2024 ANNUAL REPORT

LOS ANGELES
Federal Credit Union

Terry Manocchio
CHAIRPERSON

BOARD CHAIRPERSON'S REPORT

In 2024, LAFCU maintained its competitive edge with a strong financial performance and portfolio. We continue to position ourselves as one of the highest-rated financial institutions in the Greater Los Angeles, California area. We remain financially well-capitalized with plenty of money to lend and a commitment to sound, responsible business practices. We have $1.2 billion in assets, serve 76,000 members, and pride ourselves on member-centered service with a commitment to offer the best products and services.

To better serve a growing membership, we opened our newest full-service branch (our 8th) in Montebello in early 2024, which features a 24/7 ATM, a CoinStar® coin-counting machine, a private conference room and other amenities. We also upgraded our phone system to include our virtual assistant "Angie." Angie is available 24/7 to answer your frequently asked questions and help conduct simple transactions. You can virtually chat with Angie 24/7 from our website, online banking, or our mobile app.

The LAFCU Board of Directors, members of the Supervisory Committee, the credit union membership and staff wish to express gratitude for your ongoing support. Thank you for making 2024 a successful year and we look forward to achieving continued financial success in 2025.


Terry Manocchio
CHAIRPERSON


Stan Horowitz
VICE CHAIRPERSON


Rito Cisneros
TREASURER


Joe Quan
SECRETARY


Roslyn Carter-Phillips
DIRECTOR


David Ly
DIRECTOR


Denise McGee
DIRECTOR


Sheldon Miller
DIRECTOR


Abe Rasheed
DIRECTOR

BOARD OF DIRECTORS

The credit union continued to explore and implement member-centered products and services to meet our members' financial needs. Here are some of the programs and services we introduced in 2024:

- Launched our virtual assistant "Angie" - a new phone system that went live in January. Angie is available 24/7 to answer your frequently asked questions and to help conduct simple transactions. Angie will answer questions when members type questions, call us, or live chat (from our website, online banking, or mobile app).
- Completed construction and opened a new full-service branch in Montebello in March. Located in the San Gabriel Valley, it's our 8th branch and features a 24/7 ATM, a CoinStar® coin-counting machine, a private conference room, and a knowledgable staff to serve your financial needs.
- Added new features to online and mobile banking to improve the user experience.
- Continued to offer special high-rate Share Certificates.
- Supported our Southern California community by holding special charity fundraisers and contributing financial resources to notable charities in 2024, including:
    - Children's Hospital Los Angeles
    - City of Hope
    - Glendale Police Officers' Association
    - Habitat for Humanity
    - Los Angeles Regional Food Bank
    - Midnight Mission
    - Operation Gratitude
    - Toys for Tots

Significant funds were also donated to assist credit unions impacted by Hurricanes Helene and Milton in the southeastern USA in late 2024.

PRESIDENT/CEO'S REPORT

Richard Lie
PRESIDENT/CEO

Los Angeles Federal Credit Union reached a milestone on May 20, 2024, when we celebrated our 88th anniversary serving members. Since 1936, LAFCU has provided members a range of products and services, many account-access options, and excellent member service. In 2024 we continued our vision of being our members' first choice for financial services by providing the best financial services for our members and by maintaining a high level of financial stability. With $1.3 billion in assets, we remain one of the highest-rated institutions statewide and continue to be well-capitalized which means we have money to lend, with competitive rates to grow your deposits and an ever-increasing membership.

We also launched several enhancements in 2024, including our virtual assistant "Angie." Angie is available 24/7 to answer your frequently asked questions and help conduct simple transactions. You can chat with her 24/7 from our website and speak with her when calling us. We also added new features to mobile and online banking to improve the user experience, such as larger, enhanced check images on both desktop and mobile, visual enhancements for check images with updated icons, and more. Also, for your added security and privacy, your Visa® credit card's CV number will not display with the card number and expiration dates at the same time.

To better serve our members in the San Gabriel Valley, we opened our newest full-service branch in Montebello in early 2024. This is our 8th branch, and it features a 24/7 ATM, a CoinStar® coin-counting machine, a private conference room, and a great staff to serve your financial needs.

We continued to support the communities we serve by raising and donating funds to various charities through our 501(c)3 nonprofit charity, the Los Angeles Charitable Association, Inc. (LACA). In addition to donating over $70,000 to deserving charities and disaster relief efforts in 2024, our employees volunteered their time to help build homes for Habitat for Humanity and assemble food kits for deserving families at the Los Angeles Regional Food Bank.

We have even more to look forward to in 2025, our 89th year serving members. With optimism, we will accomplish even greater things as we move forward with vision and a commitment to excellence made possible by our greatest asset - our members.

On another note, it is with a sense of pride and accomplishment that I announce my retirement from LAFCU on March 31, 2025, after serving 24 years as Chief Financial Officer and seven years as President/CEO. The credit union will be in great hands, as our board promoted LAFCU's Executive VP/Chief Operating Officer, Anthony Cuevas, to President/CEO. He has more than 36 years' experience working at credit unions, including 15 years at LAFCU.

Rito Cisneros
TREASURER

TREASURER'S REPORT

Los Angeles Federal Credit Union remains financially strong and secure with money to lend. As of December 31, 2024, members' shares (deposits) totaled $1.077 billion, a decrease of $13.6 million compared to 2023. Our assets are $1.275 billion, a $36.4 million decrease compared to 2023.

In 2024, we processed 29,200 consumer loan applications resulting in:

- $ 61 million approved vehicle loans.
- $ 64 million approved real estate loans & refinances.
- $ 41 million approved personal unsecured loans & other loans.

Our total membership grew to 75,594 in 2024 compared to 75,377 in 2023, an increase of 217.

Also in 2024, our Net Income had a loss of $6.8 million, and our Net Worth (retained earnings & equity acquired in merger) decreased $7.9 million, from $144 million in 2023 to $137.1 million 2024.

As you can see, we are well-capitalized - thanks to you, the Board, and Credit Union management and staff. We continue to use conservative and sound business practices to help protect your money from the unpredictability of the economy, the stock market, and other factors.

Thank you for your ongoing membership, loyalty, and support through the years. It has been my pleasure to serve as the LAFCU Treasurer.

Lonney Ferguson
CHAIRPERSON

Mark O'Brien
MEMBER

Dora Sanchez
MEMBER

CREDIT COMMITTEE CHAIRPERSON'S REPORT

The purpose of the Credit Committee is to ensure that each LAFCU member obtains an equitable chance at receiving loan approval, regardless of race, religion, or economic background, in accordance with the Fair Housing Act and Equal Credit Opportunity Act.

On a regular basis, the committee members review and act on loan applications and lines of credit based on prudent, sound lending criteria designed to fulfill members' needs while limiting risk of financial loss to the credit union. During the meetings, all committee members assigned to evaluate loans must be present for the discussion and signing off of loans.

Finally, the committee reads and reviews various publications from credit unions and banking trade associations in an effort to remain knowledgeable and current on all rules, regulations, and industry standards. In addition, committee members provide input and recommendations to the credit union Board of Directors concerning existing loan policies and programs.

