



Wright-Patt Credit Union, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2023 and 2022





201 N. Illinois Street, Suite 700 / Indianapolis, IN 46244

P 317.383.4000 / F 317.383.4200

forvis.com

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 financial condition as of December 31, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2023, the entity changed its method of accounting for credit losses on financial instruments due to the adoption of Accounting Standards Codification Topic 326: *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to this matter.

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
February 29, 2024**

Wright-Patt Credit Union, Inc.
Consolidated Statements of Financial Condition
December 31, 2023 and 2022
(in thousands)

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and due from banks	\$ 457,520	\$ 598,120
Federal funds sold	93,751	81,855
Cash and cash equivalents	<u>551,271</u>	<u>679,975</u>
Repurchase agreements	245,000	-
Investments		
Available-for-sale securities	1,166,964	1,107,215
Mutual funds	-	11,452
Loans held for sale	33,467	43,242
Loans to members, net of allowance for credit losses of \$77,186 and \$45,791 at December 31, 2023 and 2022	5,992,933	5,626,565
Property and equipment, net	75,041	68,916
FHLB stock	29,696	28,023
NCUSIF deposit	61,499	54,981
Other assets	<u>178,466</u>	<u>174,084</u>
 Total assets	 <u>\$ 8,334,337</u>	 <u>\$ 7,794,453</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities

Members' share and deposit accounts	\$ 6,952,057	\$ 6,467,760
Borrowings	505,995	516,715
Accounts payable and accrued liabilities	118,009	108,918
Total liabilities	<u>7,576,061</u>	<u>7,093,393</u>

Members' Equity

Statutory reserve	22,877	22,877
Members' survivors' reserve	2,021	2,051
Retained earnings	870,260	819,006
Accumulated other comprehensive loss	(136,878)	(143,276)
Total parent company equity	<u>758,280</u>	<u>700,658</u>
 Noncontrolling interest	 (4)	 402
Total members' equity	<u>758,276</u>	<u>701,060</u>
 Total liabilities and members' equity	 <u>\$ 8,334,337</u>	 <u>\$ 7,794,453</u>

Wright-Patt Credit Union, Inc.
Consolidated Statements of Income
Years Ended December 31, 2023 and 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
Interest Income		
Loans	\$ 350,547	\$ 258,850
Investments	75,890	34,913
Total interest income	<u>426,437</u>	<u>293,763</u>
Interest Expense		
Dividends on share accounts	141,417	47,897
Interest on borrowings	17,384	9,248
Total interest expense	<u>158,801</u>	<u>57,145</u>
Net Interest Income	<u>267,636</u>	<u>236,618</u>
Credit Loss Expense (Recovery)		
Credit loss expense - loans	55,837	28,529
Credit loss recovery - off balance sheet credit exposures	(566)	-
Total credit loss expense	<u>55,271</u>	<u>28,529</u>
Net Interest Income After Credit Loss Expense	<u>212,365</u>	<u>208,089</u>
Noninterest Income		
Fees, service charges and other	88,533	84,215
Loss on sale of investments	-	(212)
Gain on sale of mortgage loans	3,040	4,340
Total noninterest income	<u>91,573</u>	<u>88,343</u>
Noninterest Expense		
Employee salaries and benefits	127,845	110,241
Office occupancy	11,639	10,882
Office operations	48,709	48,755
Loan servicing	16,001	17,302
Member education and promotion	6,804	5,440
Professional and outside services	5,963	4,757
Other	8,279	6,461
Total noninterest expense	<u>225,240</u>	<u>203,838</u>
Patronage Dividend	<u>8,066</u>	<u>10,894</u>
Net Income	<u>\$ 70,632</u>	<u>\$ 81,700</u>
Less net income attributable to noncontrolling interest	<u>184</u>	<u>101</u>
Net Income Attributable to Parent Company	<u>70,448</u>	<u>81,599</u>

Wright-Patt Credit Union, Inc.
Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2023 and 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
Net Income	<u>\$ 70,632</u>	<u>\$ 81,700</u>
Other Comprehensive Income (Loss)		
Unrealized holding gains (losses) on available-for-sale securities	6,398	(139,683)
Less investment losses included in net income	-	(212)
Other comprehensive income (loss)	<u>6,398</u>	<u>(139,471)</u>
Comprehensive Income (Loss)	77,030	(57,771)
Less comprehensive income attributable to noncontrolling interest	<u>184</u>	<u>101</u>
Comprehensive Income (Loss) Attributable to Parent Company	<u>\$ 77,214</u>	<u>\$ (57,670)</u>

Wright-Patt Credit Union, Inc.
Consolidated Statements of Members' Equity
Years Ended December 31, 2023 and 2022
(in thousands)

	Statutory Reserve	Members' Survivors' Reserve	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Members' Equity
Balance, January 1, 2022	\$ 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	22,877	2,051	819,006	(143,276)	402	701,060
Cumulative change for ASC adoption of 326			(19,227)			(19,227)
Balance, January 1, 2023, as adjusted	22,877	2,051	799,779	(143,276)	402	681,833
Net income			70,448		184	70,632
Other comprehensive income				6,398		6,398
Distributions to noncontrolling interest					(587)	(587)
Transfers		(30)	33		(3)	-
Balance, December 31, 2023	\$ 22,877	\$ 2,021	\$ 870,260	\$ (136,878)	\$ (4)	\$ 758,276

Wright-Patt Credit Union, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(in thousands)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Net income	\$ 70,632	\$ 81,700
Adjustments to reconcile net income to net cash		
Provision for credit losses	55,271	28,529
Depreciation	8,291	8,746
Loss on sale of investments - net	-	212
Loss (gain) on derivatives	6,039	(19,323)
Amortization of investment premiums and accretion of discounts	3,408	3,223
Gain on sale of mortgage loans	(3,040)	(4,340)
Net changes in		
Loans held for sale	9,775	51,385
Other assets	(9,564)	(13,128)
Accounts payable and accrued liabilities	7,310	36,465
Net cash provided by operating activities	<u>148,122</u>	<u>173,469</u>
Cash Flows From Investing Activities		
Net change in repurchase agreements	(245,000)	-
Net change in loans	(436,230)	(796,069)
Investments available for sale		
Purchased	(159,324)	(172,870)
Maturities, payments and calls	102,565	159,939
Sold	-	50,064
Mutual funds		
Sold	11,452	40,249
Purchase of FHLB stock	(1,673)	(12,824)
Increase in NCUSIF deposit	(6,518)	(4,005)
Capital expenditures	(15,273)	(10,745)
Net cash used in investing activities	<u>(750,001)</u>	<u>(746,261)</u>
Cash Flows From Financing Activities		
Net increase in members' share and deposit accounts	484,297	410,092
Proceeds from borrowings	175,000	780,279
Repayment of borrowings	(185,720)	(524,515)
Distributions of non controlling interest	(402)	-
Contributions to non controlling interest	-	301
Net cash provided by financing activities	<u>473,175</u>	<u>666,157</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(128,704)	93,365
Cash and Cash Equivalents, Beginning of Year	<u>679,975</u>	<u>586,610</u>
Cash and Cash Equivalents, End of Year	<u>\$ 551,271</u>	<u>\$ 679,975</u>
Additional Cash Flows Information		
Dividends paid on share and deposit accounts	\$ 141,417	\$ 47,897
Cash paid for interest on borrowings	17,127	8,358
Lease liabilities arising from obtaining right-of-use assets	-	15,284