



*We keep it simple!*

Annual Report

2023

# Our Mission

To provide our members the tools to improve and simplify their financial lives.

2023 Annual Report  
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2023 Annual Report  
2024 Annual Meeting Agenda

ORDER OF BUSINESS

Ascertainment that a Quorum is Present

Reading of the previous year's Annual Meeting Minutes

Report of the President

Report of the Supervisory Committee

Unfinished Business

New Business

Elections

Adjournment

## 2023 Annual Report

### 2023 Annual Meeting Minutes – February 22, 2023

The 63<sup>rd</sup> annual meeting of the Medina County Federal Credit Union was attended by 16 members and Mr. Robert Schaefer of Demarchi and Associates, CPAs. The meeting was held at the Wadsworth Office.

#### **Call to Order**

The business meeting was called to order by Chairman Herrle at 5:00 pm.

#### **Determination of a Quorum**

Chairman Herrle called on Acting Secretary Ralph Berry for the determination of a quorum. Mr. Berry stated that a quorum was present.

#### **2022 Minutes**

Acting Secretary Berry moved to dispense with the reading of the minutes and to approve them as presented. Mr. Barry Ulrich seconded. MOTION CARRIED.

#### **President's Report**

Mr. Grimm stated that the President's Report was published in the Annual Report and that it be approved as presented. Ms. Lisa Earle seconded. MOTION CARRIED.

#### **Supervisory Committee's Report**

Committee Chairman Mrs. Jean Brown stated that the Supervisory Committee Report was published in the Annual Report and moved that it be approved as presented. Mr. Barry Ulrich seconded. MOTION CARRIED.

#### **Unfinished Business**

Chairman Herrle called for unfinished business. Hearing none, he proceeded to new business.

#### **New Business**

Chairman Herrle called for new business. Hearing none, he proceeded to the board elections.

#### **Elections**

Chairman Herrle called on the nominating committee for nominees for the expiring board terms. Committee Chair, Barry Ulrich reported that the board has three vacancies and that the committee places into nomination Bud Herrle, Sally Porter and Steve Donaldson. Chairman Herrle then called for nominations from the floor. Hearing none, he called for a motion to close the nominations and instruct the Secretary to cast a unanimous ballot for the slate of nominees. Mr. Barry Ulrich moved and Mr. Martin Robinson seconded. MOTION CARRIED.

**Adjournment** – The meeting was adjourned by Chairman Herrle at 5:04 pm.

2023 Annual Report  
Report of Officials

Board of Directors

|                            |                     |
|----------------------------|---------------------|
| Chairman of the Board      | Bud Herrle          |
| Vice Chairman of the Board | Martin D. Robinson  |
| Treasurer                  | Barry Ulrich        |
| Secretary                  | Sally Porter        |
| Director                   | Ralph A. Berry, Jr. |
| Director                   | Lisa Earle          |
| Director                   | Stephen D. Lange    |
| Director                   | Steven C. Donaldson |
| Director                   | Ellen Perry         |

Officers

|                |                  |
|----------------|------------------|
| President      | Pete Grimm       |
| Vice President | Jeanette Rickard |
| Vice President | Jeff Cuddy       |

Supervisory Committee

|                    |                     |
|--------------------|---------------------|
| Committee Chairman | Jean Brown          |
| Committee Member   | Edwin Hantzsche     |
| Committee Member   | Steven C. Donaldson |

## 2023 Annual Report

### President's Report

It is with great pleasure that I present to you our Credit Union's 2023 Annual Report. I encourage you to read through this year's report to learn about our strong financial performance marked by robust earnings. We have achieved record levels of assets under management and our strong capital position and prudent risk management practices continue to ensure the safety and stability of our Credit Union.

None of these achievements would have been possible without the collective efforts of our staff. I want to express my deepest appreciation to them for their hard work, dedication, and passion. Their commitment to our mission and vision has been instrumental in driving our success and enabling us to provide quality financial services to you. Last but certainly not least, I want to extend my heartfelt gratitude to you, our valued members. Your trust and loyalty have been the cornerstone of our success. I am deeply grateful for the privilege of serving you and remain committed to exceeding your expectations in the years to come.

