

Financial Statements

December 31, 2022 and 2021
(With Independent Auditors' Report Thereon)



62nd 2022
Annual Report

Providing Certainty in Uncertain Times.
Continuity, Safety, and Service are Our Commitments to You.

IDB GLOBAL FEDERAL CREDIT UNION

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

(With Independent Auditor's Report Thereon)

IDB GLOBAL FEDERAL CREDIT UNION

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Independent Auditor's Report

March 2, 2023

To the Supervisory Committee and Board of Directors
of IDB Global Federal Credit Union

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of IDB Global Federal Credit Union (the Credit Union), which comprise the statements of financial condition as of December 31, 2022 and 2021, and the related statements of income, comprehensive operations, 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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Audits 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 the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Report on the Audits of the Financial Statements (Continued)

Auditor's Responsibilities for the Audits 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 audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Doeren Mayhew

Doeren Mayhew
Miami, FL

IDB GLOBAL FEDERAL CREDIT UNION

STATEMENTS OF FINANCIAL CONDITION AS OF DECEMBER 31, 2022 AND 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$33,406,700	\$43,396,035
Interest bearing deposits	250,000	5,749,000
Available-for-sale investments (Note 2)	148,714,856	181,962,732
Loans, net of allowance for loan losses (Note 3)	559,907,264	485,791,886
Accrued interest receivable	1,616,589	1,258,434
Prepaid and other assets	8,516,281	7,395,357
Property and equipment, net (Note 4)	87,096	87,359
National Credit Union Share Insurance Fund (NCUSIF) deposit	5,061,036	4,934,116
Total assets	<u>\$757,559,822</u>	<u>\$730,574,919</u>
 <u>Liabilities and Members' Equity</u>		
Liabilities:		
Members' shares and savings accounts (Note 5)	\$621,997,763	\$617,371,063
Borrowed funds (Note 7)	54,582,143	23,578,266
Accrued expenses and other liabilities	3,372,963	2,493,793
Total liabilities	<u>679,952,869</u>	<u>643,443,122</u>
Commitments and contingent liabilities		
Members' equity:		
Regular reserve	—	4,300,000
Undivided earnings	92,430,154	83,625,429
Accumulated other comprehensive loss	(14,823,201)	(793,632)
Total members' equity	<u>77,606,953</u>	<u>87,131,797</u>
Total liabilities and members' equity	<u>\$757,559,822</u>	<u>\$730,574,919</u>

See accompanying notes to the financial statements.

IDB GLOBAL FEDERAL CREDIT UNION

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Interest income:		
Loans	\$15,616,471	\$13,839,742
Investment securities	3,107,171	1,753,115
Total interest income	18,723,642	15,592,857
Interest expense:		
Members' shares and savings accounts	3,700,584	2,607,156
Borrowed funds	526,646	242,302
Total interest expense	4,227,230	2,849,458
Net interest income	14,496,412	12,743,399
Provision for loan losses	36,000	—
Net interest income after provision for loan losses	14,460,412	12,743,399
Non-interest income:		
Fees and charges	836,393	1,049,997
Interchange income	551,695	476,439
Other income	248,540	365,471
Total non-interest income	1,636,628	1,891,907
Non-interest expenses:		
Compensation and benefits	6,817,243	6,145,930
Office operations	2,970,060	2,583,057
Professional and outside services	917,679	819,795
Loan servicing	297,693	249,265
Office occupancy	30,420	31,190
Other expenses	559,220	522,136
Total non-interest expenses	11,592,315	10,351,373
Net income	\$4,504,725	\$4,283,933

See accompanying notes to the financial statements.

IDB GLOBAL FEDERAL CREDIT UNION

STATEMENTS OF COMPREHENSIVE OPERATIONS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Net income	\$4,504,725	\$4,283,933
Other comprehensive loss:		
Available-for-sale investments:		
Net unrealized holding losses on available-for-sale investments	(14,029,569)	(3,396,013)
Other comprehensive loss	(14,029,569)	(3,396,013)
Comprehensive (loss)/income	(\$9,524,844)	\$887,920

See accompanying notes to the financial statements.

