, the recorded investment in consumer mortgage loans collateralized by residential real estate properties that were in the process of foreclosure amounted to $1,526,000 and $1,467,000, respectively.

Premises and Equipment: Land is carried at cost. Buildings, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and 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 useful lives or lease terms.

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

National Credit Union Share Insurance Fund ("NCUSIF") Deposit: 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 1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts its insurance coverage to another source, or the operations of the fund are transferred from the NCUA Board.

Members' Shares: Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union.

Marketing Costs: Marketing costs are expensed as incurred.

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

Comprehensive Income: Accounting principles generally require revenue, expenses, gains and losses to be included in net income. Certain changes in assets, such as unrealized gains and losses on securities available-for-sale, are reported as a separate component of members' equity in the Statements of Financial Condition.

New Accounting Pronouncements: In March 2017, the FASB issued ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The guidance requires the Credit Union to shorten the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. The Credit Union adopted this standard on October 1, 2020 and the adoption did not have a material impact on the Credit Union's financial statements.

The Credit Union adopted ASU 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, ASC 606), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as foreclosed assets. The majority of the Credit Union's revenues come from interest income and other sources, including loans and investment securities, which are outside the scope of ASC 606. The Credit Union's services that fall within the scope of ASC 606 are presented within non-interest income and are recognized as revenue as the Credit Union satisfies its obligation to the customer. Services within the scope of ASC 606 include service charges on member shares and interchange income. Effective October 1, 2020, the Credit Union adopted the accounting guidance in ASC 606 using the modified retrospective method applied to those contracts with customers which were not completed as of October 1, 2020.

Results for reporting periods beginning October 1, 2020 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605, Revenue Recognition. Refer to Note 13 Revenue from Contracts with Customers for further discussion on the Credit Union's accounting policies for revenue sources within the scope of ASC 606. Except for the addition of required disclosures, the adoption of this ASU did not have an impact to our financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The ASU is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial condition and disclosing key information about leasing arrangements. Based upon the new effective date instituted by ASU 2020-05, ASU 2016-02 is effective for the Credit Union for the fiscal year beginning after December 15, 2021 and all interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Credit Union is currently evaluating the impact of ASU 2016-02 on the Credit Union's financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815),* and *Leases (Topic 842): Effective Dates*.

The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective date instituted by ASU 2019-10, ASU 2016-13 is effective for the Credit Union for the fiscal year and all interim periods beginning after December 15, 2022. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. The Credit Union is currently evaluating the impact of ASU 2016-13 and ASU 2018-19 on the Credit Union's financial statements.

NOTE 2 – DEBT SECURITIES AVAILABLE-FOR-SALE

The amortized cost, gross unrealized gains, gross unrealized losses, and fair value of debt securities available-for-sale are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2021				
U.S. government-sponsored enterprise securities	$ 81,787	$ 60	$ (1,655)	$ 80,192
Mortgage-backed securities	1,123,008	7,893	(10,564)	1,120,337
Total debt securities available-for-sale	$ 1,204,795	$ 7,953	$ (12,219)	$ 1,200,529
September 30, 2020				
U.S. government-sponsored enterprise securities	$ 22,995	$ –	$ (57)	$ 22,938
Mortgage-backed securities	924,689	14,816	(1,889)	937,616
Total debt securities available-for-sale	$ 947,684	$ 14,816	$ (1,946)	$ 960,554

All of the mortgage-backed securities outstanding at September 30, 2021 and 2020 were issued by either a U.S. government agency or U.S. government-sponsored enterprise.

At September 30, 2021 and 2020, debt securities available-for-sale with a fair value of $82,154,000 and $120,567,000, respectively, were pledged as collateral to secure potential borrowings.

Information pertaining to debt securities available-for-sale with gross unrealized losses at September 30, 2021 and 2020 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows (in thousands):

	Less Than Twelve Months		Twelve Months or More		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
September 30, 2021						
U.S. government-sponsored enterprise securities	$ 1,206	$ 52,759	$ 449	$ 22,548	$ 1,655	$ 75,307
Mortgage-backed securities	9,230	639,007	1,334	87,590	10,564	726,597
Total	$ 10,436	$ 691,766	$ 1,783	$ 110,138	$ 12,219	$ 801,904
September 30, 2020						
U.S. government-sponsored enterprise securities	$ 57	$ 22,938	$ –	$ –	$ 57	$ 22,938
Mortgage-backed securities	1,838	287,298	51	5,829	1,889	293,127
Total	$ 1,895	$ 310,236	$ 51	$ 5,829	$ 1,946	$ 316,065

At September 30, 2021, there were 124 securities with unrealized losses. The Credit Union does not have the intent to sell any such securities and has determined that it will not be required to sell any such securities prior to the recovery of the amortized cost basis and that no credit impairment exists for any of the securities.