However, amidst our achievements, it is crucial to address a concerning trend – the increase in fraudulent activities targeting financial institutions, including our Credit Union. Your security is our top priority, and while we implement measures to protect your accounts, we ask for your cooperation in combating this rising threat.

I urge you to stay vigilant and be cautious of suspicious emails, calls, or messages claiming to be from the Credit Union. Always verify the authenticity of any communication before sharing personal information. Remember, we will never request sensitive details such as passwords or PINs via email or phone call. Regularly review your accounts and take advantage of our online banking services to monitor transactions. Report any unauthorized activities promptly, as your swift response enables us to take immediate action to secure your accounts.

Your Board of Directors actively oversees operations, policies, and procedures, ensuring that the Credit Union remains on a solid course. It is important to note, that the Board and the members of the Supervisory Committee are volunteers and I want to take a moment to acknowledge their unwavering dedication. And yes, you read that correctly, the board serves without compensation, dedicating countless hours each year to ensure the prosperity of our Credit Union. Their selfless commitment speaks volumes about their passion for the financial well-being of our members and our community.

Looking ahead, I am filled with optimism and excitement for the future. In the near term, our Credit Union remains committed to evolving and adapting to meet your changing needs and in the long term, our goal is to maintain a strong financial institution that continues to support the growth and prosperity of our community.

## 2023 Annual Report

### Results of Operations and Selected Financial Data

Medina County Federal Credit Union's results of operations are determined by management's ability to effectively manage the Credit Union's assets and liabilities to the extent that loan losses are minimized and operational expenses are controlled. Reserves and undivided earnings are among the most significant indicators of a financial organization's soundness and the Credit Union's capital base (reserves) of \$13,600,674 with a net worth ratio of 11.34 percent, exemplifies our commitment to ensure the organization's ongoing financial viability.

The Asset / Liability Committee which is comprised of the Chairman and Vice Chairman of the Board, the Treasurer, the President and the Vice President meets quarterly to develop and review the Credit Union's Asset Liability Management Policy and goals. During this period of turbulent interest rates, the Committee has been especially focused on structuring the Credit Union's balance sheet in a manner which maximizes yields and yet minimizes the interest rate risk that is inherent in loans and securities with fixed rates and longer terms. Cash flow models that project interest rate risk in various interest rate environments are used for the investment decision process. Cash flow modeling and/or balance sheet shock simulation, use the industry standard of a +/- 300 basis point interest rate shock to evaluate projected cash flows and the impact to the net economic value of the reserves of the balance sheet. Balance sheet stress tests are prepared quarterly by Accolade Incorporated, an outside independent consulting firm that specializes in credit union balance sheet analysis.

The results of operations for the period ending December 31, 2023 are presented in this annual report to better enable our members to review management's effectiveness in managing the balance sheet of the Credit Union. The management of Medina County Federal Credit Union is responsible for the preparation and fair presentation of the statement of financial condition, as of December 31, 2023 and the related statements of income, changes in members' equity, and cash flows for the year ended. These financial statements have been prepared in conformity with the standards of the National Credit Union Administration as set forth in the Accounting Manual for Federal Credit Unions and in accordance with accounting principles generally accepted in the United States of America.

Below are various financial details with the percentage of change from the previous year:

|                            | 2023           | 2022           | % of Change |
|----------------------------|----------------|----------------|-------------|
| Shares                     | \$ 111,776,947 | \$ 110,410,739 | 1.2%        |
| Assets                     | 121,071,616    | 118,351,868    | 2.3%        |
| Loans Outstanding          | 66,045,695     | 62,647,005     | 5.4%        |
| Equity/Net Worth           | 13,600,674     | 12,559,497     | 8.3%        |
| Loan Interest Income       | 2,539,594      | 1,941,273      | 30.8%       |
| Investment Income          | 1,173,011      | 671,969        | 74.6%       |
| Non-Interest Income        | 968,241        | 1,034,534      | -6.4%       |
| Total Operating Income     | 4,680,846      | 3,647,776      | 28.3%       |
| Dividends                  | 448,833        | 102,883        | 336.3%      |
| Salaries and Benefits      | 1,230,281      | 1,093,361      | 12.5%       |
| Occupancy                  | 217,302        | 212,566        | 2.2%        |
| General and Administrative | 1,404,109      | 1,319,546      | 6.4%        |
| Total Operating Expense    | 2,851,692      | 2,625,473      | 8.6%        |
| Loan Loss Expense          | 130,116        | 1,398          | 9207.3%     |
| Net Income                 | 1,250,000      | 915,022        | 36.6%       |



