

**CIVIC FEDERAL CREDIT UNION
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 AND 2024



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**CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
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YEARS ENDED JUNE 30, 2025 AND 2024**

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INDEPENDENT AUDITORS' REPORT

Members of the Supervisory Committee and Board of Directors
Civic Federal Credit Union and Subsidiaries
Raleigh, North Carolina

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Civic Federal Credit Union and Subsidiaries, which comprise the consolidated statements of financial condition as of June 30, 2025 and 2024, and the related consolidated statements of operations, comprehensive (loss) income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Civic Federal Credit Union and Subsidiaries as of June 30, 2025 and 2024, and the results of their operations and their 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Civic Federal Credit Union and Subsidiaries, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 consolidated 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 Civic Federal Credit Union and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Civic Federal Credit Union and Subsidiaries' 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.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 10, 2025

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
JUNE 30, 2025 AND 2024

ASSETS	2025	2024
Cash and Cash Equivalents	\$ 142,966,655	\$ 168,819,923
Debt Securities:		
Available-for-Sale	83,757,210	100,965,537
Other Investments	31,638,827	19,772,512
Loans to Members, Net of Allowance for Credit Losses	3,188,105,097	3,593,282,005
Accrued Interest Receivable	15,974,690	15,444,914
Due from State Employees' Credit Union, Net	-	7,153,826
Premises and Equipment, Net	98,578,676	71,581,287
NCUSIF Deposit	32,870,064	33,174,772
Credit Union Owned Life Insurance	31,555,328	30,689,515
Split-Dollar Collateral Assignment Life Insurance	22,227,672	21,600,853
Other Assets	56,200,365	16,291,896
	\$ 3,703,874,584	\$ 4,078,777,040
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Share and Savings Accounts	\$ 2,996,632,485	\$ 3,605,487,373
Accrued Interest Payable	114,288	4,685,208
Due to State Employees' Credit Union, Net	35,251,695	-
Accrued Expenses and Other Liabilities	46,810,261	42,436,219
Borrowed Funds	372,500,000	132,500,000
Total Liabilities	3,451,308,729	3,785,108,800
MEMBERS' EQUITY		
Undivided Earnings	264,942,732	308,549,584
Accumulated Other Comprehensive Loss	(12,376,877)	(14,881,344)
Total Members' Equity	252,565,855	293,668,240
	\$ 3,703,874,584	\$ 4,078,777,040

See accompanying Notes to Consolidated Financial Statements.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
INTEREST INCOME		
Loans to Members	\$ 210,436,053	\$ 206,326,473
Debt Securities, Other Investments, and Cash Equivalents	12,409,870	17,371,081
Total Interest Income	222,845,923	223,697,554
INTEREST EXPENSE		
Members' Share and Savings Accounts	87,267,954	76,483,837
Borrowed Funds	6,268,368	17,179,306
Total Interest Expense	93,536,322	93,663,143
NET INTEREST INCOME BEFORE PROVISION FOR CREDIT LOSSES	129,309,601	130,034,411
PROVISION FOR CREDIT LOSSES	39,667,648	29,650,580
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	89,641,953	100,383,831
NONINTEREST INCOME		
Service Charges and Fees	50,943,262	56,067,318
Grant Income	210,000	260,000
Gain on Insurance Proceeds	-	3,119,983
Net Loss on Sale of Debt Securities Available-for-Sale	(215,968)	-
Other Noninterest Income	7,070,625	7,763,805
Total Noninterest Income	58,007,919	67,211,106
NONINTEREST EXPENSE		
Compensation and Benefits	60,964,371	47,948,606
Occupancy	5,218,698	3,480,562
Operations	101,282,286	106,457,412
Other Noninterest Expense	23,791,369	7,663,157
Total Noninterest Expense	191,256,724	165,549,737
NET (LOSS) INCOME	\$ (43,606,852)	\$ 2,045,200

See accompanying Notes to Consolidated Financial Statements.

**CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
YEARS ENDED JUNE 30, 2025 AND 2024**

	2025	2024
NET (LOSS) INCOME	\$ (43,606,852)	\$ 2,045,200
OTHER COMPREHENSIVE INCOME		
<i>Debt Securities, Available-for-Sale</i>		
Unrealized Holding Gain Arising During the Period	2,288,499	819,644
Reclassification for Losses Included in Net Income	215,968	-
Total Other Comprehensive Income	2,504,467	819,644
TOTAL COMPREHENSIVE (LOSS) INCOME	\$ (41,102,385)	\$ 2,864,844

See accompanying Notes to Consolidated Financial Statements.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED JUNE 30, 2025 AND 2024

	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
BALANCES - JUNE 30, 2023	\$ 331,132,678	\$ (15,700,988)	\$ 315,431,690
Cumulative Effect of Change in Accounting Principle - ASC 326	(24,628,294)	-	(24,628,294)
Net Income	2,045,200	-	2,045,200
Other Comprehensive Income	-	819,644	819,644
BALANCES - JUNE 30, 2024	308,549,584	(14,881,344)	293,668,240
Net Loss	(43,606,852)	-	(43,606,852)
Other Comprehensive Income	-	2,504,467	2,504,467
BALANCES - JUNE 30, 2025	<u>\$ 264,942,732</u>	<u>\$ (12,376,877)</u>	<u>\$ 252,565,855</u>

See accompanying Notes to Consolidated Financial Statements.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss) Income	\$ (43,606,852)	\$ 2,045,200
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,856,311	3,102,078
Amortization of Premiums and Discounts, Net	206,680	217,303
Provision for Credit Losses	39,667,648	29,650,580
Loss on Sale of Debt Securities Available-for-Sale	215,968	-
Loss on Sale of Foreclosed Assets	6,315	96,352
Loss (Gain) on Disposition of Premises and Equipment	35,629	(14,013)
Effects of Changes in Operating Assets and Liabilities:		
Accrued Interest Receivable	(529,776)	(5,324,328)
Due to (from) State Employees' Credit Union, Net	42,405,521	(8,925,357)
Credit Union Owned Life Insurance	(865,813)	(769,510)
Split-Dollar Collateral Assignment Life Insurance	(626,819)	(543,104)
Other Assets	(37,525,444)	(14,310,099)
Accrued Interest Payable	(4,570,920)	2,971,312
Accrued Expenses and Other Liabilities	4,374,042	3,315,401
Net Cash Provided by Operating Activities	4,042,490	11,511,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Maturities and Pay Downs of Debt Securities:		
Available-for-Sale	11,815,953	11,158,967
Proceeds from Sale of Investment Debt Securities Available-for-Sale	7,474,193	-
Purchases of FHLB Stock	(16,150,100)	(8,595,600)
Proceeds from Sale of FHLB Stock	4,896,900	20,662,500
Purchase of Perpetual Contributed Capital Accounts	-	(4,118,999)
Purchase of Central Liquidity Facility Stock	(613,115)	(8,884,113)
Loans to Members, Net of Principal Collections	361,483,085	(110,348,435)
Decrease (Increase) in NCUSIF Deposit	304,708	(1,888,640)
Proceeds from Sales of Premises and Equipment	23,050	83,207
Proceeds from Sale of Foreclosed Assets	1,636,835	394,254
Purchases of Premises and Equipment	(31,912,379)	(14,384,209)
Net Cash Provided (Used) by Investing Activities	338,959,130	(115,921,068)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease) Increase in Members' Share and Savings Accounts	(608,854,888)	398,250,160
Advances in Borrowed Funds	360,000,100	2,500,000,000
Repayment of Borrowed Funds	(120,000,100)	(2,915,400,000)
Net Cash Used by Financing Activities	(368,854,888)	(17,149,840)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(25,853,268)	(121,559,093)
Cash and Cash Equivalents - Beginning of Year	168,819,923	290,379,016
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 142,966,655	\$ 168,819,923

See accompanying Notes to Consolidated Financial Statements.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
ADDITIONAL NONCASH AND CASH FLOW INFORMATION		
Cash Paid During the Year for Interest is as Follows:		
Interest on Members' Share and Savings Accounts	\$ 91,838,874	\$ 73,512,525
Interest on Borrowed Funds	\$ 5,010,892	\$ 18,558,262
Transfers from Loans to Members to Foreclosed Assets	\$ 4,026,175	\$ 1,190,221
Cumulative Effect of Adoption of ASC 326 - Credit Losses	\$ -	\$ (24,628,294)
Recognition of Right-of-Use (ROU) Assets and Lease Liabilities, During the Year	\$ -	\$ 5,861,945

See accompanying Notes to Consolidated Financial Statements.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Civic Federal Credit Union (the Credit Union), is a federally chartered credit union organized under the Federal Credit Union Act of 1934 and administratively responsible to the National Credit Union Administration (NCUA). The primary purpose is to promote thrift among and create a source of credit for its members. The Credit Union's primary source of revenue is interest earned from providing loans to its members.