There were no gross realized gains or gross realized losses on sales of debt securities available-for-sale during the years ended September 30, 2021 and 2020.

The amortized cost and fair value of debt securities available-for-sale by contractual maturity at September 30, 2021 follows (in thousands):

	Amortized Cost	Fair Value
Due after one year through five years	$ 27,996	$ 27,701
After five years through ten years	53,791	52,491
Mortgage-backed securities	1,123,008	1,120,337
Total debt securities available-for-sale	$ 1,204,795	$ 1,200,529

Certain of the U.S. government-sponsored enterprise securities may be called by the issuers thus the actual maturities of the securities may differ from the contractual maturities. Mortgage-backed securities are shown separately in the table above as they are not due at a single maturity date.

NOTE 3 – OTHER INVESTMENTS

The composition of other investments is as follows (in thousands):

	September 30, 2021	September 30, 2020
FHLBNY stock	$ 2,569	$ 2,211
NCUA Central Liquidity Facility stock	5,463	4,943
Alloya Perpetual Contributed Capital Shares II	250	250
Certificate of deposit	250	250
Total other investments	$ 8,532	$ 7,654

During the year ended September 30, 2021, the Credit Union sold its shares of VISA Class B Common Stock for a gain of $805,000. The investment in the stock was $0 as of the trade date.

NOTE 4 – LOANS RECEIVABLE, NET

The composition of loans receivable, net is as follows (in thousands):

	September 30, 2021	September 30, 2020
Residential real estate:		
First mortgage	$ 655,395	$ 628,993
Home equity and second mortgage	108,262	105,784
Commercial real estate	367,710	357,032
Consumer:		
Unsecured credit card	31,133	30,732
Other unsecured	8,255	9,779
Secured	71,377	64,006
Business:		
Unsecured credit card	697	645
Other unsecured	856	1,033
Secured	135	215
Total loans receivable	1,243,820	1,198,219
Allowance for loan losses	(1,313)	(1,679)
Loans receivable, net	$ 1,242,507	$ 1,196,540

A summary of the activity in the allowance for loan losses by loan segment is as follows (in thousands):

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
Year Ended September 30, 2021					
Beginning balance	$ 298	$ 401	$ 951	$ 29	$ 1,679
Charge-offs	–	–	(641)	(75)	(716)
Recoveries	333	–	233	12	578
(Credit) Provision	(334)	1	14	91	(228)
Ending balance	$ 297	$ 402	$ 557	$ 57	$ 1,313

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
Year Ended September 30, 2020					
Beginning balance	$ 361	$ 2	$ 727	$ 3	$ 1,093
Charge-offs	(6)	–	(1,005)	(87)	(1,098)
Recoveries	12	–	169	54	235
(Credit) Provision	(69)	399	1,060	59	1,449
Ending balance	$ 298	$ 401	$ 951	$ 29	$ 1,679

The following table sets forth the balance in the allowance for loan losses and the recorded investment in loans receivable by loan segment and based on impairment method (in thousands):

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
September 30, 2021					
Allowance for Loan Losses:					
Individually evaluated for impairment	$ 46	$ 2	$ 1	$ –	$ 49
Collectively evaluated for impairment	251	400	556	57	1,264
Total	$ 297	$ 402	$ 557	$ 57	$ 1,313
Loans Receivable:					
Individually evaluated for impairment	$ 4,946	$ 1,345	$ 24	$ –	$ 6,315
Collectively evaluated for impairment	758,711	366,365	110,741	1,688	1,237,505
Total	$ 763,657	$ 367,710	$ 110,765	$ 1,688	$ 1,243,820

	Residential Real Estate	Commercial Real Estate	Consumer	Business	Total
September 30, 2020					
Allowance for Loan Losses:					
Individually evaluated for impairment	$ 48	$ 1	$ 3	$ –	$ 52
Collectively evaluated for impairment	250	400	948	29	1,627
Total	$ 298	$ 401	$ 951	$ 29	$ 1,679
Loans Receivable:					
Individually evaluated for impairment	$ 6,254	$ 855	$ 35	$ –	$ 7,144
Collectively evaluated for impairment	728,523	356,177	104,482	1,893	1,191,075
Total	$ 734,777	$ 357,032	$ 104,517	$ 1,893	$ 1,198,219

