

Spero Financial

STATEMENT OF FINANCIAL CONDITION

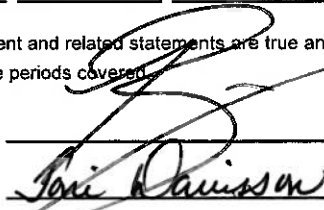
December 31, 2024

	December 2024	Percent	November 2024	Percent	December 2023	Percent
Assets:						
Consumer Loans	233,816,023	33.37%	234,059,790	33.05%	260,000,230	36.84%
Business Loans	1,538,372	0.22%	1,575,864	0.22%	1,614,357	0.23%
Real Estate Loans	334,562,611	47.75%	331,144,931	46.75%	316,527,911	44.85%
Total Loans	569,917,006	81.35%	566,780,586	80.02%	578,142,498	81.92%
Allowance For Loan Loss	(6,637,017)	(0.95%)	(5,355,234)	(0.76%)	(4,770,416)	(0.68%)
Net Loans	563,279,987	80.40%	561,425,351	79.27%	573,372,081	81.24%
Cash and Cash Equivalents	54,137,286	7.73%	62,919,350	8.88%	51,368,387	7.28%
Investments	36,647,060	5.23%	37,238,226	5.26%	30,676,766	4.35%
Land and Buildings	15,959,120	2.28%	15,996,951	2.26%	16,161,734	2.29%
Other Fixed Assets	3,166,980	0.45%	3,254,901	0.46%	3,983,245	0.56%
NCUSIF Insurance	5,935,259	0.85%	5,935,259	0.84%	5,726,941	0.81%
Other Assets	21,490,810	3.07%	21,504,507	3.04%	24,463,867	3.47%
Total Assets	700,616,505	100.00%	708,274,545	100.00%	705,753,022	100.00%
Liabilities & Capital:						
Total Borrowings	1,000	0.00%	0	0.00%	5,000,000	0.71%
Accrued Dividends Payable	79,821	0.01%	1,885,382	0.27%	129,409	0.02%
Accounts Payable	9,142,706	1.30%	8,638,782	1.22%	6,409,803	0.91%
Total Deposits	638,458,637	91.13%	643,312,879	90.83%	637,537,313	90.33%
Regular Reserves	2,754,250	0.39%	2,754,250	0.39%	2,754,250	0.39%
Equity Acquired in Merger	5,687,477	0.81%	5,687,477	0.80%	5,687,477	0.81%
Undivided Earnings	44,492,615	6.35%	46,293,183	6.54%	48,234,771	6.83%
Net Income	0	0.00%	(297,407)	-0.04%	0	0.00%
Total Equity	52,934,342	7.56%	54,437,503	7.69%	56,676,498	8.03%
Total Liabilities & Equity	700,616,505	100.00%	708,274,546	100.00%	705,753,022	100.00%

We certify to the best of our knowledge and belief, this statement and related statements are true and correct and present fairly the financial position and the results of operations for the periods covered.

