ANNUAL REPORT 2022

85 YEAR ANNIVERSARY

DEXSTA®
FEDERAL CREDIT UNION

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DEXSTA Federal Credit Union

Minutes of the 2022 Annual Meeting
DEXSTA Federal Credit Union, Wilmington, Delaware
March 28, 2022

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

The meeting was called to order by the Chairman David Marianelli at 5:32 p.m. and it was recognized that a quorum was present. Board Members were introduced. The Chairman introduced guest Steve Weidner of RKL accounting firm that was joining the meeting remotely. Mr. Marianelli announced that the meeting will be conducted according to the modern rules of order and entertained a motion to approve the 2021 minutes as printed. Motion by Pat Mahaney carried to accept the minutes of the 2021 annual meeting.

Report of the Nominating Committee – Marie Davis, Nominating Committee Chairperson noted that the Credit Union is celebrating 85 years in 2022. The many years of success is due in-part to the volunteers. Marie reported the terms of three board members will expire. Additionally, the unexpired term of one board member will also be filled. She stated that there were no additional nominations submitted. Ms. Davis asked that the Secretary cast a single ballot for the unanimous election of the candidates as shown in the annual report.

Report of the Chairman of the Board – David Marianelli stated this year was another very successful year despite ongoing pandemic challenges. David remarked that the success could not be possible without the staff and volunteers and thanked them for their service.

Mr. Marianelli spoke of the significant growth in assets as we approach $400MM in assets. He noted a bright spot of significant loan growth along with a record year for net income. With regards to technology, Mr. Marianelli talked about the many projects completed to enrich the member experience. He is proud of the of this accomplishment through such challenging times.

He thanked the membership for their cooperation with pandemic branch guidelines. He is very proud of how DEXSTA Federal Credit Union excelled. David stated safety is a priority and hopes everyone stays healthy and safe.

Report of the Treasurer – Fuji Le directed participants to the treasurer's report included in the 2021 Annual Report. Mr. Le stated the Credit Union finished the year strong and resilient. Fuji shared financial highlights relating to the 21.56% increase in our loan portfolio with delinquency remaining low at just 0.32%. In addition, 2021 was another extraordinary year with growth in member deposits of $21 million that resulted in a return on average assets of 0.67%. Mr. Le closed with reporting the Credit Union's strong capital ratio of 8.50%, well above the regulator minimum.

Report of the Supervisory Committee – Committee Chairman Clyde DavidCarv acknowledged the members of the Supervisory Committee. Clyde explained the committee is responsible for evaluating Credit Union operations and ensure the financial statements provide an accurate representation of the Credit Union's financial condition.

Mr. DavidCarv indicated that for fiscal year 2021, internal audits determined by an established risk assessment were completed by YHB, formerly Rowles and Company and the annual engagement audit was performed by RKL certified public accountants. He was pleased to announce that with sound policies and programs, DEXSTA continues to be well managed and remains strong. He congratulated the board, management and team for a job well done.

Report of the President/CEO – Jerry King noted DEXSTA remains strong thanks to the efforts of our dedicated team members and volunteers. He stated the Credit Union is among the very best financial institutions as validated by First State Favorites, Forbes and Bauer Financial.

Mr. King thanked the volunteers and acknowledged the retirement of board member Kathy Murschell and welcomed Kim Hall to the board of directors and Zenaida Gephardt to the Supervisory Committee.

Mr. King mentioned what was done through the pandemic to keep branches open. He also reported the closure of the Experimental Station branch due to greatly reduced usage. Mr. King spoke of the new technological offerings DX Mobile and Digital Wallet.

Mr. King stated that it's an honor to give back to communities by supporting local organizations that fulfill our "people helping people" philosophy. In closing he expressed his appreciation to the membership for the trust and support they have placed in DEXSTA Federal Credit Union.

A motion by J. Kidd carried to accept all reports as presented.

Report of the Scholarship Committee - The report was presented by Board Chairman David Marinelli. He noted fourteen applications were received this year with three high school seniors receiving a one thousand scholarship each. Mr. Marianelli announced the following winners; James Conley of Salesianum High School, Katherine Dietz of Charter School of Wilmington and Matthew Hickman of Towle Institute.

In response to two questions related to scholarships: Total scholarship funding was $3,000. Three scholarships were awarded for $1,000 each based on applicant's submission.

Old Business – None.

New Business – None

Motion by J. Kidd carried to adjourn the meeting at 5:49 p.m.

Submitted by,

Regina U. Edmiston
Board Secretary

Report of the Nominating Committee

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

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

Board of Directors

Marie Davis (incumbent) - has served on the Board of Directors of DEXSTA for more than 45 years where she has held several committee positions including Chair, Chair of the Personnel Committee, and Secretary. Other credit union activities include serving on the Delaware Credit Union League, CUNA Policy Owner Representative, CUNA Trustee of Delaware, and several positions on the Association of DuPont Credit Unions. Marie is now enjoying retirement following 35 years of DuPont service. Marie is a master gardener and enjoys spending time with family and friends, church activities, pastel painting, travel, and teaching yoga.

David Marianelli (incumbent) - has recently retired after 44 years of service between Bristol-Myers Squibb and DuPont. Prior to retirement from Bristol-Myers Squibb, he held the position of Associate Director of Building Automation Systems and Operations at all office facilities and R&D locations throughout the United States.

He has been a member of the credit union for forty-four years and forty-one of those years serving as a volunteer. He has served in various roles on the Board of Directors including Chair, Vice Chair, Treasurer, and is currently serving as the Assistant Treasurer. During his vast volunteer career, he has also served on the Supervisory Committee.