Clifford Eng
CHAIRPERSON

David Asem
MEMBER

SUPERVISORY COMMITTEE CHAIRPERSON'S REPORT

LAFCU's Supervisory Committee independently monitors the Board of Directors and management as they implement and maintain control procedures to ensure strict adherence to Generally Accepted Accounting Principles (GAAP), the National Credit Union Administration (NCUA) regulations, and LAFCU's established bylaws. In doing so, the Committee carries out the following primary responsibilities:

- Examines the actions of the Board of Directors and other officials to ensure they are acting within their authority, and that they are carrying out their fiduciary duties and responsibilities in good faith and with care.
- Ensures that financial statements are accurate, that management practices protect the credit union's assets, and that those assets are safeguarded from errors, conflict of interest, self-dealing and fraud.
- Verifies members' accounts periodically and ensures that LAFCU files regulatory reports accurately and in a timely manner.
- Selects independent auditing firms to perform annual audits of financial statements and other audits.
- Reviews and ensures results of NCUA examinations are addressed and implemented properly.
- Oversees elections of the Board of Directors.
- Audits and monitors educational, travel and conference expenses for volunteer officials, management and staff.

The Supervisory Committee meets regularly with external auditors who are Certified Public Accountants and/or specialty audit firms to review results of audits and examinations completed throughout the year. The results are monitored to ensure the Board of Directors and management implement corrective actions properly and within a timely manner. I am pleased to report that based on the many audits conducted throughout 2024 and the National Credit Union Administration (NCUA) examination, LAFCU remains safe and sound.

Submitted herein are the Consolidated Financial Statements for the year 2024. A complete copy of the 2024 Annual Report, containing the audited consolidated financial statements, is available at www.LAFCU.org. To obtain a condensed version of the annual report, please request a hard copy at any LAFCU branch. Or contact us and we will mail it to you.

TWHC | TURNER, WARREN, HWANG & CONRAD AC
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Supervisory Committee
Los Angeles Federal Credit Union and Subsidiary

Opinion

We have audited the consolidated financial statements of Los Angeles Federal Credit Union and subsidiary, which comprise the consolidated statement of financial condition as of December 31, 2024, the consolidated statements of income, comprehensive income, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Los Angeles Federal Credit Union and subsidiary as of December 31, 2024, and the results of their operations and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Los Angeles Federal Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Los Angeles Federal Credit Union's ability to continue as a going concern for a reasonable period of time.

Other Matter

The consolidated financial statements of Los Angeles Federal Credit Union and subsidiary for the year ended December 31, 2023 were audited by other auditors, who expressed an unmodified opinion on those consolidated financial statements on April 5, 2024.

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

Turner, Warren, Hwang & Conrad

Burbank, California
February 13, 2025

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2024	2023
ASSETS		
Cash and cash equivalents	$ 46,327,496	$ 24,304,771
Investments:		
Debt securities available for sale, at fair value (amortized cost of $334,681,486 and $375,107,809)	290,079,368	327,228,822
Debt securities held to maturity, at amortized cost (fair value of $7,172,294 and $9,786,414)	7,645,984	10,444,985
Other	8,633,285	8,688,745
Loans receivable, net of allowance for credit losses of $14,314,088 and $7,274,574	868,912,687	888,098,467
Accrued interest receivable	3,733,722	3,632,362
Property and equipment, net	6,079,969	4,481,224
National Credit Union Share Insurance Fund (NCUSIF) deposit	10,161,489	10,630,528
Other assets	33,668,029	34,175,478
Total assets	$ 1,275,242,029	$ 1,311,685,382
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' share accounts *	$ 1,077,830,140	$ 1,091,472,225
Borrowed funds	86,000,000	103,500,000
Accrued expenses and other liabilities	19,477,425	21,369,647
Total liabilities	1,183,307,565	1,216,341,872
Members' equity: **		
Undivided earnings	136,695,209	143,517,615
Equity acquired in merger	443,555	443,555
Accumulated other comprehensive loss	(45,204,300)	(48,617,660)
Total members' equity	91,934,464	95,343,510
Total liabilities and members' equity	$ 1,275,242,029	$ 1,311,685,382

** Also known as "deposits"*
*** "Undivided Earnings" plus "Equity acquired in merger" equals net worth. Net worth in 2024 = $137.1 million vs 2023 at $144 million.*

See "Notes to Consolidated Financial Statements" in the full version of the Annual Report available at www.LAFCU.org or in a LAFCU branch.

CONSOLIDATED STATEMENTS OF INCOME

	December 31, 2024	December 31, 2023
INTEREST INCOME		
Loans receivable	$ 46,604,697	$ 38,511,014
Interest-bearing accounts and investments	7,406,089	6,672,587
Total interest income	54,010,786	45,183,601
INTEREST EXPENSE		
Members' share accounts	8,742,009	5,736,164
Borrowed funds	5,475,471	2,780,334
Total interest expense	14,217,480	8,516,498
NET INTEREST INCOME	39,793,306	36,667,103
PROVISION FOR CREDIT LOSS EXPENSE	14,979,962	5,599,196
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSS EXPENSE	24,813,344	31,067,907
NON-INTEREST INCOME		
Deposit service charges and related fee income	3,310,918	3,234,042
Interchange income	3,939,429	4,061,056
Other income	2,178,697	2,156,655
Total non-interest income	9,429,044	9,451,753
NON-INTEREST EXPENSE		
Compensation and benefits	20,323,355	20,107,120
Occupancy	3,150,222	2,764,581
Operations	17,591,217	16,011,743
Total non-interest expense	41,064,794	38,883,444
NET INCOME (LOSS)	$ (6,822,406)	$ 1,636,216

See "Notes to Consolidated Financial Statements" in the full version of the Annual Report available at www.LAFCU.org or in a LAFCU branch.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	December 31, 2024	December 31, 2023
NET INCOME (LOSS)	$ (6,822,406)	$ 1,636,216
OTHER COMPREHENSIVE INCOME		
Unrealized loss on debt securities available for sale:		
Unrealized holding gain arising during the year	3,276,869	9,012,833
Post retirement benefit plan:		
Adjustment to post-retirement benefit plan	136,491	(71,324)
Total other comprehensive income	3,413,360	8,941,509
COMPREHENSIVE INCOME (LOSS)	$ (3,409,046)	$ 10,577,725

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

	Regular Reserve	Undivided Earnings	Equity Acquired in Merger	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2022	$ 30,000,000	$ 111,881,399	$ 443,555	$ (57,559,169)	$ 84,765,785
Comprehensive income:					
Net income	-	1,636,216	-	-	1,636,216
Other comprehensive income	-	-	-	8,941,509	8,941,509
Total comprehensive income					10,577,725
Transfers	(30,000,000)	30,000,000	-	-	-
Balance, December 31, 2023	-	143,517,615	443,555	(48,617,660)	95,343,510
Comprehensive income:					
Net loss	-	(6,822,406)	-	-	(6,822,406)
Other comprehensive income	-	-	-	3,413,360	3,413,360
Total comprehensive loss					(3,409,046)
Balance, December 31, 2024	$ -	$ 136,695,209	$ 443,555	$ (45,204,300)	$ 91,934,464

See "Notes to Consolidated Financial Statements" in the full version of the Annual Report available at www.LAFCU.org or in a LAFCU branch.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	December 31, 2024	December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (6,822,406)	$ 1,636,216
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,171,816	939,083
Amortization of investment premiums and discounts, net	174,144	181,081
Amortization of deferred loan fees, net	173,597	508,743
Provision for credit loss expense	14,979,962	5,599,196
Amortization of operating right-of-use (ROU) assets	721,515	689,955
Repayment of operating lease liabilities	(741,203)	(630,010)
Net change in:		
Accrued interest receivable	(101,360)	(785,185)
NCUSIF deposit	469,039	240,755
Other assets	539,550	(2,064,735)
Accrued expenses and other liabilities	(1,768,144)	(667,625)
Net cash provided by operating activities	8,796,510	5,647,474
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of debt securities available for sale	(4,953,669)	-
Proceeds from maturities and principal payments received on debt securities available for sale	45,232,285	23,482,591
Proceeds from maturities and principal payments on debt securities held to maturity	2,772,564	3,321,630
Net (increase) decrease in other investments	55,460	(6,829,165)
Net (increase) decrease in loans receivable	4,032,221	(67,074,315)
Purchases of property and equipment	(2,770,561)	(223,894)
Net cash provided by (used in) investing activities	44,368,300	(47,323,153)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in borrowed funds	(17,500,000)	99,047,451
Net decrease in members' share accounts	(13,642,085)	(39,369,348)
Net cash provided by (used in) financing activities	(31,142,085)	59,678,103
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,022,725	18,002,424
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	24,304,771	6,302,347
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 46,327,496	$ 24,304,771