Brian McKay, President/CEO

Toni Davisson, SVP/CFO



Spero Financial

STATEMENT OF INCOME & EXPENSES

December 2024

	Dec 2024	Percent	Nov 2024	Percent	Year To Date	
	Dec 2024	Percent	Nov 2024	Percent	Dec 2024	Percent
Interest Income:						
Interest on Loans	3,407,679	95.28%	3,315,043	91.53%	39,683,316	89.98%
Investment Income	168,933	4.72%	306,936	8.47%	4,417,199	10.02%
Total Interest Income	3,576,613	100.00%	3,621,979	100.00%	44,100,515	100.00%
Interest Expense:						
Interest Expense	0	0.00%	0	0.00%	(5,748)	-0.01%
Dividends	1,567,630	43.83%	1,558,857	43.04%	19,693,744	44.66%
Total Interest Expense	1,567,630	43.83%	1,558,857	43.04%	19,687,996	44.64%
Net Interest Income	2,008,983	56.17%	2,063,122	56.96%	24,412,519	55.36%
Provision for Loan Loss	1,577,374	44.10%	566,336	15.64%	6,851,099	15.54%
Net Int. Inc. After Prov.	431,609	12.07%	1,496,786	41.33%	17,561,420	39.82%
Operating Expenses:						
Compensation	1,058,366	29.59%	1,080,685	29.84%	13,761,654	31.21%
Employee Benefits	301,609	8.43%	317,117	8.76%	3,748,156	8.50%
Travel & Conference	23,521	0.66%	27,247	0.75%	365,958	0.83%
Office Occupancy	134,774	3.77%	139,522	3.85%	1,622,092	3.68%
Office Operations	312,163	8.73%	340,632	9.40%	3,979,441	9.02%
Education & Promotion	12,796	0.36%	64,130	1.77%	547,697	1.24%
Loan Servicing Expense	151,517	4.24%	176,208	4.86%	1,822,723	4.13%
Professional & Outside	614,148	17.17%	490,988	13.56%	4,975,827	11.28%
Operating Fees	14,896	0.42%	14,896	0.41%	158,071	0.36%
Cash (Over) Short	34	0.00%	12	0.00%	2,024	0.00%
Association Dues	9,110	0.25%	9,614	0.27%	118,475	0.27%
Other Operating Expenses	(115,051)	-3.22%	0	0.00%	42,639	0.10%
Total Operating Expenses	2,517,882	70.40%	2,661,050	73.47%	31,178,007	70.70%
Other Operating Income:						
Fees & Charges	416,155	11.64%	373,170	10.30%	4,922,720	11.16%
Other Operating Income	449,622	12.57%	396,587	10.95%	4,781,664	10.84%
Total Operating Income	865,776	24.21%	769,758	21.25%	9,704,384	22.01%
Non-Operating Gains & Losses						
Gain(Loss) on Investment	(4,842)	-0.14%	(1,340)	-0.04%	28,813	0.07%
Gain(Loss) on Assets	(3,862)	-0.11%	(1,444)	-0.04%	(102,211)	-0.23%
Total Non-Operating	(8,704)	-0.24%	(2,784)	-0.08%	(73,398)	-0.17%
Net Income	(1,229,202)	-34.37%	(397,291)	-10.97%	(3,985,601)	-9.04%

Spero Financial
STATISTICAL REPORT
December 31, 2024

CLASSIFICATION OF LOANS OUTSTANDING

	Number	Amount
Degree of Delinquency:		
Current and less than 2 months	28,180	\$566,079,079
2 to less than 6 months	208	3,251,561
6 to less than 12 months	21	435,904
12 months and over	6	150,461
Total Loans	28,415	\$569,917,006

OTHER LOAN INFORMATION

	Number	Amount
Loans made current month	1,490	\$20,447,144
Loans made year to date	17,151	\$207,256,171
Loans made since organization	903,449	\$4,028,133,156
Loans charged-off since organization		\$60,754,489
	<u>Current Month</u>	<u>YTD</u>
Loans charged-off	\$381,544	\$6,207,720
C/P Loans charged-off	25,503	328,547
Total:	\$407,047	\$6,536,267
Recoveries of loans charged-off since organization		(\$14,489,111)
	<u>Current Month</u>	<u>YTD</u>
Loans Recoveries	\$92,308	\$1,410,854
C/P Loan Recoveries	17,924	141,117
Total:	\$110,232	\$1,551,971
Net loans charged-off since organization		\$46,265,378

MISCELLANEOUS INFORMATION

	December 2023	Previous Month	Current Month
Number of members at end month	50,442	49,028	48,675
Annualized Member Growth			-3.50%
Number of potential members			1,184,157



**SPERO FINANCIAL
FEDERAL CREDIT UNION**

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023
(With Independent Auditor's Report Thereon)