The Credit Union formally operated as Local Government Federal Credit Union (LGFCU) previous to September 30, 2024. LGFCU and Civic Federal Credit Union legally merged as of September 30, 2024, and formally re-branded to Civic Federal Credit Union as of June 2, 2025. Civic Federal Credit was previously reported as a Variable Interest Entity and was consolidated into LGFCU for reporting purposes.

LGFCU served its members through the State Employees' Credit Union branch network through May 30, 2025. This network included 275 offices throughout the state of North Carolina. Effective June 3, 2025, the Credit Union terminated its operating agreement and now serves their members through various electronic banking channels and eleven branches operated by the Credit Union.

Membership

Participation in the Credit Union is limited to those individuals that qualify for membership as defined in the Credit Union's Charter and Bylaws. The primary field of membership consists of local government employees, elected and appointed officials, volunteers, and their families in North Carolina.

Variable Interest Entity

Civic Federal Credit Union (Civic) was chartered by the NCUA in December 2017. Local Government Federal Credit Union (LGFCU) was instrumental in the chartering of Civic by providing the financial support and management structure necessary to obtain a charter. LGFCU evaluated Civic's status as a variable interest entity (VIE) at the beginning of each year. Civic's financial statements were included in the consolidated financial statements of LGFCU. No significant net income was derived from Civic for the year ended June 30, 2024 or for the period July 1, 2024, through September 30, 2024. LGFCU provided support to Civic financially as well as operationally. See further discussion regarding specific Civic transactions in Notes 11 and 12. As of June 30, 2024, LGFCU received NCUA approval for a merger with Civic, which was subsequently approved by LGFCU's membership on September 27, 2024. The merger was completed on September 30, 2024, and the VIE was no longer in existence. Following the merger, LGFCU rebranded and changed its name to Civic on June 2, 2025.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union, and wholly owned Credit Union Service Organization (CUSO) subsidiaries; Civic Financial Partners, LLC (Civic FP), Trustee, LLC, and Civic Trustees. Civic FP, Trustee, LLC, and Civic Trustees, are engaged in providing business loans to local government entities as well as acting in the capacity of trustee under the deed of trust loans made by Civic and Civic FP. No significant net income is derived from the Credit Union's CUSOs.

All significant intercompany accounts and transactions have been eliminated during consolidation for the Credit Union's wholly owned CUSO subsidiaries.

Use of Estimates

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term include the valuation of debt securities and determination of the adequacy of the allowance for credit losses.

Financial Instruments with Concentrations of Credit Risk

The Credit Union may be exposed to credit risk from a regional economic standpoint because a significant concentration of its borrowers work or reside throughout the state of North Carolina.

Cash and Cash Equivalents

For purposes of the consolidated statements of financial condition and consolidated statements of cash flows, cash and cash equivalents include funds due from banks, corporate credit unions, and highly liquid debt instruments with original maturities of three months or less.

The Credit Union maintains cash in deposit accounts at financial institutions approved by the board of directors. Accumulated deposits at these institutions, at times, may exceed federally insured limits.

Debt Securities

Debt securities are classified as available-for-sale and are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains and losses on debt securities available-for-sale are included in noninterest income and, when applicable, are reported as a reclassification adjustment in other comprehensive income. Gains and losses on sales of debt securities are determined using the specific identification method on the trade date.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Securities (Continued)

The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

For available-for-sale debt securities in an unrealized loss position, the Credit Union first assesses whether it intends to sell, or is more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis. If either of these criteria are met, the debt security's amortized costs basis is written down to fair value through income. If these criteria are not met, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized costs, any changes in the underlying credit rating of the debt security and adverse conditions specifically related to the debt security, among other factors. If it is determined that a credit loss exists, the present value of cash flows expected to be collected from the debt security are compared to the amortized cost basis of the debt 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 is recorded, which is limited by the amount that the fair value is less than the amortized costs basis. Any impairment that has not been recorded through an allowance for credit losses is recognized as a component of other comprehensive income. Changes in the allowance for credit losses are recorded as a provision for credit loss. There were no impairments identified during the years ended June 30, 2025 and 2024.

Other Investments

Other investments are carried at cost, subject to impairment. See Note 2 for further information.

Loans Held-For-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate, as determined by outstanding commitments from investors or current investor yield requirements. Net unrealized losses are recognized in a valuation allowance by charges to income. Realized gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans and are recorded in noninterest income. All sales are made without recourse and are sold without the mortgage servicing rights retained by the Credit Union. The Credit Union did not have any loans held for sale as of June 30, 2025 and 2024.

Loans, Net

The Credit Union grants residential real estate, member business, and consumer loans to members. In addition, the Credit Union purchases loan participations from other financial institutions. A substantial portion of the loan portfolio is represented by auto and residential real estate loans to members. A significant portion of its members' ability to honor their loan agreements is dependent upon the economic stability of the various groups comprising the Credit Union's field of membership.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses on loans, any deferred fees or costs on originated loans, and premiums or discounts on purchased loans.

Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and recognized as an adjustment of the related loan yield using the interest method over the estimated life of the related loan. The Credit Union does not charge commitment fees.

The accrual of interest on loans is discontinued at the time a loan is 90 days delinquent. Consumer loans are typically charged-off no later than 180 days past due. Loans may be charged-off at an earlier date if collection of principal or interest is considered doubtful. Past due loan status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income and amortization of related deferred loan fees or costs is suspended. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. The cash-basis is used when a determination has been made that the principal and interest of the loan is collectible. If collectibility of the principal and interest is in doubt, payments are applied to loan principal. The determination of ultimate collectibility is supported by a current, well documented credit evaluation of the borrower's financial condition and prospects for repayment, including consideration of the borrower's sustained historical repayment performance and other relevant factors. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, the borrower has demonstrated a period of sustained performance, and future payments are reasonably assured. A sustained period of repayment performance generally would be a minimum of six months.

The Credit Union maintains multiple loan portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Consumer: The consumer loan portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. 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.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

Residential Real Estate: This portfolio consists of residential mortgage loans. 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. These loans generally possess a lower inherent risk of loss than commercial real estate portfolio segments. 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 that the borrowers' capacity to repay their obligations may be deteriorating.

The portfolio segment that is risk rated and its risk characteristics is described as follows:

Commercial: Typical industry commercial portfolios consist of member business loans secured by real estate generally possessing a higher inherent risk of loss than residential real estate portfolio segments. Civic provides loans for apparatus, equipment, real estate, and construction for the North Carolina Fire, Rescue, and EMS Departments. In addition, Civic provides commercial real estate loans to its members. Historically and currently, losses in this portfolio have been minimal.

The Credit Union assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectibility of the portfolio. These risk ratings are also subject to examination by the Credit Union's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Credit Risk Grade 1 – Highest Quality: Assigned to credits which possess the lowest possible risk; the underlying borrower has established a borrowing relationship with Civic; and the loan(s) are 110% collateralized by deposits held by Civic.

Credit Risk Grade 2 – Good Quality: Credit is entirely acceptable and extended to the highest quality borrower and based on audited or reviewed financials as well as the following traits: a business entity in existence for a relatively long period, with many years of consecutive profits; strong equity position, good liquidity, excellent debt service ability, and unblemished past performance; relationships with reasonably strong borrowers supported by: a strong guarantor; and/or fully secured cash deposits held by Civic; other collateral with established value that is capable of being liquidated within a reasonable length of time where the maximum original loan-to-value is 80%.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

Credit Risk Grade 3 – Acceptable: Credit is acceptable and extended to a borrower not as strong and established as in credit risk grade 2. Financial information must be at minimum compiled financial statements and/or tax returns prepared by an independent accountant and upon analysis must show: no apparent weaknesses, but statement analysis reveals leverage, liquidity, or debt service ability to be less than optimal; credit to a borrower is not strong enough to sustain any major setbacks (typically uncovered during sensitivity analysis) but supported by collateral with established value which is capable of being liquidated.

Credit Risk Grade 4 – Pass: The credit risk is acceptable; however, financial statements cannot be relied upon to objectively and accurately provide the Credit Union with a reliable financial position.

Credit Risk Grade 5 – Watch: A credit that is currently an acceptable risk; however, trends are developing that are not promising and should be reversed if the borrower is to continue normal operations in the long run as well as the following traits: performance has not met expectations; however, the credit has not deteriorated sufficiently to be criticized or classified; earnings/cash flow problems are likely within the next 12 months; management may have defined weaknesses; the industry may be cyclically vulnerable or relatively unimportant.

