2023

ANNUAL REPORT

DEXSTA®
FEDERAL CREDIT UNION

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DEXSTA Federal Credit Union

Minutes of the 2023 Annual Meeting
DEXSTA Federal Credit Union, Wilmington, Delaware
March 27, 2023

The hybrid meeting was opened by Jerry King, President/CEO. Mr. King shared information with virtual participants that included how to ask a question and how to cast your vote. He expressed his appreciation to those participating and introduced Board Chair, Marie Davis.

The meeting was called to order by the Chair Marie Davis at 5:30 p.m. and it was recognized that a quorum was present. Board Members were introduced. The Chair introduced guest Steve Weidner of RKL accounting firm that was joining the meeting remotely. Ms. Davis announced that the meeting will be conducted according to the modern rules of order and entertained a motion to approve the 2022 minutes as printed. Motion by Dan Costa carried to accept the minutes of the 2022 annual meeting.

Report of the President/CEO – Jerry King first spoke of the recent events affecting the financial industry. He told attendees that DEXSTA's financial operations and members' deposit accounts are safe and secure. He explained the fundamental difference between the failed banks and the Credit Union. Mr. King stated our strong capital position and that we continue to receive industry-leading recognition for the credit unions business model of safety and soundness. He noted that we incorporated learnings from our 85 years in business to weather any financial storm.

Mr. King outlined our history from modest beginnings in 1937 to becoming a strong full-service financial institution serving nearly 42,000 members with its unchanged commitment of people helping people today.

Jerry spoke of system upgrades and changes to on-line banking passwords requirements to strengthen the security of member information. He reminded members of the newly launched website security center that keeps members abreast of security risks and provides good practice security guidelines.

Mr. King stated our local community support remains strong. Noting some of the local organizations that benefited from our efforts. He announced that our support of our youth membership through in-school financial literacy and annual scholarship programs have been in place for fifteen years.

In closing he thanked the membership for voting DEXSTA First States Favorite Best Credit Union in Local Services North. He recognized that the 85th anniversary could not have been achieved without the trust of our members, our dedicated volunteers and fellow team members. Mr. King stated that we look forward to providing the financial needs of the membership for years to come.

Report of the Nominating Committee – Joyce Kidd, Nominating Committee Chair reported the terms of three board members will expire. Since there are three nominations and three openings on the board, Ms. Kidd noted the Secretary will cast a single ballot for the unanimous election of candidates shown in the annual report. There were no additional nominations submitted.

Report of the Board Chair – Marie Davis stated this year was another very successful year despite the many pandemic related challenges we faced. Marie expressed what an exceptional job the DEXSTA team has done throughout the year. She thanked the membership for their dedication during this time.

Ms. Davis spoke of the continued growth in 2022. Assets grew $11 million as we approached $409 million in assets. She noted, despite economic challenges, our loan portfolio grew over $34 million and net income exceeded $2.7 million.

With regards to technology, Ms. Davis stated that digital transformation and cybersecurity are the main focus when providing a secure and positive member experience. She stated operational excellence is crucial as our regulatory agency pays close attention to this aspect of our operation.

She outlined the community support that continued through financial education, fundraising and our scholarship program. In closing, Marie noted that it is a pleasure serving as board chair and looks forward to continuing the mission of "people helping people."

After the report of the board chair, a question from the audience was asked regarding cybersecurity and ransomware insurance coverage. Mr. King responded the Credit Union has both coverages with its bond carrier.

Report of the Treasurer – Fuji Le directed participants to the treasurer's report included in the 2022 Annual Report. Mr. Le stated the Credit Union finished the year strong with solid growth in lending and net income. Fuji shared financial highlights relating to the 13.66% increase in our loan portfolio with delinquency remaining low at just 1.01%. In addition, 2022 DEXSTA experienced another year of healthy growth in member deposits of $7 million that resulted in a return on average assets of 0.68%. Mr. Le closed with reporting the Credit Union remains financially sound with nearly $37 million in capital with a capital ratio of 8.94%.

Report of the Supervisory Committee – Committee Chairman Clyde DavidCarv acknowledged the members of the Supervisory Committee. Clyde explained the committee's responsibility is to ensure that DEXSTA's policies, procedures and internal controls are designed to protect your assets and the accuracy of the Credit Union's financial statements.

Mr. DavidCarv indicated that for fiscal year 2022, internal audits determined by an established risk assessment were completed by YHB and the annual engagement audit was performed by RKL certified public accountants. He was pleased to report DEXSTA Federal Credit Union is in full compliance with federal laws and regulations, confirming the Credit Union's financial soundness. In conclusion, he thanked the board of directors, management and branch teams for their hard work and dedication.

A motion by Teresa Burns carried to accept all reports as presented.

Report of the Scholarship Committee - The report was presented by Board Chair Marie Davis. She noted thirteen applications were received this year with three high school seniors receiving a one thousand scholarship each. Ms. Davis announced the following winners: Victoria Kimball of Conrad School of Sciences, James Kulenguskey of The Tatnall School and Kaylea Patterson of Appoquinimink High School.

Old Business – None.

New Business – A question from the audience was asked regarding insurance coverage similar to FDIC. Mr. King explained share insurance coverage provided by the National Share Insurance Fund. Member shares are insured up to $250,00 by the NCUSIF. In addition, DEXSTA provides, free of charge, an additional $250,000 coverage through a partnership with Excess Share Insurance.

Motion by Mary Mousley carried to adjourn the meeting at 5:54 p.m.

Submitted by,

Patrick L. Rhoades
Appointed Meeting Secretary

M. H. Davis

Marie H. Davis
Board Chair

Report of the Nominating Committee

It is the responsibility of the nominating committee each year to consider and nominate qualified credit union members who have expressed an interest in serving on the Board of Directors of DEXSTA Federal Credit Union. This year the terms of three board members will expire.

A letter was sent to all eligible members stating the process and requirements to run for elected office and soliciting any members desiring to run for the Board of Directors. As of the deadline for submission of nominations for the Board of Directors no additional nominations were submitted. Therefore, the Nominating Committee has submitted the following five incumbents for election to the Board of Directors of DEXSTA Federal Credit Union. Each has submitted a letter of intent to run for another term of service and a short biography on each individual is included.

Board of Directors

Dan Costa (incumbent) – retired from the DuPont Company after 35 years of service with DuPont Facilities Services & Real Estate in the Power Operations organization. Dan has served as vice president of the DEXSTA Board of Directors for 13 of the 38 years he has been with the Credit Union. He has also served as Chairman of the Building Committee and is currently DEXSTA's membership officer. Dan served as president and committee chairman for another Delaware credit union prior to joining DEXSTA's Board of Directors. Dan has a Master of Science degree in Strategic Leadership.

Regina Edmiston (incumbent) – is a retired principal with Deloitte Consulting. As the leader of the SAP Financial Services Practice, Regina focused on managing Global Technology Transformations across the Insurance and Banking sectors. Regina was the Deloitte National SAP Insurance Leader, Principal sponsor for the Philadelphia Consulting Women's and Diversity Initiative, led the US India Leadership Development Program, and served as the National Lead for Deloitte's Business Technology Analyst Program. Prior to her 26-year consulting career, Regina was employed for 13 years at DuPont in the Corporate Accounting, IT and Medical Products Departments.

Regina has a Bachelor of Science in Business Administration from Widener University, is currently enrolled at the University of Delaware for her Certification in Strategic Leadership and MBA and has participated in numerous leadership forums.

Regina currently volunteers with her Labrador Atlas at the Nemours Children's Hospital visiting patients in Pediatric Oncology as well as other inpatient and outpatient departments – bringing a welcome reprieve to the patients, nurses, and staff. Regina also volunteers at corporate wellness days and assists at the Dog Training Club of Chester County.

As a member of the DEXSTA board, Regina will bring her extensive experience to further DEXSTA's mission of providing products and services to meet the financial needs of our diverse community.