SPERO FINANCIAL FEDERAL CREDIT UNION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Condition	3
Statements of Income	4
Statements of Comprehensive Income (Loss)	5
Statements of Members' Equity	6
Statements of Cash Flows	7
Notes to the Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
Spero Financial Federal Credit Union

Opinion

We have audited the financial statements of Spero Financial Federal Credit Union, which comprise the statement of financial condition as of December 31, 2024 and the related statements of income, comprehensive income (loss), members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Spero Financial Federal Credit Union and as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit 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 Audits of the Financial Statements section of our report. We are required to be independent of Spero Financial Federal Credit Union, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of Spero Financial Federal Credit Union for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on May 23, 2024.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Spero Financial 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Spero Financial Federal 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

A handwritten signature in black ink that reads "Doeren Mayhew Assurance".

Miami, Florida
April 16, 2025

SPERO FINANCIAL FEDERAL CREDIT UNION

STATEMENTS OF FINANCIAL CONDITION AS OF DECEMBER 31, 2024 AND 2023

Assets

	2024	2023
Cash and cash equivalents	\$ 55,183,481	\$ 53,342,645
Interest bearing deposits	-	494,297
Investments: (Note 2)		
Available-for-sale debt securities	34,228,145	27,540,591
Loans receivable, net of allowance for credit losses of \$6,637,017 and \$4,770,116 (Note 3)	563,279,989	573,372,081
Accrued interest receivable	2,284,503	2,243,441
Premises and equipment, net (Note 4)	18,941,146	19,927,407
National Credit Union Share Insurance Fund deposit	5,935,260	5,726,941
Benefit prefunding plan	7,301,808	8,851,350
Prepaid and other assets	13,462,172	14,254,269
Total Assets	<u>\$ 700,616,504</u>	<u>\$ 705,753,022</u>

Liabilities and Members' Equity

Liabilities:

Share and savings accounts (Note 5)	\$ 638,458,637	\$ 637,537,313
Borrowed funds (Note 6)	-	5,000,000
Accrued expenses and other liabilities	9,223,526	6,539,211
Total liabilities	<u>647,682,163</u>	<u>649,076,524</u>

Commitments and contingent liabilities (Note 7)

Members' Equity: (Note 8)

Undivided earnings	50,854,134	54,839,736
Accumulated other comprehensive loss	(3,607,269)	(3,850,714)
Equity acquired from business combinations	5,687,476	5,687,476
Total members' equity	<u>52,934,341</u>	<u>56,676,498</u>
Total Liabilities and Members' Equity	<u>\$ 700,616,504</u>	<u>\$ 705,753,022</u>

See accompanying notes to the financial statements

SPERO FINANCIAL FEDERAL CREDIT UNION

STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Interest income:		
Interest on loans receivable	\$ 39,683,315	\$ 36,115,354
Interest on investments	4,417,199	3,578,805
Total interest income	44,100,514	39,694,159
Interest expense:		
Dividends on share and savings accounts	19,693,744	15,785,744
Interest on borrowed funds	(5,748)	484,544
Interest expense	19,687,996	16,270,288
Net interest income	24,412,518	23,423,871
Provision for credit losses	6,851,099	3,697,286
Net interest income after provision for credit losses	17,561,419	19,726,585
Non-interest income:		
Fees and charges	4,246,807	3,907,549
Interchange income	3,173,601	2,844,635
Other non-interest income	2,210,577	2,542,373
Total non-interest income	9,630,985	9,294,557
Non-interest expense:		
Compensation and employee benefits	17,509,810	16,109,922
Office operations	3,979,441	4,121,067
Occupancy	1,622,092	1,572,451
Operating expense	8,066,663	7,211,861
Total non-interest expenses	31,178,006	29,015,301
Net (loss) income	\$ (3,985,602)	\$ 5,841

