



# Alcoa

**Pittsburgh Federal Credit Union**

*Providing Premium Financial Services*

## 2022 Annual Report

Annual Meeting

July 10, 2023



201 Isabella St Suite 100

Pittsburgh, PA 15212

Phone: 412-553-3100

Fax: 412-553-2464

Website: [WWW.AlcoaPittFCU.org](http://WWW.AlcoaPittFCU.org)

E-Mail: [Info@AlcoaPittFCU.org](mailto:Info@AlcoaPittFCU.org)

# Thanks For Attending

# Popa & Associates, PC

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ALCOA PITTSBURGH  
FEDERAL CREDIT UNION  
FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2022 and 20201  
TOGETHER WITH REPORT OF  
INDEPENDENT PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

Alcoa Pittsburgh Federal Credit Union  
30 Isabella Street  
Pittsburgh, PA 15212

To the Supervisory Committee, Board of Directors and Management:

We have audited the accompanying financial statements of Alcoa Pittsburgh Federal Credit Union, which comprise the balance sheet as of December 31, 2022 and 2021 and the related statements of income and comprehensive income, changes in members' equity, and cash flows for the twelve months then ended and the related notes to the financial statements.

### Management's Responsibility 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 financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alcoa Pittsburgh Federal Credit Union as of December 31, 2022, and 2021 and the results of its operations, and their cash flows for the twelve months then ended, in accordance with accounting principles generally accepted in the United States of America.

April 28, 2023

*Popa & Associates, P.C.*

Popa & Associates, P.C.  
Bethel Park, Pennsylvania

**ALCOA PITTSBURGH FEDERAL CREDIT UNION**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2022 AND DECEMBER 31, 2021**

| <b>Assets</b>                                   | <b><u>2022</u></b>          | <b><u>2021</u></b>          |
|---|-----------------------------|-----------------------------|
| Cash and cash equivalents                       | \$ 3,012,740                | \$ 4,765,304                |
| Time deposits                                   | 21,794,590                  | 21,536,562                  |
| Investment securities                           |                             |                             |
| Available for sale                              | 477,344                     | 272,440                     |
| Held-to-Maturity                                | 46,917                      | 55,428                      |
| Loans to members, net of allow. for loan losses | 11,609,187                  | 9,683,208                   |
| Accrued income receivable                       | 63,974                      | 42,198                      |
| Prepaid and deferred expenses                   | 26,538                      | 23,063                      |
| Property and equipment                          | 115                         | 1,329                       |
| NCUSIF deposit                                  | 313,270                     | 301,456                     |
| Other assets                                    | <u>368,796</u>              | <u>289,464</u>              |
| <b>Total Assets</b>                             | <b><u>\$ 37,713,471</u></b> | <b><u>\$ 36,970,452</u></b> |
| <br><b>Liabilities and Members' Equity</b>      |                             |                             |
| <b>Liabilities</b>                              |                             |                             |
| Members' shares and savings accounts            | \$ 32,681,919               | \$ 32,077,954               |
| Accrued interest payable                        | 4,882                       | 7,309                       |
| Accrued expenses and other liabilities          | <u>144,660</u>              | <u>103,676</u>              |
| <b>Total Liabilities</b>                        | <b><u>32,831,461</u></b>    | <b><u>32,188,939</u></b>    |
| <br><b>Members' Equity</b>                      |                             |                             |
| Regular statutory reserves                      | 461,259                     | 461,259                     |
| Undivided earnings                              | 4,179,531                   | 4,044,514                   |
| Equity Acquired in Merger                       | 275,740                     | 275,740                     |
| Net Unrealized Gain(Loss) on AFS Securities     | <u>(34,520)</u>             | <u>-</u>                    |
| Total Members' Equity                           | <u>4,882,010</u>            | <u>4,781,513</u>            |
| <b>Total Liabilities and Members' Equity</b>    | <b><u>\$ 37,713,471</u></b> | <b><u>\$ 36,970,452</u></b> |

See Accompanying Notes to Financial Statements

**ALCOA PITTSBURGH FEDERAL CREDIT UNION**  
**STATEMENT OF INCOME**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021**

|  | <u>2022</u>       | <u>2021</u>      |
|--|-------------------|------------------|
| <b>INTEREST INCOME</b>                                     |                   |                  |
| Loans receivable   | \$ 454,948        | \$ 425,575       |
| Investment securities                                      | <u>343,311</u>    | <u>308,816</u>   |
| <b>Total Interest Income</b>                               | <u>798,259</u>    | <u>734,391</u>   |
| <b>INTEREST EXPENSE</b>                                    |                   |                  |
| Members' shares and savings accounts                       | 52,142            | 39,896           |
| Interest on borrowed funds                                 | <u>-</u>          | <u>-</u>         |
|  | <u>52,142</u>     | <u>39,896</u>    |
| <b>Net interest income</b>                                 | 746,117           | 694,495          |
| <b>PROVISION FOR LOAN LOSSES</b>                           | <u>30,266</u>     | <u>855</u>       |
| <b>Net interest income after provision for loan losses</b> | 715,851           | 693,640          |
| <b>NON-INTEREST INCOME</b>                                 |                   |                  |
| (Losses)/gains on investments                              | -                 | -                |
| Fees and other miscellaneous income                        | 194,776           | 163,618          |
| NCUSIF Stabilization Income                                | -                 | -                |
| Other Non-operating Income (Expense)                       | <u>90,327</u>     | <u>20,252</u>    |
| <b>Total non-interest income</b>                           | 285,103           | 183,870          |
| <b>NON-INTEREST EXPENSE</b>                                |                   |                  |
| Compensation and benefits                                  | 325,399           | 315,604          |
| Other operating expenses                                   | 540,538           | 474,394          |
| NCUSIF Stabilization Expense                               | <u>-</u>          | <u>-</u>         |
| <b>Total non-interest expenses</b>                         | <u>865,937</u>    | <u>789,998</u>   |
| <b>Net income</b>  | <u>\$ 135,017</u> | <u>\$ 87,512</u> |