IDB GLOBAL FEDERAL CREDIT UNION

STATEMENTS OF MEMBERS' EQUITY YEARS ENDED DECEMBER 31, 2022 AND 2021

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
Balance, December 31, 2020	\$4,300,000	\$79,341,496	\$2,602,381	\$86,243,877
Net income	—	4,283,933	—	4,283,933
Other comprehensive loss	—	—	(3,396,013)	(3,396,013)
Balance, December 31, 2021	4,300,000	83,625,429	(793,632)	87,131,797
Net income	—	4,504,725	—	4,504,725
Other comprehensive loss	—	—	(14,029,569)	(14,029,569)
Transfer (Note 1)	(4,300,000)	4,300,000	—	—
Balance, December 31, 2022	\$—	\$92,430,154	(\$14,823,201)	\$77,606,953

See accompanying notes to the financial statements.

IDB GLOBAL FEDERAL CREDIT UNION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Net income	\$4,504,725	\$4,283,933
Adjustments to net cash provided from operating activities:		
Provision for loan losses	36,000	—
Depreciation and amortization	59,851	77,108
Decrease/(increase) in:		
Accrued interest receivable	(358,155)	49,373
Prepaid and other assets	(1,120,924)	3,046,135
Increase in:		
Accrued expenses and other liabilities	879,170	721,302
Total adjustments	(504,058)	3,893,918
Net cash provided from operating activities	4,000,667	8,177,851

See accompanying notes to the financial statements.

IDB GLOBAL FEDERAL CREDIT UNION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

Cash Flows (Continued)

	2022	2021
Cash flows from investing activities:		
Proceeds from interest bearing deposits	5,499,000	10,180,000
Purchase of interest bearing deposits	—	(5,749,000)
Proceeds from the maturities, sales and repayment of available-for-sale investments	30,624,706	71,418,485
Purchase of available-for-sale investments	(11,406,399)	(101,679,880)
Net change in loans	(29,708,391)	(578,575)
Purchase of loan participations	(44,442,987)	(33,689,073)
Purchase of property and equipment	(59,588)	(17,999)
Increase in NCUSIF deposit	(126,920)	(461,900)
Net cash used in investing activities	(49,620,579)	(60,577,942)
Cash flows from financing activities:		
Net change in members' shares and savings accounts	4,626,700	44,526,447
Proceeds from borrowed funds	53,300,000	—
Payments on borrowed funds	(22,296,123)	(3,549,593)
Net cash provided from financing activities	35,630,577	40,976,854
Net change in cash and cash equivalents	(9,989,335)	(11,423,237)
Cash and cash equivalents - beginning	43,396,035	54,819,272
Cash and cash equivalents - ending	\$33,406,700	\$43,396,035

Supplemental Information

Interest paid	\$3,650,162	\$2,366,001
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See accompanying notes to the financial statements.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 1 - Nature of Business and Significant Accounting Policies

Organization

IDB Global Federal Credit Union (the Credit Union) is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among, and creating a source of credit for, its members. Participation in the Credit Union is limited to those individuals who qualify for membership including principally staff members, officers and retirees of Inter-American Development Bank (the Bank) and IDB Invest. The field of membership is defined by the Credit Union's Charter and Bylaws.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change include the determination of the allowance for loan losses and fair value of investments. The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information, are summarized below.

Concentrations of Credit Risk

A significant amount of the Credit Union's business activity is with members who work for or have retired from the Bank or IDB Invest who work or reside in the metropolitan Washington D.C. area. The Credit Union's loan portfolio consists of approximately 91% and 92% of real estate secured loans as of December 31, 2022 and 2021, respectively. Therefore, the Credit Union may be exposed to credit risk by the economic climate of the overall geographical region in which borrowers reside and the nature of real estate loans.

Comprehensive (Loss)/Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive (loss)/income. Other comprehensive income/(loss) is limited to the changes in unrealized gain/(loss) on available-for-sale investments. When available-for-sale investments are sold, the gain or loss realized on the sale is reclassified from accumulated other comprehensive income/(loss) to the gain or loss on sale of investments reported in the statements of income.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand and amounts due from banks (including cash items in the process of clearing). Amounts due from banks may, at times, exceed federally insured limits.

Interest Bearing Deposits

Interest bearing deposits are time deposits with financial institutions with an original maturity in excess of 90 days. These deposits are all 100% insured and no deposit to one individual institution exceeds \$250,000.