(CONTINUED ON PAGE 13)

See "Notes to Consolidated Financial Statements" in the full version of the Annual Report available at www.LAFCU.org or in a LAFCU branch.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	December 31,	
	2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION AND NONCASH ACTIVITIES		
Dividends paid on members' share accounts	$ 8,742,009	$ 5,736,164
Interest paid on borrowed funds	4,094,393	2,780,334
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES		
Operating ROU assets and lease liabilities arising during the year	753,616	497,582

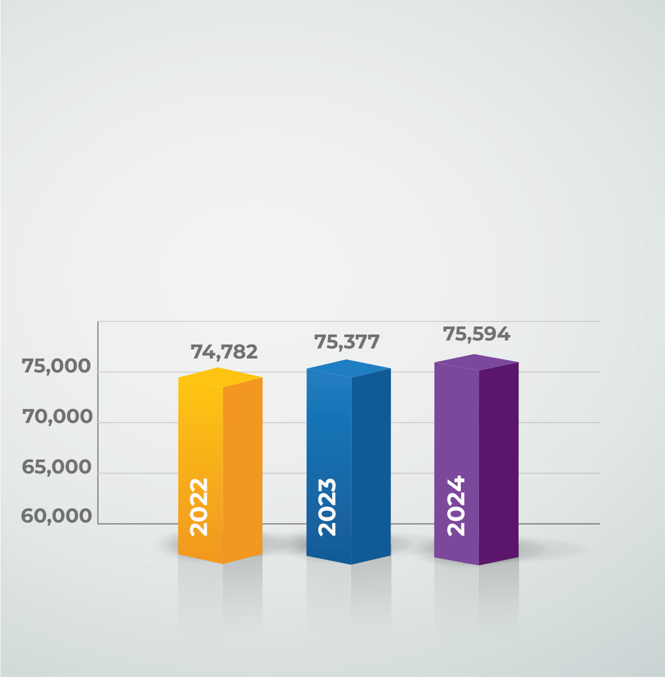
For complete financials, including "Notes to Consolidated Financial Statements," see the 2024 Annual Report at www.LAFCU.org or in a LAFCU branch.

TOTAL ASSETS

NET LOANS

MEMBERS' EQUITY / NET WORTH

TOTAL MEMBERS



LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: Los Angeles Federal Credit Union (the credit union) is a federally chartered credit union organized under the Federal Credit Union Act and administratively responsible to the National Credit Union Administration (NCUA). Participation in the credit union is limited to those individuals that qualify for membership. The field of membership is defined in the credit union's charter and bylaws. The credit union's primary source of revenue is from providing loans to its members.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for credit losses.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the credit union and its wholly owned subsidiary, COLA Insurance Services Corporation (COLA). COLA is primarily engaged in providing insurance services to members through third-party relationships. Income from COLA is not considered significant to the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Concentrations of Credit Risk: The credit union and subsidiary provide a variety of financial services to their members, most of whom are current and former employees of the City of Los Angeles, and their families, and reside in Southern California. The credit union and subsidiary may be exposed to credit risk from a regional economic standpoint because a significant concentration of their borrowers work or reside in the State of California. The credit union continually monitors its operations, including the performance of its loan and investment portfolios. The credit union's policy for repossessing collateral is that when all other collection efforts have been exhausted, the credit union enforces its first lien holder status and repossesses the collateral. The credit union has full and complete access to repossessed collateral. Repossessed collateral normally consists of vehicles and residential real estate. A substantial portion of its members' ability to honor their loan agreements is dependent upon the economic stability of the various groups comprising the credit union's field of membership.

Fair Value: Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurements*, provides a framework for measuring fair value that requires an entity to determine fair value based on the exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities, quoted market prices that are not in an active market, or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

The credit union's assets and liabilities that are subject to fair value measurement and/or disclosure are summarized in Note 14.

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents: For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in banks, amounts due from financial institutions, and all highly liquid debt instruments with original maturities of three months or less. Amounts due from financial institutions may, at times, exceed federally insured limits.

Investments: Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Debt securities that the credit union intends to hold for an indefinite period of time, but not necessarily to maturity, are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the level-yield method over the terms of the securities. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on the sale of debt securities are recorded on the trade date, and the costs of securities sold are determined using the specific-identification method.

Other investments are classified separately and stated at cost and evaluated by management for impairment.

Allowance for Credit Losses on Debt Securities Available for Sale: Management evaluates expected credit losses on debt securities available for sale on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Management first identifies securities in an unrealized loss position and determines whether the credit union intends to sell or whether it is unlikely that the credit union will be required to sell a security before recovery of its amortized cost basis. If either requirement regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available for sale that do not meet the aforementioned criteria, the credit union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists and the present value of cash flows expected to be collected is less than the amortized cost basis, an allowance for credit losses will be recorded for the credit loss, limited by the amount the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for credit loss expense or reversal of credit loss expense. Losses are charged against the allowance when management believes the uncollectibility of a security available for sale is confirmed or when either of the criteria regarding intent or requirement to sell is met. Since substantially all of the credit union's debt securities available for sale are guaranteed or issued by the US government or government-sponsored agency of high credit quality, management believes credit risk is minimal and accordingly has not recorded an allowance for credit loss as of December 31, 2024 and 2023. Accrued interest receivable on debt securities available for sale totaled $718,257 and $779,630 as of December 31, 2024 and 2023, respectively, and is excluded from the estimate of credit losses.

Allowance for Credit Losses on Debt Securities Held to Maturity – Current Expected Credit Losses (CECL): Management measures expected credit losses on debt securities held to maturity on a collective basis for securities with similar risk characteristics. For securities that do not share similar risk characteristics, the losses are estimated individually. Any credit loss is recorded through the allowance for credit losses on debt securities held to maturity and deducted from the amortized cost basis of the security, reflecting the amount the credit union expects to collect. Management evaluates impairment where there has been a decline in the fair value below the amortized cost basis of a security to determine whether there is a credit loss associated with the decline. Management considers the nature of the collateral, default rates, delinquency rates, interest rate changes since purchase and the issuer's financial performance.

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Since substantially all of the credit union's debt securities held to maturity are guaranteed or issued by the US government or government-sponsored agency of high credit quality, management believes credit risk is minimal and accordingly has not recorded an allowance for credit loss as of December 31, 2024 and 2023. Accrued interest receivable on debt securities held to maturity totaled $18,847 and $37,876 as of December 31, 2024 and 2023, respectively, and is excluded from the estimate of credit losses.

Federal Home Loan Bank (FHLB) Stock: The credit union, as a member of the FHLB system, is required to maintain an investment in capital stock of the FHLB in an amount equal to the greater of 1% of its membership asset value, subject to a cap of $15 million, or 2.7% of advances from the FHLB. The stock is bought from and sold to the FHLB based on its $100 par value. There is no ready market for the FHLB stock; therefore, it has no quoted market value and is reported on the consolidated statements of financial condition at cost.