Kim Hall (incumbent) - Kim Hall moved to Wilmington, Delaware in 1989 to work for E. I. du Pont de Nemours and Company where she worked in various aspects of the supply chain for over twelve years. For the last six years she has worked as a Contract Specialist at W. L. Gore & Associates, Inc. Kim is a graduate of Southern University A&M College, The Ohio State University, and Widener University School of Law where she received her Juris Doctor. She is also a member of the New Jersey and Washington D.C. bar associations, having worked in the legal arena since 2001. Kim has been a DEXSTA Federal Credit Union member since 1996 and has been a valued volunteer on the Board of Directors since 2021. Kim is a resident of Newark with her husband and two sons. When not keeping busy with work or home life, you can find her perusing her passions with work on her 1966 Ford Mustang.

Submitted by,

David S. Marianelli
Nominating Committee Chair

Report of the Board Chair

Welcome, and thank you for joining DEXSTA Federal Credit Union's 86th Annual Meeting. It is my honor and pleasure to serve as your Chair of the Board of Directors.

With pandemic-era challenges persisting into 2023, we see signs with inflation, economic downturn, supply chain security, increased consumer expectations, accelerated digital transformation, and the "war for talent" acquisition as employees reevaluate their jobs. However, team DEXSTA did not skip a beat, and all pitched in to support each other and our membership. We are most grateful for their continued efforts.

As you can see from the reports we have grown over the past year. At year-end, our assets grew approximately $45 million, as we approached $454 in assets. Despite economic challenges and supply chain shortages our loan portfolio experienced a reduction of $9 million with net income, exceeding $1.5 million. The Treasurer's Report and Financial Statements provide a detailed outline of 2023's results.

Our continued investment in core technology supports and resources further enhances our goal of a positive member experience while continuing to protect member identities and assets. These efforts are a crucial part of our operational excellence and daily business strategies. I am thankful for our Information Technology team; their dedication and hard work allows our membership to bank safely and efficiently. Our governing body, National Credit Union Administration, continues to pay close attention to this aspect of our operation during their on-going assessment of our business.

DEXSTA Federal Credit Union continues its long-standing support of the Children's Miracle Network, Sunday Breakfast Mission, Ronald McDonald House, and the Boys and Girls Clubs of Delaware as part of our community outreach mission. Team DEXSTA has remained committed to supporting the communities we serve through financial education, fundraising, scholarship program, while embodying the "People Helping People" philosophy of the Credit Union movement. We are immensely proud of the work we do with our charity partners within our service communities.

Thank you to our Board of Directors and Supervisory Committee for their hard work, dedication, support, and service to the Credit Union. The individuals who serve on the Board and Committee, are volunteers who utilize their business acumen and technical skills to manage the direction of the Credit Union and I am proud to work together with each of them. I also would like to extend my thanks to our staff for their hard work, leadership and devotion to each other and our members. Their support for one another and our members is an unwavering spirit of which I am immensely proud.

I continue to consider it a privilege and an honor to serve as DEXSTA's Board Chair. On behalf of the Board, I look forward to continuing our service to you while not losing sight of the Credit Unions mission of "People Helping People" in 2024 and beyond.

Submitted by,

M. H. Davis

Marie H. Davis
Board Chair

Report of the President/CEO

In a world where stability is a rare and precious commodity, DEXSTA remains a steadfast pillar of support for you, our valued members, and the communities we serve.

Over the past year, we have faced unprecedented challenges, but through it all our commitment to your financial well-being has remained unwavering. Despite the uncertainties of the market, I am pleased to report that DEXSTA Federal Credit Union stands on solid ground, with assets exceeding $453 million. This financial stability has enabled us to continue providing the essential services and support you reply on, day in and day out.

In 2023, we welcomed over 1,600 new members, bringing our total membership to more than 42,000 individuals and families. Each new member represents a new opportunity for us to make a difference in their lives, and we take that responsibility seriously. Whether you have been with us for years or are just beginning your journey with DEXSTA, know that we are here to help you achieve your financial goals, every step of the way.

One of the cornerstones of our commitment to you is the quality of service that we provide. That is why we have made significant investments in enhancing your member experience, from the opening of our new Elkton location to the implementation of product enhancements designed to make banking with us easier and more convenient than ever before.

We have taken action to reduce account overdraft fees, eliminate third-party return deposit item fees, and credit direct deposits up to one day earlier whenever possible. We have also raised dividend rates and launched certificate specials to help you maximize your savings and reach your financial aspirations faster.

Our dedication to innovation is evident in the enhancements we have made to our debit and credit cards. With the introduction of contactless technology, paying with your DEXSTA Visa card is now more secure, convenient, and touch free than ever before. With our new credit enhancement, installment payments, you have the flexibility to dived large purchases into manageable monthly payments, putting you in control of your finances.

Our commitment to you extends beyond the walls of our Credit Union. We believe in giving back to the communities that have supported us, which is why we were proud to split our winnings from the PSCU Credit Union Giveback Sweepstakes equally between two local charities: Sunday Breakfast Mission and the Ronald McDonald House of Greater Delaware. We also continue to support the Banzai program and our scholarship program, investing in the education and financial literacy of future generations.

I am thrilled to announce that DEXSTA Federal Credit Union has once again been voted the Best Credit Union in local services north First State Favorites. This honor would not have been possible without the dedication and hard work of our volunteers and team members, who are committed to providing you superior service every day.

Looking ahead in 2024, our unwavering commitment to stability, innovation, and our members, remains steadfast. We are deeply grateful for the opportunity to serve you and are fully dedicated to continuing to elevate DEXSTA Federal Credit Union to new heights.

Thank you for entrusting us with your financial needs, aspirations, and dreams. Together let's make 2024 a year of prosperity, growth, and unparalleled service.

Submitted by,

Jerry King
President/CEO

Report of the Treasurer

As shown in the audited financial statements, the Credit Union finished another strong year.

During 2023, our loan portfolio decreased 3.22% to $276.8 million compared to the 13.66% growth achieved in 2022. Membership shares remained constant, and assets grew at a healthy 11.05%. Delinquent loans increased by $0.7 million, and our delinquency ratio increased by 29 basis points to 1.30%. This is primarily due to the shift in our loan portfolio and current state of the economy. Adequate provision and allowance for loan losses were recognized. Capital grew by 4.17% to $38.1 million. DEXSTA is a well-capitalized credit union and is positioned to protect member's assets and continue to deliver superior services.

The tables below reflect some of the key financial statistics and ratios for the past two years.

All values are in thousands of dollars			
Growth Analysis	**2022**	**2023**	**Change**
Loans	$285,993	$276,788	-3.22%
Shares	$371,492	$371,541	0.01%
Assets	$408,749	$453,896	11.05%
Net Income	$2,761	$1,526	-44.73%
Expenses – Including PLL	$13,386	$19,252	43.82%
Capital	$36,557	$38,083	4.17%
Return on Average Assets	0.68%	0.36%	-47.06%

Delinquency Analysis	**2022**	**2023**	**Change**
Provision for Loan Losses	$1,508	$2,236	48.28%
As % of Loans	0.53%	0.81%	
Delinquent – Two or More Months	$2,901	$3,590	23.75%
As % of Loans	1.01%	1.30%	
Loans Charged Off	$1,850	$3,583	93.68%
As % of Loans	0.65%	1.29%	
Allowance for Loan Losses	$2,056	$1,888	-8.71%
Allowance as % of Loans	0.72%	0.68%	

DEXSTA is in strong financial condition and is well positioned to fully engage with its membership's financial needs, while growing in members and services to meet the needs of the communities we serve. The board, management, and staff look forward to assisting with your financial needs, in the coming year.

Submitted by,

Fuji Le

Fuji Le
Board Treasurer

Report of the Supervisory Committee

The Supervisory Committee is comprised of a diverse group of committed volunteers who advocate for you, the members of DEXSTA Credit Union. Our primary responsibility is to provide oversight, ensuring that the credit union adheres to the highest standards of business practices and operates within established internal controls. As fellow members, we share a vested interest in safeguarding our collective assets and ensuring their prudent management. Through the diligent monitoring of policies and procedures, we strive to protect and preserve the integrity of our assets in ways that are sustainable and adaptable to change.

In fulfilling our financial and regulatory responsibilities, we maintain a close partnership with our auditors and regularly engage with DEXSTA's board of directors and senior management team. These engagements serve to review their practices and assess the overall financial stability of the credit union.