## 2023 Annual Report Supervisory Committee Report

A supervisory committee audit shall occur at least once every calendar year as set forth in Section 715.4 of the National Credit Union Administration (NCUA) Rules and Regulations.

The following report covers the period of October 1, 2022 through September 30, 2023. For purposes of compliance with Section 715.4, this committee retained the services of Demarchi & Associates, independent, licensed certified public accountants. Demarchi & Associates, CPAs performed procedures, which were agreed to by management and the Supervisory Committee. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The Board of Directors and Management are responsible for ensuring that:

1. The Credit Union meets required financial reporting objectives; and
2. Establishes practices and procedures sufficient to safeguard members' assets.

The Committee has determined that:

1. Internal controls are established and effectively maintained to achieve the credit union's financial reporting objectives; and
2. The credit union's accounting records and financial reports are promptly prepared and accurately reflect operations and results; and
3. The relevant plans, policies, and control procedures established by the Board of Directors are properly administered; and
4. Policies and control procedures are sufficient to safeguard against error, carelessness, conflict of interest, self-dealing and fraud.

As a Federally insured financial institution, Medina County Federal Credit Union falls under the authority of the National Credit Union Administration (NCUA), an agency of the Federal government. Examiners from NCUA conducted a risk-focused examination of the Credit Union as of March 31, 2023. A risk-focused examination ensures compliance with federal regulatory requirements and evaluates the operations of the Credit Union in the areas of capital adequacy, asset quality, earnings and liquidity. Ultimately, the exam makes an evaluation of management's effectiveness in operating the Credit Union in a safe and sound manner.

## 2023 Annual Report

### Consolidated Statements of Financial Condition - Year Ended December 31, 2023

|   | 2023                  | 2022                  |
|---|-----------------------|-----------------------|
| <b>Assets</b>   |                       |                       |
| Cash and Cash Equivalents                                 | \$ 12,234,032         | \$ 10,143,679         |
| Investment Securities Held-to-Maturity                    | 7,100,305             | 1,844,305             |
| Investment Securities Available-for-Sale                  | 32,490,660            | 40,112,041            |
| Loans Receivable, Net of Allowance for Loan Losses        | 66,219,711            | 63,084,435            |
| Property and Equipment, Net of Allowance for Depreciation | 1,618,154             | 1,760,198             |
| NCUA Share Insurance Fund Deposit                         | 1,096,244             | 1,080,657             |
| Other Assets  | 312,510               | 326,553               |
|   | <u>121,071,616</u>    | <u>118,351,868</u>    |
| Total Assets  | <u>\$ 121,071,616</u> | <u>\$ 118,351,868</u> |
| <br><b>Liabilities and Members' Equity</b>                |                       |                       |
| <b>Liabilities</b>  |                       |                       |
| Members' Shares, Savings Accounts and Certificates        | \$ 111,776,947        | \$ 110,410,739        |
| Accrued Dividends Payable                                 | -                     | -                     |
| Accounts Payable and Other Liabilities                    | 688,419               | 362,098               |
|   | <u>112,465,366</u>    | <u>110,772,837</u>    |
| <br>Members' Equity, Substantially Restricted             |                       |                       |
| Reserves / Retained Earnings                              | 13,600,674            | 12,559,497            |
| Other Reserve Appropriations                              | -                     | -                     |
| Other Comprehensive Income                                |                       |                       |
| Unrealized Gain/(Loss) on Available-for-Sale Securities   | (4,994,424)           | (4,980,466)           |
|   | <u>8,606,250</u>      | <u>7,579,031</u>      |
| Total Liabilities and Members' Equity                     | <u>\$ 121,071,616</u> | <u>\$ 118,351,868</u> |

The accompanying notes are an integral part of these statements.