Loans Receivable, Net: The credit union grants mortgage and consumer loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions in the credit union's market area. In addition, the credit union has purchased participations in loans issued by other credit unions to commercial and faith-based organizations. All of these loan participations were purchased without recourse and are secured by real property. The originating credit union performs all servicing functions on these loans.

Loans that the credit union has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are stated at their outstanding unpaid principal balances, less an allowance for credit losses and net of deferred origination fees and costs. Interest income on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

The accrual of interest income on loans is discontinued at the time the loan is 90 days past due, unless the credit is well secured and in the process of collection. Loans are typically charged off no later than 180 days past due. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if the collection of principal and interest is considered doubtful. Accrued interest receivable on loans totaled $2,849,660 and $2,676,414 as of December 31, 2024 and 2023, respectively. The credit union elected not to measure an allowance for credit losses for accrued interest receivable, since charge-offs typically occur in a timely manner.

All interest accrued but not collected for loans placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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, adjusted for estimated prepayments based on the credit union's historical prepayment experience.

Allowance for Credit Losses on Loans Receivable: The credit union adopted ASC 326, *Financial Instruments—Credit Losses*, and all of the related amendments on January 1, 2023. The credit union maintains an allowance for credit losses to absorb losses inherent in the loan portfolio. The allowance is based on ongoing monthly assessments of the probable estimated losses inherent in the loan portfolio. The allowance is increased by the provision for credit loss expense and decreased by charge-offs when management believes the uncollectibility of a loan is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans receivable as of the consolidated statements of financial condition date. The allowance for credit losses is measured on a collective basis when similar risk characteristics exist. Management divides the portfolio into three segments: commercial real estate, residential real estate and consumer. The credit union further divides the portfolio segments into classes. The classes within the residential real estate portfolio segment are first mortgage and home equity line of credit (HELOC) and other mortgage. The classes within the consumer portfolio segment are automobile, credit card and other consumer.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Models consisting of quantitative and qualitative components are designed for each pool to develop the expected credit loss estimates. The loan portfolio is divided into three segments and eight loan pools based on loan types that share similar risk characteristics to calculate quantitative loss factors for each pool. The credit union uses the weighted average remaining maturity methodology to measure expected credit losses. Additional adjustments based on forecasted data and qualitative and environmental factors may be added at the discretion of management.

Loans that do not share similar risk characteristics are evaluated on an individual basis. The credit union evaluates loans for expected credit losses on an individual basis if, based on current information and events, it is probable that the credit union will be unable to collect all amounts due according to the original contractual terms of the loan agreement. The current expected loss of an individually evaluated loan is measured using the fair value of the underlying collateral if the loan is collateral dependent or the present value of expected future cash flows if the loan is not collateral dependent. When the loan is deemed uncollectible, it is the credit union’s policy to promptly charge off the estimated credit losses.

Allowance for Unfunded Credit Commitments: ASC 326 requires the establishment of a reserve for unfunded credit commitments over the contractual period in which the entity is exposed to credit risk via a present contractual obligation to extend credit, unless that obligation is unconditionally cancelable by the credit union. The credit union considers establishing an allowance for unfunded credit commitments relating to unsecured lines of credit, HELOCs and credit cards. Within the period of credit exposure, the estimate of credit losses will consider both the likelihood that funding will occur and an estimate of the expected credit losses on the commitments that are expected to fund over their estimated lives. The unfunded credit exposure is calculated using utilization assumptions based on the credit union’s historical utilization experience in related portfolio segments. The allowance for unfunded credit commitments is included in accrued expenses and other liabilities on the consolidated statements of financial condition. Changes to the allowance for unfunded credit commitments are included in the provision for credit loss expense on the consolidated statements of income. As of December 31, 2024 and 2023, there was no allowance required for unfunded credit commitments.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to have been surrendered when (1) the assets have been isolated from the credit union, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the credit union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Property and Equipment: Land is carried at cost. Building, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Building and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

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

Foreclosed and Repossessed Assets: Assets acquired through or in lieu of loan foreclosure are held for sale and initially recorded at fair value less estimated selling costs at the date of foreclosure, establishing a new cost basis. Any write-downs based on the asset’s fair value at the date of acquisition are charged to the allowance for credit losses. Subsequent to foreclosure, valuations are performed periodically by management and the assets are carried at the lower of the carrying amount or fair value less costs to sell. Revenues and expenses associated with foreclosed assets, as well as the changes in the corresponding valuation allowance, are included in non-interest expense in the consolidated statements of income.

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NCUSIF Deposit: The deposit in the NCUSIF is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The NCUSIF is a revolving fund in the Treasury of the United States under the management of the NCUA. The deposit will be refunded to the credit union if its insurance coverage is terminated, if it converts insurance coverage to another source, or if the operations of the fund are transferred from the NCUA Board.

NCUSIF Insurance Premiums: The credit union is required to pay an annual premium based on a percentage of its total insured shares as declared by the NCUA Board, unless the payment is waived or reduced by the NCUA Board.

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

Advertising Costs: Advertising costs are expensed as incurred.

Income Taxes: The credit union is exempt from federal and California taxes on income. The credit union's wholly owned subsidiary, however, is subject to federal and state income taxes. The operations of the subsidiary resulted in immaterial income taxes for the years ended December 31, 2024 and 2023. FASB ASC 740-10-65, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the tax returns to determine whether the tax positions are "more likely than not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions deemed to not meet the more-likely-than-not threshold should be recorded as a tax expense and liability in the current year. For the years ended December 31, 2024 and 2023, management has determined that the credit union has no material uncertain tax positions, and accordingly, the credit union has not recorded a liability for the payment of interest or penalties. State taxes, if applicable, are paid on income earned by the credit union in California. The credit union is subject to and pays all state and city taxes on goods and services purchased by the credit union.

Comprehensive Income: Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on debt securities available for sale, and the post retirement benefit plan are reported as a separate component of the members' equity section on the consolidated statements of financial condition.

Accumulated other comprehensive loss consists of the following as of December 31, 2024 and 2023:

	2024	2023
Net unrealized loss on debt securities available for sale	$ (44,602,118)	$ (47,878,987)
Post Retirement benefit plan adjustment	(602,182)	(738,673)
	$ (45,204,300)	$ (48,617,660)

Reclassifications: Certain reclassifications have been made to the prior year consolidated financial statement presentation to conform to the current year's classifications. Members' equity and net income are not affected by these reclassifications.

Subsequent Events: Subsequent events have been evaluated through February 13, 2025, the date the consolidated financial statements were available to be issued.