Mr. Marianelli’s educational background includes an Associate Degree of Electrical Engineering, Bachelor of Engineering, and a Master of Business Administration. During his volunteer service, he has also completed additional credit union and leadership courses. Dave has a rich history in volunteering, including his service with various other community organizations in roles of director and treasurer.

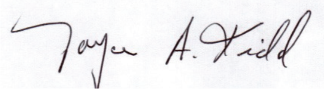
<u>Richard Schneider (incumbent)</u> - Richard is a top-performing hospitality executive credited with combining brand operations and marketing expertise to deliver substantial revenue growth in highly competitive business markets. He currently serves as the COO of Areas USA and is responsible for company operations, IT, Concepts/Standards, Brand Development, Purchasing, Construction and Risk Management while sharing in the responsibility for Business Development.

Richard serves as a member of the National Restaurant Association Board of Directors, National Restaurant Association Educational Foundation member of the Board of Trustees, Florida Restaurant and Lodging Association (FRLA) Education Foundation as a Trustee, and the Miami-Dade Board of Directors.

Richard has also been instrumental with supporting high school culinary programs through culinary and financial support to help build opportunities for students to gain experience through educational programs in their communities.

He currently serves on the Board of Directors of DEXSTA Federal Credit Union and is a Member of the New Castle County Financial Advisory Council. He has previously served on the Boards of the Buffalo Boys and Girls Club, New England and Detroit Ronald McDonald Houses, and with Career Opportunity Development Inc.

Submitted by,



Joyce A. Kidd
Nominating Committee Chair

Report of the Board Chair

Welcome and thank you for joining DEXSTA Federal Credit Union's 85th Annual Meeting. It is my honor and pleasure to serve as the Chair for the Board of Directors of DEXSTA Federal Credit Union.

As you are aware, we have faced many challenges since the on-set of the COVID-19 virus. While there has been a significant decline in the virus, those years were challenging times for us all, but we seem to have come through it. Team DEXSTA has done an exceptional job of keeping services available throughout this time and will continue to adjust whenever the need arises.

I am grateful to you, the membership for your patience and continued support and understanding during times when operational adjustments have been required. On behalf of the Board of Directors, it is with deepest gratitude that I thank all the staff for their unwavering dedication during those challenging years.

You will see from the financial reports that DEXSTA has continued to grow in 2022. At year end, our assets grew approximately $11MM, as we approached $409MM in assets. Despite economic challenges, our loan portfolio experienced growth over $34MM, and net income, exceeding $2.7MM. The Treasurer's Report and Financial Statements provide a detailed outline of 2022's results.

Digital transformation and cybersecurity are the foundation of the IT department here at DEXSTA. With technical agility, the team provides a secure and positive member experience without disruption to day-to-day transactions. Operational excellence is crucial to keeping the daily business strategy aligned. NCUA, our governing body, pays close attention to this aspect of our operation.

DEXSTA staff have continued to support the communities we serve through financial education, fundraising, scholarship program, and firsthand service. We are proud of the work we do with our charity partners, and love raising funds for the Children's Miracle Network, as well as volunteering at the Sunday Breakfast Mission, Ronald McDonald House, and the Boys & Girls Clubs of Delaware.

I consider it a privilege and a pleasure to serve as your board chair. We look forward to continuing our service to you while modeling the Credit Unions mission of “People Helping People” in 2023 and beyond.

Submitted by,

M. H. Davis

Marie H. Davis
Board Chair

Report of the President/CEO

DEXSTA Federal Credit Union celebrated Eighty-Five years of dedicated service to our members in 2022. Over the years, we were able to maintain our strong financial integrity thanks to the loyalty of our members who continue to utilize our services and make DEXSTA their financial institution of choice.

Over the past Eighty-Five years, the Credit Union has grown from 22 to over 41,000 members, and in assets from the original $110 in pledges to more than $410 million. In the Credit Union's growth, it has had a name change, multiple charter changes and mergers. Today, DEXSTA Federal Credit Union is a strong, full-service financial institution with an unchanged commitment to the "people helping people" philosophy.

At DEXSTA, we take the security of our members' personal and financial information profoundly serious. This year we concentrated on strengthening password requirements for accessing our on-line banking system. By continually upgrading our systems with more sophisticated security measures, we have gone beyond the mandate of our regulators. To add additional value in this area, we launched our new website security center located at https://www.dexsta.com/security-center. Our Security Center educates members on the security risks they may face and keeps them informed about new breaches, threats, and attacks. The site also provides general information security guidelines. Keeping our members informed of financial threats is yet another way DEXSTA promotes its core values of safety and security for its members.

DEXSTA prides itself on community involvement and education. In 2022 our team members volunteered at the Sunday Breakfast Mission and participated in the National Night Out event to help enhance the relationship of the communities we serve. Throughout the year, events to benefit the Boys and Girls Clubs of Delaware and Children's Miracle Network have taken place. To celebrate International Credit Union Day, team members distributed reusable, insulated grocery bags at local retail markets. Not only did this promote our brand but helped us to support a more environmentally sustainable approach to shopping.

Our Scholarship Program has continued to support our youth membership for over fifteen years! The scholarships awarded, help in furthering educational goals. In addition, we continue to provide financial literacy within the communities we serve by sponsoring financial education workbooks to local area schools.

As our members' needs change, the Credit Union must grow to remain competitive and strive to meet these needs. We continue to offer great rates on savings and loan products, along with low fees and personal service. We also look for innovative ideas as we move ahead and plan for the Credit Union's future all while keeping financial stability and securing member data top of mind.