To secure our success, we have engaged the expertise of external audit and financial firms to furnish impartial reports of their assessments. For risk assessments, we maintain an ongoing collaboration with the advisory firm Yount, Hyde, and Barbour (YHB), while for financial audits, we have entrusted RKL, a reputable accounting and financial advisory firm.

Upon examination of the outcomes from our independent financial audit, alongside numerous internal audits, we confidently affirm that DEXSTA remains steadfast in upholding its integrity, diligently safeguarding the interests of its members, management, and employees. The results indicate that our credit union is safe in policy and practice. The Supervisory Committee is happy to conclude by confirming that DEXSTA FCU remains strong and financially sound.

We wish to extend our sincere congratulations to the board of directors, senior management, and all members of our branch teams for their exemplary dedication and outstanding performance. Your collective efforts and steadfast support are integral to the fulfillment of our mission to uphold safety and fiscal integrity within our organization.

Submitted by,

Clyde DavidCarv
Supervisory Committee Chair

Independent Auditor's Report

To the Supervisory Committee
DEXSTA Federal Credit Union
Wilmington, Delaware

Opinion

We have audited the financial statements of DEXSTA Federal Credit Union (the Credit Union), which comprise the statement of financial condition as of December 31, 2023 and 2022, and the related statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 with one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

RKL LLP

February 27, 2024
Wyomissing, Pennsylvania

DEXSTA Federal Credit Union

Statement of Financial Condition

	December 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents	**$ 60,470,531**	$ 6,695,935
Securities available for sale	**91,484,652**	91,853,262
Loans to members, net	**276,788,093**	285,992,870
Accrued interest receivable	**1,085,318**	996,816
Property and equipment, net	**7,442,547**	6,803,085
Other assets		
NCUSIF deposit	**3,566,211**	3,642,969
Corporate credit union perpetual contributed capital	**1,295,866**	1,295,866
Loans to officers	**6,150,001**	6,150,001
Credit union owned life insurance	**3,919,134**	3,815,938
Prepaid expenses and other assets	**1,693,221**	1,501,848
Total Assets	**$ 453,895,574**	$ 408,748,590
Liabilities and Members' Equity		
Liabilities		
Members' shares and savings accounts	**$ 371,541,469**	$ 371,491,787
Borrowings	**55,000,000**	15,000,000
Accounts payable and other liabilities	**2,656,128**	2,241,839
Accrued dividends payable	**116,379**	35,732
Total Liabilities	**429,313,976**	388,769,358
Members' Equity		
Appropriated undivided earnings	**19,679,750**	19,679,750
Unappropriated undivided earnings	**18,403,168**	16,877,246
Accumulated other comprehensive loss	**(13,501,320)**	(16,577,764)
Total Members' Equity	**24,581,598**	19,979,232
Total Liabilities and Members' Equity	**$ 453,895,574**	$ 408,748,590

DEXSTA Federal Credit Union

Statement of Income

	Years Ended December 31, 2023	2022
Interest Income		
Loans receivable	**$ 14,640,260**	$ 11,440,663
Investments and interest bearing accounts	**1,543,943**	1,065,213
Total Interest Income	**16,184,203**	12,505,876
Interest Expense		
Dividends on members' shares and savings accounts	**2,788,050**	1,075,710
Interest on borrowed funds	**1,717,753**	192,198
Total Interest Expense	**4,505,803**	1,267,908
Net Interest Income	**11,678,400**	11,237,968
Provision for Loan Losses	**2,236,000**	1,508,000
Net Interest Income after Provision for Loan Losses	**9,442,400**	9,729,968
Noninterest Income		
Electronic card services	**2,015,312**	2,056,446
Rental income	**83,935**	81,197
Service fees	**681,462**	621,441
Share draft fees	**1,178,583**	1,280,412
Other investment income	**-**	200,000
Other	**634,167**	668,693
Total Noninterest Income	**4,593,459**	4,908,189
Noninterest Expenses		
Employee compensation	**4,068,652**	4,032,934
Employee benefits	**1,122,985**	1,117,426
Office occupancy	**864,781**	775,387
Office operations	**2,324,850**	2,332,255
Marketing and education	**116,907**	139,825
Electronic card services	**643,296**	560,339
Loan servicing	**386,331**	473,175
Professional and outside services	**2,231,671**	1,863,291
Other	**750,464**	582,897
Total Noninterest Expenses	**12,509,937**	11,877,529
Net Income	**$ 1,525,922**	$ 2,760,628

See accompanying notes.

DEXSTA Federal Credit Union

Statement of Comprehensive Income

	Years Ended December 31, 2023	2022
Net Income	**$ 1,525,922**	$ 2,760,628
Other Comprehensive Income (Loss)		
Unrealized holding gains (losses) on securities available for sale arising during period, net	**3,076,444**	(13,450,094)
Comprehensive Income (Loss)	**$ 4,602,366**	$ (10,689,466)

	Restricted, Regular Reserve Fund	Undivided Earnings Appropriated	Undivided Earnings Unappropriated	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2021	$ 3,460,845	$ 19,679,750	$ 10,655,773	$ (3,127,670)	$ 30,668,698
Net income	-	-	2,760,628	-	2,760,628
Transfer of regular reserves to undivided earnings	(3,460,845)	-	3,460,845	-	-
Other comprehensive loss, net change in unrealized losses on securities available for sale	-	-	-	(13,450,094)	(13,450,094)
Balance at December 31, 2022	-	19,679,750	16,877,246	(16,577,764)	19,979,232
Net income	**-**	**-**	**1,525,922**	**-**	**1,525,922**
Other comprehensive income, net change in unrealized gains on securities available for sale	**-**	**-**	**-**	**3,076,444**	**3,076,444**
Balance at December 31, 2023	**$ -**	**$ 19,679,750**	**$ 18,403,168**	**$ (13,501,320)**	**$ 24,581,598**

See accompanying notes.

DEXSTA Federal Credit Union

Statement of Cash Flows

	Years Ended December 31, 2023	2022
Cash Flows from Operating Activities		
Net income	**$ 1,525,922**	$ 2,760,628
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**491,189**	409,525
Amortization (accretion) on investments, net	**(8,370)**	(10,839)
Amortization of deferred loan origination fees and costs, net	**1,704,958**	1,648,667
Provision for loan losses	**2,236,000**	1,508,000
(Increase) decrease in assets		
Accrued interest receivable	**(88,502)**	(156,878)
Credit union owned life insurance	**(103,196)**	(102,698)
Prepaid expenses and other assets	**(191,373)**	22,942
Increase (decrease) in liabilities		
Accounts payable and other liabilities	**414,289**	249,990
Accrued dividends payable	**80,647**	(2,644)
Net Cash Provided by Operating Activities	**6,061,564**	6,326,693
Cash Flows from Investing Activities		
Net (increase) decrease in loans to members	**5,263,819**	(37,518,336)
Proceeds from maturing securities available for sale	**3,453,424**	3,646,840
Net (increase) decrease in NCUSIF deposit	**76,758**	(204,234)
Expenditures for property and equipment, net	**(1,130,651)**	(1,196,420)
Net Cash Provided by (Used in) Investing Activities	**7,663,350**	(35,272,150)
Cash Flows from Financing Activities		
Net increase in members' shares and savings accounts	**49,682**	6,764,457
Proceeds from borrowed funds	**297,722,282**	75,727,211
Repayment of borrowed funds	**(257,722,282)**	(60,727,211)
Net Cash Provided by Financing Activities	**40,049,682**	21,764,457
Net Increase (Decrease) in Cash and Cash Equivalents	**53,774,596**	(7,181,000)
Cash and Cash Equivalents at Beginning of Year	**6,695,935**	13,876,935
Cash and Cash Equivalents at End of Year	**$ 60,470,531**	$ 6,695,935

	Years Ended December 31, 2023	2022
Supplemental Disclosures of Cash Flow Information		
Interest on borrowed funds	**$ 1,233,226**	$ 192,198
Dividends credited to members' shares and savings accounts	**$ 2,707,403**	$ 1,078,354
Change in unrealized gains (losses) on securities available for sale	**$ 3,076,444**	$ (13,450,094)

Note 1 - Nature of Business

DEXSTA Federal Credit Union (the Credit Union) is a community chartered federal credit union that provides lending and deposit services to persons who live, work, worship, volunteer, or go to school in, and businesses and other legal entities in New Castle County or Kent County, Delaware or Cecil County, Maryland; spouses of persons who died while within the field of membership of this Credit Union; employees of this Credit Union; members of their immediate families or household; and organization of such persons. Participation in the Credit Union is limited to those individuals that qualify for membership and family members of Credit Union members.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Financial Statement Presentation and Accounting Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the statement of financial condition, and the reported amounts of income and expenses for the period. Actual results could differ from those estimates.