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2 – INVESTMENTS

The amortized cost and fair value of debt securities available for sale are as follows:

2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Federal agency securities	$ 147,040,398	$ 780	$ (7,154,976)	$ 139,886,202
Mortgage-backed securities	85,692,082	835	(17,631,560)	68,061,357
Collateralized mortgage obligations	101,949,006	-	(19,817,197)	82,131,809
	$ 334,681,486	$ 1,615	$ (44,603,733)	$ 290,079,368
2023				
Federal agency securities	$ 170,608,684	$ -	$ (11,441,169)	$ 159,167,515
Mortgage-backed securities	92,870,212	-	(16,339,462)	76,530,750
Collateralized mortgage obligations	111,628,913	-	(20,098,356)	91,530,557
	$ 375,107,809	$ -	$ (47,878,987)	$ 327,228,822

The amortized cost and fair value of debt securities held to maturity are as follows:

2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	$ 3,574,823	$ -	$ (200,702)	$ 3,374,121
Collateralized mortgage obligations	4,071,161	-	(272,988)	3,798,173
	$ 7,645,984	$ -	$ (473,690)	$ 7,172,294
2023				
Mortgage-backed securities	$ 4,775,816	$ -	$ (266,722)	$ 4,509,094
Collateralized mortgage obligations	5,669,169	-	(391,849)	5,277,320
	$ 10,444,985	$ -	$ (658,571)	$ 9,786,414

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 2 – INVESTMENTS (CONTINUED)

Gross unrealized losses and fair value by length of time that the individual securities have been in a continuous unrealized loss position are as follows:

2024	Fair Value	Continuous Unrealized Losses Existing for: Less Than 12 Months	Continuous Unrealized Losses Existing for: 12 Months or Longer	Total Unrealized Losses
Debt securities available for sale:				
Federal agency securities	$ 137,885,422	$ -	$ (7,154,976)	$ (7,154,976)
Mortgage-backed securities	67,887,659	-	(17,631,560)	(17,631,560)
Collateralized mortgage obligations	82,131,809	(3,180)	(19,814,017)	(19,817,197)
	$ 287,904,890	$ (3,180)	$ (44,600,553)	$ (44,603,733)
Debt securities held to maturity:				
Mortgage-backed securities	$ 3,374,121	$ (16)	$ (200,686)	$ (200,702)
Collateralized mortgage obligations	3,798,173	-	(272,988)	(272,988)
	$ 7,172,294	$ (16)	$ (473,674)	$ (473,690)
2023				
Debt securities available for sale:				
Federal agency securities	$ 159,167,515	$ -	$ (11,441,169)	$ (11,441,169)
Mortgage-backed securities	76,530,750	-	(16,339,462)	(16,339,462)
Collateralized mortgage obligations	91,530,557	-	(20,098,356)	(20,098,356)
	$ 327,228,822	$ -	$ (47,878,987)	$ (47,878,987)
Debt securities held to maturity:				
Mortgage-backed securities	$ 4,509,094	$ -	$ (266,722)	$ (266,722)
Collateralized mortgage obligations	5,277,320	-	(391,849)	(391,849)
	$ 9,786,414	$ -	$ (658,571)	$ (658,571)

As of December 31, 2024, two investments had been in a continuous unrealized loss position for less than 12 months and 476 investments had been in a continuous unrealized loss position for 12 months or longer. The unrealized losses associated with these investments are considered temporary, as the credit union has both the intent and ability to hold these investments for a period of time sufficient to allow for any anticipated recovery in fair value.

Management assesses securities that are in an unrealized loss position to determine whether the decline in fair value below the amortized cost basis resulted from credit losses or other factors. The unrealized losses presented in the table above were primarily attributable to yield curve movements and widened spreads. Since these securities are guaranteed or sponsored by agencies of the US government, the credit union expects to receive all contractual interest payments on time and believes the risk of credit loss on these securities is remote. The credit union does not have the intent to sell these securities, and it is unlikely that the credit union will be required to sell the securities before their anticipated recovery; therefore, there is no allowance for credit losses on debt securities available for sale and debt securities held to maturity as of December 31, 2024 and 2023.

Other investments consist of the following:

	2024	2023
FHLB stock	$ 6,804,300	$ 6,801,101
Perpetual contributed capital in a corporate federal credit union	527,517	602,876
Credit union service organizations	1,301,468	1,284,768
	$ 8,633,285	$ 8,688,745

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 2 – INVESTMENTS (CONTINUED)

The perpetual capital account is an uninsured capital account and is redeemed only if called by the corporate credit union.

The amortized cost and fair value of investments by contractual maturity as of December 31, 2024 are shown below.

	Debt Securities Available for Sale		Debt Securities Held to Maturity		
Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Other
No contractual maturity	$ -	$ -	$ -	$ -	$ 8,633,285
Less than one year	39,878,091	39,281,925	-	-	-
One to five years	95,865,213	90,966,470	-	-	-
Five to ten years	11,297,094	9,637,807	-	-	-
	147,040,398	139,886,202	-	-	8,633,285
Mortgage-backed securities and collateralized mortgage obligations	187,641,088	150,193,166	7,645,984	7,172,294	-
	$ 334,681,486	$ 290,079,368	$ 7,645,984	$ 7,172,294	$ 8,633,285

Because borrowers may prepay obligations with or without call or prepayment penalties, the expected maturities of mortgage-backed securities and collateralized mortgage obligations may differ from the contractual maturities, and are therefore classified separately with no specific maturity date.

NOTE 3 – LOANS RECEIVABLE, NET

Total loans outstanding by portfolio segment and class of loan are as follows:

	2024	2023
Commercial real estate	$ 23,402,340	$ 23,935,417
Residential real estate:		
First mortgage	276,016,437	277,239,325
HELOC and other mortgage	126,144,606	104,656,484
	402,161,043	381,895,809
Consumer:		
Automobile	178,661,789	201,327,644
Credit card	41,387,761	39,318,318
Other consumer	239,373,390	250,907,302
	459,422,940	491,553,264
Total loans	884,986,323	897,384,490
Net deferred loan origination fees	(1,442,011)	(1,607,840)
Net discounts on participation loans	(317,537)	(403,609)
Allowance for credit losses	(14,314,088)	(7,274,574)
Total loans receivable, net	$ 868,912,687	$ 888,098,467

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

The activity in the allowance for credit losses on loans by portfolio segment is as follows:

2024	Commercial Real Estate	Residential Real Estate	Consumer	Total
Allowance for credit losses:				
Beginning balance	$ 28,878	$ 219,982	$ 7,025,714	$ 7,274,574
Charge-offs	-	(25,688)	(9,182,058)	(9,207,746)
Provision for (reversal of) credit loss expense	(28,878)	(72,692)	15,081,532	14,979,962
Recoveries	-	-	1,267,298	1,267,298
Ending balance	$ -	$ 121,602	$ 14,192,486	$ 14,314,088
2023				
Allowance for credit losses:				
Beginning balance	$ 114,938	$ 1,180,660	$ 4,679,180	$ 5,974,778
Charge-offs	-	-	(5,215,941)	(5,215,941)
Provision for (reversal of) credit loss expense	(86,060)	(960,678)	6,645,934	5,599,196
Recoveries	-	-	916,541	916,541
Ending balance	$ 28,878	$ 219,982	$ 7,025,714	$ 7,274,574

Changes in Accounting Methodology: As discussed in Note 1, effective January 1, 2023, the credit union adopted ASC 326, changing the allowance methodology from the incurred loss method to the expected credit loss model under US GAAP.

Commercial Credit Quality Indicators: The credit union assesses the credit quality of its commercial loans with a ten-grade risk rating system whereby a higher grade represents a higher level of credit risk. The eight-grade risk rating system can generally be classified into the following categories: pass or watch, special mention, substandard, doubtful and loss. The risk ratings reflect the relative strength of the sources of repayment.

Pass or watch loans are generally considered to have sufficient sources of repayment in order to repay the loan in full in accordance with all terms and conditions. These borrowers may have some credit risk that requires monitoring, but full repayment is expected. Special mention loans are considered to have potential weaknesses that warrant close attention by management. Special mention is considered a transitory grade, and generally, the credit union has not had a loan remain categorized as special mention for longer than six months. If any potential weaknesses are resolved, the loan is upgraded to a pass or watch grade. If negative trends in the borrower's financial status or other information is presented indicating that the repayment sources may become inadequate, the loan is downgraded to substandard. Substandard loans are considered to have well-defined weaknesses that jeopardize the full and timely repayment of the loan.