Available-for-Sale Investments

Investments are classified as available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on available-for-sale investments are recognized as direct increases or decreases in other comprehensive (loss)/income. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the estimated fair value of available-for-sale securities below their cost that are other-than-temporary are reflected as realized losses in the statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) the Credit Union does not intend to sell these securities, and (4) it is more likely than not that the Credit Union will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

Loans

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the terms of the loans and is calculated using the simple-interest method on principal amounts outstanding.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Loans (Continued)

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent. Interest income on non-accrual loans is recognized only to the extent cash payments are received. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Allowance for Loan Losses (Allowance)

The allowance is an estimate of loan losses inherent in the Credit Union's loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Loan losses are charged off against the allowance when the Credit Union determines the loan balance to be uncollectible. Cash received on previously charged-off amounts is recorded as a recovery to the allowance.

The allowance is evaluated on a regular basis by management and is based upon management's periodic assessment of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Management has an established methodology to determine the adequacy of the allowance that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance, the Credit Union has segmented certain loans in the portfolio by product type. Loans are divided into the following segments: real estate and consumer. The Credit Union further disaggregates these segments into classes based on the associated risks within those segments. Real estate loans are divided into six classes: first mortgage, first mortgage participations, home equity lines of credit (HELOC), first trust, HELOC, first trust participations, HELOC, second trust and HELOC, second trust participations. Consumer loans are divided into five classes: auto participations, unsecured participations, other consumer (primarily unsecured loans), vehicle, and credit card.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance (Continued)

The allowance consists of specific and general components. The specific component covers impaired loans and specific allowances are established for these loans based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flows, the loan's estimated market value, or the estimated fair value of the underlying collateral. The general component covers non-impaired loans and is based on historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment or class of loans. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. These factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment. The Credit Union maintains a separate general valuation allowance for each portfolio segment.

Real Estate and Consumer Segment Allowance Methodology

For loans not individually evaluated for impairment, the Credit Union determines the allowance on a collective basis utilizing historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors, credit quality of the assets comprising the portfolio and the ongoing evaluation process based on the risks present for each portfolio segment or class of loans. As of December 31, 2022 and 2021, the historical loss time frame for each class was the average loss rate of the previous three years.

Impaired Loans

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance (Continued)

Impaired Loans (Continued)

When management identifies a loan as impaired, the impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, management uses the current fair value of the collateral, less selling costs, when foreclosure is probable, instead of discounted cash flows. If management determines that the value of the impaired loan is less than the recorded investment in the loan, impairment is recognized through an allowance estimate or a charge-off to the allowance.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Credit Union does not separately identify individual real estate and consumer loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Troubled Debt Restructurings (TDRs)

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A loan restructuring represents a TDR if for economic or legal reasons related to the borrower's financial difficulties the Credit Union grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above. TDR activity was considered insignificant for disclosure for the years ended December 31, 2022 and 2021.

Real Estate and Consumer Credit Quality Indicators

The majority of the Credit Union's real estate and consumer loan portfolio is comprised of secured loans that are evaluated at origination on a centralized basis against standardized underwriting criteria. The ongoing measurement of credit quality of the real estate and consumer loan portfolios is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Credit Union's collections department for resolution, which generally occurs fairly rapidly and often through repossession and foreclosure. Credit quality for the entire real estate and consumer loan portfolio is measured by the periodic delinquency rate, non-accrual amounts, and actual losses incurred. The Credit Union evaluates the credit quality of loans in the real estate and consumer loan portfolio based primarily on the aging status of the loan and payment activity. Accordingly, non-accrual loans and loans modified under TDRs that are past due in accordance with the loans' original contractual terms are considered to be in a non-performing status for purposes of credit quality evaluation.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Allowance (Continued)

Loan Charge-off Policies

Loan losses are charged off against the allowance when the Credit Union determines the loan balance to be uncollectible. Loans are typically charged off no later than 180 days past due, unless they are in foreclosure. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Prepaid and Other Assets

Prepaid and other assets include prepaid assets and other miscellaneous assets. Prepaid assets are carried at cost less accumulated amortization using the straight-line method over the useful life.

Federal Home Loan Bank (FHLB) Stock

As a member of the FHLB, the Credit Union is required to invest in stock of the FHLB. The FHLB stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for this investment and it has no quoted market value. The FHLB stock was approximately \$2,685,000 and \$1,228,000 as of December 31, 2022 and 2021, respectively, and is included in prepaid and other assets.

Property and Equipment

Furniture and equipment is carried at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method based upon the useful lives of the related assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized.

National Credit Union Share Insurance Fund (NCUSIF) Deposit

The deposit in the NCUSIF 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 NCUSIF deposit is required to be periodically reviewed for impairment.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Nature of Business and 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 annual elections of the Board of Directors. Irrespective of the number of shares owned, no member has more than one vote.