## 2023 Annual Report

### Consolidated Statements of Income - Year Ended December 31, 2023

|   | 2023                | 2022              |
|---|---------------------|-------------------|
| Interest Income                                     |                     |                   |
| Loans Receivable                                    | \$ 2,539,594        | \$ 1,941,273      |
| Income from Investments                             | <u>1,173,011</u>    | <u>671,969</u>    |
| Total Interest Income                               | 3,712,605           | 2,613,242         |
| Interest Expense                                    |                     |                   |
| Members' Shares, Savings Accounts and Certificates  | <u>449,038</u>      | <u>102,883</u>    |
| Net Interest Income                                 | 3,263,567           | 2,510,359         |
| Provision for Loan Losses                           | <u>130,116</u>      | <u>1,398</u>      |
| Net Interest Income after Provision for Loan Losses | <u>3,133,451</u>    | <u>2,508,961</u>  |
| Non-Interest Income                                 |                     |                   |
| Fees  | 449,803             | 523,162           |
| Gain on Sale of Investments                         | -                   | -                 |
| Loss on Sale of Equipment                           | -                   | -                 |
| Other Non Operating Income (Expense)                | -                   | -                 |
| Miscellaneous Operating Income                      | <u>518,438</u>      | <u>511,372</u>    |
| Total Non-Interest Income                           | <u>968,241</u>      | <u>1,034,534</u>  |
| Non-Interest Expense                                |                     |                   |
| Salaries and Benefits                               | 1,230,281           | 1,096,361         |
| Occupancy   | 217,302             | 212,566           |
| General and Administrative                          | 1,404,109           | 1,319,546         |
| Federal Deposit Insurance Assessment                | <u>-</u>            | <u>-</u>          |
| Total Non-Interest Expense                          | <u>2,851,692</u>    | <u>2,628,473</u>  |
| Net Income  | <u>\$ 1,250,000</u> | <u>\$ 915,022</u> |

The accompanying notes are an integral part of these statements.

## 2023 Annual Report

### Consolidated Statements of Cash Flows - Year Ended December 31, 2023

|  | 2023                 | 2022                 |
|--|----------------------|----------------------|
| Cash Flows From Operating Activities                     |                      |                      |
| Net Income   | \$ 1,250,000         | \$ 915,022           |
| Adjustments to Reconcile Net Income to Net Cash Provided |                      |                      |
| By Operating Activities:                                 |                      |                      |
| Depreciation   | 175,640              | 114,064              |
| Provision for Loan Losses                                | 130,116              | 1,398                |
| (Gain) Loss on Investments                               | -                    | -                    |
| Recoveries of Charged off Loans                          | 10,268               | 32,394               |
| Increase (Decrease) in Dividends Payable                 | 1,488                | 280                  |
| Decrease (Increase) in Accrued Interest Receivable       | (54,398)             | (31,730)             |
| Decrease (Increase) in Other Assets                      | 35,115               | (178,515)            |
| (Decrease) Increase in Accounts Payable and Accruals     | 324,833              | 4,054                |
| Total Adjustments  | <u>623,062</u>       | <u>(58,055)</u>      |
| Net Cash Provided From Operating Activities              | <u>1,873,062</u>     | <u>856,967</u>       |
| Cash Flows from Investment Activities                    |                      |                      |
| Proceeds from sales of Equipment - net                   | -                    | -                    |
| Proceeds from Sales of Investment Securities             | 8,871,276            | 7,364,023            |
| Purchases of Investment Securities                       | (6,519,854)          | (4,015,427)          |
| Principal Collected on Loans                             | 21,018,115           | 22,667,161           |
| Loans Made   | (24,469,272)         | (33,104,559)         |
| Capital Expenditures Made - net                          | (33,595)             | (36,911)             |
| (Increase) Decrease in Capitalization Deposits - net     | (15,587)             | (71,348)             |
| Net Cash Provided (Used) in Investment Activities        | <u>(1,148,917)</u>   | <u>(7,197,061)</u>   |
| Cash Flows From Financing Activities:                    |                      |                      |
| Proceeds from Checking Accounts                          | 263,284,418          | 239,172,463          |
| Payments Made for Checking Accounts                      | (262,375,472)        | (237,996,600)        |
| Proceeds from from Sale of Term Share Certificates       | 11,720,365           | 572,399              |
| Payments for Maturing Term Share Certificates            | (4,086,384)          | (664,006)            |
| Proceeds from All Other Share Account Purchases          | 120,130,826          | 88,069,399           |
| Payments Made for All Other Share Withdrawals            | (127,307,545)        | (82,430,086)         |
| Net Cash Provided by Financing Activities                | <u>1,366,208</u>     | <u>6,723,569</u>     |
| Net Increase or (Decrease) in Cash and Cash Equivalents  | 2,090,353            | 383,475              |
| Cash and Equivalents at Beginning of Year                | <u>10,143,679</u>    | <u>9,760,204</u>     |
| Cash and Equivalents at End of Year                      | <u>\$ 12,234,032</u> | <u>\$ 10,143,679</u> |