See Accompanying Notes to Financial Statements

**ALCOA PITTSBURGH FEDERAL CREDIT UNION**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021**

|   | <u><b>2022</b></u> | <u><b>2021</b></u> |
|---|--------------------|--------------------|
| Net Income  | \$ 135,017         | \$ 87,512          |
| Changes in net unrealized loss on securities available-for-sale | (34,520)           | -                  |
| Reclassification adjustment for losses realized                 | -                  | -                  |
| Total Comprehensive Income                                      | <u>\$ 100,497</u>  | <u>\$ 87,512</u>   |

See Accompanying Notes to Financial Statements

**ALCOA PITTSBURGH FEDERAL CREDIT UNION**  
**STATEMENT OF MEMBERS' EQUITY**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021**

|  | <b><u>Regular<br/>Reserve</u></b> | <b><u>Undivided<br/>Earnings</u></b> | <b><u>Equity<br/>Acquired in<br/>Merger</u></b> | <b><u>Unrealized<br/>Loss on<br/>Securities<br/>Available<br/>for Sale</u></b> | <b><u>Total</u></b> |
|--|-----------------------------------|--------------------------------------|---|--|---------------------|
| Balance at December 31, 2020                         | \$ 461,259                        | \$ 3,957,002                         | \$ 275,740                                      | \$ -   | \$ 4,694,001        |
| Net Income for twelve months ended December 31, 2021 |                                   | 87,512                               |   |  | 87,512              |
| Other transfers, net                                 |                                   |                                      | -   |  | -                   |
| Net unrealized loss on securities available for sale |                                   |                                      |   | -  | -                   |
| Adjustments to undivided earnings                    |                                   |                                      |   |  | -                   |
| Balance at December 31, 2021                         | <u>\$ 461,259</u>                 | <u>\$ 4,044,514</u>                  | <u>\$ 275,740</u>                               | <u>\$ -</u>  | <u>\$ 4,781,513</u> |
| Net Income for twelve months ended December 31, 2022 |                                   | 135,017                              |   |  | 135,017             |
| Other transfers, net                                 |                                   |                                      | -   |  | -                   |
| Net unrealized loss on securities available for sale |                                   |                                      |   | (34,520)   | (34,520)            |
| Adjustments to undivided earnings                    |                                   |                                      |   |  | -                   |
| Balance at December 31, 2022                         | <u>\$ 461,259</u>                 | <u>\$ 4,179,531</u>                  | <u>\$ 275,740</u>                               | <u>\$ (34,520)</u>   | <u>\$ 4,882,010</u> |

See Accompanying Notes to Financial Statements



**ALCOA PITTSBURGH FEDERAL CREDIT UNION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021**

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| <b>Cash Flows From Operating Activities:</b>                        |                     |                     |
| Net Income  | \$ 135,017          | \$ 87,512           |
| Adjustments to reconcile net income to cash provided by operations: |                     |                     |
| Depreciation and amortization                                       | 1,214               | 3,671               |
| Provision for loan losses   | 30,266              | 855                 |
| Recoveries of charged off loans                                     | 870                 | 100                 |
| Changes in assets and liabilities:                                  |                     |                     |
| Increase (decrease) in accrued interest receivable                  | (21,776)            | 5,531               |
| (Increase) in NCUSIF deposit  | (11,814)            | (24,437)            |
| Decrease (increase) in prepaid/deferred expenses                    | (3,475)             | (3,628)             |
| Increase (decrease) in other assets                                 | (79,332)            | (210,046)           |
| Decrease in accrued interest payable                                | (2,427)             | 789                 |
| Increase (decrease) in accrued expenses & liabilities               | <u>40,984</u>       | <u>(14,252)</u>     |
| Net cash provided by operating activities                           | <u>89,527</u>       | <u>(153,905)</u>    |
| <b>Cash Flows From Investing Activities:</b>                        |                     |                     |
| (Increase) Decrease in loans to members                             | (1,957,115)         | 374,218             |
| Purchases of time deposits  | (8,218,000)         | (4,473,000)         |
| Maturities of time deposits   | 7,959,972           | 3,042,887           |
| (Purchases) of available-for-sale securities                        | (239,424)           | (191,526)           |
| Maturities of Held-to-Maturity Securities                           | 8,511               | 30,708              |
| Acquisition of property and equipment                               | <u>-</u>            | <u>-</u>            |
| Net cash used in investing activities                               | <u>(2,446,056)</u>  | <u>(1,216,713)</u>  |
| <b>Cash Flows From Financing Activities:</b>                        |                     |                     |
| Equity acquired in merger   | -                   | -                   |
| Net increase (decrease) in member's shares                          | <u>603,965</u>      | <u>1,248,154</u>    |
| Net cash provided by financing activities                           | <u>603,965</u>      | <u>1,248,154</u>    |
| <b>Net Increase in Cash and Cash Equivalents</b>                    | (1,752,564)         | (122,464)           |
| <b>Cash and Cash Equivalents at beginning of year</b>               | <u>4,765,304</u>    | <u>4,887,768</u>    |
| <b>Cash and Cash Equivalents at end of year</b>                     | <u>\$ 3,012,740</u> | <u>\$ 4,765,304</u> |

See Accompanying Notes to Financial Statements

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

**Note 1 - Nature of Business and Significant Accounting Policies**

**Date of Management's Review of Subsequent Events-** Management has evaluated subsequent events through April 28, 2023, the date which the financial statements were available to be issued.

**Nature of Business-** Alcoa Pittsburgh Federal Credit Union's (the Credit Union) operations are related to holding deposits for and making loans to members of Alcoa Pittsburgh Federal Credit Union and their families.

**Use of Estimates-** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Cash Equivalents-** Cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less. Substantially all of the Credit Union's cash and cash equivalents are maintained at a limited number of financial institutions. No collateral or other security is provided on these deposits other than \$250,000 of deposits insured by the National Credit Union Share Insurance Fund (NCUSIF) and by the Federal Deposit Insurance Corporation (FDIC).