Presentation of Cash Flows

For the purpose of the statement of financial condition and the statement of cash flows, cash and cash equivalents include cash on hand, amounts due from financial institutions, and highly-liquid debt instruments classified as cash, which were purchased with maturities of three months or less. Amounts due from financial institutions may, at times, exceed federally insured limits. Cash flows from loans to members originated by the Credit Union, certificates of deposit, and members' shares and savings accounts are reported net.

Securities Available for Sale

Securities classified as available for sale are those debt securities that the Credit Union intends to hold for an indefinite period of time, but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Credit Union's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available for sale are carried at fair value. Unrealized gains and losses are reported as increases and decreases, net, in members' equity. Realized gains or losses on the sale of these securities, determined on the basis of the cost of specific securities sold, are included in earnings.

Note 2 - Summary of Significant Accounting Policies (continued)

Securities Available for Sale (continued)

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, the Credit Union considers (a) the length of time and the extent to which the fair value has been less than cost, (b) the financial condition and near-term prospects of the issuer, and (c) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are determined using the specific identification method.

The Credit Union does not maintain a trading portfolio.

Allowance for Credit Losses - Securities Available for Sale

For available for sale debt securities in an unrealized loss position, the Credit Union first assesses whether it intends to sell, or if it is more likely than not that it will be required to sell the security before recovery of the amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income with the establishment of an allowance under the current expected credit loss (CECL) compared to a direct write down of the security under previously applicable accounting standard Accounting Standards Codification (ASC) 310-30, *Incurred Loss*. For debt securities available for sale that do not meet the aforementioned criteria, the Credit Union evaluates whether any decline in fair value is due to credit loss factors. In making this assessment, management considers any changes to the rating of the security by a rating agency and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security is compared to the amortized cost basis of the security. If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses (ACL) is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income.

Changes in the ACL under CECL are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of an available for sale security is confirmed, or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no ACL related to the available for sale portfolio.

Loans

Loans, that management has the intent and ability to hold for the foreseeable future or until maturity or payoff, are stated at the outstanding unpaid principal balances, net of any deferred fees. Interest income is accrued on the unpaid principal balance.

Note 2 - Summary of Significant Accounting Policies (continued)

Loans (continued)

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due, or when management has serious doubts about further collectibility of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed, and unpaid interest accrued in a prior year is charged against the allowance for loan losses. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectibility of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectibility of the total contractual principal and interest is no longer in doubt. Consumer and residential real estate loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loans.

Loan Origination Fees and Costs

First mortgage loan origination fees received in excess of loan origination costs are deferred and amortized over the contract lives of the loans using the straight-line method. This method does not result in a materially different amortization than that computed by the level-yield method. In the event that the related loans are sold or paid off, such net deferred fees are recognized as income in the period of sale or payoff.

Indirect lending dealer participation and processing fees paid are deferred and amortized over the contract lives of the loans using the straight-line method. This method does not result in a materially different amortization than that computed by the level-yield method. In the event that the related loans are sold or paid off, such net deferred fees are recognized as expenses in the period of sale or payoff.

The Credit Union has not adopted the provisions of Financial Accounting Standards Board (FASB) ASC 310, relating to certain direct consumer loan origination and commitment fees, and certain direct consumer loan origination costs, since the applicable portions of the guidance do not have a material effect on the Credit Union's financial statements.

Allowance for Credit Losses - Loans

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged against the allowance when management believes that the uncollectibility of the principal is confirmed. Estimated recoveries are considered to the extent that they do not exceed the aggregate of amounts previously charged off and expected to be charged-off. Accrued interest receivable totaling $877,274 at December 31, 2023 was excluded from the estimate of credit losses.

Note 2 - Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses - Loans (continued)

Management has determined that the historical loss experience of the Credit Union provides the best basis for the estimation of expected credit losses. It therefore utilizes its own historical credit loss experience by each loan segment over an economic cycle, while excluding loss experience from certain acquired institutions (i.e. failed financial institutions).

When determining the allowance on loans, management considers the need to qualitatively adjust historical loss experience for information not already captured in the loss estimation process. These qualitative adjustments either increase or decrease the required allowance. Each period the Credit Union considers qualitative factors that are relevant to its portfolio segments that includes the following: (a) changes in lending policies, procedures, and strategies, (b) changes in the nature and volume of the portfolio, (c) changes in volume and trends in classified loans, delinquencies, and nonaccrual loans, (d) concentration risk, (e) external factors, including competition and legal and regulatory factors, (f) changes in the quality of the Credit Union's loan review system, and (g) economic conditions not already captured..

The ACL is measured on a collective pool basis with receivables that have similar risk characteristics. The Credit Union has identified the following portfolio segments and calculates the ACL for each using a probability of default methodology at the loan level, with loss rates, prepayment assumptions, and curtailment assumptions driven by each loan's collateral type:

Real Estate - This loan segment includes first mortgage, home equity, and home equity lines of credit.

First Mortgage - The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay in an orderly fashion. First mortgage loans generally possess a lower inherent risk of loss than other real estate portfolio segments due to collateral existing even in a declining real estate market.

Home Equity and Home Equity Lines of Credit - Home equity fixed-rate loans are termed loans secured by a primary residence. Home equity line of credit loans are variable rate loans secured by a primary residence. As these loans are in a second or later position, they represent greater risk than first mortgage loans. Due to residential mortgage lending being collateral dependent, loans with less than 80% loan-to-value have less risk than those with greater than 80% loan-to-value. The Credit Union's policy requires an exception to issue a loan with greater than 80% loan-to-value except in the case of the Credit Union's high loan-to-value home equity programs.

Direct Vehicle - Vehicle loans fund the purchase or refinance of new or used automobiles and recreational vehicles. These loans are generally lower risk since they are collateralized.

Indirect Vehicle - Indirect vehicle loans allow borrowers to purchase and obtain financing at the same location. Indirect loans generally represent greater risk than direct loans due to the reliance on a third party for loan documentation.

Note 2 - Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses - Loans (continued)

Credit Cards - Credit card loans are unsecured borrowings and, therefore, rely on the borrower for repayment. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Share Secured - Share and certificate secured loans represent low inherent risk to the Credit Union as the borrowings are 100% secured by funds controlled by the Credit Union.

Government Guaranteed Student Loans - These student loans represent low inherent risk to the Credit Union as they are substantially guaranteed by the U.S. Government in the event of default.

Private Issued Student Loans - These loans include K-12, as well as post-secondary education student loans.

Unsecured - Unsecured loans rely on the borrower for repayment. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation.

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

Expected credit losses are estimated over the contractual term of the loans, and adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications, unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Credit Union.

Allowance for Credit Losses - Unfunded Loan Commitments

Effective with the adoption of CECL, the Credit Union estimates expected credit losses on commitments to extend credit over the contractual period in which the Credit Union is exposed to credit risk on the underlying commitments, unless the obligation is unconditionally cancellable by the Credit Union. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The allowance is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund. ACL for unfunded loan commitments is immaterial as of December 31, 2023.

Note 2 - Summary of Significant Accounting Policies (continued)

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF or the Fund) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the Fund are transferred from the NCUA Board.

The Credit Union recognizes NCUSIF premiums when approved by the NCUA. During the years ended December 31, 2023 and 2022, there were no NCUSIF premiums due.

NCUSIF Insurance Premiums

The Credit Union is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA Board.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation of property and equipment is computed on the straight-line method over the following estimated useful lives:

Buildings and improvements	5 to 40 years
Office furniture and equipment	3 to 5 years
Computer system	3 to 5 years

Improvements to leased property are amortized over the lesser of the life of the lease or lives of the improvements.