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

	Payment Activity		
	Performing	Non-Performing	Total
		(In Thousands)	
September 30, 2021			
Residential real estate:			
First mortgage	$ 651,803	$ 3,592	$ 655,395
Home equity and second mortgage	107,583	679	108,262
Commercial real estate	367,445	265	367,710
Consumer:			
Unsecured credit card	31,090	43	31,133
Other unsecured	8,255	–	8,255
Secured	71,374	3	71,377
Business:			
Unsecured credit card	695	2	697
Other unsecured	856	–	856
Secured	135	–	135
Total	$ 1,239,236	$ 4,584	$ 1,243,820

	Payment Activity		
	Performing	Non-Performing	Total
		(In Thousands)	
September 30, 2020			
Residential real estate:			
First mortgage	$ 624,228	$ 4,765	$ 628,993
Home equity and second mortgage	104,757	1,027	105,784
Commercial real estate	356,411	621	357,032
Consumer:			
Unsecured credit card	30,663	69	30,732
Other unsecured	9,774	5	9,779
Secured	63,974	32	64,006
Business:			
Unsecured credit card	645	-	645
Other unsecured	1,033	-	1,033
Secured	215	-	215
Total	$ 1,191,700	$ 6,519	$ 1,198,219

The following table presents the aging of the recorded investment in past due loans receivable by loan class (in thousands):

	30 – 59 Days	60 – 89 Days	90 Days or Greater	Total Past Due	Current	Total
September 30, 2021						
Residential real estate:						
First mortgage	$ –	$ 159	$ 3,397	$ 3,556	$ 651,839	$ 655,395
Home equity and second mortgage	331	152	679	1,162	107,100	108,262
Commercial real estate	–	78	265	343	367,367	367,710
Consumer:						
Unsecured credit card	135	79	43	257	30,876	31,133
Other unsecured	62	2	–	64	8,191	8,255
Secured	71	27	3	101	71,276	71,377
Business:						
Unsecured credit card	47	–	2	49	648	697
Other unsecured	5	87	–	92	764	856
Secured	–	–	–	–	135	135
Total	$ 651	$ 584	$ 4,389	$ 5,624	$ 1,238,196	$ 1,243,820

	30 – 59 Days	60 – 89 Days	90 Days or Greater	Total Past Due	Current	Total
September 30, 2020						
Residential real estate:						
First mortgage	$ –	$ 144	$ 4,163	$ 4,307	$ 624,686	$ 628,993
Home equity and second mortgage	194	326	1,027	1,547	104,237	105,784
Commercial real estate	–	–	621	621	356,411	357,032
Consumer:						
Unsecured credit card	95	47	69	211	30,521	30,732
Other unsecured	17	20	5	42	9,737	9,779
Secured	56	52	32	140	63,866	64,006
Business:						
Unsecured credit card	5	–	–	5	640	645
Other unsecured	21	–	–	21	1,012	1,033
Secured	–	–	–	–	215	215
Total	$ 388	$ 589	$ 5,917	$ 6,894	$1,191,325	$1,198,219

The Credit Union evaluates the credit quality of its loans receivable primarily based on the aging status of the loans.

Loans receivable on non-accrual status by loan class are summarized as follows (in thousands):

	September 30, 2021	September 30, 2020
Residential real estate:		
First mortgage	$ 3,592	$ 4,765
Home equity and second mortgage	679	1,027
Commercial real estate	265	621
Consumer:		
Unsecured credit card	43	69
Other unsecured	–	5
Secured	3	32
Business:		
Unsecured credit card	2	–
Other unsecured	–	–
Secured	–	–
Total	$ 4,584	$ 6,519

The following table presents the number of loans modified in TDRs and their recorded investments immediately prior to the modification and post-modification (dollars in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Year Ended September 30, 2021			
Residential real estate:			
First mortgage	8	$ 2,094	$ 2,094
Commercial real estate	2	516	516
Consumer			
Secured	3	35	35
Year Ended September 30, 2020			
Residential real estate:			
First mortgage	1	$ 226	$ 226
Consumer			
Other unsecured	1	4	4
Secured	1	15	15

During the years ended September 30, 2021 and 2020, there were no loans modified in a TDR that had a payment default within twelve months of modification.