Credit Risk Grade 6 – Other Assets Especially Mentioned (OAEM): Borrower risk rating 6/OAEM is a specific loan classification which is assigned to a credit when the borrower or guarantor has deteriorated or is deteriorating to a level below borrower risk rating 5 but has not reached the level of weakness and/or adverse financial trends that characterize borrower risk rating 7.

Assets Subject to Criticism

The following credit risk grades are assigned to loan assets which display risk profiles which are deemed higher than is normally acceptable. As a consequence, depending upon the factors specific to the affected credit, it may be necessary to establish a reserve to absorb any loss which may occur.

Credit Risk Grade 7 – Substandard: Loans so classified must have a clear and well-defined weakness which jeopardizes the repayment of the underlying obligation(s). Loans possessing this classification are strong candidates for nonaccrual.

Credit Risk Grade 8 – Doubtful: A loan subject to this classification has all of the weaknesses inherent in an asset classified substandard, with the added provision, that the weaknesses are pronounced to a point where collection or liquidation in full, on the basis of currently existing facts, conditions and values, is highly questionable and improbable.

Credit Risk Grade 9 – Loss: Loans classified loss are considered uncollectible and of such little value that their continuance as active assets of the Credit Union is not warranted. Assets classified as loss must be charged-off.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the consolidated statement of financial condition date. Loan losses are charged off against the allowance for credit losses on loans 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 for credit losses on loans.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, or delinquencies, as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include but are not necessarily limited to, product or collateral type, geography, and internal risk ratings. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans, expected credit losses are estimated on an individual basis.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. 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.

The allowance for credit losses on loans estimate incorporates a reasonable and supportable economic forecast through the use of macroeconomic scenarios applied in the model. The length of the reasonable and supportable forecast period is evaluated at each reporting period and adjusted if deemed necessary. The recession rates are used to determine whether management considers the chance of a recession. Management considered the use of recession rates in the forecasting adjusted loss rate for mortgage loans. For consumer loans, management is using a delinquency adjustment, and when needed, management will assess it qualitatively to determine based on economic conditions.

Loans are charged off against the allowance for credit losses on loans in the period in which they are deemed uncollectible, and recoveries are credited to the allowance for credit losses on loans when received. Expected recoveries on loans previously charged off and expected to be charged-off are included in the allowance for credit losses on loans estimate. Each individual loan is charged off as per the specific loan policy governing the loan type (i.e., consumer, residential mortgage or commercial loan policy).

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses (Continued)

The historical loss rate contains loss content from management's set lookback period. The historical lookback period for consumer loan types used a three-year lookback period. The Credit Union uses two historical lookback periods for real estate loans: 1) a 5-year lookback for its reasonable supportable forecast period, which is 2 periods and 2) a full economic cycle lookback period (2008-present) for reverting and estimating losses outside its forecast period. In developing a measurement of credit loss, the Credit Union segmented financial assets into pools that share similar risk characteristics. Management performs an analysis to assist with the determination process of how financial assets should be segregated by risk. Based on this internal risk analysis performed on the institution's historical datasets, assets are designated into asset classes based on asset codes and other credit quality indicators to provide structure based on similar risk characteristics or areas of risk concentration.

During the year ended June 30, 2025, the Credit Union transitioned models from the Weighted Average Remaining Maturity (WARM) methodology to a combination of Discounted Cash Flow (DCF) and Probability of Default (PD) models to enhance the precision and defensibility of its allowance for credit losses estimate. The WARM method, while simple and retrospective in nature, relied heavily on historical loss rates and required significant qualitative and environmental (Q&E) adjustments to reflect changing macroeconomic conditions. This limited its predictive power, especially in volatile or uncertain economic environments.

For 2025, the Credit Union utilizes a variety of loss rate methods and selected DCF for some of the consumer loan segments and all of the residential and commercial real estate loans and the PD for all other consumer loan segments. These techniques consider losses over the full life cycle of loan pools. An allowance for credit losses for deferred fees/costs and accrued interest is calculated by applying the loan loss ratios in the current expected credit loss methodology (CECL) model to the respective balance per the consolidated statement of financial condition.

Discounted Cash Flow

The DCF model projects cash flows by asset are adjusted for charge-offs, prepayments, and amortization or accretion are discounted to their present value using the effective interest rate. The effective interest rate used in a DCF model is based on the stated rate that is adjusted for deferred fees and costs, and premiums and discounts. The technique considers future cash flows, adjusted for potential charge-off and prepayment activity, based on the institution's own experience. The difference between the discounted cash flow and the current amortized cost basis of the asset represents the allowance for credit losses on loans (ACL). These asset-level ACLs are then aggregated for reporting purposes at the pool level.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses (Continued)

Probability of Default

The PD model determines the expected future credit losses based on the likelihood that a borrower will default on an asset or other financial obligation. In the context of lending, default typically refers to the failure to make scheduled payments on an asset or other debt obligation. Defaults are tracked historically by the percentage of assets in default (90 days past due) to assets remaining in each pool by vintage cohort based on month after origination.

The Credit Union's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Credit Union has historical look-back period data is at institution specific loan level data that is available as early as January 2011 through the current period. When historical credit loss experience is not sufficient for a specific portfolio, the Credit Union may supplement its own portfolio data with external models or data.

For the year ended June 30, 2024 the Credit Union utilized the weighted average remaining maturity (WARM) method for all loan pools. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. Management attempts to quantify qualitative reserves whenever possible. The CECL methodology applied focuses on evaluation of qualitative and environmental factors, including but not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices.
- Changes in the nature and volume of the portfolio and in the terms of loans, including not have enough relevant loss history.
- Changes in the experience, ability, and depth of lending management and other relevant staff.
- Changes in the quality of the institution's loan review system and oversight controls
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the institution's existing portfolio.
- The existence and effect of any concentrations of credit, and changes in the level of such concentrations.
- Changes in the value of underlying collateral for collateral-dependent loans, so analysis of LTVs.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses (Continued)

- Changes in the volume and severity of past due loans, the volume modification outstanding, the volume of nonaccrual loans, and the volume and severity of adversely classified or graded loans not considered elsewhere in estimating credit losses.

The Credit Union's CECL estimate applies a forecast that incorporates macroeconomic trends and other environmental factors. Management utilized national, regional and local leading economic indexes, as well as management judgment, as the basis for the forecast period. The historical loss rate was utilized as the base rate, and qualitative adjustments were utilized to reflect the forecast and other relevant factors.

The Credit Union establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans evaluated using a collective or pooled basis. These individually evaluated loans are removed from the pooling approach discussed above for the quantitative baseline, and include loans as deemed appropriate by management. The Credit Union establishes a specific reserve for individually evaluated loans that do not share similar risk characteristics with the loans evaluated using a collective or pooled basis.

Although management believes the allowance for credit losses on loans to be adequate, ultimate losses may vary from its estimates. At least quarterly, the board of directors reviews the adequacy of the allowance for credit losses on loans, including consideration of the relevant risks in the portfolio, current economic conditions, and other factors.

Transfers of Financial Assets and Participating Interests

Transfers of an entire financial asset or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit, including commitments under credit arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded. Expected credit losses related to off-consolidated statement of financial condition credit exposures are estimated over the contractual period for which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. Expected credit losses are estimated using similar methodologies employed to estimate expected credit losses on loans, taking into consideration the likelihood and extent of additional amounts expected to be funded over the terms of the commitments. The liability for credit losses on off-consolidated statement of financial condition credit exposures is presented within other liabilities on the consolidated statements of financial condition. Adjustments to the liability are included in the provision for credit losses. The liability for credit losses on off-consolidated statement of financial condition credit exposures was not considered material as of June 30, 2025 and 2024.

Foreclosed Assets and Collateral in Process of Liquidation

Assets acquired through, or in lieu of, loan repossession or foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell at the date of repossession or foreclosure, establishing a new cost basis. Subsequent to repossession or foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in noninterest expense. As of June 30, 2025 and 2024, the amount of foreclosed assets and collateral in process of liquidation included in Other Assets totaled \$3,611,185 and \$1,731,219, respectively.

Premises and Equipment, Net

Land is carried at cost. Buildings, leasehold improvements, furniture and equipment, computers, and automobiles are carried at cost, less accumulated depreciation and amortization. Buildings, furniture and equipment, computers, and automobiles are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or estimated useful life, whichever is shorter.

Leases

The Credit Union determines if an arrangement is a lease at inception. Operating leases are included in other assets and accrued expenses and other liabilities in the consolidated statements of financial condition.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Right-of-use (ROU) assets represent the Credit Union's right to use an underlying asset for the lease term and lease liabilities represent the Credit Union's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Credit Union will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Credit Union has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial condition. See note 5 for additional details.