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

Borrowed Funds

The Credit Union has borrowed funds outstanding from FHLB of Atlanta as of December 31, 2022 and 2021. The FHLB borrowed funds are secured by pledges of qualified collateral, as defined in the FHLB Statement of Credit Policy.

Regular Reserve

As of December 31, 2021, the Credit Union was required to maintain a statutory reserve (regular reserve) in accordance with the Federal Credit Union Act. This statutory reserve represents a regulatory restriction and was not available for the payment of interest. Effective January 1, 2022, the regular reserve requirement was eliminated which is reflected as a transfer to undivided earnings in the statements of members' equity.

Fees and Charges

The Credit Union earns fee income from a range of services it provides to its members for transaction-based, account maintenance, and wire transfer fees. 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 customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period with the Credit Union satisfies the performance obligation. Wire transfer fees are recognized at the point in time the wire transfer occurs.

Interchange Income

The Credit Union earns interchange income from debit and credit cardholder transactions conducted through various payment networks. Interchange fees from cardholder activity represent a percentage of the underlying transaction value and are recognized daily concurrently with the transaction services provided to the cardholder.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Income Taxes

The Credit Union is exempt, by the Internal Revenue Code Section 501(c)(1)(a)(i), from federal and state income taxes.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments-Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses (CECL) model, which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized. The ASU will be effective for the Credit Union on January 1, 2023. The Credit Union is currently finalizing its review of key assumptions. Based on preliminary evaluation, the change in the allowance and impact on the net worth ratio is expected to be immaterial.

Reclassifications

Certain 2021 financial statement amounts have been reclassified to conform with classifications adopted in 2022. Total members' equity and net income are unchanged due to these reclassifications.

Subsequent Events

Management has evaluated subsequent events through March 2, 2023, the date the financial statements were available to be issued. No significant such events or transactions were identified.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Available-for-Sale Investment Securities

The following table presents the amortized cost and estimated fair value of debt securities as of December 31, 2022:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
Commercial mortgage-backed securities (CMBS)	\$102,343,725	\$638	(\$8,569,865)	\$93,774,498
Mortgage-backed securities	40,838,384	—	(4,823,605)	36,014,779
Collateralized mortgage obligations (CMOs)	15,390,948	—	(727,639)	14,663,309
State and municipal securities	4,965,000	—	(702,730)	4,262,270
Total	\$163,538,057	\$638	(\$14,823,839)	\$148,714,856

The following table presents the amortized cost and estimated fair value of debt securities as of December 31, 2021:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
CMBS	\$113,833,775	\$493,108	(\$1,355,567)	\$112,971,316
Mortgage-backed securities	45,002,817	369,039	(293,733)	45,078,123
CMOs	18,879,284	119,959	(28,813)	18,970,430
State and municipal securities	4,965,000	—	(97,251)	4,867,749
SBA securities	75,488	—	(374)	75,114
Total	\$182,756,364	\$982,106	(\$1,775,738)	\$181,962,732

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2 - Available-for-Sale Investment Securities (Continued)

The amortized cost and estimated fair value of debt securities as of December 31, 2022, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<i>Available-for-sale</i>	
	Amortized Cost	Fair Value
State and municipal securities 1-5 years	\$4,000,000	\$3,506,290
State and municipal securities 5-10 years	965,000	755,980
CMBS	102,343,725	93,774,498
Mortgage-backed securities	40,838,384	36,014,779
CMOs	15,390,948	14,663,309
Total	<u>\$163,538,057</u>	<u>\$148,714,856</u>

Information pertaining to investments with gross unrealized losses as of December 31, 2022, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:						
CMBS	\$46,458,448	(\$2,432,455)	\$45,940,563	(\$6,137,410)	\$92,399,011	(\$8,569,865)
Mortgage-backed securities	11,587,388	(870,956)	24,427,391	(3,952,649)	36,014,779	(4,823,605)
CMOs	9,290,871	(308,606)	5,372,438	(419,033)	14,663,309	(727,639)
State and municipal securities	—	—	4,262,270	(702,730)	4,262,270	(702,730)
Total	<u>\$67,336,707</u>	<u>(\$3,612,017)</u>	<u>\$80,002,662</u>	<u>(\$11,211,822)</u>	<u>\$147,339,369</u>	<u>(\$14,823,839)</u>

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 2 - Available-for-Sale Investment Securities (Continued)