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of property and equipment, the cost and accumulated depreciation and amortization are eliminated from the accounts, and gain or loss is included in operations. Management reviews property and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Long-Lived Assets

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

Note 2 - Summary of Significant Accounting Policies (continued)

Members' Shares and Savings Accounts

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the 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 based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are set by the Credit Union's Board of Directors.

Members' Equity

In accordance with the Federal Credit Union Act, the Board of Directors has the authority to provide for unusual expenses through an appropriation of undivided earnings. The Board of Directors has the authority to transfer the balance in appropriated undivided earnings back to unappropriated undivided earnings.

Accumulated Other Comprehensive Income (Loss)

The Credit Union recognizes unrealized gains and losses on securities available for sale in accumulated other comprehensive income (loss) in members' equity. Gains and losses on securities available for sale are reclassified to net income, as gains or losses are realized upon sale of the securities.

Revenue Recognition

All of the Credit Union's revenue from contracts with members in scope of ASC 606 is recognized within noninterest income in the statement of income. A description of the Credit Union's revenue streams accounted for under ASC 606 are as follows:

Service Charges on Deposit accounts - The Credit Union earns service charges on deposit accounts for transaction based, account maintenance, and overdraft services. Transaction based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees are recognized at the time the transaction is executed, as that is the point in time the Credit Union fulfills the member's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Credit Union satisfies the performance obligation. 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 is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network.

Note 2 - Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes under provisions of the Internal Revenue Code.

Adoption of Recent Accounting Pronouncements

On January 1, 2023, the Credit Union adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held to maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available for sale debt securities. The adoption of CECL had an insignificant impact on the Credit Union's available for sale securities portfolio.

The Credit Union adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326, while prior period amounts continue to be reported in accordance with previously applicable generally accepted accounting principles. The adoption of CECL had an insignificant impact on the Credit Union's loan portfolio as of January 1, 2023.

Accrued interest for all financial instruments is included in a separate line on the face of the statement of financial condition. The Credit Union elected not to measure ACL for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Credit Union believes the collection of interest is doubtful. The Credit Union has concluded that this policy results in the timely reversal of uncollectible interest.

The ACL for the majority of loans was calculated using a probability of default methodology applied at a loan level. The Credit Union elected to use, as a practical expedient, the fair value of collateral when determining the ACL on loans for which repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty.

The Credit Union's CECL allowances will fluctuate over time due to macroeconomic conditions and forecasts, as well as the size and composition of the loan portfolios.

Note 2 - Summary of Significant Accounting Policies (continued)

Adoption of Recent Accounting Pronouncements (continued)

On January 1, 2023, the Credit Union adopted ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments contained in this ASU eliminate the accounting guidance for troubled debt restructurings (TDR) by creditors, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty. This ASU also requires entities to disclose current period gross write-offs by year of origination for financing receivables. The Credit Union adopted ASU 2022-02 using a modified retrospective transition approach for the amendments related to the recognition and measurement of TDRs. The impact of the adoption resulted in an immaterial change to the ACL, thus no adjustment to retained earnings was recorded. Disclosures have been updated to reflect information on loan modifications given to borrowers experiencing financial difficulty as presented in Note 6. TDR disclosures are presented for comparative periods only and are not required to be updated in current periods.

Note 3 - Cash and Cash Equivalents

For purposes of the statement of financial condition classification and the statement of cash flows, the Credit Union considers all highly-liquid debt instruments, purchased with a maturity of three months or less, to be cash and cash equivalents. The compositions of cash and cash equivalents are as follows at December 31:

	2023	2022
Cash on hand	**$ 1,731,889**	$ 1,459,281
Deposits in corporate federal credit union	**55,025,832**	1,087,207
Deposits with others	**3,712,810**	4,149,447
	$ 60,470,531	$ 6,695,935

The Credit Union maintains its deposits that, at times, may exceed federally insured limits. The Credit Union has not experienced any losses in such accounts. The Credit Union believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 4 - Securities Available for Sale

The amortized cost and fair values of the Credit Union's securities available for sale are as follows at December 31:

2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Approximate Fair Value
U.S. Governmental agency obligations	$ 84,554,313	$ -	$ 9,248,835	$ 75,305,478
U.S. Governmental agency mortgage-backed securities	19,438,659	228	4,252,713	15,186,174
Negotiable certificates of deposit	993,000	-	-	993,000
	$ 104,985,972	$ 228	$ 13,501,548	$ 91,484,652
2022				
U.S. Governmental agency obligations	$ 86,548,570	$ -	$ 12,127,012	$ 74,421,558
U.S. Governmental agency mortgage-backed securities	20,889,456	108	4,450,860	16,438,704
Negotiable certificates of deposit	993,000	-	-	993,000
	$ 108,431,026	$ 108	$ 16,577,872	$ 91,853,262

The amortized cost and estimated fair value of securities available for sale at December 31, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without penalties.

	2023		2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 2,000,000	$ 1,985,240	$ 2,000,000	$ 1,964,540
Due after one year through five years	66,973,722	60,328,040	50,972,082	44,900,099
Due after five years through ten years	16,573,591	13,985,198	34,569,488	28,549,919
Mortgage-backed securities	19,438,659	15,186,174	20,889,456	16,438,704
	$ 104,985,972	$ 91,484,652	$ 108,431,026	$ 91,853,262

Note 4 - Securities Available for Sale (continued)

Information pertaining to securities available for sale with gross unrealized losses, aggregated by length of time that individual securities have been in a continuous loss position, follows at December 31:

	Less Than Twelve Months		Greater Than Twelve Months	
2023	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
U.S. Governmental agency obligations	**$ -**	**$ -**	**$ 9,248,835**	**$ 75,305,478**
U.S. Governmental agency mortgage-backed securities	**-**	**-**	**4,252,713**	**15,118,815**
	$ -	**$ -**	**$ 13,501,548**	**$ 90,424,293**
2022				
U.S. Governmental agency obligations	$ -	$ -	$ 12,127,012	$ 74,421,559
U.S. Governmental agency mortgage-backed securities	20,818	432,987	4,430,042	15,992,517
	$ 20,818	$ 432,987	$ 16,557,054	$ 90,414,076

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (a) the length of time and the extent to which the fair value has been less than cost, (b) the financial condition and near-term prospects of the issuer, and (c) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2023, the 72 securities with unrealized losses have depreciated 12.99% from the Credit Union's amortized cost basis. The majority of these securities are either guaranteed by the U.S. Government or secured by mortgage loans. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, no declines are deemed to be other-than-temporary.

Note 5 - Loans to Members

The following table presents total loans outstanding by portfolio segment at December 31:

	2023	2022
Real estate secured	**$ 1,588,107**	$ 1,852,104
Home equity and lines of credit	**55,478,743**	48,142,385
Vehicle secured	**40,823,946**	47,277,059
Vehicle secured, indirect lending	**142,799,090**	152,468,391
Credit cards	**14,530,103**	13,059,215
Share secured	**336,577**	609,214
Government guaranteed student loans	**7,922**	9,375
Private student loans	**985,730**	1,374,318
Unsecured	**19,252,756**	19,958,802
Gross loans	**275,802,974**	284,750,863
Add (deduct)		
Net deferred loan origination costs	**2,873,130**	3,298,361
Allowance for credit losses	**(1,888,011)**	(2,056,354)
Net loans	**$ 276,788,093**	$ 285,992,870

Note 6 - Loan Quality

The following table presents activity in the ACL under the CECL methodology for the year ended December 31 2023:

	Beginning Balance	Loans Charged Off	Recoveries	Provision (Reversals)	Ending Balance
Real estate secured	$ -	$ -	$ -	$ -	$ -
Home equity and lines of credit	163,569	(216,771)	256,994	(198,287)	5,505
Vehicle secured	640,789	(842,825)	362,639	164,520	325,123
Vehicle secured, indirect lending	342,576	(471,926)	349,785	289,948	510,383
Credit cards	333,476	(489,742)	64,790	183,718	92,242
Share secured	210	-	-	(210)	-
Government guaranteed student loans	-	-	-	-	-
Private student loans	6,897	(99,046)	3,289	88,860	-
Unsecured	568,837	(1,462,799)	141,269	1,707,451	954,758
	$ 2,056,354	$ (3,583,109)	$ 1,178,766	$ 2,236,000	$ 1,888,011