Impairment of Long-Lived Assets

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

NCUSIF Deposit and NCUSIF and CCUSF Premium Assessments

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.

Members' Share and Savings Accounts

Members' share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members' share and savings accounts, except for interest on certificates of deposit which are set in advance, are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members' share and savings accounts are set by the board of directors, based on an evaluation of current and future market conditions.

Members' Equity

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive (Loss) Income

Comprehensive (loss) income consists of net (loss) income and other comprehensive income. Accumulated other comprehensive loss recognized as a separate component of members' equity, includes valuation adjustments for debt securities available-for-sale. Reclassifications from accumulated other comprehensive loss for debt securities available-for-sale are recorded through net loss on sale of assets on the consolidated statements of operations.

Grant Income

Periodically, the Credit Union receives grants as a Community Development Financial Institution. The purpose of these grants are to support communities impacted by the COVID-19 pandemic and other communities served by low-income designated credit unions. The Credit Union used these funds to support the funding of the Allowance for Credit Losses. The performance obligation is satisfied when the Credit Union meets one of the authorized assistance activities per the grant award and therefore grant income is recognized. The Credit Union met the above requirements and recognized \$210,000 and \$260,000 in grant income during the years ended June 30, 2025 and 2024, respectively.

Revenue from Contracts with Members

The Credit Union recognizes revenue from contracts with members in accordance with ASC 606 – *Revenue From Contracts with Customers*. The Credit Union has elected to use the following optional exemptions that are permitted under the ASC 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Credit Union recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Credit Union would have recognized is one year or less.
- For performance obligations satisfied over time, if the Credit Union has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Credit Union's performance completed to date, the Credit Union will generally recognize revenue in the amount to which the Credit Union has a right to invoice.
- The Credit Union does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Credit Union recognizes revenue in the amount to which the Credit Union has a right to invoice.

ASC 606 does not apply to revenue associated with financial instruments, including revenue from loans and debt securities. The Credit Union's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Credit Union satisfies its obligation to the customer.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from Contracts with Members (Continued)

Significant components of noninterest income considered to be within the scope of ASC 606 are discussed below.

Service Charges and Deposit Account Fees

The Credit Union earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, 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 performance obligation is satisfied. 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 or loan account and transfers the remaining funds to the payment network for remittance to the merchant. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network. Interchange income is recorded net of the related member rewards cost incurred.

Other

Other revenues subject to ASC 606 include miscellaneous transaction-based fees where satisfaction of the performance obligation and collection of the related fees generally coincide.

Income Taxes

As federal instrument, the Credit Union is exempt from federal and state income taxes. The income from the CUSOs, all organized as an LLCs, flows through to the Credit Union, and therefore are not subject to federal and state income taxes.

Retirement 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 (IRS) limitations of the participant's annual compensation. The Credit Union makes discretionary matching contributions as approved by the board of directors. The Credit Union's contributions to the plan were \$4,098,246 and \$3,493,336 for the years ended June 30, 2025 and 2024, respectively.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Union Owned Life Insurance Policies

The Credit Union is the owner and substantial beneficiary of several life insurance policies on certain key executives. The policies are recorded at their cash surrender value (CSV) and increases or decreases in their CSV are included in other noninterest income.

Split-Dollar Collateral Assignment Life Insurance

The Credit Union has made nonrecourse loans to select executives to fund life insurance policy premiums. The executives own the policies death benefit and sole control over listed beneficiaries, but the Credit Union holds a first lien on the policies account as security for repayment of the advanced funds plus compounded interest at the long-term applicable federal rate. According to policy provision, the executives can borrow from the CSV's to supplement retirement income. Policy borrowing is strictly limited so that it never puts the policy at risk of lapsing.

As early as possible after specified dates, the Credit Union is repaid the amount it advanced for policy premiums. At the executive's death, the death benefit proceeds are allocated to (i) repay the insurance carrier for the executive's retirement loans, (ii) pay the Credit Union any premium advances amount not recovered from the policy during the executive's life, (iii) pay the Credit Union the interest on its funding amount, and (iv) provide a death benefit for the executive's beneficiaries.

The policies are carried at the lesser of the CSV of the policies or the respective loan balance, plus any accrued interest receivable. The outstanding loan balances, plus accrued interest, due from the executives were \$23,759,078 and \$23,162,200 at June 30, 2025 and 2024, respectively. The collateral consists of the CSV of the policies and a premium deposit funding account, totaling \$22,227,672 and \$21,600,853 at June 30, 2025 and 2024, respectively.

Advertising Costs

Advertising and promotion costs which totaled \$5,826,484 and \$6,174,029 for the years ended June 30, 2025 and 2024, respectively, are expensed as incurred and included in operations expense on the consolidated statements of operations.

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Union adopted the policy to value certain financial instruments at fair value. The Credit Union has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through October 10, 2025, the date the consolidated financial statements were available to be issued.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 DEBT SECURITIES

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2025				
Federal Agency Mortgage- Backed Securities	\$ 74,744,565	\$ -	\$ (11,202,762)	\$ 63,541,803
Collateralized Mortgage Obligation Securities	21,389,522	-	(1,174,115)	20,215,407
Total	<u>\$ 96,134,087</u>	<u>\$ -</u>	<u>\$ (12,376,877)</u>	<u>\$ 83,757,210</u>
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
June 30, 2024				
Federal Agency Mortgage- Backed Securities	\$ 83,037,205	\$ -	\$ (12,475,643)	\$ 70,561,562
Collateralized Mortgage Obligation Securities	32,809,676	-	(2,405,701)	30,403,975
Total	<u>\$ 115,846,881</u>	<u>\$ -</u>	<u>\$ (14,881,344)</u>	<u>\$ 100,965,537</u>

Sales of debt securities available-for-sale resulted in gross losses of \$215,968 during the year ended June 30, 2025. There were no sales of debt securities available-for-sale during the year ended June 30, 2024.

The amortized cost and fair value of debt securities, at June 30, 2025, 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 call or prepayment penalties.

	Amortized Cost	Fair Value
Federal Agency Mortgage-Backed Securities and Collateralized Mortgage Obligation Securities:		
Within Five to Ten Years	\$ 5,087,429	\$ 4,500,021
After Ten Years	91,046,658	79,257,189
Total	<u>\$ 96,134,087</u>	<u>\$ 83,757,210</u>

The Credit Union elected to exclude accrued interest receivable from the reported balances of debt securities. As of June 30, 2025 and 2024, accrued interest receivable for debt securities totaled \$408,462 and \$442,974, respectively, and is included in accrued interest receivable on the consolidated statements of financial condition.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 DEBT SECURITIES (CONTINUED)

Gross unrealized losses on debt securities available-for-sale and the fair value of the related debt securities, aggregated by investment category and length of time that individual debt securities have been in a continuous unrealized loss position, were as follows:

	2025			
	Less than 12 months		Greater than 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
Federal Agency Mortgage- Backed Securities	\$ -	\$ -	\$ (11,202,762)	\$ 63,541,803
Collateralized Mortgage Obligation Securities	-	-	(1,174,115)	20,215,407
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,376,877)</u>	<u>\$ 83,757,210</u>
	2024			
	Less than 12 months		Greater than 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
Federal Agency Mortgage- Backed Securities	\$ -	\$ -	\$ (12,475,643)	\$ 70,561,562
Collateralized Mortgage Obligation Securities	-	-	(2,405,701)	30,403,975
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,881,344)</u>	<u>\$ 100,965,537</u>

The Credit Union does not believe that the debt securities available-for-sale that were in an unrealized loss position as of June 30, 2025, which were comprised of 15 individual debt securities, represent a credit loss impairment. The gross unrealized loss positions were primarily related to mortgage-backed debt securities issued by U.S. government agencies or U.S. government-sponsored enterprises. These debt securities carry the explicit and/or implicit guarantee of the U.S. government and have a long history of zero credit loss. Total gross unrealized losses were primarily attributable to changes in interest rates, relative to when the debt securities were purchased, and not due to the credit quality of the debt securities. The Credit Union does not intend to sell the debt securities that were in an unrealized loss position, and it is not more likely than not that the Credit Union will be required to sell the debt securities before recovery of their amortized cost basis, which may be at maturity.

In general, debt securities are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain debt securities, it is reasonably possible that changes in the values of the debt securities will occur in the near term and that such changes could be material.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 3 OTHER INVESTMENTS

Other investments at June 30 are summarized as follows:

	2025	2024
Perpetual Contributed Capital Accounts	\$ 4,118,999	\$ 4,118,999
FHLB Stock	18,022,600	6,769,400
Central Liquidity Facility Stock	9,497,228	8,884,113
Total	\$ 31,638,827	\$ 19,772,512

Perpetual Contributed Capital Accounts

The Credit Union maintains perpetual contributed capital accounts with Vizo Financial Credit Union that are uninsured.