**Time Deposits-** Time deposits consist of certificates of deposit with various maturities.

**Investment Securities-** Equity securities not using the equity method are carried at estimated fair value based on information provided by a third-party pricing service with changes in fair value and realized gains or losses reported in noninterest Income. If fair value is not readily determinable, the equity security is carried at cost subject to adjustments for any observable market transactions on the same or similar instruments of the investee. All equity securities are evaluated at least annually for impairment. The Credit Union's equity securities have readily determinable fair values. Because changes in fair value are recorded as they occur, there is no expectation of a gain or loss on the sale of equity securities.

**Fair Value Measurements** – The Credit Union follows the guidance of FASB ASC 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurement*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

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

not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Credit Union's investments in debt securities are classified and accounted for as follows:

**Held-to-Maturity.** Government and government agency bonds, notes and certificates which the Credit union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period of maturity.

**Available-for-Sale.** Government and government agency bonds, notes and certificates are classified available-for-sale when the Credit Union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on debt securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. 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 (OTTI) losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) 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 recorded on the trade date and the costs of securities sold are determined using the specific identification method.

The Credit Union does not maintain a trading portfolio. Other investments are classified separately, stated at cost and subject to impairment.

**Loans to Members and Allowance for Loan Losses-** Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, which is adjusted monthly based on evaluations of the collectability of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan when the loan is 90 days delinquent.

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

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

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans.

**Loan Charge-Offs**-For consumer loans, the Credit Union generally fully or partially charges down to the fair value of collateral securing the assets when:

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- management judges the asset to be uncollectible;
  - repayment is deemed to be protracted beyond reasonable time frames;
  - the asset has been classified as a loss by either the Credit Union's internal loan review process or external examiners;
  - the members has filed bankruptcy and the loss becomes evident owing to a lack of assets;
- or
- the loan is 180 days past due unless both well secured and in the process of collection.

The Credit Union's charge-off policies by segment of the loan portfolio are as follows:

- *Real Estate* – The Credit Union general writes down to the net realizable value when the loan is 180 days past due.
- *Auto Loans* – The Credit Union generally fully or partially charges down to the net realizable value when the loan is 120 days past due.
- *Unsecured Loans* – The Credit Union general charges off when the loan is 90 days past due.
- *Credit Cards* – The Credit Union generally fully charges off when the loan is 90 days past due.
- *Member Business/Commercial Loans* – The Credit Union generally writes down to the net realizable value of collateral when the loan is 180 days past due or, if sooner, when a loss is confirmed.
- *Other Secured Loans* – The Credit Union generally fully or partially charges down to the net realizable value when the loan is 120 days past due.

In addition, the Credit Union generally fully charges off uncollectible trade receivables that have a commercial maturity of one year or less and arose from services provided when the receivable is 120 days past due.

**Troubled Debt Restructurings** – In situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession for other than an insignificant period of time to the member that the Credit Union would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness,

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

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

payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Credit Union grants the member new terms that provide for a reduction or either interest or principal, the Credit Union measures any impairment on the restructuring as previously noted for impaired loans.

In addition to the allowance for pooled portfolios, the Credit Union develops a separate allowance for loans that are identified as impaired through a TDR.

**Transfers of Financial Assets and Participating Interests** – The Credit Union accounts for transfers and servicing of financial assets in accordance with FASB ASC 860, *Transfers and Servicing*. Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) assets have been isolated from the Credit Union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred asset through an agreement to repurchase them before their maturity.

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

**Property and Equipment-** Property and equipment are stated at cost net of accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

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

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

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

**NCUSIF Insurance Premium-** 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.

**Foreclosed Assets-**Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs related to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost of fair value less cost to sell.

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

**Comprehensive Income (Loss)-**Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) that includes unrealized gains and losses on securities available for sale.

**Revenue Recognition-** In the ordinary course of business, the Credit union recognizes income from various revenue generating activities. Certain revenues are generated from contracts with members where such revenues are recognized when, or as, services or products are transferred to members for amounts to which the Credit Union expects to be entitled. Certain specific policies related to revenue recognition from contracts with members include:

**Service Fees-** Service fees include charges related to depository accounts under standard service agreements. Fees are generally recognized as services are delivered to or consumed by the customer or as penalties are assessed.

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

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

**Credit and Debit Card Revenue-** Credit and debit card revenue includes interchange fees from credit and debit cards processed through card association networks, annual fees, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Credit Union records interchange fees as services are provided. Transaction and account management fees are recognized as services are provided, except for annual fees which are recognized over the applicable period. The costs of related loyalty rewards programs are netted against interchange revenue as a direct cost of the revenue generating activity.

**Income Taxes-**The Credit Union is exempt, by statute, from federal income taxes and State Corporate Business tax.

**Advertising Costs-** Advertising and promotion costs, which totaled approximately \$13,242 and \$16,715 for the period ended December 31, 2022, and 2021, respectively, are expensed as incurred.

**Off-Balance-Sheet Credit Related Financial Instruments-**In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

**Fair Value Measurements-**The Credit Union follows the guidance of FASB ASC 825, Financial Instruments, and FASB ASC 820 Fair Value Measurement. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

**Accounting Standards Adopted in 2020 –** In May 2014, the FASB issued ASU 2014-09 *Revenue from Contracts with Customers* to replace a wide range of industry-specific rules with a broad, principles-based framework for recognizing and measuring revenue from contracts with customers. The guidance is codified at FASB ASC 606. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Credit Union's revenue is composed of net interest income and noninterest income. The scope of the guidance explicitly excludes net interest income, as well as many other revenues for financial assets and liabilities including loans, leases, securities and derivatives. Accordingly, the majority of the Credit Union's

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

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

revenues were not affected. Adoption of ASU 2014-09 was effective for the Credit Union on January 1, 2019. Services within the scope of FASB ASC 606 include deposit service fees and credit and debit card revenue.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The guidance changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. The guidance also changes certain disclosure requirements and other aspects of current accounting principles. Adoption of ASU 2016-01 which was effective for the Credit Union on January 1, 2019, did not have a material impact on the Credit Union's financial statements.