It is with great appreciation to all our resolute volunteers and team members that have contributed to the success of DEXSTA Federal Credit Union over the past 85 years. You, our members, have expressed your confidence in DEXSTA Federal Credit Union by voting us the Best Credit Union in local services north for 2022 First State Favorites. We are appreciative of the recognition and thank you for making DEXSTA Federal Credit Union your trusted financial institution of choice.

DEXSTA Federal Credit Union will continue to uphold our reputation for providing excellent service to our members and the communities we serve. We look forward to serving the financial needs of our membership in the years ahead. Thank you for making your credit union the success it has been since its founding in 1937.

Submitted by,

Jerry King
President/CEO

Report of the Treasurer

As shown in the audited financial statements, the Credit Union finished another strong year and delivered solid growth in lending activities and net income.

During 2022, our loan portfolio grew 13.66% to $286.0 million on top of the 21.56% growth achieved in 2021. Membership shares and assets grew at a healthy 1.85% and 2.85%, respectively. Delinquent loans increased by $2.1 million and our delinquency ratio increased by 69 basis points to 1.01%. This is primarily due to our loan portfolio growth of $34.3 million in the last year and the current state of our economy. Adequate provision and allowance for loan losses were recognized. Capital grew by 8.17% to $36.6 million. DEXSTA is a well-capitalized credit union and is positioned to protect member's assets and continue to deliver superior services.

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

All values are in thousands of dollars			
Growth Analysis	**2021**	**2022**	**Change**
Loans	$251,631	$285,993	13.66%
Shares	$364,727	$371,492	1.85%
Assets	$397,426	$408,749	2.85%
Net Income	$2,636	$2,761	4.71%
Expenses – Including PLL	$11,657	$13,386	14.83%
Capital	$33,796	$36,557	8.17%
Return on Average Assets	0.67%	0.68%	1.84%

Delinquency Analysis	**2021**	**2022**	**Change**
Provision for Loan Losses	$306	$1,508	392.81%
As % of Loans	0.12%	0.53%	
Delinquent – Two or More Months	$794	$2,901	265.14%
As % of Loans	0.32%	1.01%	
Loans Charged Off	$1,374	$1,850	34.62%
As % of Loans	0.55%	0.65%	
Allowance for Loan Losses	$1,654	$2,056	24.32%
Allowance as % of Loans	0.66%	0.72%	

DEXSTA is in strong financial condition and is well positioned to grow in the communities we currently serve. The board, management, and staff look forward to assisting all your financial needs.

Submitted by,

Fuji Le
Board Treasurer

Report of the Supervisory Committee

We, the Supervisory Committee, are a group of diverse volunteers appointed by the Board of Directors to independently represent all of you, the credit union's valued members. Our main responsibility is to ensure that DEXSTA's policies, procedures, and internal controls are designed to protect your assets against fraud and conflicts of interest. Our duties include independently verifying member accounts, investigating formal complaints, and ensuring the accuracy of the credit union's financial statements.

To fulfill our responsibilities, we work closely with our auditors and regularly engage with the Board of Directors and senior management. This year, we enlisted the services of Yount, Hyde & Barbour (YHB), a public accounting and risk advisory firm, to conduct the annual internal audits. In addition to meeting the annual compliance requirement, the Supervisory Committee and YHB collaborated to create a risk assessment plan, which has yielded positive results to further safeguard your assets and enhance the credit union's internal controls.

We also hired RKL, LLP a, CPA and Advisory firm, to conduct an in-depth independent audit of the credit union's finances. The results of the audit showed that the financial statements are in compliance with United States of America's generally accepted accounting principles and demonstrate the credit union's financial stability.

The National Credit Union Administration (NCUA), which regulates federal charter credit unions, also performed periodic examinations, further confirming DEXSTA's financial soundness.

We are pleased to report that, after a thorough review of the results of these audits and examinations, DEXSTA Federal Credit Union is in full compliance with federal laws and regulations. The credit union's policies and programs are sound, along with its well-managed operations. This has enabled DEXSTA to remain financially strong.

We thank the Board of Directors, senior management, and the teams at the branches for their hard work and dedication to maintaining DEXSTA members' assets safe and fiscally responsible.

Submitted by,

Clyde DavidCarv
Supervisory Committee Chair

Independent Auditor's Report

To the Supervisory Committee
DEXSTA Federal Credit Union
Wilmington, Delaware

Opinion

We have audited the accompanying financial statements of DEXSTA Federal Credit Union (the Credit Union), which comprise the statement of financial condition as of December 31, 2022 and 2021, and the related statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RKL LLP

February 27, 2023
Wyomissing, Pennsylvania

DEXSTA Federal Credit Union

Statement of Financial Condition

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	**$ 6,695,935**	$ 13,876,935
Securities available for sale	**91,853,262**	108,939,357
Loans to members, net	**285,992,870**	251,631,201
Accrued interest receivable	**996,816**	839,938
Property and equipment, net	**6,803,085**	6,016,190
Other assets		
NCUSIF deposit	**3,642,969**	3,438,735
Corporate credit union perpetual contributed capital	**1,295,866**	1,295,866
Loans to officers	**6,150,001**	6,150,001
Credit union owned life insurance	**3,815,938**	3,713,240
Prepaid expenses and other assets	**1,501,848**	1,524,790
Total Assets	**$ 408,748,590**	$ 397,426,253
Liabilities and Members' Equity		
Liabilities		
Members' shares and savings accounts	**$ 371,491,787**	$ 364,727,330
Borrowings	**15,000,000**	-
Accounts payable and other liabilities	**2,241,839**	1,991,849
Accrued dividends payable	**35,732**	38,376
Total Liabilities	**388,769,358**	366,757,555
Members' Equity		
Regular reserve	**-**	3,460,845
Appropriated undivided earnings	**19,679,750**	19,679,750
Unappropriated undivided earnings	**16,877,246**	10,655,773
Accumulated other comprehensive loss	**(16,577,764)**	(3,127,670)
Total Members' Equity	**19,979,232**	30,668,698
Total Liabilities and Members' Equity	**$ 408,748,590**	$ 397,426,253