FHLB Stock

The Credit Union has an investment in Federal Home Loan Bank of Atlanta (FHLB) stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and, as such, is not subject to investment security accounting treatment and is therefore reported at cost, subject to impairment.

Central Liquidity Facility Stock

The Credit Union is a member of the NCUA Central Liquidity Facility (Facility), which was formed to assist member credit unions in meeting their short-term liquidity needs. Membership is obtained through investment in shares of the Facility as determined by a statutory formula. As of June 30, 2025 and 2024, the Credit Union had not borrowed from the Facility.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 LOANS TO MEMBERS, NET OF ALLOWANCE FOR CREDIT LOSSES

Loans as of June 30 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Commercial:		
Member Business	\$ 212,003,062	\$ 207,881,485
Residential Real Estate:		
First Mortgage	1,749,774,780	1,946,109,000
Home Equity Line	<u>319,692,987</u>	<u>305,254,055</u>
Total Residential Real Estate	2,069,467,767	2,251,363,055
Consumer:		
New Auto	122,871,348	168,047,176
Used Auto	342,791,726	447,726,482
Credit Card	137,110,441	149,272,413
Other	<u>349,745,642</u>	<u>414,682,880</u>
Total Consumer	952,519,157	1,179,728,951
Subtotal	3,233,989,986	3,638,973,491
Less: Allowance for Credit Losses	<u>(45,884,889)</u>	<u>(45,691,486)</u>
Total	<u>\$ 3,188,105,097</u>	<u>\$ 3,593,282,005</u>

The Credit Union has \$2,802 and \$4,906,077 of mortgage loan commitments at June 30, 2025 and 2024, respectively, not included in the residential real estate loan segment above.

The Credit Union elected to exclude accrued interest receivable from the amortized cost basis of loans. As of June 30, 2025, and 2024, accrued interest receivable for loans totaled \$15,566,228 and \$15,001,940, respectively, and is included in accrued interest receivable on the consolidated statements of financial condition.

The Credit Union has purchased loan participations originated by various other credit unions/financial institutions, which are secured by commercial property, to members of other financial institutions. These loan participations were purchased without recourse and the originating institution performs all loan servicing functions on these loans. The total loan participations included in the member business loan segment above totaled \$8,000,376 and \$22,746,350 at June 30, 2025, and 2024, respectively.

The Credit Union has sold loan participations to various other financial institutions, which are secured by commercial property of the Credit Union's members. These loan participations were sold without recourse and the Credit Union performs all loan servicing functions on these loans. Loan participations sold and excluded from the member business loan segments above, totaled \$1,869,321 and \$12,282,139 at June 30, 2025, and 2024, respectively.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 LOANS TO MEMBERS, NET OF ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

A summary of the activity in the allowance for credit losses on loans for the years ended June 30, 2025 and 2024, respectively, are as follows.

<u>June 30, 2025</u>	Commercial	Residential Real Estate	Consumer	Total
Allowance for Credit Losses:				
Beginning Balance	\$ 933,497	\$ 2,537,905	\$ 42,220,084	\$ 45,691,486
Provision (Credit) for Credit Losses	1,260,475	(333,795)	38,740,968	39,667,648
Recoveries	5,041	-	4,127,623	4,132,664
Charge-offs	(498,460)	(61,603)	(43,046,846)	(43,606,909)
Ending Balance	<u>\$ 1,700,553</u>	<u>\$ 2,142,507</u>	<u>\$ 42,041,829</u>	<u>\$ 45,884,889</u>
 <u>June 30, 2024</u>				
Allowance for Credit Losses:				
Beginning Balance	\$ 470,819	\$ 7,633,209	\$ 28,042,294	\$ 36,146,322
Adoption of CECL	339,939	(4,458,214)	28,746,569	24,628,294
Provision (Credit) for Credit Losses	122,739	(447,506)	29,975,347	29,650,580
Recoveries	-	13,528	4,148,093	4,161,621
Charge-offs	-	(203,112)	(48,692,219)	(48,895,331)
Ending Balance	<u>\$ 933,497</u>	<u>\$ 2,537,905</u>	<u>\$ 42,220,084</u>	<u>\$ 45,691,486</u>

The Credit Union has determined an allowance for credit losses on unfunded commitments is immaterial to the consolidated statements of financial condition as of June 30, 2025 and 2024. This allowance is maintained at a level that management believes is sufficient to absorb losses arising from unfunded loan commitments and is determined based on a methodology similar to the methodology for determining the allowance for credit losses on loans.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the consolidated statement of financial condition date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral.

The following tables present collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation. The allowance for credit losses for loans considered to be collateral dependent, is as follows:

<u>June 30, 2025</u>	Commercial	Residential Real Estate	Consumer	Total
Allowance for Credit Losses:				
Ending Balance: Collateral Dependent	<u>\$ -</u>	<u>\$ 150,760</u>	<u>\$ -</u>	<u>\$ 150,760</u>
 Loans				
Ending Balance: Collateral Dependent	<u>\$ -</u>	<u>\$ 4,355,390</u>	<u>\$ -</u>	<u>\$ 4,355,390</u>

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 LOANS TO MEMBERS, NET OF ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The following tables present collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation. The allowance for credit losses for loans considered to be collateral dependent, is as follows (continued):

<u>June 30, 2024</u>	<u>Commercial</u>	<u>Residential Real Estate</u>	<u>Consumer</u>	<u>Total</u>
Allowance for Credit Losses:				
Ending Balance: Collateral Dependent	\$ 130,782	\$ 346,224	\$ -	\$ 477,006
Loans				
Ending Balance: Collateral Dependent	\$ 498,460	\$ 4,727,396	\$ -	\$ 5,225,856

Collateral dependent commercial and residential real estate loans, both owner occupied and non-owner occupied are valued by automated valuation models or independent external appraisals. These external appraisals are prepared using the sales comparison approach and income approach valuation techniques. Estimated fair values are reduced to account for sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value. Management may make subsequent unobservable adjustments to the collateral dependent loan appraisals.

The following table shows the commercial loan portfolio segment allocated by management's internal risk ratings as of June 30:

<u>Commercial Loan Risk Ratings</u>	<u>2025</u>	<u>2024</u>
Pass (Risk Grade 1 - 4)	\$ 210,305,643	\$ 207,383,025
Watch	1,697,419	-
Other Assets Especially Mentioned	-	498,460
Substandard	-	-
Doubtful	-	-
Loss	-	-
Total	<u>\$ 212,003,062</u>	<u>\$ 207,881,485</u>

Commercial, Residential Real Estate, and Consumer Loan Credit Quality Indicators: As part of the on-going monitoring of the credit quality of the Credit Union's loan portfolio, management tracks the loan's performance and when the loan becomes 90 days past due they are classified as nonperforming loans.

**CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 4 LOANS TO MEMBERS, NET OF ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The following tables present the aging analysis of the loan portfolio by time past due:

	Accruing Interest				Total Loans to Members
	Current	30-59 Days Past Due	60-89 Days Past Due	Nonaccrual 90 Days or More Past Due	
<u>2025</u>					
Commercial:					
Member Business	\$ 211,974,161	\$ 28,901	\$ -	\$ -	\$ 212,003,062
Residential Real Estate:					
First Mortgage	1,447,029,640	191,343,928	52,042,424	59,358,788	1,749,774,780
Home Equity Line	310,710,241	3,721,758	2,144,497	3,116,491	319,692,987
Consumer:					
New Auto	115,894,236	3,619,857	1,940,091	1,417,164	122,871,348
Used Auto	310,794,458	16,361,184	7,203,406	8,432,678	342,791,726
Credit Card	105,998,289	17,915,663	6,894,706	6,301,783	137,110,441
Other	326,692,841	12,457,338	5,176,568	5,418,895	349,745,642
Total	<u>\$ 2,829,093,866</u>	<u>\$ 245,448,629</u>	<u>\$ 75,401,692</u>	<u>\$ 84,045,799</u>	<u>\$ 3,233,989,986</u>