Note 6 - Loan Quality (continued)

The following table presents activity in the ACL for the year ended December 31, 2022 under the incurred loss methodology:

	Beginning Balance	Loans Charged Off	Recoveries	Provision (Reversals)	Ending Balance
Real estate secured	$ -	$ -	$ -	$ -	$ -
Home equity and lines of credit	197,307	(168,771)	40,289	94,744	163,569
Vehicle secured	224,968	(513,950)	208,538	721,233	640,789
Vehicle secured, indirect lending	688,787	(399,284)	353,497	(300,424)	342,576
Credit cards	172,662	(274,378)	42,769	392,423	333,476
Share secured	-	(202)	-	412	210
Government guaranteed student loans	-	-	-	-	-
Private student loans	71,331	-	2,020	(66,454)	6,897
Unsecured	299,084	(493,132)	96,819	666,066	568,837
	$ 1,654,139	$ (1,849,717)	$ 743,932	$ 1,508,000	$ 2,056,354

The Credit Union's allowance for loan losses evaluation under the incurred loss methodology was predominately based on a collective review for impairment. The December 31, 2022 allowance for loan loss balance did not include any amount attributed to loans individually evaluated for impairment.

The following table presents additional information about those loans considered to be impaired as of December 31, 2022:

	As of Year End			For the Year Ended
	Unpaid Principal Balance	Recorded Investment	Specific Allowance	Average Recorded Investment
With No Related Allowance				
Home equity and lines of credit	$ 213,986	$ 213,986	$ -	$ 30,569
Vehicle secured	561,540	561,540	-	14,777
Vehicle secured, indirect lending	545,943	545,943	-	11,868
Credit cards	106,184	106,184	-	3,218
Private student loans	5,118	5,118	-	2,559
Unsecured	538,692	538,692	-	4,452
	$ 1,971,463	$ 1,971,463	$ -	

There were no impaired loans with a specific allowance as of December 31, 2022.

Note 6 - Loan Quality (continued)

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the operation or sale of the collateral. The Credit Union had no loans considered collateral-dependent as of December 31, 2023.

Under CECL, for collateral dependent loans, the Credit Union has adopted the practical expedient to measure the ACL based on collateral. The ACL is calculated on an individual loan basis based on the shortfall between the fair value of the loan, adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required..

The Credit Union's policy is to obtain third-party valuations of collateral for secured loans. These valuations generally consist of appraisals of real estate and other publicly available sources for loans secured by automobiles and similar assets.

As part of its process to calculate the ACL, the Credit Union reviews several credit quality factors, including payment status (performing, nonperforming, and aging) and internal credit rating.

The Credit Union has several classes of consumer loans which carry distinct credit risks. Loan delinquency for loan classes is a common credit quality indicator that the Credit Union monitors and utilizes in the evaluation of the adequacy of the ACL for the consumer portfolio segment. Past due information for each class of consumer loans is as follows at December 31:

		Loans Past Due (Days)				
2023	**Current**	**31-60**	**61-90**	**90+ and Accruing**	**90+ Nonaccrual (Nonperforming)**	**Total**
Real estate secured	$ 1,588,107	$ -	$ -	$ -	$ -	$ 1,588,107
Home equity and lines of credit	54,634,999	576,236	95,799	-	171,709	55,478,743
Vehicle secured	39,162,488	831,834	364,246	-	465,378	40,823,946
Vehicle secured, indirect lending	139,729,272	1,750,380	721,186	-	598,252	142,799,090
Credit cards	13,926,931	228,128	107,509	267,535	-	14,530,103
Share secured	320,844	15,733	-	-	-	336,577
Government guaranteed student loans	7,922	-	-	-	-	7,922
Private student loans	967,833	-	-	-	17,897	985,730
Unsecured	17,996,890	475,427	212,519	-	567,920	19,252,756
	$ 268,335,286	$ 3,877,738	$ 1,501,259	$ 267,535	$ 1,821,156	$ 275,802,974

Note 6 - Loan Quality (continued)

2022	Current	Loans Past Due (Days) 31-60	61-90	90+ and Accruing	90+ Nonaccrual (Nonperforming)	Total
Real estate secured	$ 1,852,104	$ -	$ -	$ -	$ -	$ 1,852,104
Home equity and lines of credit	47,663,006	243,596	21,797	-	213,986	48,142,385
Vehicle secured	45,812,671	600,836	481,058	-	382,494	47,277,059
Vehicle secured, indirect lending	149,958,343	1,772,017	315,291	-	422,740	152,468,391
Credit cards	12,736,874	92,041	124,116	106,184	-	13,059,215
Share secured	607,640	-	1,574	-	-	609,214
Government guaranteed student loans	9,375	-	-	-	-	9,375
Private student loans	1,211,167	102,408	55,625	-	5,118	1,374,318
Unsecured	18,787,713	400,266	298,656	-	472,167	19,958,802
	$ 278,638,893	$ 3,211,164	$ 1,298,117	$ 106,184	$ 1,496,505	$ 284,750,863

The Credit Union ceases accrual on loans delinquent greater than 90 days except for student loans and credit cards. Unrecorded income on these nonaccrual loans was $27,209 and $40,911 at December 31, 2023 and 2022, respectively.

Modifications

Effective January 1, 2023, the Credit Union adopted ASU 2022-02, which eliminated the accounting guidance for TDRs and requires disclosures for certain loan modifications when a borrower is experiencing financial difficulty.

Occasionally, the Credit Union modifies loans to borrowers in financial distress as a part of its loss mitigation activities. Various types of modification may be offered, including principal forgiveness, term extension, payment delays, or interest rate reductions. In some cases, the Credit Union will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession may be granted. For loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period.

The followings tables present the amortized cost basis at December 31, 2023 of the loans modified for borrowers experiencing financial difficulty, by loan category and type of concession granted. Percentages labeled as "NM" are not measurable to the class of financing receivable, as they are less than 0.1% of the total class.

Note 6 - Loan Quality (continued)

Modifications (continued)

	Home Equity and Lines of Credit	
	Amortized Cost Basis at December 31, 2023	% of Total Class of Financing Receivable
Term Extension	$ 93,570	0.2%
	Vehicle Secured	
Term Extension	$ 588,625	1.4%
Combination - Interest Rate Change and Term Extension	$ 11,025	NM
	Vehicle Secured, Indirect Lending	
Term Extension	$ 777,417	0.5%
Combination - Interest Rate Change and Term Extension	$ 32,168	NM
	Share Secured	
Term Extension	$ 6,043	1.8%
	Unsecured	
Term Extension	$ 126,596	0.7%

For the year ended December 31, 2023, there were no modifications for borrowers experiencing financial difficulty with principal forgiveness concessions.

TDR Disclosures Prior to the Adoption of ASU 2022-02

The restructuring of a loan was considered a TDR if both (a) the borrower was experiencing financial difficulties and (b) the creditor had granted a concession. Concessions may have included interest rate reductions or below market interest rates, principal forgiveness, extension of terms and other actions intended to minimize potential losses.

The vast majority of the Credit Union's TDRs modified during year ended December 31, 2022 related to interest rate reductions combined with extension of terms. The Credit Union does not generally grant principal forgiveness.

The Credit Union's TDRs could be classified as either nonaccruing or accruing based on the loan's payment status. The TDRs that were nonaccrual were reported within the nonaccrual loan totals presented previously.