Substandard loans have a distinct possibility of loss if the deficiencies are not corrected. Additionally, when management has assessed a potential for loss but a distinct possibility of loss is not recognizable, the loan is still classified as substandard. Doubtful loans have insufficient sources of repayment and a high probability of loss. Loss loans are considered to be uncollectible and are therefore charged off. These internal risk ratings are reviewed continuously and adjusted for changes in borrower status and the likelihood of loan repayment.

As of December 31, 2024 and 2023, commercial real estate loans were categorized as pass loans according to the credit union's internal risk rating system.

Other Credit Quality Indicators: The credit union assesses the credit quality of its commercial real estate, residential real estate and consumer loans by payment activity, nonaccrual and past due status.

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

Payment Activity: The following table summarizes the credit union's performing and nonperforming loans by class. Nonperforming loans are defined as loans that are 60 days or more past due.

	Payment Activity		
2024	Performing	Nonperforming	Total
Commercial real estate	$ 23,402,340	$ -	$ 23,402,340
First mortgage	274,282,607	1,733,830	276,016,437
HELOC and other mortgage	124,867,634	1,276,972	126,144,606
Automobile	176,867,042	1,794,747	178,661,789
Credit card	41,036,415	351,346	41,387,761
Other consumer	238,122,801	1,250,589	239,373,390
	$ 878,578,839	$ 6,407,484	$ 884,986,323
2023			
Commercial real estate	$ 23,935,417	$ -	$ 23,935,417
First mortgage	276,288,549	950,776	277,239,325
HELOC and other mortgage	104,450,125	206,359	104,656,484
Automobile	199,851,495	1,476,149	201,327,644
Credit card	38,779,832	538,486	39,318,318
Other consumer	249,449,173	1,458,129	250,907,302
	$ 892,754,591	$ 4,629,899	$ 897,384,490

Nonaccrual and Past Due Loans: The following tables summarize the credit union's nonaccrual loans by class.

2024	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans
First mortgage	$ -	$ 1,119,340	$ 1,119,340
HELOC and other mortgage	-	1,131,850	1,131,850
Automobile	-	900,267	900,267
Credit card	-	180,365	180,365
Other consumer	-	634,925	634,925
	$ -	$ 3,966,747	$ 3,966,747
2023			
First mortgage	$ -	$ 290,224	$ 290,224
HELOC and other mortgage	-	136,030	136,030
Automobile	-	820,544	820,544
Credit card	-	308,510	308,510
Other consumer	-	929,394	929,394
	$ -	$ 2,484,702	$ 2,484,702

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 3 – LOANS RECEIVABLE, NET (CONTINUED)

The following table presents an analysis of past due loans by class:

2024	Current	30–59 Days Past Due	60–89 Days Past Due	90–179 Days Past Due	180–359 Days Past Due	360 Days or More Past Due	Total
Commercial real estate	$ 23,402,340	$ -	$ -	$ -	$ -	$ -	$ 23,402,340
First mortgage	271,464,901	2,817,706	614,490	1,119,340	-	-	276,016,437
HELOC and other mortgage	124,571,369	296,265	145,122	872,918	258,932	-	126,144,606
Automobile	174,538,761	2,328,281	894,480	896,459	3,808	-	178,661,789
Credit card	40,792,000	244,415	170,981	178,793	164	1,408	41,387,761
Other consumer	237,347,525	775,276	615,664	630,427	4,498	-	239,373,390
	$ 872,116,896	$ 6,461,943	$ 2,440,737	$ 3,697,937	$ 267,402	$ 1,408	$ 884,986,323
2023							
Commercial real estate	$ 23,935,417	$ -	$ -	$ -	$ -	$ -	$ 23,935,417
First mortgage	272,760,131	3,528,419	660,551	170,010	-	120,214	277,239,325
HELOC and other mortgage	102,424,922	2,025,202	70,330	136,030	-	-	104,656,484
Automobile	197,248,352	2,603,143	655,605	811,624	8,920	-	201,327,644
Credit card	38,381,095	398,737	229,976	308,510	-	-	39,318,318
Other consumer	248,543,656	905,516	528,736	850,154	6,258	72,982	250,907,302
	$ 883,293,573	$ 9,461,017	$ 2,145,198	$ 2,276,328	$ 15,178	$ 193,196	$ 897,384,490

There were no loans 90 days or more past due and still accruing interest as of December 31, 2024 and 2023.

Modifications Made to Borrowers Experiencing Financial Difficulty: There were no modifications made to borrowers experiencing financial difficulty during the year ended December 31, 2024 and 2023.

Collateral-Dependent Loans: The credit union designates individually evaluated loans on nonaccrual status as collateral-dependent loans, as well as other loans that management designates as having higher risk. Collateral-dependent loans are loans for which the repayment is expected to be provided substantially through the sale of the collateral, as the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral-dependent loans, the credit union has adopted the practical expedient to measure the allowance for credit losses based on the fair value of the collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for selling costs, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table presents the amortized cost of collateral dependent loans:

	2024	2023
First Mortgage	$ 1,119,340	$ 290,224
HELOC and other mortgage	1,131,851	24,210
Automobile	913,282	850,500
Other consumer	138,840	458,259
	$ 3,303,314	$ 1,623,193

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 4 – PROPERTY AND EQUIPMENT

The composition of property and equipment is summarized as follows:

	2024	2023
Land	$ 1,120,600	$ 1,120,600
Building	9,528,556	9,343,740
Furniture and equipment	10,265,729	9,177,789
Leasehold improvements	3,921,342	2,495,155
	24,836,227	22,137,284
Accumulated depreciation and amortization	(18,756,258)	(17,656,060)
	$ 6,079,969	$ 4,481,224

Depreciation and amortization expense amounted to $1,171,816 and $939,083 for the years ended December 31, 2024 and 2023, respectively.

NOTE 5 – MEMBERS' SHARE ACCOUNTS

A summary of members' share accounts by type is as follows:

	2024	2023
Regular share	$ 487,791,829	$ 508,736,868
Share draft	254,583,863	256,241,044
Money market	101,594,938	109,477,627
Individual retirement share (IRA)	58,379	58,174
Share and IRA certificates	233,801,131	216,958,512
	$ 1,077,830,140	$ 1,091,472,225

The aggregate amounts of time deposits in denominations that met or exceeded the NCUSIF insurance limit totaled approximately $38,359,000 and $59,558,000 as of December 31, 2024 and 2023, respectively.

A summary of share, nonmember and individual retirement account certificates by maturity is as follows:

Years Ending December 31,	
2025	$ 205,973,353
2026	10,962,681
2027	7,849,207
2028	5,516,271
2029	3,499,619
	$ 233,801,131

NOTE 6 – BORROWED FUNDS AND LINES OF CREDIT

The credit union has an Advances and Security Agreement with the FHLB of San Francisco, pledging residential first lien mortgage loans with a carrying value of approximately $262,114,000 and $257,989,000 as of December 31, 2024 and 2023, respectively, under a blanket lien. The total available borrowing capacity was approximately $153,730,000 and $142,410,000 as of December 31, 2024 and 2023, respectively. As of December 31, 2024, the credit union had $26,000,000 in outstanding borrowings at interest rates ranging from 4.72% to 5.21%, maturing through July 2026. As of December 31, 2023, the credit union had $50,000,000 in outstanding borrowings at interest rates ranging from 4.72% to 5.70%, maturing through July 2026.