	Accruing Interest				Total Loans to Members
	Current	30-59 Days Past Due	60-89 Days Past Due	Nonaccrual 90 Days or More Past Due	
<u>2024</u>					
Commercial:					
Member Business	\$ 207,363,025	\$ 20,000	\$ -	\$ 498,460	\$ 207,881,485
Residential Real Estate:					
First Mortgage	1,781,991,056	85,379,370	40,078,151	38,660,423	1,946,109,000
Home Equity Line	301,383,873	1,824,099	1,047,336	998,747	305,254,055
Consumer:					
New Auto	162,737,376	2,827,924	860,589	1,621,287	168,047,176
Used Auto	424,936,180	10,793,312	4,800,459	7,196,531	447,726,482
Credit Card	143,248,801	2,711,705	1,665,628	1,646,279	149,272,413
Other	403,500,431	5,877,858	2,781,616	2,522,975	414,682,880
Total	<u>\$ 3,425,160,742</u>	<u>\$ 109,434,268</u>	<u>\$ 51,233,779</u>	<u>\$ 53,144,702</u>	<u>\$ 3,638,973,491</u>

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 LOANS TO MEMBERS, NET OF ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due 90 days or more and still accruing interest as of June 30:

June 30, 2025	<u>Nonaccrual</u>	<u>Nonaccrual With No Allowance for Credit Loss</u>	<u>Loans 90 Days or More Past Due and Still Accruing</u>
Commercial:			
Member Business	\$ -	\$ -	\$ -
Residential Real Estate:			
First Mortgage	59,358,788	-	-
Home Equity Line	3,116,491	-	-
Consumer:			
New Auto	1,417,164	-	-
Used Auto	8,432,678	-	-
Credit Card	6,301,783	-	-
Other	5,418,895	-	-
Total	<u>\$ 84,045,799</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2024	<u>Nonaccrual</u>	<u>Nonaccrual With No Allowance for Credit Loss</u>	<u>Loans 90 Days or More Past Due and Still Accruing</u>
Commercial:			
Member Business	\$ 498,460	\$ -	\$ -
Residential Real Estate:			
First Mortgage	38,660,423	-	-
Home Equity Line	998,747	-	-
Consumer:			
New Auto	1,621,287	-	-
Used Auto	7,196,531	-	-
Credit Card	1,646,279	-	-
Other	2,522,975	-	-
Total	<u>\$ 53,144,702</u>	<u>\$ -</u>	<u>\$ -</u>

Interest income foregone on nonaccrual loans was deemed immaterial by management for the years ended June 30, 2025 and 2024.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 LOANS TO MEMBERS, NET OF ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. The following table presents the amortized cost basis of loan modifications made to borrowers experiencing financial difficulty during the years ended June 30, 2025 and 2024:

June 30, 2025	Type of Concession			Total	% of Total Segment of Loans
	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension		
	Consumer	\$ 26,882,238	\$ -		
Residential Real Estate	53,889,832	-	7,816,633	61,706,465	2.98%
Commercial	-	-	-	-	0.00%
Total	<u>\$ 80,772,070</u>	<u>\$ -</u>	<u>\$ 7,816,633</u>	<u>\$ 88,588,703</u>	<u>2.74%</u>

June 30, 2024	Type of Concession			Total	% of Total Segment of Loans
	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension		
	Consumer	\$ 13,111,870	\$ -		
Residential Real Estate	7,650,795	195,770	459,145	8,305,710	0.37%
Commercial	-	-	-	-	0.00%
Total	<u>\$ 20,762,665</u>	<u>\$ 195,770</u>	<u>\$ 459,145</u>	<u>\$ 21,417,580</u>	<u>0.59%</u>

For the year ended June 30, 2025, payment delays and term extensions made to borrowers experiencing financial difficulty included:

- Residential Real Estate – Added a weighted-average 1.47 months to the life of loans and provided an average of 3.67 months in extensions that were added to the end of the original loan term.
- Consumer – Added a weighted-average 3.67 months to the life of loans and provided an average of 3.03 months in extensions that were added to the end of the original loan term.

For the year ended June 30, 2024, interest rate modification made to borrowers experiencing financial difficulty included:

- Residential Real Estate – Reduced weighted-average contractual interest rate from 5.53% to 4.29%.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 LOANS TO MEMBERS, NET OF ALLOWANCE FOR CREDIT LOSSES (CONTINUED)

For the year ended June 30, 2024, payment delays and term extensions made to borrowers experiencing financial difficulty included:

- Residential Real Estate – Added a weighted-average 7.16 years to the life of loans and provided an average of three months in extensions that were added to the end of the original loan term.
- Consumer – Added a weighted-average 4.57 months to the life of loans and provided an average of 2.34 months in extensions that were added to the end of the original loan term.

The following table presents the loan modifications made to borrowers experiencing financial difficulty that defaulted (within 12-month of making the modification) during the year ended June 30, 2025:

	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted			
	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension	Total
June 30, 2025				
Consumer	\$ 3,157,745	\$ -	\$ -	\$ 3,157,745
Residential Real Estate	30,718,423	-	7,045,836	37,764,259
Commercial	-	-	-	-
	<u>\$ 33,876,168</u>	<u>\$ -</u>	<u>\$ 7,045,836</u>	<u>\$ 40,922,004</u>

	Amortized Cost Basis of Modified Financing Receivables That Subsequently Defaulted			
	Term Extension	Interest Rate Reduction	Payment Delay and Term Extension	Total
June 30, 2024				
Consumer	\$ 2,043,295	\$ -	\$ -	\$ 2,043,295
Residential Real Estate	3,810,564	69,159	544,358	4,424,081
Commercial	-	-	-	-
	<u>\$ 5,853,859</u>	<u>\$ 69,159</u>	<u>\$ 544,358</u>	<u>\$ 6,467,376</u>

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5 PREMISES AND EQUIPMENT, NET

A summary of premises and equipment at June 30 is as follows:

	<u>2025</u>	<u>2024</u>
Land	\$ 5,757,474	\$ 3,909,317
Building	84,429,969	71,171,883
Furniture and Equipment	8,715,762	5,544,892
Computer Equipment	23,243,909	11,150,951
Automobiles	1,331,142	1,304,458
Leasehold Improvements	6,804,100	-
Construction in Process	943,928	6,800,235
Total	<u>131,226,284</u>	<u>99,881,736</u>
Less: Accumulated Depreciation and Amortization	<u>(32,647,608)</u>	<u>(28,300,449)</u>
Total	<u>\$ 98,578,676</u>	<u>\$ 71,581,287</u>

NOTE 6 LEASES

The Credit Union leases certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through July 2034 and provide for renewal options ranging from two to six years. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements generally require the Credit Union to pay real estate taxes, insurance, and repairs.

Total rental expense for both noncancelable and cancelable operating leases included in occupancy expenses for the year ended June 30, 2025 and 2024 was \$726,850 and 83,283, respectively.

The following table summarizes other information related to the Credit Union's operating leases for the years ending June 30:

	<u>2025</u>	<u>2024</u>
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Operating Leases	\$ 730,396	\$ 72,240
Recognition of Right-of-Use Assets, During the Year	-	5,861,945
Recognition of Lease Liabilities, During the Year	-	5,861,945
Weighted-Average Remaining Lease Term - Operating Leases, in Years	8.62 years	9.58 years
Weighted-Average Discount Rate - Operating Leases	4.69%	4.68%

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 6 LEASES (CONTINUED)

The required minimum rental lease payments under the terms of these noncancelable operating leases at June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Operating Lease</u>
2026	\$ 767,029
2027	777,931
2028	789,108
2029	788,236
2030	841,748
Thereafter	3,040,312
Total Lease Payments	<u>7,004,364</u>
Less: Interest	(1,312,674)
Present Value of Lease Liabilities	<u><u>\$ 5,691,690</u></u>

The right-of-use assets and lease liabilities are recorded in other assets and accrued expenses and other liabilities on the consolidated statements of financial condition, respectively.

NOTE 7 RENTAL INCOME

Tenants were able to occupy the Quorum Center building space during the years ended June 30, 2025 and 2024 under the existing noncancelable operating leases expiring in various years until fiscal year 2029. Future minimum lease income receivable under these leases as of June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 484,851
2027	443,275
2028	443,275
2029	-
Total	<u><u>\$ 1,371,401</u></u>

Rental income was \$506,566 and \$396,298 for the years ended June 30, 2025 and 2024, respectively. This is included in other noninterest income in the consolidated statements of operations.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 SHARE AND SAVINGS ACCOUNTS

A summary of share and savings accounts by type at June 30 are as follows:

	<u>2025</u>	<u>2024</u>
Regular Share Accounts	\$ 520,908,082	\$ 802,737,640
Share Draft Accounts	428,807,728	600,934,682
Money Market Accounts	575,282,362	848,714,606
IRA Share Accounts	119,651,085	201,474,601
Share Term Certificates	1,280,874,228	1,150,875,844
Nonmember Certificates of Deposit	71,109,000	750,000
Total Share and Savings Accounts	<u><u>\$ 2,996,632,485</u></u>	<u><u>\$ 3,605,487,373</u></u>

The aggregate amounts of certificates of deposit in denominations of \$250,000 or more was approximately \$342,988,000 and \$212,422,000 at June 30, 2025 and 2024, respectively.