DEXSTA Federal Credit Union

Statement of Income

	Years Ended December 31, 2022	2021
Interest Income		
Loans receivable	**$ 11,440,663**	$ 9,890,178
Investments and interest bearing accounts	**1,065,213**	1,123,375
Total Interest Income	**12,505,876**	11,013,553
Interest Expense		
Dividends on members' shares and savings accounts	**1,075,710**	1,255,177
Interest on borrowed funds	**192,198**	3,476
Total Interest Expense	**1,267,908**	1,258,653
Net Interest Income	**11,237,968**	9,754,900
Provision for Possible Loan Losses	**1,508,000**	306,000
Net Interest Income after Provision for Possible Loan Losses	**9,729,968**	9,448,900
Noninterest Income		
Electronic card services	**2,056,446**	1,943,969
Rental income	**81,197**	77,365
Service fees	**621,441**	552,694
Share draft fees	**1,280,412**	946,686
Gain on sale of investments, net	**-**	110,760
Other investment income	**200,000**	-
Other	**668,693**	907,031
Total Noninterest Income	**4,908,189**	4,538,505
Noninterest Expenses		
Employee compensation	**4,032,934**	4,109,123
Employee benefits	**1,117,426**	1,059,153
Office occupancy	**775,387**	787,680
Office operations	**2,332,255**	2,119,404
Marketing and education	**139,825**	120,046
Electronic card services	**560,339**	447,225
Loan servicing	**473,175**	562,691
Professional and outside services	**1,863,291**	1,627,873
Other	**582,897**	517,796
Total Noninterest Expenses	**11,877,529**	11,350,991
Net Income	**$ 2,760,628**	$ 2,636,414

	Years Ended December 31,	
	2022	**2021**
Net Income	**$ 2,760,628**	$ 2,636,414
Other Comprehensive Loss		
Unrealized holding losses on securities available for sale arising during period, net	**(13,450,094)**	(2,835,698)
Reclassification adjustment for gains included in net income	**-**	(110,760)
Other Comprehensive Loss	**(13,450,094)**	(2,946,458)
Comprehensive Loss	**$ (10,689,466)**	$ (310,044)

	Restricted, Regular Reserve Fund	Undivided Earnings Appropriated	Undivided Earnings Unappropriated	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2020	$ 3,460,845	$ 19,679,750	$ 8,019,359	$ (181,212)	$ 30,978,742
Net income	-	-	2,636,414	-	2,636,414
Other comprehensive loss, net change in unrealized losses on securities available for sale	-	-	-	(2,946,458)	(2,946,458)
Balance at December 31, 2021	3,460,845	19,679,750	10,655,773	(3,127,670)	30,668,698
Net income	**-**	**-**	**2,760,628**	**-**	**2,760,628**
Transfer of regular reserves to undivided earnings	**(3,460,845)**	**-**	**3,460,845**	**-**	**-**
Other comprehensive loss, net change in unrealized losses on securities available for sale	**-**	**-**	**-**	**(13,450,094)**	**(13,450,094)**
Balance at December 31, 2022	**$ -**	**$ 19,679,750**	**$ 16,877,246**	**$ (16,577,764)**	**$ 19,979,232**

DEXSTA Federal Credit Union

Statement of Cash Flows

	Years Ended December 31, 2022	2021
Cash Flows from Operating Activities		
Net income	**$ 2,760,628**	$ 2,636,414
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	**409,525**	401,055
Amortization (accretion) on investments, net	**(10,839)**	(30,457)
Amortization of deferred loan origination fees and costs, net	**1,648,667**	1,477,685
Gain on sale of securities available for sale	**-**	(110,760)
Provision for possible loan losses	**1,508,000**	306,000
(Increase) decrease in assets		
Accrued interest receivable	**(156,878)**	(123,755)
Credit union owned life insurance	**(102,698)**	(102,216)
Prepaid expenses and other assets	**22,942**	61,916
Increase (decrease) in liabilities		
Accounts payable and other liabilities	**249,990**	251,841
Accrued dividends payable	**(2,644)**	(24,318)
Net Cash Provided by Operating Activities	**6,326,693**	4,743,405
Cash Flows from Investing Activities		
Net increase in loans to members	**(37,518,336)**	(46,414,194)
Purchase of securities available for sale	**-**	(36,536,000)
Proceeds from sale of securities available for sale	**-**	17,354,873
Proceeds from maturing securities available for sale	**3,646,840**	12,189,405
Net decrease in certificates of deposit	**-**	2,000,000
Net increase in NCUSIF deposit	**(204,234)**	(329,954)
Expenditures for property and equipment, net	**(1,196,420)**	(491,198)
Net Cash Used in Investing Activities	**(35,272,150)**	(52,227,068)
Cash Flows from Financing Activities		
Net increase in members' shares and savings accounts	**6,764,457**	20,729,349
Proceeds from borrowed funds	**75,727,211**	53,879,137
Repayment of borrowed funds	**(60,727,211)**	(53,879,137)
Net Cash Provided by Financing Activities	**21,764,457**	20,729,349
Net Decrease in Cash and Cash Equivalents	**(7,181,000)**	(26,754,314)
Cash and Cash Equivalents at Beginning of Year	**13,876,935**	40,631,249
Cash and Cash Equivalents at End of Year	**$ 6,695,935**	$ 13,876,935

	Years Ended December 31, 2022	2021
Supplemental Disclosures of Cash Flow Information		
Interest on borrowed funds	**$ 192,198**	$ 3,476
Dividends credited to members' shares and savings accounts	**$ 1,078,354**	$ 1,279,495
Change in unrealized losses on securities available for sale	**$ (13,450,094)**	$ (2,946,458)

Note 1 - Nature of Business

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

Note 2 - Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation and Accounting Estimates

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

Presentation of Cash Flows

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

Securities Available for Sale

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

Note 2 - Summary of Significant Accounting Policies (continued)

Securities Available for Sale (continued)

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

The Credit Union does not maintain a trading portfolio.