The Credit Union's loan portfolio also includes certain loans with deferments that have been modified in connection with COVID-19. A summary of the number and balance of modified loans in connection with COVID-19 that are not categorized as troubled debt restructurings are as follows (dollars in thousands):

	Modified During the Year Ended		Still under Modification	
	Number of Loans	Balance	Number of Loans	Balance
September 30, 2021				
Residential real estate	8	$ 2,235	2	$ 240
Commercial real estate	–	–	1	219
Consumer	3	21	–	–
Business	–	–	–	–
Total	11	$ 2,256	3	$ 459

	Modified During the Year Ended		Still under Modification	
	Number of Loans	Balance	Number of Loans	Balance
September 30, 2020				
Residential real estate	43	$ 8,916	43	$ 8,916
Commercial real estate	15	14,457	15	14,457
Consumer	24	446	24	446
Business	3	65	3	65
Total	85	$ 23,884	85	$ 23,884

Information concerning impaired loans receivable by loan class is summarized as follows (in thousands):

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
September 30, 2021					
With no related allowance:					
Residential real estate:					
First mortgage	$ 1,959	$ 2,203	$ –	$ 3,414	$ 249
Home equity and second mortgage	519	519	–	589	7
Commercial real estate	524	524	–	356	17
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	6	6	–	8	–
Secured	4	4	–	22	1
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
With a related allowance:					
Residential real estate:					
First mortgage	2,450	2,557	32	2,186	80
Home equity and second mortgage	18	18	14	18	–
Commercial real estate	821	821	2	768	34
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	14	14	1	18	1
Secured	–	–	–	–	–
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
Total impaired loans	$ 6,315	$ 6,666	$ 49	$ 7,379	$ 389

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
September 30, 2020					
With no related allowance:					
Residential real estate:					
First mortgage	$ 3,693	$ 4,267	$ –	$ 4,263	$ 301
Home equity and second mortgage	596	596	–	550	16
Commercial real estate	315	315	–	320	19
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	3	3	–	2	–
Secured	–	–	–	5	–
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
With a related allowance:					
Residential real estate:					
First mortgage	1,947	2,057	34	1,977	102
Home equity and second mortgage	18	18	14	18	–
Commercial real estate	540	540	1	545	29
Consumer:					
Unsecured credit card	–	–	–	–	–
Other unsecured	32	32	3	37	1
Secured	–	–	–	–	–
Business:					
Unsecured credit card	–	–	–	–	–
Other unsecured	–	–	–	–	–
Secured	–	–	–	–	–
Total impaired loans	$ 7,144	$ 7,828	$ 52	$ 7,717	$ 468

Members' ability to repay loans to the Credit Union may be affected by the economic climate of the geographic regions in which they reside. The Credit Union's members reside primarily in the New York City, New York and Chicago, Illinois metropolitan areas.

NOTE 5 – LOAN SERVICING

Loans serviced for others by the Credit Union are not included in the accompanying Statements of Financial Condition. The unpaid principal balances of first mortgage loans serviced for others were $34,758,000 and $43,756,000 at September 30, 2021 and 2020, respectively.

The following table summarizes activity pertaining to mortgage servicing rights (in thousands):

	Years Ended September 30, 2021	Years Ended September 30, 2020
Balance at beginning of year	$ 294	$ 458
Changes in fair value	(33)	(164)
Balance at end of year	$ 261	$ 294

NOTE 6 – PREMISES AND EQUIPMENT, NET

Premises and equipment, net is summarized as follows (in thousands):

	September 30, 2021	September 30, 2020
Land	$ 4,637	$ 4,637
Buildings	37,777	35,480
Leasehold improvements	8,281	8,049
Furniture and equipment	22,001	20,842
Total premises and equipment	72,696	69,008
Accumulated depreciation and amortization	(40,199)	(39,244)
Premises and equipment, net	$ 32,497	$ 29,764

In connection with major renovations of the Credit Union's operations center building located in Fairfield, NJ, impairment of the premises in the amount of $441,000 was recognized during the year ended September 30, 2020. The impairment is reflected in other non-interest income in the Statements of Income.