NOTE 6 – BORROWED FUNDS AND LINES OF CREDIT (CONTINUED)

The credit union also has a secured borrowing arrangement through the FRB discount window. The borrowing capacity is determined as a percentage of pledged collateral. As of December 31, 2024 and 2023, the line was secured by pledged loans receivable with a collateral value of approximately $6,222,000 and $9,004,000, respectively, and there were no outstanding borrowings.

The credit union accessed the FRB's Bank Term Funding Program (BTFP), which was established by the FRB to provide liquidity to eligible borrowers, taking as collateral types of securities. The program offers advances up to one year in length at the one-year overnight index swap (OIS) rate as of the day advances are made plus 10 basis points. Interest rates are fixed for the term of the advances. Pledged collateral is valued at par value. As of December 31, 2024, the credit union pledged investment securities with par values totaling $200,438,000, as collateral for this program, and outstanding borrowings totaled $60,000,000 at an interest rate of 4.76% maturing on January 15, 2025. As of December 31, 2023, the credit union pledged investment securities with par values totaling $140,906,000 as collateral for this program, and outstanding borrowing totaled $53,500,000 at interest rates ranging from 4.71% to 5.50%, maturing through October 2024.

The credit union also has a performance and advantage line-of-credit arrangements with a corporate credit union, pledging a portion of its investments portfolio and substantially all other assets of the credit union, and the total borrowing capacity was approximately $80,000,000. There were no outstanding balances as of December 31, 2024 and 2023.

NOTE 7 – REVENUE FROM CONTRACTS WITH MEMBERS

The credit union's services that fall within the scope of ASC 606, *Revenue from Contracts with Customers*, are presented in non-interest income and recognized as revenue as the credit union satisfies its obligations to the members.

The following table presents revenue from contracts with members within the scope of ASC 606 for the years ended December 31, 2024 and 2023:

	2024	2023
Deposit service charges and related fee income	$ 3,310,918	$ 3,234,042
Interchange income	3,939,429	4,061,056
	$ 7,250,347	$ 7,295,098

Deposit Service Charges and Related Fee Income: The credit union earns fees from its members for transaction-based account maintenance and overdraft services. The deposit account services include ongoing account maintenance, as well as certain services such as automated teller machine (ATM) usage, wire transfer services, non-sufficient fund (NSF) fees and other deposit related fees. Transaction-based fees such as ATM fees, NSF fees, ACH fees and other deposit related fees are recognized at the time the transaction is executed, as that is the point in time the credit union fulfills the member's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of the month, representing the period over which the credit union satisfies the performance obligation. Payments for these service charges are received immediately through a direct charge to members' accounts.

Interchange Income: The credit union earns interchange fees from debit and credit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Revenue is recognized when the net profit is determined by the payment networks at the end of each day.

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 8 – LEASE COMMITMENTS

The credit union leases branch office facilities under non-cancelable operating agreements expiring in various years through 2035. The credit union's lease terms may include options to extend the leases. The credit union's measurement of the ROU assets and lease liabilities includes payments associated with the options to extend certain leases when it is reasonably certain that the credit union will exercise these options.

The ROU assets and lease liabilities are recognized based on the present value of minimum lease payments over the lease term. As most of the credit union's leases do not provide an implicit rate, the credit union used a collateralized borrowing rate for the estimated duration of the lease to determine the present value of future payments. The amortization of the lease assets and the accretion of lease liabilities are reported together as fixed lease expense and included in net occupancy expense under non-interest expense. The fixed lease expense is recognized on a straight-line basis over the remaining life of the lease.

The following table presents information related to leases as of December 31, 2024 and 2023:

	2024	2023
Supplemental statements of financial condition information:		
ROU assets (included in other assets)	$ 2,213,143	$ 2,181,043
Lease liabilities (included in other liabilities)	2,440,540	2,428,128
Weighted average remaining lease term (years)	3.09	4.81
Weighted average discount rate	1.1%	1.5%
Operating lease cost	1,125,647	933,758

The future lease payments of the lease liabilities as of December 31, 2024 are as follows:

Years Ending December 31,	
2025	$ 594,368
2026	358,023
2027	368,923
2028	380,158
2029	391,736
Thereafter	500,224
Total minimum lease payments	2,593,432
Less imputed interest	152,892
Total operating lease liabilities	$ 2,440,540

NOTE 9 – OFF-BALANCE-SHEET ACTIVITIES

The credit union is party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit, which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated financial statements. The credit union's exposure to credit loss is represented by the contractual notional amount of these instruments. The credit union uses the same credit policies in making commitments as it does for the loans recorded in the consolidated financial statements.

Outstanding loan commitments as of December 31, 2024 and 2023 totaled approximately $1,544,000 and $3,013,000, respectively.

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 9 – OFF-BALANCE-SHEET ACTIVITIES (CONTINUED)

The following financial instruments were outstanding whose contract amounts represent credit risk:

	2024	2023
HELOC	$ 100,200,518	$ 95,178,401
Credit card	147,218,731	155,001,153
Unsecured lines of credit	14,574,879	15,282,807
Overdraft protection program	4,294,368	4,436,317
	$ 266,288,496	$ 269,898,678

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

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES

The credit union is party to various legal actions normally associated with the collection of loans and other business activities of financial institutions, the aggregate effect of which, in the opinion of management and legal counsel, would not be material to the consolidated financial condition of the credit union.

NOTE 11 – CONCENTRATION OF CREDIT RISK

The credit union maintains its cash in financial institutions and certificate of deposit accounts, which, at times, may exceed federally insured limits. The credit union had balances in excess of federally insured limits totaling approximately $8,526,000 and $20,265,000 as of December 31, 2024 and 2023, respectively. The credit union has not experienced any losses on such accounts.

NOTE 12 – EMPLOYEE BENEFITS

401(k) Plan: Employees are eligible upon hire to participate in the employee deferral portion of the plan and eligible to participate in the employer matching portion of the plan after completing six months of service. Employees may contribute 1 percent to 20 percent of their annual compensation to the plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service (IRS). The plan requires the credit union to match 100 percent of the first 6 percent of employee contributions. The credit union's matching contributions for the years ended December 31, 2024 and 2023, were approximately $770,000 and $727,000, respectively, which is included in noninterest expense on the consolidated statements of income.

Profit Sharing Plan: Employees are eligible to participate after completing one year of service. The annual contribution is discretionary as determined by the Board of Directors. Plan forfeitures are used to reduce the credit union's annual contribution. There was no contribution for the year ended December 31, 2024. The credit union contributed approximately $314,000 to the plan for the year ended December 31, 2023, which is included in noninterest expense on the consolidated statements of income.

Deferred Compensation Plan: The credit union has a nonqualified deferred compensation plan with fixed benefits and a supplemental term life benefit for certain executives under IRS Section 457(f). The credit union expensed approximately $120,000 during the years ended December 31, 2024 and 2023. The liability for the deferred compensation, which is included in accrued liabilities, was approximately $240,000 and $340,000 at December 31, 2024 and 2023, respectively.