**Note 2 – Restrictions on Other Investments/Assets**

The Credit Union is required to maintain balances with a corporate credit union as membership shares that are uninsured and require a three-year notice before withdrawal. The balance of the membership shares account is based upon one percent of the Credit Union's year-end members' share balance and is adjusted annually on January 1 of each year. The Credit Union was also required to maintain other compensating balances with the corporate credit union in the amount of \$142,744 and \$142,744 at December 31, 2022 and 2021 respectively.

Equifax Card Solutions (Visa servicer) requires that the Credit Union maintain certain amounts in the Visa clearing account. The amount required is based on the volume of transactions and varies monthly. Deposits at December 31, 2022 and 2021 totaled \$104,871 and \$91,644, respectively.



Alcoa Pittsburgh Federal Credit Union  
Notes to Financial Statements

**Note 3 - Investment Securities**

Investment securities have been classified according to management's intent.  
The amortized cost of securities and their approximate fair values are as follows:

Investment Securities are as follows at:

**December 31, 2022**

| <u>Securities-available for sale</u> | <u>Amortized<br/>Cost</u> | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
|--------------------------------------|---------------------------|-----------------------------|------------------------------|-----------------------|
| US Government                        | -                         | -                           | -                            | -                     |
| Federal Agency                       | 511,864                   | -                           | (34,520)                     | 477,344               |
| Total                                | \$ 511,864                | \$ -                        | \$ (34,520)                  | \$ 477,344            |

| <u>Securities-held to maturity</u> | <u>Amortized<br/>Cost</u> | <u>Gross<br/>Unrealized<br/>Gains</u> | <u>Gross<br/>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
|------------------------------------|---------------------------|---------------------------------------|--|-----------------------|
| US Government                      | -                         | -                                     | -                                      | -                     |
| Federal Agency                     | 46,917                    | 1,463                                 | (3,619)                                | 44,761                |
| Total                              | \$ 46,917                 | \$ 1,463                              | \$ (3,619)                             | \$ 44,761             |

Investment Securities are as follows at:

**December 31, 2021**

| <u>Securities-available for sale</u> | <u>Amortized<br/>Cost</u> | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
|--------------------------------------|---------------------------|-----------------------------|------------------------------|-----------------------|
| US Government                        | -                         | -                           | -                            | -                     |
| Federal Agency                       | 272,440                   | -                           | -                            | 272,440               |
| Total                                | \$ 272,440                | \$ -                        | \$ -                         | \$ 272,440            |

Alcoa Pittsburgh Federal Credit Union  
Notes to Financial Statements

**Note 3 - Investment Securities**

| <u>Securities-held to maturity</u> | <u>Amortized<br/>Cost</u> | <u>Gross<br/>Unrealized<br/>Gains</u> | <u>Gross<br/>Unrealized<br/>Losses</u> | <u>Fair<br/>Value</u> |
|------------------------------------|---------------------------|---------------------------------------|--|-----------------------|
| US Government                      | -                         | -                                     | -                                      | -                     |
| Federal Agency                     | 55,428                    | 3,797                                 | (1,483)                                | 57,742                |
|                                    |                           |                                       |  |                       |
| Total                              | \$ 55,428                 | \$ 3,797                              | \$ (1,483)                             | \$ 57,742             |

The following is a summary of maturities of investment securities as of:

**December 31, 2022**

| Accounts Maturing in:             | <u>HELD TO MATURITY</u> |                   | <u>AVAILABLE FOR SALE</u> |                   |
|-----------------------------------|-------------------------|-------------------|---------------------------|-------------------|
|                                   | <u>Amortized Cost</u>   | <u>Fair Value</u> | <u>Amortized Cost</u>     | <u>Fair Value</u> |
| Due in one year or less           | -                       | -                 | 511,864                   | 477,344           |
| Due from one year to five years   | -                       | -                 | -                         | -                 |
| Due after five years to ten years | -                       | -                 | -                         | -                 |
| Due after ten years               | 46,917                  | 44,761            | -                         | -                 |
|                                   |                         |                   |                           |                   |
| <b>Totals</b>                     | \$ 46,917               | \$ 44,761         | \$ 511,864                | \$ 477,344        |

The following is a summary of maturities of investment securities as of:

**December 31, 2021**

| Accounts Maturing in:             | <u>HELD TO MATURITY</u> |                   | <u>AVAILABLE FOR SALE</u> |                   |
|-----------------------------------|-------------------------|-------------------|---------------------------|-------------------|
|                                   | <u>Amortized Cost</u>   | <u>Fair Value</u> | <u>Amortized Cost</u>     | <u>Fair Value</u> |
| Due in one year or less           | -                       | -                 | 272,440                   | 272,440           |
| Due from one year to five years   | -                       | -                 | -                         | -                 |
| Due after five years to ten years | -                       | -                 | -                         | -                 |
| Due after ten years               | 55,428                  | 57,742            | -                         | -                 |
|                                   |                         |                   |                           |                   |
| <b>Totals</b>                     | \$ 55,428               | \$ 57,742         | \$ 272,440                | \$ 272,440        |

Alcoa Pittsburgh Federal Credit Union  
Notes to Financial Statements

**Note 3 - Investment Securities**

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

**December 31, 2022**

**Securities-available for sale**

|                | Less Than 12 Months  |                                      | 12 Months or Greater |                                      | Total                |                                      |
|----------------|----------------------|--------------------------------------|----------------------|--------------------------------------|----------------------|--------------------------------------|
|                | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> |
| US Government  | -                    | -                                    | -                    | -                                    | -                    | -                                    |
| Federal Agency | <u>477,344</u>       | <u>(34,520)</u>                      | -                    | -                                    | <u>477,344</u>       | <u>(34,520)</u>                      |
| <b>Totals</b>  | \$ 477,344           | \$ (34,520)                          | \$ -                 | \$ -                                 | \$ 477,344           | \$ (34,520)                          |