Loans

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

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

Loan Origination Fees and Costs

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Loan Origination Fees and Costs (continued)

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

Allowance for Loan Losses

The allowance for loan losses (ALL) is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

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

The Credit Union's allowance for possible loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss, and the levels of nonperforming loans when warranted. Specific ALL are established for large impaired loans on an individual basis. A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The specific allowance established for these loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral.

General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of one year historical charge-off experience and expected losses given default derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

Note 2 - Summary of Significant Accounting Policies (continued)

Allowance for Loan Losses (continued)

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR. As a practical expedient, the Credit Union sets a minimum principal balance, or impact, to evaluate whether a loan should be classified as a TDR, and subsequently monitored as such, because these loans, individually and in the aggregate, are not material to the financial statements.

The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

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

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

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Allowance for Loan Losses (continued)

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

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

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

NCUSIF Deposit

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

The Credit Union recognizes NCUSIF premiums when approved by the NCUA. During the years ended December 31, 2022 and 2021, there were no NCUSIF premiums due.

NCUSIF Insurance Premiums

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

Property and Equipment

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

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

Members' Shares and Savings Accounts

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in the annual elections of the Board of Directors and on other corporate matters. Irrespective of the amount of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends on members' shares are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates are set by the Credit Union's Board of Directors.

Members' Equity

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends. In accordance with the Federal Credit Union Act, the Board of Directors has the authority to provide for unusual expenses through an appropriation of undivided earnings. Unlike the regular reserve, the Board of Directors has the authority to transfer the balance in appropriated undivided earnings back to unappropriated undivided earnings.

Accumulated Other Comprehensive Income (Loss)

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

Revenue Recognition

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

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

Recently Adopted Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842),* and subsequently amended in ASU 2019-10 and ASU 2020-05. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months, regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard is effective for privately held companies for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The adoption of this standard was not material to the financial statements.

Recent Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 broadens the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The use of forecasted information incorporates more timely information in the estimate of expected credit loss, which will be more decision useful to users of the financial statements. ASU 2016-13 retains many of the disclosure amendments in ASU 2010-20, *Receivables (Topic 310): Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses*, updated to reflect the change from an incurred loss methodology to an expected credit loss methodology. ASU 2016-13 will be effective for the Credit Union for fiscal years beginning after December 15, 2022.

Note 3 - Cash and Cash Equivalents

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

	2022	2021
Cash on hand	**$ 1,459,281**	$ 1,562,135
Deposits in corporate federal credit union	**1,087,207**	8,891,673
Deposits with others	**4,149,447**	3,423,127
	$ 6,695,935	$ 13,876,935

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

Note 4 - Securities Available for Sale

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

2022	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Approximate Fair Value**
U.S. Governmental agency obligations	**$ 86,548,570**	**$ -**	**$ 12,127,012**	**$ 74,421,558**
U.S. Governmental agency mortgage-backed securities	**20,889,456**	**108**	**4,450,860**	**16,438,704**
Negotiable certificates of deposit	**993,000**	**-**	**-**	**993,000**
	$ 108,431,026	**$ 108**	**$ 16,577,872**	**$ 91,853,262**
2021				
U.S. Governmental agency obligations	$ 86,542,875	$ -	$ 2,206,237	$ 84,336,638
U.S. Governmental agency mortgage-backed securities	24,531,152	8,651	930,084	23,609,719
Negotiable certificates of deposit	993,000	-	-	993,000
	$ 112,067,027	$ 8,651	$ 3,136,321	$ 108,939,357

Note 4 - Securities Available for Sale (continued)

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

	2022		2021	
	Amortized Cost	**Fair Value**	**Amortized Cost**	**Fair Value**
Due within one year	**$ 2,000,000**	**$ 1,964,540**	$ -	$ -
Due after one year through five years	**50,972,082**	**44,900,099**	34,742,212	34,121,520
Due after five years through ten years	**34,569,488**	**28,549,919**	52,793,663	51,208,118
Mortgage-backed securities	**20,889,456**	**16,438,704**	24,531,152	23,609,719
	$ 108,431,026	**$ 91,853,262**	$ 112,067,027	$ 108,939,357

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

	Less Than Twelve Months		Greater Than Twelve Months	
2022	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**
U.S. Governmental agency obligations	**$ -**	**$ -**	**$ 12,127,012**	**$ 74,421,559**
U.S. Governmental agency mortgage-backed securities	**20,818**	**432,987**	**4,430,042**	**15,992,517**
	$ 20,818	**$ 432,987**	**$ 16,557,054**	**$ 90,414,076**
2021				
U.S. Governmental agency obligations	$ 811,793	$ 35,743,618	$ 1,394,444	$ 48,593,020
U.S. Governmental agency mortgage-backed securities	269,284	8,199,174	660,800	14,795,834
	$ 1,081,077	$ 43,942,792	$ 2,055,244	$ 63,388,854

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

Note 4 - Securities Available for Sale (continued)

At December 31, 2022, the 74 securities with unrealized losses have depreciated 15.43% from the Credit Union's amortized cost basis. The majority of these securities are either guaranteed by the U.S. Government or secured by mortgage loans. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, no declines are deemed to be other-than-temporary.