NOTE 7 – MEMBERS' SHARES

Members' shares are summarized as follows (in thousands):

	September 30, 2021	September 30, 2020
Regular share accounts	$ 1,402,691	$ 1,096,954
Share draft accounts	500,493	402,589
Money market accounts	21,957	19,979
Individual retirement account ("IRA") shares	161,916	107,636
Share and IRA certificates	246,174	427,493
Total members' shares	$ 2,333,231	$ 2,054,651

Scheduled maturities of share and IRA certificates as of September 30, 2021 are as follows (in thousands):

Years Ending September 30,	
2022	$ 85,524
2023	87,235
2024	29,166
2025	40,205
2026	4,044
Total share and IRA certificates	$ 246,174

The aggregate amounts of share and IRA certificates in denominations of $250,000 or more at September 30, 2021 and 2020 were $9,604,000 and $18,259,000, respectively.

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

NOTE 8 –COMMITMENTS AND CONTINGENCIES

Unfunded commitments to extend credit consisted of the following (in thousands):

	September 30,	
	2021	**2020**
Commitments to originate real estate loans and lines of credit	$ 31,524	$ 22,564
Commitments under unused lines of credit:		
Real estate equity	157,740	137,166
Credit card	140,657	128,830
Other	26,128	24,867
Total unfunded commitments to extend credit	$ 356,049	$ 313,427

Loan commitments may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future cash requirements of the Credit Union. These commitments are not reflected in the financial statements.

Future minimum rent commitments under non-cancelable operating leases for premises at September 30, 2021 are as follows (in thousands):

Years Ending September 30,	
2022	$ 1,280
2023	1,057
2024	932
2025	911
2026	524
Thereafter	1,933
Total future minimum lease payments	$ 6,637

Rent expense for the years ended September 30, 2021 and 2020 for premises leased under operating leases totaled $1,244,000 and $1,166,000, respectively.

In the normal course of business, the Credit Union is a party to various legal actions. In management's opinion, the financial condition and results of operations of the Credit Union should not be materially affected by the outcome of the legal actions.

NOTE 9 – EMPLOYEE BENEFITS

The Credit Union maintains a defined contribution 401(k) plan that permits employees meeting specific age and length of service requirements to make contributions to the plan. The Credit Union makes matching contributions equal to 100% of the employees' contributions up to the first 3% of the employees' salaries and 50% of employees' contributions over 3% through 5% of the employees' salaries. The plan also provides for a discretionary contribution each plan year by the Credit Union. The Credit Union made matching contributions to the 401(k) Plan of $783,000 and $754,000 for the years ended September 30, 2021 and 2020, respectively. The Credit Union did not make a discretionary contribution to the plan during the year ended September 30, 2020 but did make a discretionary contribution of $75,000 during the year ended September 30, 2019.

The Credit Union sponsors a non-qualified 457(b) deferred compensation plan for certain members of management. Participants are permitted to contribute to the plan and the Credit Union may make discretionary contributions to the plan. Deferred compensation expense for the years ended September 30, 2021 and 2020 amounted to $66,000 and $90,000, respectively and included discretionary contributions by the Credit Union of $39,000 and $86,000, respectively. The balance of the deferred compensation plan was $215,000 and $118,000 at September 30, 2021 and 2020, respectively and is reflected as both an asset and liability on the Credit Union's statement of financial condition. The balance is available to creditors in the event of the Credit Union's liquidation.

NOTE 10 – MEMBERS' EQUITY

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

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth to total assets. Further, credit unions over $10,000,000 in assets are also required to calculate a Risk-Based Net Worth ("RBNW") requirement which establishes whether or not the credit union will be considered "complex" under the regulatory framework. The Credit Union's RBNW requirements as of September 30, 2021 and 2020 were 7.58% and 6.13%, respectively. The minimum ratio to be considered "complex" under the regulatory framework is 6.00%. Management believes, as of September 30, 2021 and 2020, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of September 30, 2021, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for PCA. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7.00% of assets and meet any applicable RBNW requirement. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual and required capital amounts and ratios are presented in the following table (dollars in thousands):

	Actual		To be Adequately Capitalized Under PCA Provisions		To be Well Capitalized Under PCA Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
September 30, 2021						
Net worth	$222,061	8.64%	$154,054	6.00%	$194,622	7.58%
September 30, 2020						
Net worth	$212,941	9.27%	$137,789	6.00%	$160,753	7.00%

Because the RBNW requirement is less than the net worth ratio, the Credit Union retains its original category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

NOTE 11 – RELATED PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit to its directors, supervisory committee members and executive officers. The aggregate loans to related parties totaled $5,962,000 and $5,011,000 at September 30, 2021 and 2020, respectively. Deposits from related parties amounted to $1,820,000 and $1,638,000 at September 30, 2021 and 2020, respectively.