**Securities-held to maturity**

|                | Less Than 12 Months  |                                      | 12 Months or Greater |                                      | Total                |                                      |
|----------------|----------------------|--------------------------------------|----------------------|--------------------------------------|----------------------|--------------------------------------|
|                | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> |
| US Government  | -                    | -                                    | -                    | -                                    | -                    | -                                    |
| Federal Agency | <u>24,342</u>        | <u>(927)</u>                         | <u>20,419</u>        | <u>(2,693)</u>                       | <u>44,761</u>        | <u>(3,619)</u>                       |
| <b>Total</b>   | \$ 24,342            | \$ (927)                             | \$ 20,419            | \$ (2,693)                           | \$ 44,761            | \$ (3,619)                           |

Alcoa Pittsburgh Federal Credit Union  
Notes to Financial Statements

**Note 3 - Investment Securities**

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

**December 31, 2021**

**Securities-available for sale**

|                | Less Than 12 Months  |                                      | 12 Months or Greater |                                      | Total                |                                      |
|----------------|----------------------|--------------------------------------|----------------------|--------------------------------------|----------------------|--------------------------------------|
|                | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> |
| US Government  | -                    | -                                    | -                    | -                                    | -                    | -                                    |
| Federal Agency | -                    | -                                    | -                    | -                                    | -                    | -                                    |
| <b>Totals</b>  | \$ -                 | \$ -                                 | \$ -                 | \$ -                                 | \$ -                 | \$ -                                 |

**Securities-held to maturity**

|                | Less Than 12 Months  |                                      | 12 Months or Greater |                                      | Total                |                                      |
|----------------|----------------------|--------------------------------------|----------------------|--------------------------------------|----------------------|--------------------------------------|
|                | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> | Fair<br><u>Value</u> | Gross<br>Unrealized<br><u>Losses</u> |
| US Government  | -                    | -                                    | -                    | -                                    | -                    | -                                    |
| Federal Agency | -                    | -                                    | 26,736               | (1,483)                              | 26,736               | (1,483)                              |
| <b>Total</b>   | \$ -                 | \$ -                                 | \$ 26,736            | \$ (1,483)                           | \$ 26,736            | \$ (1,483)                           |

Alcoa Pittsburgh Federal Credit Union  
Notes to Financial Statements

**Note 4 - Loans to Members**

Composition of loans to members at  
December 31, 2022 and December 31, 2021 is as follows:

|                                      | <u>12/31/2022</u>    | <u>12/31/2021</u>   |
|--------------------------------------|----------------------|---------------------|
| Unsecured Credit Card Loans          | \$ 1,227,913         | \$ 1,119,630        |
| All Other Unsecured Loans            | 951,428              | 726,499             |
| Short-term, Small Amount Loans       | 9,013                | 4,051               |
| New Vehicle Loans                    | 1,843,853            | 1,269,751           |
| Used Vehicle Loans                   | 2,595,662            | 1,807,267           |
| Total 1st Mortgage Real Estate Loans | 3,400,452            | 3,601,373           |
| Total Other Real Estate Loans        | 1,579,297            | 1,134,088           |
| Total All Other Loans                | 77,505               | 81,303              |
| <br>                                 |                      |                     |
| Gross Loans                          | 11,685,123           | 9,743,962           |
| <br>                                 |                      |                     |
| Less: Allow. for Loan Losses         | (75,936)             | (60,754)            |
| <br>                                 |                      |                     |
| Loans net of allowance for loan loss | <u>\$ 11,609,187</u> | <u>\$ 9,683,208</u> |

Alcoa Pittsburgh Federal Credit Union  
Notes to Financial Statements

**Note 4 - Loans to Members - (continued)**

Allowance of Loan Losses and Recorded Investments in Loans  
For the Period Ended December 31, 2022

| Summary of changes in the Allowance for Loan Losses is as follows: | Unsecured<br>Credit Card<br><u>Loans</u> | Vehicle<br><u>Loans</u> | Real Estate<br><u>Loans</u> | All Other<br><u>Loans</u> | <u>Total</u>     |
|--|--|-------------------------|-----------------------------|---------------------------|------------------|
| Balance-beginning  | \$ 17,139                                | \$ 14,920               | \$ 16,067                   | \$ 12,628                 | \$ 60,754        |
| Provision charged to operations                                    | 17,222                                   | 4,653                   | (1,923)                     | 10,314                    | 30,266           |
| Loans charged off  | (15,599)                                 | -                       | -                           | (355)                     | (15,954)         |
| Recoveries on charged off loans                                    | 334                                      | -                       | -                           | 535                       | 870              |
| Balance - ending   | <u>\$ 19,096</u>                         | <u>\$ 19,573</u>        | <u>\$ 14,144</u>            | <u>\$ 23,123</u>          | <u>\$ 75,936</u> |
| Ending balance: individually evaluated for impairment              | <u>-</u>                                 | <u>-</u>                | <u>-</u>                    | <u>-</u>                  | <u>-</u>         |
| Ending balance: collectively evaluated for impairment              | <u>19,096</u>                            | <u>19,573</u>           | <u>14,144</u>               | <u>23,123</u>             | <u>75,936</u>    |