Note 6 - Loan Quality (continued)

TDR Disclosures Prior to the Adoption of ASU 2022-02 (continued)

A summary of loans, presented by class, that were modified as TDR and those restructurings for which there was a payment default subsequent to restructurings, but within 12 months of the restructuring, are as follows for the year ended December 31, 2022:

	Troubled Debt Restructurings			Troubled Debt Restructurings that Subsequently Defaulted		
	Number of Loans	Loan Balance	Specific Reserve	Number of Loans	Loan Balance	Specific Reserve
Vehicle secured	15	$ 179,046	$ -	-	$ -	$ -
Vehicle secured, indirect lending	17	123,203	-	-	-	-
Unsecured	5	66,525	-	-	-	-
	37	$ 368,774	$ -	-	$ -	$ -

Note 7 - Accrued Interest Receivable

Accrued interest receivable consists of the following at December 31:

	2023	2022
Accrued interest on loans	**$ 877,274**	$ 790,464
Accrued income on investments	**208,044**	206,352
	$ 1,085,318	$ 996,816

Note 8 - Property and Equipment

Property and equipment consists of the following at December 31:

	2023	2022
Land and land improvements	**$ 3,094,899**	$ 2,913,719
Building and improvements	**8,385,702**	6,763,760
Furniture and equipment	**3,968,424**	3,753,009
Data processing equipment	**3,997,866**	3,726,549
Leasehold improvements	**447,167**	442,904
Construction in progress (estimated cost to complete $650,000)	**104,256**	1,267,721
	19,998,314	18,867,662
Accumulated depreciation and amortization	**(12,555,767)**	(12,064,577)

Note 8 - Property and Equipment (continued)

Depreciation expense charged to operations was $491,189 and $409,525 for the years ended December 31, 2023 and 2022, respectively.

Note 9 - Vizo Financial Corporate Credit Union Perpetual Contributed Capital

The Perpetual Contributed Capital account has a perpetual maturity and is callable only at the option of Vizo Financial Corporate Credit Union (Vizo Financial) with the prior consent of the NCUA. This account is not subject to share insurance coverage by the NCUSIF or other deposit insurers. This account is subordinated to all other liabilities of Vizo Financial, including uninsured obligations to shareholders and the NCUSIF.

Note 10 - Members' Shares and Savings Accounts

Composition of Members' Shares and Savings Accounts

	Rates at December 31, 2023	December 31, 2023	December 31, 2022
Regular share	**0.00%-0.25%**	**$ 154,707,378**	$ 178,585,654
Money market	**0.00%-0.90%**	**44,328,786**	56,927,214
Share draft	**0.00%-2.00%**	**81,993,610**	86,780,703
IRA	**0.05%-0.30%**	**1,428,198**	2,067,531
		282,457,972	324,361,102
Share and IRA certificates			
0.05% to 1.00%		**5,131,577**	17,044,376
1.01% to 2.00%		**2,047,904**	2,716,803
2.01% to 3.00%		**5,704,926**	6,629,868
3.01% to 4.00%		**20,004,012**	-
4.01% to 5.00%		**31,338,954**	-
5.01% to 5.75%		**24,856,124**	20,739,638
		89,083,497	47,130,685
		$ 371,541,469	$ 371,491,787

Note 10 - Members' Shares and Savings Accounts (continued)

Scheduled Maturities of Members' Shares and Savings Accounts

	December 31, 2023	2022
No contractual maturity	**$ 282,457,972**	$ 324,361,102
Maturity within one year	**42,223,980**	14,243,249
Maturity within one to two years	**16,360,211**	21,125,867
Maturity within two through five years	**30,499,306**	11,761,569
	$ 371,541,469	$ 371,491,787

Regular shares, money market shares, club shares, share draft, and individual retirement account shares have no contractual maturity. Certificate accounts have maturities of five years or less.

The NCUSIF insures members' shares up to $250,000 per depositor. Separately, individual IRA accounts are also insured up to $250,000.

In addition to the share insurance provided by the NCUSIF, the Credit Union carries an additional $250,000 per account with a private insurer.

The aggregate amounts of members' shares and savings accounts in denominations of $250,000 or more were $93,004,635 and $95,004,821 at December 31, 2023 and 2022, respectively.

Note 11 - Borrowings

The Credit Union maintains a $37,000,000 line of credit with Vizo Financial at a rate to be determined by the lender when funds are borrowed, 6.25% at both December 31, 2023 and 2022. The Credit Union had no outstanding balances at December 31, 2023 and 2022. The line is collateralized by the Credit Union's loan portfolio.

The Credit Union closed a $25,000,000 line of credit in 2023 with the Royal Bank of Canada at a rate to be determined by the lender when funds are borrowed. The Credit Union had an outstanding balance of $15,000,000 at December 31, 2022. The line was collateralized by the Credit Union's Federal Agency Securities portfolio.

The Credit Union has a borrowing capacity of $79,000,000 with the Federal Reserve Bank discount window. Borrowings are collateralized by the Credit Union's investments, which are selected by the Federal Reserve upon request to borrow. The agreement does not have an established limit and borrowings are based on the fair market value of the collateral offered. The Credit Union has an outstanding balance of $55,000,000 and $-0- at December 31, 2023 and 2022, respectively. At December 31, 2023, the interest rate was 5.45% and the maturity date is October 30, 2024.

Note 12 - Employee Benefit Plans

Pension Plan

The Credit Union has a defined contribution money purchase pension plan, which covers substantially all employees who meet eligibility requirements. The Credit Union contributes a percentage of eligible compensation. Contribution expense for 2023 and 2022 was $201,662 and $220,175, respectively.

Defined Contribution Plan

The Credit Union has a defined contribution plan qualifying under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees who meet eligibility requirements and deferrals are elective. The Credit Union matches 50% of the 6% of employee elective deferrals. Contribution expense for 2023 and 2022 was $82,434 and $87,592, respectively.

Deferred Compensation Plans

Split-Dollar Life Insurance

During the year ended December 31, 2016, the Credit Union entered into a split-dollar insurance agreement with four members of the Credit Union's management. The agreements were established as a collateral assignment arrangement between the Credit Union and those executives. Under the agreements, the executives are the owners of the life insurance policies and make a collateral assignment to the Credit Union in return for lending the executives the funds to pay the premiums on the policies. The loans to the four officers were made on May 31, 2016. The first year premiums were paid and the excess was deposited to a Credit Union share account. At the time of death, the Credit Union will be repaid the loan amount, plus accrued interest by utilizing the value of the insurance policy. Due to the nonrecourse provisions of the agreements, the Credit Union periodically reviews the loans for impairment and, to the extent the loan carrying value exceeds the assigned collateral value, charges the difference to expense. The loan balances under these agreements were $6,150,001 at both December 31, 2023 and 2022. The cash value of the life insurance associated with these agreements was $6,273,842 and $6,099,051 at December 31, 2023 and 2022, respectively. The Credit Union share balances associated with these agreements was $-0- at both December 31, 2023 and 2022. The difference between the outstanding loan balances and the associated collateral represents the potential exposure to the Credit Union associated with entering into these arrangements.

457(f) Deferred Compensation Plan

During the year ended December 31, 2016, the Credit Union established a nonqualified 457(f) deferred compensation plan for the benefit of certain members of management. The purpose of these plans is to allow members of management, whose participation in the Credit Union's pension and defined contribution 401(k) plans is limited by regulatory requirements, to realize retirement benefits at comparable levels to those of the remainder of employees. Under the terms of the plan, the Credit Union agrees to provide the executives with a defined benefit totaling $1,112,999 at the time of vesting. The vesting dates range from 2029 to 2031. The

Note 13 - Credit Union Owned Life Insurance

The Credit Union is the owner and substantial beneficiary of several life insurance policies. The policies are recorded at cash surrender value, and increases or decreases in cash surrender values are included in other noninterest income. The cash value of the life insurance and contracts was $3,919,134 and $3,815,938 at December 31, 2023 and 2022, respectively.

Note 14 - Commitments and Contingencies

Legal Contingencies

The Credit Union is a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the financial condition or results of operations of the Credit Union.

Financial Instruments with Off-Balance Sheet Risk

The Credit Union is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members. These financial instruments include approved, but unfunded consumer loans, home equity lines of credit, and credit card commitments. They involve, to varying degrees, elements of credit risk in excess of the amounts recognized on the statement of financial condition.