Note 5 - Loans to Members

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

	2022	2021
Real estate secured	$ 1,852,104	$ 2,152,067
Home equity and lines of credit	48,142,385	39,498,361
Vehicle secured	47,277,059	43,533,480
Vehicle secured, indirect lending	152,468,391	134,327,120
Credit cards	13,059,215	11,809,009
Share secured	609,214	644,071
Government guaranteed student loans	9,375	14,021
Private student loans	1,374,318	1,726,317
Unsecured	19,958,802	16,666,919
Gross loans	284,750,863	250,371,365
Add (deduct)		
Net deferred loan origination costs	3,298,361	2,913,975
Allowance for loan losses	(2,056,354)	(1,654,139)
Net loans	$ 285,992,870	$ 251,631,201

A summary of the activity in the ALL, by portfolio segment, is as follows for the years ended December 31:

2022	Beginning Balance	Loans Charged Off	Recoveries	Provision for Loan Losses	Ending Balance
Real estate secured	$ -	$ -	$ -	$ -	$ -
Home equity and lines of credit	197,307	(168,771)	40,289	94,744	163,569
Vehicle secured	224,968	(513,950)	208,538	721,233	640,789
Vehicle secured, indirect lending	688,787	(399,284)	353,497	(300,424)	342,576
Credit cards	172,662	(274,378)	42,769	392,423	333,476
Share secured	-	(202)	-	412	210
Government guaranteed student loans	-	-	-	-	-
Private student loans	71,331	-	2,020	(66,454)	6,897
Unsecured	299,084	(493,132)	96,819	666,066	568,837
	$ 1,654,139	$ (1,849,717)	$ 743,932	$ 1,508,000	$ 2,056,354

Note 5 - Loans to Members (continued)

2021	Beginning Balance	Loans Charged Off	Recoveries	Provision for Loan Losses	Ending Balance
Real estate secured	$ -	$ -	$ -	$ -	$ -
Home equity and lines of credit	207,225	(171,187)	83,837	77,432	197,307
Vehicle secured	289,640	(182,407)	85,908	31,827	224,968
Vehicle secured, indirect lending	690,791	(447,060)	310,923	134,133	688,787
Credit cards	295,583	(178,134)	41,623	13,590	172,662
Share secured	-	-	23	(23)	-
Government guaranteed student loans	-	-	-	-	-
Private student loans	67,033	(64,473)	2,305	66,466	71,331
Unsecured	556,105	(330,750)	91,154	(17,425)	299,084
	$ 2,106,377	$ (1,374,011)	$ 615,773	$ 306,000	$ 1,654,139

The Credit Union's ALL evaluation is predominately based on a collective review for impairment. The December 31, 2022 and 2021 ALL balance did not include any amount attributed to loans individually evaluated for impairment.

Credit Quality Indicators

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

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

Note 5 - Loans to Members (continued)

Credit Quality Indicators (continued)

2021	Current	Loans Past Due (Days) 31-60	61-90	90+ and Accruing	90+ Nonaccrual (Nonperforming)	Total
Real estate secured	$ 2,152,067	$ -	$ -	$ -	$ -	$ 2,152,067
Home equity and lines of credit	39,461,414	36,947	-	-	-	39,498,361
Vehicle secured	42,845,163	499,469	61,541	-	127,307	43,533,480
Vehicle secured, indirect lending	133,283,164	735,101	208,102	-	100,753	134,327,120
Credit cards	11,628,959	100,489	45,003	34,558	-	11,809,009
Share secured	644,045	-	26	-	-	644,071
Government guaranteed student loans	14,021	-	-	-	-	14,021
Private student loans	1,713,724	12,593	-	-	-	1,726,317
Unsecured	16,265,439	184,319	107,899	-	109,262	16,666,919
	$ 248,007,996	$ 1,568,918	$ 422,571	$ 34,558	$ 337,322	$ 250,371,365

The Credit Union ceases accrual on loans delinquent greater than 90 days except for student loans and credit cards. Unrecorded income on these nonaccrual loans was $40,911 and $9,323 at December 31, 2022 and 2021, respectively.

Impaired Loans

Key information for impaired loans is as follows at December 31:

2022	As of Year End: Unpaid Principal Balance	Recorded Investment	Specific Allowance	For the Year Ended: Average Recorded Investment
With No Related Allowance				
Home equity and lines of credit	**$ 213,986**	**$ 213,986**	**$ -**	**$ 30,569**
Vehicle secured	**561,540**	**561,540**	**-**	**14,777**
Vehicle secured, indirect lending	**545,943**	**545,943**	**-**	**11,868**
Credit cards	**106,184**	**106,184**	**-**	**3,218**
Private student loans	**5,118**	**5,118**	**-**	**2,559**
Unsecured	**538,692**	**538,692**	**-**	**4,452**
	$ 1,971,463	**$ 1,971,463**	**$ -**	

Note 5 - Loans to Members (continued)

Impaired Loans (continued)

2021	As of Year End			For the Year Ended
	Unpaid Principal Balance	Recorded Investment	Specific Allowance	Average Recorded Investment
With No Related Allowance				
Vehicle secured	$ 232,294	$ 232,294	$ -	$ 10,100
Vehicle secured, indirect lending	299,815	299,815	-	8,566
Credit cards	34,558	34,558	-	1,115
Unsecured	173,999	173,999	-	3,955
	$ 740,666	$ 740,666	$ -	

There were no impaired loans with a specific allowance as of December 31, 2022 and 2021.