Information pertaining to investments with gross unrealized losses as of December 31, 2021, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Available-for-sale:						
CMBS	\$35,385,700	(\$430,804)	\$23,184,843	(\$924,763)	\$58,570,543	(\$1,355,567)
Mortgage-backed securities	29,703,261	(253,200)	2,924,916	(40,533)	32,628,177	(293,733)
CMOs	6,522,693	(28,813)	—	—	6,522,693	(28,813)
State and municipal securities	4,867,749	(97,251)	—	—	4,867,749	(97,251)
SBA securities	—	—	75,114	(374)	75,114	(374)
Total	\$76,479,403	(\$810,068)	\$26,184,873	(\$965,670)	\$102,664,276	(\$1,775,738)

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because of the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the ability and intent to hold these securities through to recovery of fair value, which may be maturity.

Other-Than-Temporary Impairment (OTTI)

The Credit Union conducts periodic reviews of investment securities to determine whether OTTI has occurred. While all securities are considered, the securities primarily impacted by OTTI testing are state and municipal securities. For each security, a review is conducted to determine if an OTTI has occurred. To determine if unrealized losses are other-than-temporary, the Credit Union considers underlying collateral and estimated net realizable value in order to determine the impact on cash flows. The Credit Union records the expected credit loss as a charge to earnings. The Credit Union did not record any OTTI during the years ended December 31, 2022 or 2021.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 3 - Loans

The composition of loans as of December 31, 2022 and 2021 is as follows:

	2022	2021
Real estate:		
First mortgage	\$440,427,240	\$406,973,839
First mortgage, participations	33,509,467	30,447,056
HELOC, first trust	3,644,401	5,052,829
HELOC, first trust participations	1,536,325	—
HELOC, second trust	5,512,426	5,150,415
HELOC, second trust participations	28,271,354	—
	<u>512,901,213</u>	<u>447,624,139</u>
Consumer:		
Auto participations	26,400,152	14,946,476
Unsecured participations	5,347,717	9,986,131
Other consumer	11,133,709	10,914,232
Vehicle	3,143,763	1,680,458
Credit card	1,825,577	1,713,512
	<u>47,850,918</u>	<u>39,240,809</u>
	560,752,131	486,864,948
Less: Allowance	<u>(844,867)</u>	<u>(1,073,062)</u>
Loans, net	<u>\$559,907,264</u>	<u>\$485,791,886</u>

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 3 - Loans (Continued)

Allowance

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2022:

	Real Estate	Consumer	Total
Allowance:			
Beginning allowance	\$301,275	\$771,787	\$1,073,062
Charge-offs	—	(315,935)	(315,935)
Recoveries	—	51,740	51,740
Provision for loan losses	70,463	(34,463)	36,000
Ending allowance	<u>\$371,738</u>	<u>\$473,129</u>	<u>\$844,867</u>
Ending balance, individually evaluated for impairment	\$—	\$52,561	\$52,561
Ending balance, collectively evaluated for impairment	<u>371,738</u>	<u>420,568</u>	<u>792,306</u>
Ending allowance	<u>\$371,738</u>	<u>\$473,129</u>	<u>\$844,867</u>

The following table presents a summary of the recorded investment in loans by portfolio segment as of December 31, 2022:

	Real Estate	Consumer	Total
Loans:			
Ending balance, individually evaluated for impairment	\$—	\$180,564	\$180,564
Ending balance, collectively evaluated for impairment	<u>512,901,213</u>	<u>47,670,354</u>	<u>560,571,567</u>
Total loans	<u>\$512,901,213</u>	<u>\$47,850,918</u>	<u>\$560,752,131</u>

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 3 - Loans (Continued)

Allowance (Continued)

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2021:

	Real Estate	Consumer	Total
Allowance:			
Beginning allowance	\$301,275	\$816,134	\$1,117,409
Charge-offs	—	(72,749)	(72,749)
Recoveries	—	28,402	28,402
Provision for loan losses	—	—	—
Ending allowance	\$301,275	\$771,787	\$1,073,062
Ending balance, individually evaluated for impairment	\$—	\$7,895	\$7,895
Ending balance, collectively evaluated for impairment	301,275	763,892	1,065,167
Ending allowance	\$301,275	\$771,787	\$1,073,062

The following table presents a summary of the recorded investment in loans by portfolio segment as of December 31, 2021:

	Real Estate	Consumer	Total
Loans:			
Ending balance, individually evaluated for impairment	\$—	\$46,708	\$46,708
Ending balance, collectively evaluated for impairment	447,624,139	39,194,101	486,818,240
Total loans	\$447,624,139	\$39,240,809	\$486,864,948