The Credit Union's exposure to credit loss, in the event of nonperformance by the other parties to the financial instrument for these commitments, is represented by the contractual amounts of those instruments. The Credit Union uses the same credit policies in making these commitments as it does for on-balance sheet instruments. These commitments are as follows:

2023	**Fixed Rate**	**Variable Rate**	**Total**
Home equity lines of credit	**$ -**	**$ 20,003,153**	**$ 20,003,153**
Credit cards	**-**	**45,541,289**	**45,541,289**
Share draft lines of credit	**-**	**1,364,577**	**1,364,577**
Overdraft protection	**8,232,236**	**-**	**8,232,236**
	$ 8,232,236	**$ 66,909,019**	**$ 75,141,255**
2022			
Home equity lines of credit	$ -	$ 19,085,030	$ 19,085,030
Credit cards	-	35,667,449	35,667,449
Share draft lines of credit	-	1,404,028	1,404,028
Overdraft protection	8,279,712	-	8,279,712
	$ 8,279,712	$ 56,156,507	$ 64,436,219

Note 14 - Commitments and Contingencies (continued)

Financial Instruments with Concentrations of Credit Risk

Home Equity and Unsecured Lines of Credit

Home equity and unsecured lines of credit are agreements to lend to a member, as long as there is no violation of any condition established in the agreement. Many of the commitments will expire without being fully utilized. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness on a case-by-case basis. Collateral held includes real estate for home equity lines of credit.

Credit Card Commitments

Credit card commitments are commitments on credit cards issued by the Credit Union and serviced by PSCU Service Centers, Inc. These commitments are unsecured.

Overdraft Protection Program and Other Unfunded Commitments

Unfunded commitments under 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 may not be drawn upon to the total extent to which the Credit Union is committed.

Concentration by Geographic Location

The Credit Union has a significant concentration of loans to members located primarily in New Castle County, Delaware and Cecil County, Maryland. Although the Credit Union has a diversified loan portfolio, a substantial portion of its members' abilities to honor their contracts is dependent upon the effect of the local economy on the Credit Union's field of membership. See Note 5 for concentration by loan type.

Other Contingencies, Credit Risk

Financial Instruments with Concentrations of Credit Risk

Cash and Cash Equivalents

The Credit Union has deposit accounts with various financial institutions in addition to maintaining working cash on hand approximating $1,732,000 and $1,459,000 at December 31, 2023 and 2022, respectively. Amounts due from financial institutions may, at times, exceed federally insured limits.

The Credit Union is required to maintain a reserve balance with the Federal Reserve Bank based upon a percentage of deposits.

Investment Securities

Note 14 - Commitments and Contingencies (continued)

Other Contingencies, Credit Risk (continued)

Financial Instruments with Concentrations of Credit Risk (continued)

Although the Credit Union has credit risk due to the uninsured portion of the above deposits, the Credit Union does not anticipate any accounting loss.

Note 15 - Related Party Transactions

Transactions with Directors, Principal Officers, Employees, and Immediate Family Members

Directors, principal officers, and employees of the Credit Union, including their family members who are members of the Credit Union, are considered to be related parties.

The Credit Union has had, and may be expected to have in the future, transactions in the ordinary course of business with directors, principal officers, employees, and their immediate families on materially similar terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others. The aggregate amount of these transactions is not significant to the financial statements.

Note 16 - Fair Value Measurements

The Credit Union has adopted the provisions of FASB ASC 820 for assets and liabilities measured and reported at fair value. FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. FASB ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, FASB ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Note 16 - Fair Value Measurements (continued)

The fair value hierarchy is as follows:

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

Level 2 - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

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

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Securities Available for Sale

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

The following tables summarize the securities available for sale measured at fair value on a recurring basis as of December 31, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	Fair Value Measurements at December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Governmental agency obligations	$ -	$ 75,305,478	$ -	$ 75,305,478
U.S. Governmental agency mortgage-backed securities	-	15,186,174	-	15,186,174
Negotiable certificates of deposit	-	993,000	-	993,000

Note 16 - Fair Value Measurements (continued)

Securities Available for Sale (continued)

	Fair Value Measurements at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Governmental agency obligations	$ -	$ 74,421,558	$ -	$ 74,421,558
U.S. Governmental agency mortgage-backed securities	-	16,438,704	-	16,438,704
Negotiable certificates of deposit	-	993,000	-	993,000
	$ -	$ 91,853,262	$ -	$ 91,853,262

Note 17 - Capital Requirements

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 instruments as calculated under generally accepted accounting principles. 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).

Effective January 1, 2022, the NCUA's Final Rule became effective for Risk-Based Capital. The Final Rule restructures the existing risk-based net worth ratio with a new risk-based capital ratio for complex, federally insured, natural-person credit unions. Under Section 702.103 of the NCUA's Final Rule, a credit union is defined as complex only if the credit union's quarter-end total assets exceed $500 million on its most recent call report. Credit unions defined as complex can also opt into the Complex Credit Union Leverage Ratio (CCULR), which is part of the NCUA's Final Rule. If a credit union elects the CCULR framework and maintains the minimum net worth ratio, it will be considered well capitalized and does not need to calculate a risk-based capital ratio under the NCUA's Final Risk Based Capital Rule. To qualify for CCULR, a credit union must: (a) maintain a CCULR ratio of 9% or greater; (b) total off-balance sheet exposure of 25% or less of total assets; (c) total trading assets plus total trading liabilities of 5% or less of total assets; and (d) total goodwill plus total other intangible assets of 25% or less of total assets.

As of December 31, 2023, the Credit Union's total assets are less than $500 million and, therefore, are not subject to the Risk-Based Capital Rule.

Note 17 - Capital Requirements (continued)

As of December 31, 2023, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets. 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 as follows at December 31:

	Actual		To be Adequately Capitalized under Prompt Corrective Action Provisions		To be Well Capitalized under Prompt Corrective Action Provisions	
2023	**Amount ***	**Ratio**	**Amount ***	**Ratio**	**Amount ***	**Ratio**
Net worth	**$ 38,083**	**8.39%**	**$ 27,234**	**6.00%**	**$ 31,773**	**7.00%**
2022						
Net worth	$ 36,557	8.94%	$ 24,525	6.00%	$ 28,612	7.00%

* (Dollars in thousands)

In performing its calculation of total assets, the Credit Union used the quarter-end balance option, as permitted by regulation.

Note 18 - Subsequent Events

The Credit Union has evaluated subsequent events through February 27, 2024. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2023 were noted.

Board of Directors

Marie H. Davis
Chair

Joyce A. Kidd
Vice Chair

Fuji Le
Treasurer

David S. Marianelli
Assistant Treasurer

Regina U. Edmiston
Secretary

Crystal Berrien-Hutt
Assistant Secretary

Daniel F. Costa
Director

Kim Hall
Director

Richard Schneider
Director

Locations and Hours

Elkton
975 E. Pulaski Highway, Elkton, MD 21921
Hours: Monday - Thursday 9:00 a.m. - 5:00 p.m.
Friday 10:00 a.m. - 6:00 p.m.

Foulk Road
300 Foulk Road, Wilmington, DE 19803
Hours: Monday - Thursday 9:00 a.m. - 5:00 p.m.
Friday 9:00 a.m. - 6:00 p.m.
Saturday 9:00 a.m. - 1:00 p.m.

Middletown
110 Sandhill Drive, Middletown, DE 19709
Hours: Monday - Thursday 9:00 a.m. - 5:00 p.m.
Friday 9:00 a.m. - 6:00 p.m.
Saturday 9:00 a.m. - 1:00 p.m.

Possum Park
700 Capital Trail Unit 15, Newark, DE 19711
Hours: Monday - Thursday 9:00 a.m. - 5:00 p.m.
Friday 9:00 a.m. - 6:00 p.m.
Saturday 9:00 a.m. - 1:00 p.m.

Prices Corner
1310 Centerville Road, Wilmington, DE 19808
Hours: Monday - Thursday 9:00 a.m. - 5:00 p.m.
Friday 9:00 a.m. - 6:00 p.m.
Saturday 9:00 a.m. - 1:00 p.m.

Red Lion Road
118 Jestan Boulevard, New Castle, DE 19720
Hours: Monday - Thursday 9:00 a.m. - 5:00 p.m.
Friday 10:00 a.m. - 6:00 p.m.

Member Contact Center
24/7
Email: memberservices@dexsta.com
Web: www.dexsta.com
Phone: 833-2DEXSTA