Allowance of Loan Losses and Recorded Investments in Loans  
For the Year Ended December 31, 2021

| Summary of changes in the Allowance for Loan Losses is as follows: | Unsecured<br>Credit Card<br><u>Loans</u> | Vehicle<br><u>Loans</u> | Real Estate<br><u>Loans</u> | All Other<br><u>Loans</u> | <u>Total</u>     |
|--|--|-------------------------|-----------------------------|---------------------------|------------------|
| Balance-beginning  | \$ 24,511                                | \$ 14,526               | \$ 16,872                   | \$ 22,537                 | \$ 78,446        |
| Provision charged to operations                                    | 7,320                                    | 394                     | (805)                       | (6,054)                   | 855              |
| Loans charged off  | (14,692)                                 | -                       | -                           | (3,955)                   | (18,647)         |
| Recoveries on charged off loans                                    | -  | -                       | -                           | 100                       | 100              |
| Balance - ending   | <u>\$ 17,139</u>                         | <u>\$ 14,920</u>        | <u>\$ 16,067</u>            | <u>\$ 12,628</u>          | <u>\$ 60,754</u> |
| Ending balance: individually evaluated for impairment              | <u>-</u>                                 | <u>-</u>                | <u>-</u>                    | <u>-</u>                  | <u>-</u>         |
| Ending balance: collectively evaluated for impairment              | <u>17,139</u>                            | <u>14,920</u>           | <u>16,067</u>               | <u>12,628</u>             | <u>60,754</u>    |

Alcoa Pittsburgh Federal Credit Union  
Notes to Financial Statements

**Note 4 - Loans to Members - (continued)**

Credit Quality Information  
Age Analysis of Past Due Loans to Members by Class of Loan to Member  
As of December 31, 2022

|                                | 30-59<br>Days Past<br><u>Due</u> | 60-179<br>Days Past<br><u>Due</u> | 180-359<br>Days Past<br><u>Due</u> | >=360<br>Days Past<br><u>Due</u> | Total Past<br><u>Due</u> | <u>Current</u>       | Total<br>Loans to<br><u>Members</u> |
|--------------------------------|----------------------------------|-----------------------------------|------------------------------------|----------------------------------|--------------------------|----------------------|-------------------------------------|
| Unsecured Credit Card Loans    | \$ 613                           | \$ 1,368                          | \$ -                               | \$ -                             | \$ 1,981                 | \$ 1,225,932         | \$ 1,227,913                        |
| Payday Alternative Loans       | -                                | 76                                | -                                  | -                                | 76                       | 8,937                | 9,013                               |
| New Vehicle Loans              | -                                | -                                 | -                                  | -                                | -                        | 1,843,853            | 1,843,853                           |
| Used Vehicle Loans             | 20,822                           | 42,800                            | -                                  | -                                | 63,622                   | 2,532,040            | 2,595,662                           |
| 1st Mortgage Real Estate Loans | -                                | -                                 | -                                  | -                                | -                        | 3,400,452            | 3,400,452                           |
| Other Real Estate Loans        | -                                | -                                 | -                                  | -                                | -                        | 1,579,297            | 1,579,297                           |
| All Other Loans                | 2,060                            | 26,323                            | 2,122                              | 2,843                            | 33,348                   | 995,585              | 1,028,933                           |
| <b>Total</b>                   | <b>\$ 23,495</b>                 | <b>\$ 70,567</b>                  | <b>\$ 2,122</b>                    | <b>\$ 2,843</b>                  | <b>\$ 99,027</b>         | <b>\$ 11,586,096</b> | <b>\$ 11,685,123</b>                |

Credit Quality Information  
Age Analysis of Past Due Loans to Members by Class of Loan to Member  
As of December 31, 2021

|                                | 30-59<br>Days Past<br><u>Due</u> | 60-179<br>Days Past<br><u>Due</u> | 180-359<br>Days Past<br><u>Due</u> | >=360<br>Days Past<br><u>Due</u> | Total Past<br><u>Due</u> | <u>Current</u>       | Total<br>Loans to<br><u>Members</u> |
|--------------------------------|----------------------------------|-----------------------------------|------------------------------------|----------------------------------|--------------------------|----------------------|-------------------------------------|
| Unsecured Credit Card Loans    | \$ 12,772                        | \$ -                              | \$ 5,116                           | \$ -                             | \$ 17,888                | \$ 1,210,025         | \$ 1,119,630                        |
| Payday Alternative Loans       | 430                              | 642                               | -                                  | -                                | 1,072                    | 7,941                | \$ 4,051                            |
| New Vehicle Loans              | 12,908                           | -                                 | -                                  | -                                | 12,908                   | 1,830,945            | \$ 1,269,751                        |
| Used Vehicle Loans             | 36,167                           | 10,612                            | 8,014                              | -                                | 54,793                   | 2,540,869            | \$ 1,807,267                        |
| 1st Mortgage Real Estate Loans | 22,965                           | -                                 | -                                  | -                                | 22,965                   | 3,377,487            | \$ 3,601,373                        |
| Other Real Estate Loans        | -                                | -                                 | -                                  | -                                | -                        | 1,579,297            | \$ 1,134,088                        |
| All Other Loans                | -                                | 4,743                             | 2,156                              | -                                | 6,899                    | 1,022,034            | \$ 807,802                          |
| <b>Total</b>                   | <b>\$ 85,242</b>                 | <b>\$ 15,997</b>                  | <b>\$ 15,286</b>                   | <b>\$ -</b>                      | <b>\$ 116,525</b>        | <b>\$ 11,568,598</b> | <b>\$ 9,743,962</b>                 |

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

**Note 4 – Loans to Members – (continued)**

ALLOWANCE FOR LOAN LOSSES - The Credit Union has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Credit Union's portfolio. For purposes of determining the allowance for loan losses, the Credit Union segments certain loans in its portfolio by product type. The Credit Union's loans are segmented into the following pools: auto, real estate, consumer secured and consumer unsecured portfolios. The Credit Union also sub-segments three of these segments into classes based on the associated risks within those segments. Auto loans are divided into the following three classes: (a) new autos, (b) used autos, and (c) indirect auto loans. Real estate loans are divided into two classes: (a) 30 year mortgages, and (b) home equity loans and other mortgages. In addition, consumer unsecured loans are divided into three classes: (a) unsecured loans with less than one year maturity, (b) credit cards, and (c) unsecured loans with two to five year maturities. Each class of loan requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The Credit Union uses both internally developed and vendor supplied models in this process. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions the Credit Union uses to determine the allowance are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented. The Credit Union uses 24 months historical loss percentage for all loans.