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 3 - Loans (Continued)

Impaired Loans

The table below summarizes key information for impaired loans as of and for the year ended December 31, 2022:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
<u>Without an allowance recorded:</u>				
Consumer:				
Other consumer	\$76,882	\$76,882	\$—	\$38,441
<u>With an allowance recorded:</u>				
Consumer:				
Unsecured participations	\$47,923	\$47,923	\$47,923	\$23,962
Auto participations	\$55,759	\$55,759	\$4,638	\$51,234
Totals:				
Real Estate	\$—	\$—	\$—	\$—
Consumer	180,564	180,564	52,561	113,637
Total	\$180,564	\$180,564	\$52,561	\$113,637

The table below summarizes key information for impaired loans as of and for the year ended December 31, 2021:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
<u>With an allowance recorded:</u>				
Consumer:				
Auto participations	\$46,708	\$46,708	\$7,895	\$23,354

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 3 - Loans (Continued)

Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2022:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Real Estate:						
First mortgage	\$—	\$327,640	\$—	\$327,640	\$440,099,600	\$440,427,240
First mortgage, participations	—	—	—	—	33,509,467	33,509,467
HELOC, first trust	—	—	—	—	3,644,401	3,644,401
HELOC, first trust participations	—	—	—	—	1,536,325	1,536,325
HELOC, second trust	23,457	—	—	23,457	5,488,969	5,512,426
HELOC, second trust participations	38,307	—	—	38,307	28,233,047	28,271,354
	61,764	327,640	—	389,404	512,511,809	512,901,213
Consumer:						
Auto participations	346,426	64,282	108,524	519,232	25,880,920	26,400,152
Unsecured participations	181,051	16,998	47,923	245,972	5,101,745	5,347,717
Other consumer	154,492	8,502	—	162,994	10,970,715	11,133,709
Vehicle	—	—	—	—	3,143,763	3,143,763
Credit card	39,227	6,561	3,701	49,489	1,776,088	1,825,577
	721,196	96,343	160,148	977,687	46,873,231	47,850,918
Total	\$782,960	\$423,983	\$160,148	\$1,367,091	\$559,385,040	\$560,752,131

Loans on which the accrual of interest has been discontinued or reduced approximated \$160,000 as of December 31, 2022. There were no loans 90 days or more past due and still accruing interest as of December 31, 2022.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 3 - Loans (Continued)

Age Analysis of Past Due Loans (Continued)

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2021:

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Real Estate:						
First mortgage	\$672,121	\$359,979	\$—	\$1,032,100	\$405,941,739	\$406,973,839
First mortgage, participations	—	—	—	—	30,447,056	30,447,056
HELOC, first trust	—	—	—	—	5,052,829	5,052,829
HELOC, second trust	—	—	—	—	5,150,415	5,150,415
	672,121	359,979	—	1,032,100	446,592,039	447,624,139
Consumer:						
Auto participations	168,887	31,865	53,425	254,177	14,692,299	14,946,476
Unsecured participations	5,123	—	—	5,123	9,981,008	9,986,131
Other consumer	18,157	79,851	—	98,008	10,816,224	10,914,232
Vehicle	1,788	—	—	1,788	1,678,670	1,680,458
Credit card	50,627	7,531	7,444	65,602	1,647,910	1,713,512
	244,582	119,247	60,869	424,698	38,816,111	39,240,809
Total	\$916,703	\$479,226	\$60,869	\$1,456,798	\$485,408,150	\$486,864,948

Loans on which the accrual of interest has been discontinued or reduced approximated \$61,000 as of December 31, 2021. There were no loans 90 days or more past due and still accruing interest as of December 31, 2021.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 3 - Loans (Continued)

Consumer and Real Estate Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance. For real estate and consumer loan classes, the Credit Union evaluates credit quality based on the aging status of the loan and payment activity. Accordingly, non-accrual loans are considered to be in a non-performing status for purposes of credit quality evaluation.