Overdrawn share accounts reclassified to unsecured loans to members totaled approximately \$1,709,000 and \$472,000 at June 30, 2025 and 2024, respectively.

Scheduled maturities of share term and nonmember certificates for the years ending June 30 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 880,212,293
2027	413,016,385
2028	30,597,093
2029	22,917,558
2030	5,238,899
2031	1,000
Total	<u><u>\$ 1,351,983,228</u></u>

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

NOTE 9 BORROWED FUNDS

At June 30, 2025 and 2024, the Credit Union had available lines of credit of approximately \$798,086,000 and \$1,185,117,000 with the FHLB and \$314,949,000 and \$493,337,000 with the Federal Reserve Bank of Richmond (FRB), respectively. The FHLB line is collateralized by mortgage loans and the FRB line is collateralized by auto loans, debt securities available-for-sale, and residential real estate loans. The interest rates applied on any borrowing are determined on the date of borrowing. The lines have no expiration dates but are subject to review and change by the issuing institutions. There was \$320,000,000 outstanding on the FHLB line with an interest rates ranging from 3.62% to 4.57% and \$-0- outstanding on the FRB line at June 30, 2025. There was \$80,000,000 outstanding on the FHLB line with an interest rate of 5.12% and \$-0- outstanding on the FRB line at June 30, 2024.

**CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 9 BORROWED FUNDS (CONTINUED)

During the year ended June 30, 2025, the Credit Union opened a new arrangement with Vizo Financial Corporate Credit Union and had an available line of credit of approximately \$125,000,000. The interest rates applied on any borrowings are determined on that borrowing date. Substantially all of the assets and earnings of the Credit Union are pledged as collateral on the line of credit, except those pledged on other lines. The line has no expiration date, but is subject to review and change by the issuing institution. At June 30, 2025, there was no balance outstanding on this line.

Secondary Capital – U.S. Treasury Emergency Capital Investment Program

On June 28, 2022, the Credit Union entered into an agreement for receipt in secondary capital funds under the U.S. Treasury’s Emergency Capital Investment Program (ECIP) from the NCUA receiving an award totaling \$52,500,000. The purpose of the award recognizes secondary capital accounts for low-income designated credit unions as capital accounts. The secondary capital is a form of subordinated debt and is included in borrowed funds on the consolidated statements of financial condition.

The agreement grants the Credit Union two (2) years interest free. After the second anniversary of the disbursement of the loan, interest is payable quarterly in arrears each year at a rate determined by the qualified lending, ranging from 0.5% to 2.0%. Principal payments will be paid, pending approval from the NCUA, on the anniversary of the disbursement of the loan.

At June 30, 2025 and 2024, the Credit Union applied \$52,500,000 and \$52,500,000, respectively, of subordinated debt towards the net worth calculation.

Expected future principal payments on borrowed funds at June 30, 2025, are as follows:

Year Ending June 30,	Total
2026	\$ 60,000,000
2027	80,000,000
2028	120,000,000
2029	40,000,000
2030	20,000,000
Thereafter	52,500,000
Total	\$ 372,500,000

NOTE 10 OFF-CONSOLIDATED STATEMENT OF FINANCIAL CONDITION ACTIVITIES

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

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10 OFF-CONSOLIDATED STATEMENT OF FINANCIAL CONDITION ACTIVITIES
(CONTINUED)

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

At June 30, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2025	2024
Commitments to Grant Loans:		
Commercial	\$ 8,401,674	\$ 8,124,948
Home-Equity Lines of Credit	190,970,244	196,732,148
Credit Cards	332,900,768	223,090,891
Other Unfunded Commitments	77,022,365	58,955,541
Total	\$ 609,295,051	\$ 486,903,528

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include consumer assets, residential real estate, and member share balances.

Unfunded commitments under member business lines-of-credit and revolving credit lines are commitments for possible future extensions of credit to existing members. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may only be drawn upon to the total extent to which the Credit Union is committed.

NOTE 11 CONTINGENCIES AND COMMITMENTS

The Credit Union is periodically a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in managements and legal counsel's opinion, would not be material to the Credit Union's consolidated financial condition.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 12 REGULATORY NET WORTH

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 discretionary actions by regulators that could have a material effect on the Credit Union's consolidated financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific quantitative measures of the Credit Union's assets, liabilities, and certain off-consolidated statement of financial condition items as calculated under GAAP. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by its regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation). Effective December 31, 2021, and earlier, 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 regulatory framework. The minimum ratio to be considered complex under the regulatory framework was 6.00%.

Effective January 1, 2022, the NCUA adopted the optional complex credit union leverage ratio (CCULR) for credit unions with total consolidated assets greater than \$500 million. The CCULR is designed to reduce regulatory burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying credit union organizations that opt into the framework. As defined by section §702-104(d) of the NCUA's regulations, a qualifying credit union organization must have a net worth ratio of 9% or greater, off-consolidated statement of financial condition exposures of 25% or less of its total consolidated assets, trading assets and trading liabilities of 5% or less of its total consolidated assets, and goodwill and other intangible assets of 2% or less of total consolidated assets. Management believes they have met the criteria and has elected to use the CCULR framework.

The Credit Union has opted into the CCULR framework but has not met the qualifying criteria, as identified in the above paragraph, for the calendar quarter ending June 30, 2025. During this grace period, the Credit Union has two calendar quarters either to satisfy the requirements to be a qualifying complex credit union or calculate the risk-based capital ratio. The grace period begins at the end of the calendar quarter in which the Credit Union no longer satisfies the criteria to be a qualifying complex Credit Union and ends on the last day of the second consecutive calendar quarter following the grace period. During this grace period, the Credit Union continues to be treated as a qualifying complex credit union and continues to report the CCULR. Qualifying credit union organizations that maintain a net worth ratio of greater than 7% will generally be considered well-capitalized and have met the capital requirements in the applicable capital rule.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 12 REGULATORY NET WORTH (CONTINUED)

As of June 30, 2025, the most recent call reporting period, the NCUA categorized the Credit Union initially 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 institution’s category.

The Credit Union’s consolidated actual capital amounts and ratios at June 30 are also presented in the table following.

	Actual		To Be Adequately Capitalized Under Prompt Corrective Action Provisions		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio			Amount	Ratio
<u>2025</u>						
Net Worth	\$ 325,652,563	8.79%	N/A	N/A	\$ 259,271,221	7.00%
<u>2024</u>						
Net Worth	\$ 377,468,477	9.25%	N/A	N/A	\$ 285,514,393	7.00%

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

The Credit Union adopted ASC 326 during the year ended June 30, 2024, and applied the regulatory CECL transition provisions (12 CFR Part 702.703). This provision requires a three-year phase into the regulatory net worth associated with the “day-one adjustment” required upon adoption of ASC 326. As of June 30, 2025 and 2024, \$8,209,432 and \$16,418,863, respectively, was added to the Credit Union’s consolidated members’ equity to determine the regulatory net worth ratio.

NOTE 13 RELATED PARTY TRANSACTIONS

In the normal course of business, Civic extends credit to members of the board of directors, Supervisory Committee members, and executive officers. Included in loans to members, net of allowance for credit losses and split-dollar collateral assignment life insurance at June 30, 2025 and 2024, are loans to Civic’s Board of Directors, Supervisory Committee, and senior executive staff of approximately \$23,513,000 and \$24,460,000, respectively. The aggregate principal advances and principal repayments are not significant.

Members’ shares and savings accounts (deposits) from Civic’s Board of Directors, Supervisory Committee, and executive officers held by the Credit Union at June 30, 2025 and 2024 are approximately \$4,719,000 and \$3,937,000 respectively.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)

Pervious to September 30, 2024, LGFCU and Civic currently had common oversight and management. There were two independent board members for each credit union, the Civic board members were also LGFCU board members. LGFCU covered expenses on behalf of Civic in return for a service fee outlined in the Support Services Agreement. The two credit unions were legally combined effective September 30, 2024.

Had Civic incurred these expenses on a stand-alone basis, their operational support expenses during the fiscal year would have been approximately \$8.6 million for the period July 1, 2024, through September 30, 2024, and \$33.9 million during the year ended June 30, 2024. The agreement stated that LGFCU would provide substantially all of Civic's support services, including property and equipment, system infrastructure, and human capital in return for a rate of 25% of the gross revenue of Civic. Operational support expenses incurred by LGFCU on behalf of Civic were included in the Credit Union's consolidated financial statements. LGFCU received approximately \$490,000 for the period July 1, 2024, through September 30, 2024, and \$1,801,000 in services fees from Civic during the year ended June 30, 2024. These fees were eliminated in consolidation.