**Note 5 - Property and Equipment**

Depreciation included in the determination of net earnings for the twelve (12) months ended December 31, 2022 and 2021 amounted to \$1,214 and \$3,672, respectively.

The principal category of equipment may be summarized as follows:

|   | <u>2022</u>   | <u>2021</u>    |
|---|---------------|----------------|
| Furniture and Equipment                         | 73,104        | 73,104         |
| Leasehold Improvements                          | -             | -              |
| Total Fixed Assets                              | <u>73,104</u> | <u>73,104</u>  |
| Accumulated Depreciation-Furniture & Fixtures   | (72,989)      | (71,775)       |
| Accumulated Depreciation-Leasehold Improvements | -             | -              |
| Total Accumulated Depreciation                  | (72,989)      | (71,775)       |
| Net Book Value                                  | <u>\$115</u>  | <u>\$1,329</u> |



**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

**Note 6 - Borrowed Funds**

The Credit Union maintains a \$1,500,000 line-of-credit at Vizo Financial Corporate FCU. The lending rate varies daily. At December 31, 2022 and 2021, there were no outstanding balances on the line-of-credit. The line is collateralized substantially by all of the credit union's assets.

**Note 7 – Members Shares and Savings Accounts**

|                    | 2022                |   | 2021                |   |
|--------------------|---------------------|---|---------------------|---|
|                    | Amount              | Weighted<br>Average<br>Interest<br>Rate | Amount              | Weighted<br>Average<br>Interest<br>Rate |
| Shares             | \$21,985,009        | 0.10%                                   | \$23,108,132        | 0.10%                                   |
| Share Drafts       | 7,150,036           | 0.05%                                   | 6,049,905           | 0.05%                                   |
| IRA/SEP            | 898,224             | 0.52%                                   | 954,787             | 0.30%                                   |
| Share Certificates | 2,034,559           | 0.25%                                   | 1,307,330           | 0.25%                                   |
| Club Accounts      | <u>614,091</u>      | 0.10%                                   | <u>657,800</u>      | 0.10%                                   |
| Total              | <u>\$32,681,919</u> |   | <u>\$32,077,954</u> |   |

Interest expense on members' shares and savings accounts paid for the twelve months ended December 31, 2022, and 2021, amounted to \$52,142 and \$39,896, respectively.

The aggregate amount of share and savings accounts over \$250,000 at December 31, 2022 was \$948,612. The aggregate amount of share and savings accounts over \$250,000 at December 31, 2021 was \$750,934.

**Note 8 – Capital Requirement**

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

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). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. Management believes, as of December

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

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

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

The Credit Union’s actual capital amounts and ratios at December 31, 2022 and 2021 are also presented in the table:

|                          | Actual        |              | To Be Adequately Capitalized Under Prompt Corrective Action Provisions |              | To Be Well Capitalized Under Prompt Corrective Action Provisions |              |
|--------------------------|---------------|--------------|--|--------------|--|--------------|
|                          | <u>Amount</u> | <u>Ratio</u> | <u>Amount</u>  | <u>Ratio</u> | <u>Amount</u>  | <u>Ratio</u> |
| <u>December 31, 2022</u> |               |              |  |              |  |              |
| Net Worth                | 4,916,530     | 13.04%       | 2,262,732  | 6%           | 2,639,854  | 7%           |
| <u>December 31, 2021</u> |               |              |  |              |  |              |
| Net Worth                | 4,781,513     | 12.93%       | 2,218,152  | 6%           | 2,587,844  | 7%           |

**Note 9 - Related Party Transactions**

In the normal course of business, the Credit Union extends credits to directors, supervisory committee members and executive officers. The aggregate loans at December 31, 2022 and 2021 are \$147,459 and \$115,908, respectively. Deposits from related parties at December 31, 2022 and 2021 amounted to \$1,141,243 and \$1,405,835, respectively.

**Note 10 - Commitments and Contingent Liabilities**

**Loan Commitments-** At December 31, 2022 and 2021, the Credit Union had outstanding commitments for unused lines-of-credit of approximately \$6,576,555 and \$6,706,796, respectively.

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members. These financial instruments include commitments to extend credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial position. The contract or notional amounts of those instruments reflect the extent of involvement the Credit Union has in particular classes of financial instruments.

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

**Note 10 - Commitments and Contingent Liabilities-continued**

The Credit Union's exposure to credit loss in the event of nonperformance by the other 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.

Unless noted otherwise, the Credit Union does not require collateral or other security to support financial instruments with credit risk.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness 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 generally consists of certificates of deposit, share account, vehicles, real estate, and loss payable clauses on insurance policies.

|   | Contract or Notional Amount |                    |
|---|-----------------------------|--------------------|
|   | <u>2022</u>                 | <u>2021</u>        |
| Financial instruments whose contract amounts represent credit risk: |                             |                    |
| Commitments to extend credit  |                             |                    |
|   |                             |                    |
| Open-end Loans  | -                           | -                  |
| Credit Cards  | 6,576,555                   | 6,706,796          |
| Unsecured Share Draft Lines of Credit                               | -                           | -                  |
|   |                             |                    |
| Total   | <u>\$6,576,555</u>          | <u>\$6,706,796</u> |

**Note 11- Pension Plan**

The Credit Union sponsors the Alcoa Pittsburgh Federal Credit Union Safe Harbor 401(k) and Profit-Sharing Plan. Employees of the Credit Union are eligible to participate in the Plan effective with the start of their employment and can make salary deferrals into the plan. The employer is required to make a matching contribution into the plan. Salary deferral are always 100% vested. Employer contributions are subject to a vesting schedule with 100% vesting obtained after six years of service. Employer contributions to the Plan are governed by the plan documents. The credit union has the discretion to make Profit-Sharing contributions for employees as governed by the plan document. Total employer contributions expensed during the plan year was \$12,834 in 2022 and \$16,094 in 2021.

