

Wright-Patt Credit Union, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2022 and 2021



Independent Auditor's Report

Board of Directors
Wright-Patt Credit Union, Inc.
Beavercreek, Ohio

Opinion

We have audited the consolidated financial statements of Wright-Patt Credit Union, Inc. and its subsidiaries (the Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income (loss), members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern within one year after the date that these 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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

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

FORVIS,LLP

Indianapolis, Indiana
March 13, 2023

Wright-Patt Credit Union, Inc.
Consolidated Statements of Financial Condition
December 31, 2022 and 2021
(in thousands)

Assets

	2022	2021
Cash and due from banks	\$ 598,120	\$ 534,510
Federal funds sold	81,855	52,100
Cash and cash equivalents	679,975	586,610
Investments		
Available-for-sale securities	1,107,215	1,287,254
Mutual funds	11,452	51,701
Loans held for sale	43,242	94,626
Loans to members, net of allowance for loan losses of \$45,791 and \$35,191 at December 31, 2022 and 2021	5,626,565	4,854,684
Property and equipment, net	68,916	67,027
FHLB stock	28,023	15,199
NCUSIF deposit	54,981	50,976
Other assets	174,084	126,239
	\$ 7,794,453	\$ 7,134,316

Liabilities and Members' Equity

Liabilities

Members' share and deposit accounts	6,467,760	6,057,669
Borrowings	516,715	260,951
Accounts payable and accrued liabilities	108,918	57,167
Total liabilities	7,093,393	6,375,787

Members' Equity

Statutory reserve	22,877	22,877
Members' survivors' reserve	2,051	2,089
Retained earnings	819,006	737,369
Accumulated other comprehensive loss	(143,276)	(3,806)
Total parent company equity	700,658	758,529
Noncontrolling interest	402	-
Total equity	701,060	758,529
Total liabilities and members' equity	\$ 7,794,453	\$ 7,134,316

Wright-Patt Credit Union, Inc.
Consolidated Statements of Income
Years Ended December 31, 2022 and 2021
(in thousands)

	2022	2021
Interest Income		
Loans	\$ 258,850	\$ 217,165
Investments	34,913	14,594
Total interest income	293,763	231,759
Interest Expense		
Dividends on share accounts	47,897	27,291
Interest on borrowings	9,248	4,524
Total interest expense	57,145	31,815
Net Interest Income	236,618	199,944
Provision for Loan Losses	28,529	308
Net Interest Income After Provision for Loan Losses	208,089	199,636
Noninterest Income		
Fees, service charges and other	84,215	88,713
Gain (loss) on sale of investments	(212)	1,161
Gain on sale of mortgage loans	4,340	20,960
Total noninterest income	88,343	110,834
Noninterest Expense		
Employee salaries and benefits	110,241	106,487
Office occupancy	10,882	10,162
Office operations	48,755	44,925
Loan servicing	17,302	16,476
Member education and promotion	5,440	4,986
Professional and outside services	4,757	4,574
Income tax expense (benefit)	(1,560)	1,825
Other	8,021	5,750
Total noninterest expense	203,838	195,185
Patronage Dividend	10,894	10,362
Net Income	81,700	104,923
Less net income attributable to noncontrolling interest	101	-
Net Income Attributable to Parent Company	\$ 81,599	\$ 104,923

Wright-Patt Credit Union, Inc.
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2022 and 2021
(in thousands)

	2022	2021
Net Income	\$ 81,700	\$ 104,923
Other Comprehensive Loss		
Unrealized holding losses on available-for-sale securities	(139,683)	(22,201)
Less investment gains (losses) included in net income	(212)	1,161
Other comprehensive loss - net	(139,471)	(23,362)
Comprehensive Income (Loss)	(57,771)	81,561
Less comprehensive income attributable to noncontrolling interest	101	-
Comprehensive Income Attributable to Parent Company	\$ (57,670)	\$ 81,561

Wright-Patt Credit Union, Inc.
Consolidated Statements of Members' Equity
Years Ended December 31, 2022 and 2021
(in thousands)

	Statutory Reserve	Members' Survivors' Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Members' Equity
Balance, January 1, 2021	\$ 22,877	\$ 2,125	\$ 632,410	\$ 19,557	\$ -	\$ 676,969
Net income			104,923			104,923
Other comprehensive loss				(23,362)		(23,362)
Transfers		(36)	36			-
Balance, December 31, 2021	22,877	2,089	737,369	(3,805)	-	758,530
Net income			81,599		101	81,700
Other comprehensive loss				(139,471)		(139,471)
Contributions to noncontrolling interest					301	301
Transfers		(38)	38			-
Balance, December 31, 2022	<u>\$ 22,877</u>	<u>\$ 2,051</u>	<u>\$ 819,006</u>	<u>\$ (143,276)</u>	<u>\$ 402</u>	<u>\$ 701,060</u>

Wright-Patt Credit Union, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(in thousands)

	2022	2021
Cash Flows From Operating Activities		
Net income	\$ 81,700	\$ 104,923
Adjustments to reconcile net income to net cash		
Provision for loan losses	28,529	308
Depreciation	8,746	8,667
Loss (gain) on sale of investments - net	212	(1,161)
Gain on derivatives	(19,323)	(4,137)
Amortization of investment premiums and accretion of discounts	3,223	4,821
Gain on sale of mortgage loans	(4,340)	(20,960)
Net changes in		
Loans held for sale	51,385	(614)
Other assets	(13,128)	66,791
Accounts payable and accrued liabilities	36,465	13,362
Net cash provided by operating activities	173,469	172,000
Cash Flows From Investing Activities		
Net change in loans	(796,069)	(543,869)
Investments available for sale		
Purchased	(172,870)	(891,383)
Maturities, payments and calls	159,939	206,188
Sold	50,064	291,407
Mutual funds		
Purchased	-	(75,225)
Sold	40,249	100,000
Purchase of FHLB stock	(12,824)	(2,603)
Increase in NCUSIF deposit	(4,005)	(7,013)
Capital expenditures	(10,745)	(10,567)
Net cash used in investing activities	(746,261)	(933,065)
Cash Flows From Financing Activities		
Net increase in members' share and deposit accounts	410,092	715,976
Proceeds from borrowings	780,279	297,295
Repayment of borrowings	(524,515)	(223,757)
Contributions to non controlling interest	301	-
Net cash provided by financing activities	666,157	789,514
Net Increase in Cash and Cash Equivalents	93,365	28,449
Cash and Cash Equivalents, Beginning of Year	586,610	558,161
Cash and Cash Equivalents, End of Year	\$ 679,975	\$ 586,610
Additional Cash Flows Information		
Dividends paid on share and deposit accounts	\$ 47,897	\$ 27,291
Cash paid for interest on borrowings	8,358	4,466