See accompanying notes to the financial statements

SPERO FINANCIAL FEDERAL CREDIT UNION

STATEMENTS OF COMPREHENSIVE INCOME (LOSS) YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Net (loss) income	<u>\$ (3,985,602)</u>	<u>\$ 5,841</u>
Other comprehensive income (loss)		
Net unrealized holding (losses)/gains on securities arising during the year	<u>243,445</u>	<u>607,235</u>
Comprehensive (loss) income	<u><u>\$ (3,742,157)</u></u>	<u><u>\$ 613,076</u></u>

See accompanying notes to the financial statements

SPERO FINANCIAL FEDERAL CREDIT UNION

STATEMENTS OF MEMBERS' EQUITY YEARS ENDED DECEMBER 31, 2024 AND 2023

	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Equity acquired from business combinations	Total
Balance, December 31, 2022	\$ 56,947,322	\$ (4,457,949)	\$ 5,687,476	\$ 58,176,849
CECL Cumulative Effect Adjustment	(2,113,427)	-	-	(2,113,427)
Balance, January 1, 2023 as restated	54,833,895	(4,457,949)	5,687,476	56,063,422
Comprehensive Income	5,841	607,235	-	613,076
Balance, December 31, 2023	54,839,736	(3,850,714)	5,687,476	56,676,498
Comprehensive Loss	(3,985,602)	243,445	-	(3,742,157)
Balance, December 31, 2024	\$ 50,854,134	\$ (3,607,269)	\$ 5,687,476	\$ 52,934,341

See accompanying notes to the financial statements

SPERO FINANCIAL FEDERAL CREDIT UNION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities:		
Net (loss) income	\$ (3,985,602)	\$ 5,841
Adjustments to reconcile net income to net cash:		
Provision for credit losses	6,851,099	3,697,286
Depreciation and amortization of premises and equipment	1,606,628	1,546,529
Gain on disposition of premises and equipment, net	-	(360,145)
Amortization of investment premiums/discounts	104,961	221,748
Changes in operating assets and liabilities:		
Accrued interest receivable	(41,062)	(613,467)
Benefit prefunding plan	1,549,542	(3,891,397)
Prepaid and other assets	792,097	4,221,713
Accrued expenses and other liabilities	2,684,315	2,162,518
Net cash provided by operating activities	9,561,978	6,990,626
Cash Flows From Investing Activities:		
Purchases of:		
Available-for-sale debt securities	(10,825,774)	-
Premises and equipment	(620,367)	(1,543,173)
Proceeds from:		
Maturities of Interest bearing deposits	494,297	1,448,224
Maturities, paydowns and sales of available-for-sale debt securities	4,276,705	3,737,736
Sale of premises and equipment	-	985,975
Net change in:		
Loans receivable, net of charge-offs	3,240,992	(74,248,585)
NCUSIF deposit	(208,319)	(979,124)
Net cash used in investing activities	(3,642,466)	(70,598,947)
Cash Flows From Financing Activities:		
Net change in share and savings accounts	921,324	49,993,422
Net change in borrowings with original maturities of three months or less	(5,000,000)	-
Proceeds from borrowings	-	5,000,000
Repayments of borrowings	-	(35,000,000)
Net cash (used in) provided by financing activities	(4,078,676)	19,993,422
Net Change in Cash and Cash Equivalents	1,840,836	(43,614,899)
Cash and Cash Equivalents at Beginning of Year	53,342,645	96,957,544
Cash and Cash Equivalents at End of Year	\$ 55,183,481	\$ 53,342,645
Supplemental Cash Flow Disclosure:		
Dividends and interest paid	\$ 19,737,584	\$ 16,325,159

See accompanying notes to the financial statements

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Business

Spero Financial Federal Credit Union was chartered in 1935 as a not-for-profit financial cooperative with one mission: to improve members' financial lives. As one of the Palmetto State's largest credit unions, today, it has more than 50,000 members and \$700 million in assets. Headquartered in Greenville, South Carolina, the Credit Union's footprint spans the Upstate and Midlands with branches in Anderson, Easley, Greenville, Simpsonville, Spartanburg, Taylors, and Columbia.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (U.S. GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Material estimates that are particularly subject to change in the near term include the determination of the allowance for credit/loan losses (ACL/ALL) and valuation of securities.