The accompanying notes are an integral part of these statements.

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### Consolidated Statements of Member's Equity - Year Ended December 31, 2023

|  | Retained<br>Earnings | Other Reserve<br>Appropriations | Other<br>Comprehensive<br>Income | Total        |
|--|----------------------|---------------------------------|----------------------------------|--------------|
| Balances, December 31, 2022                                      | \$ 12,559,497        | \$ -                            | \$ (4,980,466)                   | \$ 7,579,031 |
| Reserve Transfer   |                      |                                 |                                  |              |
| CECL One-time Adjustment   | (208,823)            |                                 |                                  | (208,823)    |
| Comprehensive Income   |                      |                                 |                                  |              |
| Net Income   | 1,250,000            |                                 |                                  | 1,250,000    |
| Other Comprehensive Income                                       |                      |                                 |                                  |              |
| Unrealized Gain/(Loss) on<br>Available-for-Sale Securities - net |                      |                                 | (13,958)                         | (13,958)     |
|  | \$ 13,600,674        | \$ -                            | \$ (4,994,424)                   | \$ 8,606,250 |

The accompanying notes are an integral part of these statements.

## 2023 Annual Report

Notes to Consolidated Financial Statements

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **NATURE OF BUSINESS**

Medina County Federal Credit Union operates three branches and provides a variety of banking services to its member/owners who may join the Credit Union by living, working, worshipping or educating in Medina County, Ohio. The Credit Union's prime mission is to accumulate savings in order to create a source of credit for our members for provident or productive purposes.

#### **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **INVESTMENTS**

Securities are classified as held-to-maturity (HTM) or available-for-sale (AFS) in accordance with ASC 320-10, Investments—Debt and Equity Securities. Securities classified as HTM are carried at cost, adjusted for the amortization of premiums and accretion of discounts. Management has the ability and intent to hold these securities to maturity. Securities classified as AFS are carried at fair value, with any unrealized gains and losses recorded as other comprehensive income (AOCI), which is a separate component of members' equity. See Note 3 for details. Gains and losses on dispositions are reflected in the Consolidated Statements of Income. For both HTM and AFS securities, interest income is recognized on the accrual basis, and premiums and discounts are amortized or accreted as an adjustment to interest income using the interest method (effective yield) for declining balance securities (mortgage-backed securities) and the straight-line method for debt securities.

#### **LOANS TO MEMBERS**

Loans are stated at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized over the term of the loan and is generally calculated using the simple interest method on principal amounts outstanding.

Mortgage loans are originated to conform to the standards of underwriting and documentation of the Federal National Mortgage Association (Fannie Mae). These mortgages could be available for sale into the secondary market. However, the Credit Union has positive intent to hold these mortgages to maturity.