Troubled Debt Restructurings

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

	Troubled Debt Restructurings			Troubled Debt Restructurings that Subsequently Defaulted		
2022	Number of Loans	Loan Balance	Specific Reserve	Number of Loans	Loan Balance	Specific Reserve
Vehicle secured	**15**	**$ 179,046**	**$ -**	**-**	**$ -**	**$ -**
Vehicle secured, indirect lending	**17**	**123,203**	**-**	**-**	**-**	**-**
Unsecured	**5**	**66,525**	**-**	**-**	**-**	**-**
	37	**$ 368,774**	**$ -**	**-**	**$ -**	**$ -**
2021						
Vehicle secured	12	$ 104,987	$ -	-	$ -	$ -
Vehicle secured, indirect lending	21	199,062	-	-	-	-
Unsecured	10	64,737	-	-	-	-
	43	$ 368,786	$ -	-	$ -	$ -

Note 6 - Accrued Interest Receivable

Accrued interest receivable consists of the following at December 31:

	2022	2021
Accrued interest on loans	**$ 790,464**	$ 629,548
Accrued income on investments	**206,352**	210,390
	$ 996,816	$ 839,938

Note 7 - Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Land and land improvements	**$ 2,913,719**	$ 2,913,719
Building and improvements	**6,763,760**	6,763,760
Furniture and equipment	**3,753,009**	3,753,009
Data processing equipment	**3,726,549**	3,743,384
Leasehold improvements	**442,904**	442,904
Construction in progress (estimated cost to complete $650,000)	**1,267,721**	54,467
	18,867,662	17,671,243
Accumulated depreciation and amortization	**(12,064,577)**	(11,655,053)
	$ 6,803,085	$ 6,016,190

Depreciation expense charged to operations was $409,525 and $401,055 for the years ended December 31, 2022 and 2021, respectively.

Note 8 - Vizo Financial Corporate Credit Union Perpetual Contributed Capital

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

Note 9 - Members' Shares and Savings Accounts

Composition of Members' Shares and Savings Accounts

	Rates at December 31, 2022	December 31, 2022	2021
Regular share	**0.00%-0.10%**	**$ 178,585,654**	$ 174,662,905
Money market	**0.00%-0.50%**	**56,927,214**	56,387,171
Share draft	**0.00%-1.00%**	**86,780,703**	84,400,380
IRA	**0.20%**	**2,067,531**	1,621,003
		324,361,102	317,071,459
Share and IRA certificates			
0.05% to 1.00%		**17,044,376**	18,517,715
1.01% to 2.00%		**2,716,803**	3,579,870
2.01% to 3.00%		**6,629,868**	9,579,385
3.01% to 3.46%		**20,739,638**	15,978,901
		47,130,685	47,655,871
		$ 371,491,787	$ 364,727,330

Scheduled Maturities of Members' Shares and Savings Accounts

	December 31, 2022	2021
No contractual maturity	**$ 324,361,102**	$ 317,071,459
Maturity within one year	**14,243,249**	13,208,203
Maturity within one to two years	**21,125,867**	10,623,851
Maturity within two through five years	**11,761,569**	23,823,817
	$ 371,491,787	$ 364,727,330

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

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

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

The aggregate amounts of members' shares and savings accounts in denominations of $250,000 or more were $95,004,821 and $84,370,277 at December 31, 2022 and 2021, respectively.

Note 10 - Borrowings

The Credit Union maintains a $20,000,000 line of credit with Vizo Financial at a rate to be determined by the lender when funds are borrowed, 4.25% at December 31, 2022. The Credit Union had no outstanding balances at December 31, 2022 and 2021. The line is collateralized by the Credit Union's loan portfolio.

The Credit Union maintains a $25,000,000 line of credit with the Royal Bank of Canada at a rate to be determined by the lender when funds are borrowed. The Credit Union has an outstanding balance of $15,000,000 and $-0- at December 31, 2022 and 2021, respectively. The line is collateralized by the Credit Union's Federal Agency Securities portfolio.

The Credit Union has a borrowing capacity of $4,000,000 with the Federal Reserve Bank discount window. Borrowings are collateralized by the Credit Union's investments, which are selected by the Federal Reserve upon request to borrow. The agreement does not have an established limit and borrowings are based on the fair market value of the collateral offered. There was no outstanding balance at December 31, 2022 and 2021.

Note 11 - Employee Benefit Plans

Pension Plan

The Credit Union has a defined contribution money purchase pension plan, which covers substantially all employees who meet eligibility requirements. The Credit Union contributes a percentage of eligible compensation. Contribution expense for 2022 and 2021 was $220,175 and $197,710, respectively.

Defined Contribution Plan

The Credit Union has a defined contribution plan qualifying under Section 401(k) of the Internal Revenue Code. This plan covers substantially all employees who meet eligibility requirements and deferrals are elective. The Credit Union matches 50% of the 6% of employee elective deferrals. Contribution expense for 2022 and 2021 was $87,592 and $79,448, respectively.

Note 11 - Employee Benefit Plans (continued)

Deferred Compensation Plans

Split Dollar Life Insurance

During the year ended December 31, 2016, the Credit Union entered into a split-dollar insurance agreement with four members of the Credit Union's management. The agreements were established as a collateral assignment arrangement between the Credit Union and those executives. Under the agreements, the executives are the owners of the life insurance policies and make a collateral assignment to the Credit Union in return for lending the executives the funds to pay the premiums on the policies. The loans to the four officers were made on May 31, 2016. The first year premiums were paid and the excess was deposited to a Credit Union share account. At the time of death, the Credit Union will be repaid the loan amount plus accrued interest by utilizing the value of the insurance policy. Due to the nonrecourse provisions of the agreements, the Credit Union periodically reviews the loans for impairment and, to the extent the loan carrying value exceeds the assigned collateral value, charges the difference to expense. The loan balances under these agreements were $6,150,001 as of December 31, 2022 and 2021. The cash value of the life insurance associated with these agreements was $6,099,051 and $5,386,454 at December 31, 2022 and 2021, respectively. The Credit Union share balances associated with these agreements were $-0- and $878,571 at December 31, 2022 and 2021, respectively. The difference between the outstanding loan balances and the associated collateral represents the potential exposure to the Credit Union associated with entering into these arrangements.