Concentrations of Credit Risk

Participation in the Credit Union is limited to those who qualify for membership as defined in the Credit Union's bylaws. A significant amount of the Credit Union's business activity is with members who work or reside in and around the area of South Carolina. Therefore, the borrowers' ability to repay loans may be affected by the economic climate of the overall geographical region where borrowers reside. However, the loan portfolio is well diversified, and the Credit Union does not have any significant concentration of credit risk, except unsecured loans, which by their nature, increase the risk of loss compared to those loans that are collateralized.

Comprehensive Income/(Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) (OCI) relates to the change in the unrealized gain/(loss) on available-for-sale debt securities. When available-for-sale debt securities are sold, the gain or loss realized on the sale is reclassified from accumulated other comprehensive income/(loss) (AOCI) to the gain/loss on sale of investment securities reported in the statements of income.

Accounting Standard Adopted January 1, 2023

Financial Instruments - Credit Losses (CECL)

The adoption of this guidance established a single allowance framework for all financial assets measured at amortized cost and certain off-balance sheet credit exposures. This framework requires that management's estimate reflects credit losses over the instrument's remaining expected life and considers expected future changes in macroeconomic conditions. The adoption of CECL on January 1, 2023, resulted in a \$2,113,427 decrease to retained earnings.

Cash and Cash Equivalents

The statements of cash flows classify changes in cash or cash equivalents (short-term, highly liquid investments readily convertible into cash with an original maturity of three months or less) according to operating, investing or financing activities. Financial instruments which potentially subject the Credit Union to concentrations of credit risk consist principally of cash and temporary cash investments. At times, cash balances held at financial institutions were in excess of the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insurance limits. The Credit Union places its temporary cash investments with high-credit, quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution.

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Interest Bearing Deposits

Interest bearing deposits are time deposits with financial institutions with an original maturity in excess of 90 days. These deposits are all 100% insured as no deposit to one individual institution exceeds \$250,000.

Investment Securities

Available-for-Sale Securities

Securities available-for-sale consist of securities not otherwise classified as trading securities or as securities to be held-to-maturity and are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in accumulated other comprehensive income (loss).

The Credit Union evaluates its available-for-sale investment securities portfolio on a quarterly basis for indicators of impairment. The Credit Union assesses whether an impairment has occurred when the fair value of a debt security is less than the amortized cost at the balance sheet date. Management reviews the amount of unrealized loss, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. For those debt securities that the Credit Union intends to sell or is more likely than not required to sell, before the recovery of their amortized cost basis, the difference between fair value and amortized cost is considered to be impaired and is recognized in provision for credit losses. For those debt securities that the Credit Union does not intend to sell or is not more likely than not required to sell, prior to expected recovery of amortized cost basis, the credit portion of the impairment is recognized through an allowance in provision for credit losses while the noncredit portion is recognized in OCI. In determining the credit portion, the Credit Union uses a discounted cash flow analysis, which includes evaluating the timing and amount of the expected cash flows. Non-credit-related impairment results from other factors, including increased liquidity spreads and higher interest rates. Impairment was deemed insignificant and intentionally omitted for disclosure purposes.

Loans Held for Investment

Loans, net, are carried at unpaid principal balances, including purchase accounting (i.e., acquisition-date fair value) adjustments, net deferred loan origination costs or fees, and the allowance for credit losses on loans. The Credit Union recognizes interest income on loans using the interest method over the life of the loan. Accordingly, the Credit Union defers certain loan origination and commitment fees, and certain loan origination costs, and amortizes the net fee or cost as an adjustment to the loan yield over the term of the related loan. When a loan is sold or repaid, the remaining net unamortized fee or cost is recognized in interest income.