#### **ALLOWANCE FOR CREDIT LOSSES**

This account represents the amount set aside by the Credit Union to absorb possible loan losses related to loans currently outstanding. The Allowance for credit losses is increased by charges to income and decreased by charged off loans (net of recoveries). Evaluation of adequacy is based on the current expected credit loss (CECL) model as prescribed by Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-13 which aims to provide for

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### Notes to Consolidated Financial Statements

more timely recognition of credit losses. Under CECL, the Credit Union measures impairment on the existing loan portfolio on the basis of the current estimate of contractual cash flows not expected to be collected. The estimate of expected credit losses is based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable supportable forecasts that affect the expected collectability of the assets' remaining contractual cash flows. Loans are placed on non-accrual when the loan is delinquent 90 days. Interest income on non-accrual loans is recognized only to the extent cash payments are received.

#### **NCUSIF DEPOSIT**

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration regulations, which require the maintenance of a deposit by each federally insured Credit Union 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.

#### **PROPERTY AND EQUIPMENT – FIXED ASSETS**

Land is carried at cost. Building, furniture and equipment are carried at cost, less accumulated depreciation. The building, furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Fixed assets are stated at net of depreciation.

#### **MEMBERS' SHARES**

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

#### **DIVIDEND EXPENSE**

The Board of Directors on a quarterly basis for regular share accounts prospectively sets the dividend rate and dividends are charged to the Statement of Income when declared.

#### **REGULAR RESERVE**

Medina County Federal Credit Union is required to maintain this statutory reserve in accordance with Section 116 of the Federal Credit Union Act. This required reserve is established by an appropriation of Undivided Earnings. These amounts are not available for the payment of dividends.

#### **INCOME TAXES**

The Credit Union is exempt from federal and state income taxes in accordance with Section 501(c)(1) of the Internal Revenue Code and Section 122 of the Federal Credit Union Act.

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Notes to Consolidated Financial Statements

### **NOTE 2 – CASH AND CASH EQUIVALENTS**

For purposes of balance sheet classification and the statement of cash flows, the Credit Union considers cash and cash equivalents to be cash on hand and demand deposits in other financial institutions.

|   |                     |
|---|---------------------|
| Cash on Hand  | \$ 1,095,449        |
| Cash on Deposit – Other Financial Institutions          | 110                 |
| Medina County Federal Credit Union – Checking           | 100,000             |
| Corporate One Federal Credit Union – Settlement Account | 2,478,546           |
| Corporate One Federal Credit Union – Sweep Account      | <u>8,559,927</u>    |
| Total Cash and Cash Equivalents                         | <u>\$12,234,032</u> |

### **NOTE 3 – INVESTMENTS**

The carrying value and approximate market value of investments are as follows:

|   | <u>Book<br/>Value</u> | <u>Fair<br/>Value</u> |
|---|-----------------------|-----------------------|
| a) Held-to-Maturity                                   |                       |                       |
| Negotiable Securities                                 | 2,248,000             | 2,248,000             |
| Non-ASC 320 Federally Insured Certificates of Deposit | 4,248,000             | 4,248,000             |
| Federal Home Loan Bank Capital Stock                  | 135,500               | 135,500               |
| Corporate One FCU Perpetual Capital                   | <u>468,805</u>        | <u>468,805</u>        |
| Total Held-to-Maturity Securities                     | <u>\$7,100,305</u>    | <u>\$7,100,305</u>    |
| b) Available-for-Sale                                 |                       |                       |
| U.S. Treasury Securities                              |                       |                       |
| Federal Agency Securities                             | 7,997,838             | 7,678,061             |
| Federal Agency Mortgage-Backed Securities             | 29,487,246            | 24,812,599            |
| Total Available-for-Sale Securities                   | <u>\$37,485,084</u>   | <u>\$32,490,660</u>   |

#### Corporate One Federal Credit Union Perpetual Capital

The Credit Union, as a member of Corporate One Federal Credit Union of Columbus, Ohio, is required to maintain a minimum capital investment with Corporate One FCU based on a formula developed by Corporate One that considers the Credit Union's total assets. Corporate One FCU perpetual capital is carried at cost, classified as a restricted security, and periodically evaluated for impairment. Perpetual capital dividends are reported as income.