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 12 – EMPLOYEE BENEFITS (CONTINUED)

Loan Regime Split-Dollar Plan: The credit union offers split-dollar agreements to certain members of the executive management team. Under the arrangements, the credit union makes a loan to the executive equal to the life insurance policy premiums. The executive assigns the insurance policy to the credit union as collateral for repaying the premiums and borrows from the policy to supplement retirement income. The credit union is repaid from the policy's death proceeds. Interest accrues on the loans at the applicable federal rate at the time of the advance. Any principal or interest not repaid under the arrangements is taxable to the executive. For non-recourse loans, the credit union records a loan receivable at the lesser of the cash surrender value of the policy or the loan amount plus accrued interest. As of December 31, 2024 and 2023, there was one full recourse loan accruing interest at an interest rate of 1.01% recorded at the loan amount plus accrued interest of $719,263 and $684,146, respectively. As of December 31, 2024 and 2023, the total balance of non-recourse and recourse loans to the executives under these arrangements was approximately $8,700,000 and $8,590,000, respectively. The loans are secured by life insurance policies issued by Minnesota Life Insurance Company and TruStage Financial Group, Inc., currently rated A+ (Superior) and A (Excellent), respectively, by AM Best, an insurance industry rating agency, and represent a concentration of credit risk, with the maximum loss equal to the net loan amounts.

Death-Benefit-Only Plan: The credit union established death-benefit-only plans for key members of the credit union's management team to encourage long-term employment. The credit union acquires life insurance policies for participants of the plan with the credit union being the owner and beneficiary of the plan. The credit union will pay the death benefit equal to the total annual base salary in effect to the participant's beneficiary upon the participant's death. As of December 31, 2024 and 2023, the total value of the policies purchased was approximately $17,040,000 and $16,504,000, respectively. Life insurance policies are issued by Minnesota Life Insurance Company, Midland National Life Insurance Company, Penn Mutual Life Insurance Company and Pacific Life Insurance Company, all currently rated A+ (Superior) by AM Best, an insurance industry rating agency.

On July 1, 2021, the credit union established a charitable donation account trust for the purpose of making charitable contributions and donations to qualified charities. Funds held in the trust have been invested in a death-benefit-only plan for a member of the executive management team. As of December 31, 2024 and 2023, the total value of the policy was approximately $2,176,000 and $2,132,000, respectively. Life insurance policy issued by TruStage Financial Group, Inc., currently rated A (Excellent) by AM Best, an insurance industry rating agency.

Post-Retirement Benefit Plan: The credit union provides a post-retirement health benefits plan to certain current and former employees. The plan was closed to new participants as of January 1, 2009. The credit union recognizes the funding status of the post-retirement benefit plan in its consolidated statements of financial condition, with a corresponding adjustment to accumulated other comprehensive income. Net unrecognized actuarial losses and unrecognized prior service costs are recognized as net periodic pension plan cost pursuant to the credit union's historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that are not recognized as net periodic pension cost in the same period will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension plan cost on the same basis as the amounts recognized in accumulated other comprehensive income.

LOS ANGELES FEDERAL CREDIT UNION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 12 – EMPLOYEE BENEFITS (CONTINUED)

The following tables set forth information regarding the post-retirement benefit plan as of and for the years ended December 31:

	2024	2023
Net periodic benefit cost	$ 142,050	$ 146,251
Total recognized in other comprehensive income	(136,491)	71,324
Total amount recognized in net periodic benefit cost and other comprehensive income	$ 5,559	$ 217,575
Employer contributions	$ 244,352	$ 184,859
Benefits paid	$ 244,352	$ 184,859

Assumptions for net periodic benefit cost:	2024	2023
Discount rate	5.30%	4.65%
Medical trend rate	6.1% in 2025 grading to 3.7%	6.6% in 2024 grading to 3.7%

The following benefit payments are expected to be paid as follows:

Years Ending December 31,	
2025	$ 261,747
2026	221,418
2027	217,111
2028	187,185
2029	187,500
Five years thereafter	915,437
	$ 1,990,398

NOTE 13 – RELATED PARTY TRANSACTIONS

In the normal course of business, the credit union extends credit to Directors, Supervisory Committee members and Executive Officers. The aggregate loans to related parties as of December 31, 2024 and 2023 totaled $4,891,000 and $5,052,577, respectively.

NOTE 14 – FAIR VALUE

Fair values of securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or on discounted cash flow models using the expected payment characteristics of the underlying mortgage instruments.

Los Angeles Federal Credit Union and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

Note 14 – Fair Value (Continued)

Fair values of assets measured on a recurring basis are summarized as follows:

2024	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities available for sale:				
Federal agency securities	$ 139,886,202	$ -	$ 139,886,202	$ -
Mortgage-backed securities	68,061,357	-	68,061,357	-
Collateralized mortgage obligations	82,131,809	-	82,131,809	-
	$ 290,079,368	$ -	$ 290,079,368	$ -
2023				
Debt securities available for sale:				
Federal agency securities	$ 159,167,515	$ -	$ 159,167,515	$ -
Mortgage-backed securities	76,530,750	-	76,530,750	-
Collateralized mortgage obligations	91,530,557	-	91,530,557	-
	$ 327,228,822	$ -	$ 327,228,822	$ -

Fair values of assets measured on a nonrecurring basis are as follows:

2024	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Collateral-dependent loans	$ 2,515,449	$ -	$ -	$ 2,515,449
2023				
Collateral-dependent loans	$ 613,782	$ -	$ -	$ 613,782

Collateral-dependent loans are measured using the fair value of the collateral less estimated costs to sell.

Note 15 – Regulatory Capital

The credit union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the credit union's consolidated financial statements. The credit union opted into the complex credit union leverage ratio (CCULR) framework for complex credit unions. The credit union is considered complex based on its quarter-end assets, which exceeded $500 million as reflected in its most recent Call Report as of December 31, 2024 and 2023. Under capital adequacy guidelines and the CCULR regulatory framework, the credit union must meet specific CCULR guidelines that involve quantitative measures of the credit union's assets and liabilities as calculated under US GAAP as well as various qualifying criteria.

NOTE 15 – REGULATORY CAPITAL (CONTINUED)

Quantitative measures established by regulation to ensure capital adequacy require the credit union to maintain minimum amounts and ratios. The credit union's CCULR as of December 31, 2024 and 2023 was 10.75% and 10.98%, respectively. Management believes, as of December 31, 2023 and 2022, that the credit union meets all capital adequacy requirements to which it is subject.

As of December 31, 2024, the most recent call reporting period, the NCUA categorized the credit union as "well capitalized" under the CCULR regulatory framework. To be categorized as well capitalized, the credit union must maintain a minimum CCULR of 9% of assets. There are no conditions or events since that notification which management believes have changed the credit union's category.

The credit union's actual capital amounts and ratios are as follows:

	Actual		Well Capitalized Requirement under CCULR	
2024	Amount	Ratio	Amount	Ratio
Net worth	$ 137,138,764	10.75%	$ 114,771,783	9.00%
2023				
Net worth	$ 143,961,170	10.98%	$ 118,051,684	9.00%

NOTE 16 – SUBSEQUENT EVENT

In January 2025, several Southern California regions suffered from devastating wildfires. Evacuation orders were issued for residents in these areas and the Governor of California declared a state of emergency. Residents in these regions may have lost their homes and businesses or suffered damage to these structures. The credit union may have borrowers impacted by these disasters and therefore, may have a delay or inability in collecting from these borrowers in the near term. The credit union is monitoring their loan portfolio closely; however, the impact of this disaster is not known at this time.

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VISION STATEMENT

To be our members' first choice for financial services.

MISSION STATEMENT

To provide the best financial services as defined by our members, to maintain a high level of financial stability, and to foster employee growth and achievement.

BRANCHES

Cerritos
11306 South St.

Culver City
3850 Culver Center

El Monte
9204 Flair Dr., Suite A

Gardena
1352 W. Artesia Blvd.

Glendale
300 S. Glendale Ave.

LA Mall (Downtown Los Angeles)
201 N. Los Angeles St., Space 201

Montebello
1435 N. Montebello Blvd.

Van Nuys
8008 Van Nuys Blvd.

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