NOTE 12 – FAIR VALUE MEASUREMENTS

As defined in U.S. GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In accordance with U.S. GAAP, the Credit Union groups its financial assets and financial liabilities generally measured at fair value in the three levels set forth below, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1 - Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

- Level 3 - Valuations are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The following table presents assets measured at fair value on a recurring basis by classification within the fair value hierarchy (in thousands):

	Carrying Value			
	Level 1	Level 2	Level 3	Total
September 30, 2021				
Debt securities available-for-sale:				
U.S. government-sponsored enterprise securities	$ –	$ 80,192	$ –	$ 80,192
Mortgage-backed securities	–	1,120,337	–	1,120,337
Total debt securities available-for-sale	–	1,200,529	–	1,200,529
Mortgage servicing rights	–	–	261	261
Total	$ –	$ 1,200,529	$ 261	$ 1,200,790
September 30, 2020				
Debt securities available-for-sale:				
U.S. government-sponsored enterprise securities	$ –	$ 22,938	$ –	$ 22,938
Mortgage-backed securities	–	937,616	–	937,616
Total debt securities available-for-sale	–	960,554	–	960,554
Mortgage servicing rights	–	–	294	294
Total	$ –	$ 960,554	$ 294	$ 960,848

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs (in thousands):

	Mortgage Servicing Rights	
	September 30,	
	2021	2020
Balance at beginning of year	$ 294	$ 458
Total realized losses included in net income	(33)	(164)
Balance at end of year	$ 261	$ 294

Debt securities available-for-sale: The fair values for debt securities available-for-sale are based on quoted market prices, if available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The Credit Union obtains fair value measurements for debt securities available-for-sale from an independent pricing service. The fair value measurements consider observable data that may include, among other things, dealer quotes, market spreads, cash flows, reported trades, trade execution data, market consensus prepayment speeds, credit information, and the securities' terms and conditions.

Mortgage servicing rights: The fair value of mortgage servicing rights is computed by an independent third party using a valuation model that calculates the present value of estimated future net servicing income. The model incorporates various market-based assumptions, including discount rates, prepayment speeds, servicing income, servicing costs, and default rates.

The following table presents assets measured at fair value on a non-recurring basis by classification within the fair value hierarchy (in thousands):

	Carrying Value			
	Level 1	Level 2	Level 3	Total
September 30, 2021				
Impaired loans receivable	$ –	$ –	$ 591	$ 591
September 30, 2020				
Impaired loans receivable	$ –	$ –	$ 899	$ 899

NOTE 13 – REVENUE FROM CONTRACTS WITH MEMBERS

On October 1, 2020, the Credit Union adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequent amendments. As stated in Note 1, the implementation of the new standard did not have a material impact on the measurement, timing, or recognition of revenue. Accordingly, no cumulative effect adjustment to opening retained earnings was deemed necessary. Results for reporting periods beginning October 1, 2020 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. Upon adoption, the Credit Union has elected to use the following optional exemptions that are permitted under the Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Credit Union recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Credit Union would have recognized is one year or less.

- For performance obligations satisfied over time, if the Credit Union has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Credit Union's performance completed to date, the Credit Union will generally recognize revenue in the amount to which the Credit Union has a right to invoice.

- The Credit Union does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Credit Union recognizes revenue in the amount to which the Credit Union has a right to invoice.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to Non-Interest Income such as deposit related fees and interchange fees. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Significant components of Non-Interest Income considered to be within the scope of Topic 606 are discussed below.

Service Charges on Deposits
The Credit Union earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as wire transfer fees and stop payment charges, are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member's request. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the member's account balance.

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

The following presents Non-Interest Income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the year ended September 30 (in thousands):

	2021
In Scope of ASC 606	
Service Charges on Deposits	$ 2,553
Interchange Income	5,803
Other	1,653
Non-Interest Income in the Scope of ASC 606	10,009
Non-Interest Income not within the Scope of ASC 606 (a)	2,140
Total Non-Interest Income	$ 12,149

(a) This revenue is not within the scope of ASC 606, and includes fees related to loan servicing fees and credit card fees.

The Credit Union does not typically enter into long-term revenue contracts with members and, therefore, does not experience significant contract balances. As of September 30, 2021, the Credit Union did not have any significant contract balances and the Credit Union did not capitalize any contract acquisition costs.