#### Federal Home Loan Bank (FHLB) Stock

The Credit Union, as a member of the FHLB of Cincinnati, is required to maintain a minimum stock investment with the FHLB based on a formula developed by the FHLB that considers the Credit Union's total assets and outstanding



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### Notes to Consolidated Financial Statements

advances from the FHLB. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment. Both cash and stock dividends are reported as income.

#### **NOTE 4 – LOANS RECEIVABLE**

The composition of loans is as follows:

|  | <u>Carrying<br/>Value</u> |
|--|---------------------------|
| <b>Loans and Lines of Credit</b>               |                           |
| Unsecured Credit Card Loans                    | \$920,157                 |
| All Other Unsecured Loans                      | 441,915                   |
| Automobile Loans                               | 35,926,762                |
| All Other Secured Non-Real Estate Loans        | 2,135,977                 |
| Residential Mortgages Secured by a First Lien  | 10,727,361                |
| Residential Mortgages Secured by a Junior Lien | 4,507,423                 |
| All Other Real Estate Loans                    | 1,333,832                 |
| Commercial Loans Secured by Real Estate        | 9,768,695                 |
| All Other Commercial Loans                     | <u>854,328</u>            |
| Total Loans Receivable                         | <u>\$66,616,450</u>       |

Included in Loans Receivable at December 31, 2023 are nine (9) loans of \$199,877 to officers and directors of the Credit Union.

Real estate loans under the category of Residential Mortgages Secured by a First Lien have a maximum maturity of thirty years. Variable Rate Residential Mortgages reprice within three years or less.

#### **NOTE 5 – ALLOWANCE FOR CREDIT LOSS**

|   |                  |
|---|------------------|
| Balance – December 31, 2022                     | \$100,000        |
| Add:  |                  |
| CECL One-time Adjustment from Retained Earnings | 208,823          |
| Provision for Loan Loss Expense                 | 130,116          |
| Recoveries on Charged-off Loans                 | 10,268           |
| Less:   |                  |
| Charged-off Loans                               | <u>(52,468)</u>  |
| Balance – December 31, 2023                     | <u>\$396,739</u> |

#### **NOTE 6 – FIXED ASSETS, PROPERTY AND EQUIPMENT**

Fixed assets are summarized as follows:

|                         |         |                |
|-------------------------|---------|----------------|
| Land                    |         |                |
| Land – 1353 Reimer Road | 166,954 |                |
| Land – 3303 Medina Road | 128,160 |                |
| Total Land              |         | <u>295,114</u> |

## 2023 Annual Report

### Notes to Consolidated Financial Statements

#### Building

|                            |         |
|----------------------------|---------|
| 1353 Reimer Road           |         |
| Administration Wing        | 999,385 |
| Wadsworth Branch           | 295,802 |
| 3303 Medina Road           | 802,735 |
| Less:                      |         |
| Allowance for Depreciation | 922,684 |

Total Building - net 1,175,238

#### Furniture and Equipment:

|                            |         |
|----------------------------|---------|
| Administration             | 57,695  |
| Wadsworth Branch           | 68,198  |
| Medina Branch              | 102,661 |
| Brunswick Branch           | 36,230  |
| Less:                      |         |
| Allowance for Depreciation | 116,982 |

Total Furniture and Equipment - net 147,802

Total Property and Equipment \$1,618,154

#### **NOTE 7 – OTHER ASSETS**

|  |                  |
|--|------------------|
| Receivables                              | \$ -             |
| Accrued Interest Income on Loans         | 160,401          |
| Accrued Interest Income on Investments   | 83,509           |
| Assets Acquired in Liquidation           | -                |
| Prepaid Expenses                         | 66,047           |
| Delayed Principal Payments on Securities | 470              |
| Other Misc. Assets                       | <u>2,083</u>     |
| Total Other Assets                       | <u>\$312,510</u> |

#### **NOTE 8 – MEMBERS' SHARE AND SAVINGS ACCOUNTS**

|  |                      |
|--|----------------------|
| Regular Shares                             | \$58,121,084         |
| Checking                                   | 24,352,951           |
| Term Share Certificates                    | 9,788,023            |
| Money Market Shares                        | 16,305,214           |
| Individual Retirement Account (IRA) Shares | <u>3,209,675</u>     |
| Total Members Shares                       | <u>\$111,776,947</u> |

## 2023 Annual Report

Notes to Consolidated Financial Statements

### **NOTE 9 – 401(K) PLAN**

The Credit Union has a safe harbor 401(K) Plan for substantially all of its employees. The safe harbor plan requires the Credit Union to make a mandatory contribution of five percent (5%) of each plan participant's annual compensation.