The following tables present the recorded investment based on performance indication as of December 31, 2022 and 2021:

	As of December 31, 2022		As of December 31, 2021	
	Performing Loans	Non-performing Loans	Performing Loans	Non-performing Loans
Real Estate:				
First mortgage	\$440,427,240	\$—	\$406,973,839	\$—
First mortgage, participations	33,509,467	—	30,447,056	—
HELOC, first trust	3,644,401	—	5,052,829	—
HELOC, first trust participations	1,536,325	—	—	—
HELOC, second trust	5,512,426	—	5,150,415	—
HELOC, second trust participations	28,271,354	—	—	—
	<u>512,901,213</u>	<u>—</u>	<u>447,624,139</u>	<u>—</u>
Consumer:				
Auto participations	26,291,628	108,524	14,893,051	53,425
Unsecured participations	5,299,794	47,923	9,986,131	—
Other consumer	11,133,709	—	10,914,232	—
Vehicle	3,143,763	—	1,680,458	—
Credit card	1,821,876	3,701	1,706,068	7,444
	<u>47,690,770</u>	<u>160,148</u>	<u>39,179,940</u>	<u>60,869</u>
Total	<u>\$560,591,983</u>	<u>\$160,148</u>	<u>\$486,804,079</u>	<u>\$60,869</u>

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 4 - Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization, and is summarized as of December 31, 2022 and 2021 by major classification as follows:

	2022	2021
Furniture and equipment	\$362,359	\$405,696
Leasehold improvements	423,097	423,097
	785,456	828,793
Less accumulated depreciation and amortization	(698,360)	(741,434)
	<u>\$87,096</u>	<u>\$87,359</u>

Depreciation and amortization charged to office operations expense was approximately \$60,000 and \$77,000 for the years ended December 31, 2022 and 2021, respectively.

Note 5 - Members' Shares and Savings Accounts

Members' shares and savings accounts are summarized as follows as of December 31, 2022 and 2021:

	2022	2021
Share accounts	\$357,596,197	\$366,370,423
Share draft accounts	121,531,860	121,766,001
Share certificates	142,869,706	129,234,639
	<u>\$621,997,763</u>	<u>\$617,371,063</u>

As of December 31, 2022, scheduled maturities of share certificates are as follows:

	2022
Within one year	\$111,522,508
1 to 2 years	10,738,716
2 to 3 years	6,745,067
3 to 4 years	5,306,856
4 to 5 years	5,633,962
Over 5 years	2,922,597
	<u>\$142,869,706</u>

The aggregate amount of members' time deposit accounts in denominations of \$250,000 or more as of December 31, 2022 was approximately \$64,046,000.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 6 - Employee Benefits

Defined Contribution 401(k) Plan

The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable Internal Revenue Service limitations of the participant's annual compensation. The Credit Union makes discretionary contributions as approved by the Board of Directors. The Credit Union's contributions to the plan were approximately \$595,000 and \$502,000 during the years ended December 31, 2022 and 2021, respectively.

Note 7 - Borrowed Funds

Federal Home Loan Bank of Atlanta (FHLB)

As of December 31, 2022 and 2021, the Credit Union had access to a pre-approved secured line of credit from the FHLB, secured by eligible one-to-four family first trust mortgage loans, as defined in the FHLB Statement of Credit Policy. The carrying value of pledged first trust mortgage loans approximated \$315,052,000 and \$327,896,000 as of December 31, 2022 and 2021, respectively. The unused line of credit under this agreement was approximately \$124,274,000 and \$159,053,000 as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the Credit Union had outstanding borrowed funds with the FHLB of \$54,582,143 and \$23,578,266, respectively. The interest rates ranged between 0.58% and 4.40% for advances outstanding as of December 31, 2022. The interest rates ranged between 0.95% and 2.09% for advances outstanding as of December 31, 2021. All borrowed funds have a fixed rate of interest and weighted average interest rates of 2.82% and 1.07% as of December 31, 2022 and 2021, respectively.

As of December 31, 2022, the outstanding balances by maturity dates are as follows:

	<u>2022</u>
Within 1 year	\$20,307,143
1 to 2 years	200,000
2 to 3 years	15,450,000
3 to 4 years	325,000
4 to 5 years	18,300,000
	<u>\$54,582,143</u>

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 8 - Commitments and Contingent Liabilities

Off-Balance-Sheet Risk

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statements of financial condition.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2022 the total unfunded commitments under such lines of credit was approximately \$44,874,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