457(f) Deferred Compensation Plan

During the year ended December 31, 2016, the Credit Union established a nonqualified 457(f) deferred compensation plan for the benefit of certain members of management. The purpose of these plans is to allow members of management, whose participation in the Credit Union's pension and defined contribution 401(k) plans is limited by regulatory requirements, to realize retirement benefits at comparable levels to those of the remainder of employees. Under the terms of the plan, the Credit Union agrees to provide the executives with a defined benefit totaling $1,112,999 at the time of vesting. The vesting dates range from 2029 to 2031. The Credit Union accrues for this liability on a yearly basis. At December 31, 2022 and 2021, the total accrued liability for this plan was $347,158 and $278,115, respectively.

Note 12 - Credit Union Owned Life Insurance

The Credit Union is the owner and substantial beneficiary of several life insurance policies. The policies are recorded at cash surrender value, and increases or decreases in cash surrender values are included in other noninterest income. The cash value of the life insurance and contracts was $3,815,938 and $3,713,240 at December 31, 2022 and 2021, respectively.

Note 13 - Commitments and Contingencies

Legal Contingencies

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

Financial Instruments with Off-Balance Sheet Risk

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

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

2022	**Fixed Rate**	**Variable Rate**	**Total**
Home equity lines of credit	**$ -**	**$ 19,085,030**	**$ 19,085,030**
Credit cards	**-**	**35,667,449**	**35,667,449**
Share draft lines of credit	**-**	**1,404,028**	**1,404,028**
Overdraft protection	**8,279,712**	**-**	**8,279,712**
	$ 8,279,712	**$ 56,156,507**	**$ 64,436,219**
2021			
Home equity lines of credit	$ -	$ 12,603,600	$ 12,603,600
Credit cards	-	34,615,867	34,615,867
Share draft lines of credit	-	1,420,773	1,420,773
Overdraft protection	8,200,566	-	8,200,566
	$ 8,200,566	$ 48,640,240	$ 56,840,806

Financial Instruments with Concentrations of Credit Risk

Home Equity and Unsecured Lines of Credit

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

Note 13 - Commitments and Contingencies (continued)

Financial Instruments with Concentrations of Credit Risk (continued)

Credit Card Commitments

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

Overdraft Protection Program and Other Unfunded Commitments

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

Concentration by Geographic Location

The Credit Union has a significant concentration of loans to members located primarily in New Castle County, Delaware and Cecil County, Maryland. Although the Credit Union has a diversified loan portfolio, a substantial portion of its members' abilities to honor their contracts is dependent upon the effect of the local economy on the Credit Union's field of membership. See Note 6 for concentration by loan type.

Other Contingencies, Credit Risk

Financial Instruments with Concentrations of Credit Risk

Cash and Cash Equivalents

The Credit Union has deposit accounts with various financial institutions in addition to maintaining working cash on hand approximating $1,459,000 and $1,562,000 at December 31, 2022 and 2021, respectively. Amounts due from financial institutions may, at times, exceed federally insured limits.

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

Investment Securities

The Credit Union's investment securities are being held in accordance with the terms of safekeeping agreements with various brokers.

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

Note 14 - Related Party Transactions

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

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

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

Note 15 - Fair Value Measurements

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

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

The fair value hierarchy is as follows:

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

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

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

Note 15 - Fair Value Measurements (continued)

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

Securities Available for Sale

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

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

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

	Fair Value Measurements at December 31, 2021			
U.S. Governmental agency obligations	$ -	$ 84,336,638	$ -	$ 84,336,638
U.S. Governmental agency mortgage-backed securities	-	23,609,719	-	23,609,719
Negotiable certificates of deposit	-	993,000	-	993,000
	$ -	$ 108,939,357	$ -	$ 108,939,357

Note 16 - Capital Requirements

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

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined) to total assets (as defined).

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

As of December 31, 2022, the Credit Union's total assets are less than $500 million and, therefore, are not subject to the Risk-Based Capital Rule.

As of December 31, 2022, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

Note 16 - Capital Requirements (continued)

The Credit Union's actual capital amounts and ratios are also presented as follows at December 31:

	Actual		To be Adequately Capitalized under Prompt Corrective Action Provisions		To be Well Capitalized under Prompt Corrective Action Provisions	
2022	**Amount ***	**Ratio**	**Amount ***	**Ratio**	**Amount ***	**Ratio**
Net worth	**$ 36,557**	**8.94%**	**$ 24,525**	**6.00%**	**$ 28,612**	**7.00%**
2021						
Net worth	$ 33,796	8.50%	$ 23,846	6.00%	$ 27,820	7.00%

* (Dollars in thousands)

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

Note 17 - Subsequent Events

The Credit Union has evaluated subsequent events through February 27, 2023. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2022 were noted.

Board of Directors

Marie H. Davis
Chair

Joyce A. Kidd
Vice Chair

Fuji Le
Treasurer

David S. Marianelli
Assistant Treasurer

Regina U. Edmiston
Secretary

Crystal Berrien-Hutt
Assistant Secretary

Daniel F. Costa
Director

Kim Hall
Director

Richard Schneider
Director

Locations and Hours

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

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

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

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

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

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24/7
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