### **NOTE 10 – OTHER COMMITMENTS AND CONTINGENCIES**

#### Legal

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

#### 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 and to reduce its own exposure to fluctuations in interest rates. These financial instruments are commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial condition.

The Credit Union's exposure to credit loss in the event of non-performance by the party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Credit Union uses the same credit policies in making commitments as it does for on-balance sheet instruments.

Off-balance sheet financial instruments whose contract amounts represent credit risk:

Unfunded Commitments:

|  |                     |
|--|---------------------|
| Revolving Open-End Lines of Credit<br>Secured by 1-4 Family Residential Properties       | \$ 8,336,609        |
| Credit Card Lines  | 4,742,043           |
| Business Loans, Commercial Real Estate,<br>Construction and Land Development             | 147,451             |
| Unsecured Checking Account Lines of Credit<br>including Overdraft Protection Commitments | <u>3,316,540</u>    |
| Total  | <u>\$16,542,643</u> |

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of these 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 residential properties and personal properties.

## 2023 Annual Report

Notes to Consolidated Financial Statements

### **NOTE 11 – LINES OF CREDIT AND BORROWED FUNDS**

#### Corporate Credit Union Line-of-Credit

As of December 31, 2023, the Credit Union had an unused line-of-credit with Corporate One Federal Credit Union. The terms of the agreement require the pledging of certain assets as security for obligations under this line-of-credit agreement. The interest rate terms under this line-of-credit agreement are variable. The total line-of-credit was \$10,000,000 as of December 31, 2022. There were no outstanding borrowings as of December 31, 2023.

#### Federal Home Loan Bank Line-of-Credit

As of December 31, 2023, the Credit Union established the ability to borrow \$27,759,878 from the FHLB of Cincinnati for liquidity needs. The Credit Union would need to pledge real estate loans and/or mortgage-backed securities in order to borrow. There were no items pledged nor any outstanding borrowings with the FHLB of Cincinnati as of December 31, 2023.

### **NOTE 12 – REGULATORY CAPITAL**

The Credit Union is subject to regulatory net worth ratio requirements administered by the NCUA. In addition, the NCUA has also established Risked Based Net Worth (RBNW) requirements for complex Credit Unions based on risk weighting formulas on specific assets, liabilities, and off-balance sheet items which qualify under the regulations. Failure to meet minimum net worth or RBNW 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.

As of December 31, 2023, the most recent call reporting period, the Credit Union is not classified as "complex" and is not subject to the risked based net worth requirements. Furthermore, 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 7.00% of assets. The Credit Union's net worth ratio as calculated by NCUA as of December 31, 2023, is 11.34%. There are no conditions or events since that notification that management believes have changed the institution's category.

### **NOTE 13 – SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 11, 2024, the date the financial statements were available to be issued. No events arose subsequent to year-end that did not already exist as of the date of the balance sheet.



**MEDINA COUNTY**  
\* \* \* \* \*  
**FEDERAL CREDIT UNION**

*We keep it simple!*

**PROUD TO BE A PART OF OUR COMMUNITY OVER 60 YEARS**

Medina County Federal Credit Union is a full-service financial institution dedicated to serving our members. As a not for profit financial institution, our earnings are returned to our members in the form of better rates and lower fees. We provide loans, savings, checking, online banking and many more financial services, and pride ourselves in our outstanding member service. If you reside, work, educate, or worship in Medina County, you are eligible for membership in the Credit Union.



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Brunswick, OH 44212



**MEDINA**  
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