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date. A loan generally is classified as a "non-accrual" loan when it is 90 days or more past due or when it is deemed to be impaired because the Credit Union no longer expects to collect all amounts due according to the contractual terms of the loan agreement. When a loan is placed on non-accrual status, management ceases the accrual of interest owed, and previously accrued interest is charged against interest income. A loan is generally returned to accrual status when the loan is current and management has reasonable assurance that the loan will be fully collectible. Interest income on non-accrual loans is recorded when received in cash.

Certain loans for which repayment is expected to be provided substantially through the operation or sale of the loan collateral are considered to be collateral-dependent. Consumer collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Any loan in any portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment.

As part of the ongoing monitoring of the credit quality of the Credit Union's loan portfolio, management tracks certain credit quality indicators. The Credit Union utilizes a risk grading of pass, special mention, substandard, doubtful and loss to assess the overall credit quality of large commercial loans. All large commercial credit grades are reviewed at a minimum of once a year for pass grade loans. Loans with grades below pass are reviewed more frequently depending on the grade. A description of the general characteristics of these grades is as follows:

Superior – Excellent business credit. Major firm with national recognition and superior asset quality. Excellent management, debt capacity and coverage. Excellent access to alternative sources of credit.

Excellent – Above average business credit. Significantly respected firm. Very good management. Very good asset quality and liquidity, strong debt capacity and coverage. Excellent access to alternative sources of credit.

Satisfactory – Average business credit. Highly respected firm. Good management. Good asset quality and liquidity, with excess debt capacity and good coverage. Very good access to alternative sources of credit.

Acceptable – Acceptable business credit. Respected, established firm. Good management. Satisfactory asset quality, with little excess liquidity. Acceptable debt capacity, though nearly full leverage. Loans require structuring with adequate covenants for protection. Good access to alternative credit sources.

Marginal – Marginally acceptable business credit. May exhibit some management weakness. Generally acceptable asset quality with strained liquidity. Fully leveraged with little or no excess debt capacity. Loans require more stringent covenant structuring and close supervision. Some access to alternative credit sources.

Pass – Loans that are considered to be of acceptable credit quality.

Watch – Loans within this risk category demonstrate an acceptable level of risk, albeit with inadequate ability to sustain major setbacks. They are characterized by declining trends, strained cash flow, and increasing leverage. These members generally have limited additional debt capacity. Management weakness may exist. These members should be able to obtain similar financing with comparable terms, although that ability may diminish in difficult economic times. Extension of additional credit should be done with caution and prudence as continued deterioration in the member's financial position may put repayment at risk.

Special Mention – Loans which possess some credit deficiency or potential weakness, which deserves close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Credit Union's credit position at some future date. Special mention assets are not adversely classified and do not expose the Corporation to sufficient risk to warrant adverse classification.

Substandard – A substandard loan is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged. Assets so classified have a well-defined weakness that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans that have all of the weaknesses of those classified as Substandard. However, based on currently existing facts, conditions and values, these weaknesses make full collection of principal highly questionable and improbable.

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Automobile and other consumer loans are generally charged-off no later than 180-days past due. Residential mortgages and home equity loans are charged-off to the estimated fair value of the collateral at 180-days past due. Commercial loans are generally either charged-off or written down to net realizable value at 180-days past due.

Consumer and residential real estate loans are not risk graded. Rather, consumer and residential real estate loans in non-accrual are deemed non-performing.

Borrowers that are experiencing financial difficulty and receive a modification in the form of principal forgiveness, interest rate reduction, an other-than-insignificant payment delay or a term extension in the current period needs to be disclosed. The Credit Union may modify loans to borrowers experiencing financial difficulty as a way of managing risk and mitigating credit loss from the borrower. The Credit Union may make various types of modifications and may in certain circumstances use a combination of modification types to mitigate future loss. As of and for the years ended December 31, 2024 and 2023, modifications were deemed insignificant and intentionally omitted for disclosure purposes.