NOTE 14 VARIABLE INTEREST ENTITY

If an enterprise is the primary beneficiary of a VIE, GAAP requires the assets, liabilities, equity, and results of operations of the VIE to be included in the consolidated financial statements of the Credit Union. The Credit Union has determined that Civic was a VIE as of June 30, 2024, and for the period of July 1, 2024, through September 30, 2024. Civic was no longer considered a VIE upon the completion of the merger between LGFCU and Civic on September 30, 2024.

Summarized financial information for Civic for the period July 1, 2024, through September 30, 2024, and for the year ended June 30, 2024 is as follows:

<u>September 30, 2024</u>		<u>June 30, 2024</u>	
Total Assets	\$ 118,181,179	Total Assets	\$ 119,292,516
Total Liabilities	<u>108,512,272</u>	Total Liabilities	<u>110,016,624</u>
Total Members' Equity	<u>\$ 9,668,907</u>	Total Members' Equity	<u>\$ 9,275,892</u>
Total Revenue	\$ 1,960,220	Total Revenue	\$ 7,192,772
Total Expense	<u>1,567,999</u>	Total Expense	<u>7,251,179</u>
Net Income	<u>\$ 392,221</u>	Net Loss	<u>\$ (58,407)</u>

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
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NOTE 15 RELIANCE ON OTHER PARTIES

After years of planning and preparation, the Credit Union ended its servicing agreement with State Employees' Credit Union of North Carolina (SECU) during fiscal year 2025 and began performing all operating services on its own. Upon separation from SECU, the Credit Union has opened eleven branches strategically located across the state. Additionally, the Credit Union expanded its branch and CashPoints ATM network by participating in the Co-op shared branching and ATM network, which provided members with more options to deposit and withdraw cash.

Under the service agreement with SECU, SECU provided substantially all of the Credit Union's operating services including member services, branch facilities, and data processing services. SECU was compensated for such services at a rate of 25% of the gross revenue of the Credit Union, which was paid on a monthly basis. During 2025 and 2024, the Credit Union incurred service fees of approximately \$61,354,000 and \$67,749,000, respectively, for services rendered under the agreement with SECU, which is included in operations expense on the consolidated statements of operations. At June 30, 2025 and 2024, the payable to SECU for service fees under this agreement were approximately \$25,000 and \$5,608,000 respectively.

SECU charged the Credit Union a \$0.50 processing charge for the usage of SECU automated teller machines (ATM). Total ATM fees paid to SECU were approximately \$1,743,000 and \$1,941,000 for fiscal years ended June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, the payable to SECU for services rendered under this agreement was approximately \$-0- and \$6,900 respectively.

SECU settled daily member transactions on behalf of the Credit Union. The Credit Union recorded this activity as a net receivable or payable for amounts settled but not received or paid. The Credit Union had a net payable to SECU of approximately \$35,277,000 at June 30, 2025 and a net receivable of approximately \$12,769,000 at June 30, 2024.

NOTE 16 FAIR VALUE

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 FAIR VALUE (CONTINUED)

Recurring Basis (Continued)

The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis as of June 30:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>2025</u>				
Federal Agency Mortgage- Backed Securities	\$ -	\$ 63,541,803	\$ -	\$ 63,541,803
Collateralized Mortgage Obligation Securities	-	20,215,407	-	20,215,407
Total	<u>\$ -</u>	<u>\$ 83,757,210</u>	<u>\$ -</u>	<u>\$ 83,757,210</u>
<u>2024</u>				
Federal Agency Mortgage- Backed Securities	\$ -	\$ 70,561,562	\$ -	\$ 70,561,562
Collateralized Mortgage Obligation Securities	-	30,403,975	-	30,403,975
Total	<u>\$ -</u>	<u>\$ 100,965,537</u>	<u>\$ -</u>	<u>\$ 100,965,537</u>

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Debt Securities: When available, the Credit Union uses quoted market prices to determine the fair value of debt securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's debt securities where quoted prices are not available for identical debt securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the debt security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
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NOTE 16 FAIR VALUE (CONTINUED)

Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment or a change in the amount of previously recognized impairment.

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended June 30, 2025 and 2024 consisted of the following:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Losses
<u>June 30, 2025</u>				
Collateral Dependent	\$ -	\$ -	\$ 4,204,630	\$ (150,760)
Foreclosed Assets	-	-	3,296,136	(589,765)
Total Nonrecurring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,500,766</u>	<u>\$ (740,525)</u>
<u>June 30, 2024</u>				
Collateral Dependent	\$ -	\$ -	\$ 4,748,850	\$ (477,006)
Foreclosed Assets	-	-	900,481	(308,758)
Total Nonrecurring	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,649,331</u>	<u>\$ (785,764)</u>

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis for which the Credit Union has utilized Level 3 inputs to determine fair value:

June 30, 2025				
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Collateral Dependent	\$ 4,204,630	Appraisals Discounted Expected Cash Flows	Appraisal Adjustment or Discount Rates	Collateral Discount of 8% or 2.75% to 6.50% Discount Rate
Foreclosed Assets	3,296,136	Appraisal	Appraisal Adjustment	16%
June 30, 2024				
	Fair Value	Valuation Technique	Unobservable Input	Range (Average)
Collateral Dependent	\$ 4,748,850	Appraisals Discounted Expected Cash Flows	Appraisal Adjustment or Discount Rates	Collateral Discount of 8% or 2.75% to 6.50% Discount Rate
Foreclosed Assets	900,481	Appraisal	Appraisal Adjustment	16%

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
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NOTE 16 FAIR VALUE (CONTINUED)

Nonrecurring Basis (Continued)

Collateral Dependent Loans: Collateral dependent loans were individually evaluated under CECL for the years ended June 30, 2025 and 2024. Collateral dependent commercial real estate loans, both owner occupied and non-owner occupied, and residential real estate loans are valued by independent external appraisals or automated valuation models. These external appraisals are prepared using the sales comparison approach and income approach valuation techniques. Estimated fair values are reduced to account for sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value. Management may make subsequent unobservable adjustments to the collateral dependent loan appraisals.

Foreclosed Assets: Foreclosed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer with any impairment amount charged to the allowance for credit losses on loans. Subsequent to the transfer, foreclosed assets are carried at the lower of cost or fair value, less estimated selling costs with changes in fair value or any impairment amount recorded in other noninterest expense. Values are estimated using Level 3 inputs based on customized discounting criteria. The carrying value of foreclosed assets is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

NOTE 17 REVENUE FROM CONTRACTS WITH MEMBERS

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended June 30:

	<u>2025</u>	<u>2024</u>
<i>In Scope of ASC 606:</i>		
Services Charges and Deposit Account Fees	\$ 11,109,589	\$ 12,113,535
Interchange Income	38,469,472	42,203,329
Other	<u>6,712,801</u>	<u>10,134,188</u>
Noninterest Income in Scope of ASC 606	56,291,862	64,451,052
<i>Noninterest Income Not Within the Scope of ASC 606 (a)</i>	<u>1,716,057</u>	<u>2,760,054</u>
Total Noninterest Income	<u>\$ 58,007,919</u>	<u>\$ 67,211,106</u>

- (a) This revenue is not within the scope of ASC 606, and includes fees related to loan servicing, gain on investments, gain on sale of other assets, Credit Union Owned Life Insurance income, and credit card fees.

The Credit Union does not typically enter into long-term revenue contracts with members, and, therefore, does not experience significant contract balances. As of June 30, 2025 and 2024, the Credit Union did not have any significant contract balances and did not capitalize any contract acquisition costs.

CIVIC FEDERAL CREDIT UNION AND SUBSIDIARIES
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NOTE 18 BUSINESS COMBINATION

The Credit Union acquired a 100% interest in Civic Federal Credit Union effective September 30, 2024. The combination was completed to obtain economies of scale and to improve and continue financial services to members of the combined Credit Union.

Details on the composition of assets, liabilities, and equity combined and recorded are as follows:

Assets	
Cash and Cash Equivalents	\$ 11,852,603
Loans	104,101,477
Accrued Interest Receivable	679,919
NCUSIF Deposit	756,075
Other Assets	791,105
Total Assets	<u>\$ 118,181,179</u>
 Liabilities & Members' Equity	
Members' Shares and Savings Accounts	108,298,873
Other Liabilities	213,399
Equity	9,668,907
Total Liabilities & Members' Equity	<u>\$ 118,181,179</u>



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