Note 9 - Regulatory Capital

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

Effective January 1, 2022, federally insured, natural-person credit unions defined as "complex" will have to comply with the NCUA's risk-based capital ("RBC") final rule which amends NCUA's Prompt Corrective Action ("PCA") regulations, part 702, or the newly created Complex Credit Union Leverage Ratio ("CCULR") rule. A credit union is defined as "complex" if the credit union's quarter-end total assets exceed \$500,000,000, as reflected in its most recent Call Report. The rules require credit unions taking certain risks to hold capital commensurate with those risks. The RBC rule revises part 702 of NCUA's current regulations to establish a RBC ratio measure that is the percentage of a credit union's capital divided by the credit union's defined risk weighted asset base. This RBC rule more closely aligns NCUA's risk weights with those assigned by other Banking agencies. Accordingly, the RBC rule adopts a 10 percent RBC ratio level for "well capitalized" credit unions, and an 8 percent RBC ratio level for "adequately capitalized" credit unions.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 9 - Regulatory Capital (Continued)

The CCULR rule simplifies the RBC rule requirements for complex credit unions that meet certain eligibility criteria by allowing them to choose between implementing the RBC rule or the CCULR. Credit unions that select CCULR instead of the RBC rule would have a minimum 9 percent leverage ratio. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its net worth ratio under NCUA's PCA regulations, part 702. Management has selected CCULR for calculating its RBC as of December 31, 2022.

As of December 31, 2022, the most recent call reporting period, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for PCA. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual and required net worth amounts and ratios are as follows:

	<u>As of December 31, 2022</u>	
	<u>Amount</u>	<u>Ratio/ Requirement</u>
Actual net worth	\$92,430,154	12.20%
Amount needed to be classified as "well capitalized"	\$68,180,384	9.00%

Previously, quantitative measures established by regulation to ensure capital adequacy required the Credit Union to maintain minimum amounts and ratios of net worth (as defined in *NCUA Regulations*) to total assets (as defined in *NCUA Regulations*). Credit unions were also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which established whether or not the Credit Union will be considered "complex" under the previous regulatory framework. The Credit Union's RBNWR as of December 31, 2021 was 7.87%. The minimum requirement to be considered complex under the regulatory framework was 6.00%.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 9 - Regulatory Capital (Continued)

As of December 31, 2021, the NCUA categorized the Credit Union as “well capitalized” under the regulatory framework for PCA. To be categorized as “well capitalized” the Credit Union must maintain a minimum net worth ratio of 7.00% of assets.

The Credit Union’s actual and required net worth amounts and ratios are as follows:

	<u>As of December 31, 2021</u>	
	<u>Amount</u>	<u>Ratio/ Requirement</u>
Actual net worth	\$87,925,429	12.04%
Amount needed to be classified as "adequately capitalized"	\$43,834,495	6.00%
Amount needed to be classified as "well capitalized"	\$51,140,244	7.00%

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

Management believes, as of December 31, 2022 and 2021, that the Credit Union meets all capital adequacy requirements to which it is subject.

Note 10 - Fair Values Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 10 - Fair Value Measurements (Continued)

Basis of Fair Value Measurements

Level 1 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on 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 for substantially the full term of the asset or liability.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques.

Assets Measured at Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis are summarized as follows:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Available-for-sale:				
CMBS	\$—	\$93,774,498	\$—	\$93,774,498
Mortgage-backed securities	—	36,014,779	—	36,014,779
CMOs	—	14,663,309	—	14,663,309
State and municipal securities	—	4,262,270	—	4,262,270
Total	\$—	\$148,714,856	\$—	\$148,714,856

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 10 - Fair Value Measurements (Continued)

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Available-for-sale:				
CMBS	\$—	\$112,971,316	\$—	\$112,971,316
Mortgage-backed securities	—	45,078,123	—	45,078,123
CMOs	—	18,970,430	—	18,970,430
State and municipal securities	—	4,867,749	—	4,867,749
SBA securities	—	75,114	—	75,114
Total	\$—	\$181,962,732	\$—	\$181,962,732

Assets Measured at Fair Value on a Non-Recurring Basis

Impaired Loans

Loans for which the Credit Union has measured impairment are generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the loan balances less the valuation allowance and/or charge-offs.

Assets measured at fair value on a non-recurring basis are summarized as follows:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Impaired loans	\$—	\$—	\$51,121	\$51,121

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Impaired loans	\$—	\$—	\$38,813	\$38,813

IDB GLOBAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Note 11 - Related Party Transactions

Loans

In the ordinary course of business, the Credit Union grants loans to directors and executive officers. Such loans approximated \$7,877,000 and \$9,164,000 as of December 31, 2022 and 2021, respectively.

Deposits

Deposits of Credit Union directors and executive officers approximated \$2,830,000 and \$3,846,000 as of December 31, 2022 and 2021, respectively.

* * * End of Notes * * *