Allowance for Credit Losses on Loans

The allowance for credit losses on loans is deducted from the amortized cost basis of a group of financial assets so that the balance sheet reflects the net amount the Credit Union expects to collect. Subsequent changes (favorable and unfavorable) in expected credit losses are recognized immediately in net earnings as a credit loss expense or a reversal of credit loss expense. Management estimates the allowance by utilizing models dependent upon loan risk characteristics and economic parameters. Consumer loan risk characteristics include but are not limited to FICO scores, LTV, and delinquency status. The economic parameters are developed using available information relating to past events, current conditions, and reasonable and supportable forecasts. The Credit Union's reasonable and supportable forecast period reverts to a historical norm based on inputs within approximately two years. Historical credit experience provides the basis for the estimation of expected credit losses, with adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in the micro- and macroeconomic environments. The contractual terms of financial assets are adjusted for expected prepayments.

Loans that do not share risk characteristics are evaluated on an individual basis. These include loans that are in non-accrual status with balances above management determined materiality thresholds depending on loan class. If a loan is determined to be collateral-dependent or meets the criteria to apply the collateral-dependent practical expedient, expected credit losses are determined based on the fair value of the collateral at the reporting date, less costs to sell as appropriate. As noted above, consumer collateral-dependent loans were deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union maintains an allowance for credit losses on off-balance sheet credit exposures. The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit losses expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over their estimated life. The allowance for credit losses on off-balance sheet credit exposures was deemed insignificant and intentionally omitted for disclosure purposes.

The Credit Union has elected to exclude accrued interest receivable from the measurement of its allowance for credit loss given the well-defined non-accrual policies in place for all loan portfolios which results in timely reversal of outstanding interest through interest income.

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Premises and Equipment

Land is carried at cost. Buildings, furniture and equipment, and leasehold improvements are carried at cost, less accumulated depreciation and leasehold amortization. Buildings, furniture, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the term of the respective leases. Maintenance and repairs are expensed, and major improvements and renovations are capitalized. Management reviews premises and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Gains and losses on disposals are included in current operations.

Federal Home Loan Bank Participation Stock

The Credit Union is a member in the Federal Home Loan Bank (FHLB) of Atlanta. The Credit Union owned 4,942 and 7,171 shares worth \$494,200 and \$717,100 at December 31, 2024 and 2023, respectively, with quarterly stock and/or cash dividends. No ready market exists for the FHLB stock, and it has no quoted market value. This amount is included in other assets.

Perpetual Contributed Capital (PCC)

As a requirement of membership, the Credit Union maintains PCC accounts with Vizo Financial Corporate Credit Union totaling \$1,924,519 and \$1,924,519 as of December 31, 2024 and 2023, respectively. The PCC is not subject to share insurance coverage by the NCUSIF or other deposit insurer. The PCC is not releasable due to a merger, charter conversion or liquidation and is callable at the option of Vizo Financial Corporate Credit Union. The PCC has a perpetual maturity and a non-cumulative dividend. The PCC is included within prepaid and other assets in the statements of financial condition.

Credit Union Owned Life Insurance (COLI)

The Credit Union holds life insurance policies for key members of management. In the event of death of the individuals, the Credit Union, as beneficiary of the policies, would receive a specified cash payment equal to the death benefit of the policies. The policies are recorded at cash surrender value, or the amount that can be currently realized as of the balance sheet date. The change in cash surrender value is an adjustment of premiums paid in determining the net expense or income recognized under the contract for the year and is included in non-interest income in the statements of income. The earnings from the policies are used to indirectly fund employee benefit obligations. The COLI is included within prepaid and other assets in the statements of financial condition.