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

**Note 12-Lease of Premises**

The Credit Union previously subleased its facility from Alcoa, its primary sponsor. Under the new lease, the Credit Union will no longer be sub-leasing from Alcoa. The new lease will be held in the credit union's name with the term set at ten (10) years and expires July 31, 2033. The required minimum rental payments under the terms of the new lease are detailed below:

|  |                  |
|--|------------------|
| 2023   | 22,746           |
| 2024   | 21,812           |
| 2025   | 22,358           |
| 2026   | 22,917           |
| 2027   | 23,490           |
| Later years                                  | <u>\$142,377</u> |
| Total minimum future lease payments required | \$249,012        |
| Less imputed interest                        | \$46,419         |
| Net present value of future lease payments   | \$202,592        |

Rent expense was \$48,415 in 2022 and \$48,552 in 2021.

**Note 13-Estimated Fair Values of Financial Instruments**

The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Credit Union's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of their cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Credit Union. The following methods and assumptions were used by the Credit Union in estimating fair values of financial instruments as disclosed herein:

*Cash and short term investments-* The carrying amount of cash and cash equivalents approximate their fair values.

*Time Deposits-* Fair values for time deposits with other financial institutions are estimated using discounted cash flow analyses, using rates currently being offered for instruments with similar terms and asset quality. These rates are effectively the same and therefore fair value approximates carrying value.

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

**Note 13-Estimated Fair Values of Financial Instruments (continued)**

*Available-for-sale Investment Securities* - The fair value for securities are based on the quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

*Held-to-maturity Investment Securities* - The fair value for securities are based on the quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

*Loans to members* - Fair value is based on the discounted value of future cash flows expected to be received for a loan or group of loans using current market rates at which similar loans would be made to borrowers with similar credit ratings and the same remaining maturities. The method considers interest rate changes and credit risk changes within the discount rate chosen. A single discount rate is applied to homogeneous categories of loans.

*Shares* -The fair values disclosed for share draft and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term share certificates approximate their fair values at the reporting date. Fair values for fixed-rate shares and share certificates are estimated using a discounted cash flow calculation that applies interest rates currently being offered on shares and certificates to a schedule of aggregated expected monthly maturities on shares and certificates. The estimated fair values of the Credit Union's financial instruments are as follows:

|  | December 31, 2022         |                             | December 31, 2021         |                             |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|
|  | Carrying<br><u>Amount</u> | Fair Value<br><u>Amount</u> | Carrying<br><u>Amount</u> | Fair Value<br><u>Amount</u> |
| <b>Fair value of financial instruments</b>             |                           |                             |                           |                             |
| Financial assets                                       |                           |                             |                           |                             |
| Cash and cash equivalents                              | \$3,012,740               | \$3,012,740                 | \$4,765,304               | \$4,765,304                 |
| Time deposits  | 21,794,590                | 21,794,590                  | 21,536,562                | 21,536,562                  |
| Securities-available for sale                          | 477,344                   | 477,344                     | 272,440                   | 272,440                     |
| Securities-held to maturity                            | 46,917                    | 44,761                      | 55,428                    | 57,742                      |
| Loans to members                                       | 11,685,123                | 10,516,611                  | 9,743,962                 | 8,769,566                   |
| Allowance for Loan Loss                                | (75,936)                  | (75,936)                    | (60,754)                  | (60,754)                    |
| Loans net of allowance for loan losses                 | 11,609,187                | 10,440,675                  | 9,683,208                 | 8,708,812                   |
| Financial liabilities                                  |                           |                             |                           |                             |
| Members' shares and savings accounts:                  |                           |                             |                           |                             |
| Share, drafts, clubs, certificates and<br>IRA accounts | \$32,681,919              | 29,413,727                  | \$32,077,953              | \$28,870,158                |
| Unrecognized Financial Instruments:                    |                           |                             |                           |                             |
| Commitments to extend credit                           |                           | <u>\$6,576,555</u>          |                           | <u>\$6,706,796</u>          |

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

**Note 13-Estimated Fair Values of Financial Instruments (continued)**

The following table presents information about the Credit Union's assets measured at fair value on a recurring basis at December 31, 2022 and 2021 and the valuation techniques used by the Credit Union to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs use other inputs that are observable, either directly or indirectly.

These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related assets or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Credit Union's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset of liability.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2022:

|   | Quoted Prices<br>In Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>Dec. 31 |
|---|--|---|--|-----------------------|
| Assets-Investment securities<br>Available-for-sale: |  |   |  |                       |
| Federal Agency Securities                           | -  | 477,344   | -  | 477,344               |
| Total   | -  | <u>477,344</u>  | -  | <u>477,344</u>        |

Assets Measured at Fair Value on a Recurring Basis at December 31, 2021:

|   | Quoted Prices<br>In Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Balance at<br>Dec. 31 |
|---|--|---|--|-----------------------|
| Assets-Investment securities<br>Available-for-sale: |  |   |  |                       |
| Federal Agency Securities                           | -  | 272,440   | -  | 272,440               |
| Total   | -  | <u>272,440</u>  | -  | <u>272,440</u>        |

**Alcoa Pittsburgh Federal Credit Union**  
**Notes to Financial Statements**

**Note 14 – Subsequent Events**

Subsequent events were evaluated through April 28, 2023, the date the financial statements were available to be issued.

**Note 15 - Other Assets**

The Credit Union is required by the NCUA to maintain on deposit a sum of 1% of the insured members' share balance. Annual adjustments are made to increase or decrease the investment to meet the 1% requirement. The investment cannot be drawn upon and is not guaranteed a return. The NCUA uses the earnings from the invested deposits from all the credit unions to fund the share insurance. Any earnings remaining are to be distributed among the credit unions. The total amount deposited with NCUA for the periods ending December 31, 2022 and 2021 respectively were \$313,270 and \$301,456.