Split-Dollar Life Insurance Loans

The Credit Union has entered into split dollar insurance agreements which is a collateral assignment arrangement between the Credit Union and key employees. The agreement involves a method of paying for insurance coverage for the executives by splitting the elements of a life insurance policy. Under the agreement, the executives are the owner of the policies and make a collateral assignment to the Credit Union in return for a loan equal to the amount of premiums to be paid on behalf of the executives plus accrued interest at a specific rate. At the time of death, the Credit Union will be paid the loan amount plus accrued interest and the balance of the insurance benefits will be paid to the executives' designated beneficiaries. The loan balance, which is based on the cash surrender value of the related policies, under this agreement approximated \$4,490,000 and \$4,420,000 as of December 31, 2024 and 2023, respectively.

Benefit Prefunding Plan

Pursuant to NCUA Rules and Regulations, section 701.19, credit unions accumulating assets to pay for an employee benefit obligation may purchase investments that would otherwise be impermissible. Credit Unions may pre-fund the following items through such investments; premiums paid for group health plans, 401(k) matching contributions, premiums paid for group life and disability.

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

NCUSIF Deposit

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

Share and Savings Accounts

Shares include savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in 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. As a natural person credit union, deposits that exceed the \$250,000 NCUA insurance limit (uninsured shares) are subordinated to all other liabilities of the Credit Union upon liquidation except subordinated debt. Dividends on share and savings accounts, except for interest on certificates of deposit which is set in advance, is based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Dividend rates on share and savings accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Equity Acquired From Business Combination

Equity acquired from business combination represents equity accounted for in accordance with the acquisition method of accounting. Under this accounting method undivided earnings of the acquiree are combined on the acquirer's statement of financial condition as a component of equity called equity acquired from business combination. This component of equity is considered part of net worth as defined by regulations established by the National Credit Union Administration.

Revenue from Contracts with Customers

A description of the Credit Union's revenue streams accounted for under ASC 606 are as follows.

Fees and Charges

The Credit Union earns fees from its deposits for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH 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 a month, representing the period over which the Credit Union satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. These charges on deposits are withdrawn from the member's account balance.

Interchange Income

The Credit Union earns interchange fees from debit/credit cardholder transactions conducted through the payment networks. 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.

Income Taxes

The Credit Union is exempt from most federal, state, and local taxes under the provisions of the Internal Revenue Code and state tax laws. The Income Taxes Topic of the FASB ASC clarifies accounting for uncertainty in income taxes reported in the financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they meet the "more likely than not" standard for sustainability on examination by tax authorities. Management has determined there are no material uncertain tax positions.

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Reclassification and Presentation

Certain balances in the 2023 presentation have been reclassified to conform to the 2024 presentation. There were no changes to total equity or net earnings as a result of the aforementioned.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including April 16, 2025, which is the date the financial statements were available to be issued.

Note 2 - Investment Securities

Available-for-Sale Debt Securities

The following tables present the amortized cost and estimated fair value of investments:

	As of December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	\$ 21,582,340	\$ 2,737	\$ (2,128,863)	\$ 19,456,214
Mortgage-backed securities	10,002,869	527	(997,028)	9,006,368
U.S. treasury securities	5,103,540	835	(475,979)	4,628,396
Small business administration securities	1,146,666	2,788	(12,287)	1,137,167
Total	<u>\$ 37,835,415</u>	<u>\$ 6,887</u>	<u>\$ (3,614,157)</u>	<u>\$ 34,228,145</u>

	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Collateralized mortgage obligations	\$ 24,610,427	\$ 969	\$ (3,312,512)	\$ 21,298,884
U.S. treasury securities	4,997,758	-	(526,821)	4,470,937
Small business administration securities	1,630,233	6,427	(17,339)	1,619,321
Municipal bond	152,887	-	(1,438)	151,449
Total	<u>\$ 31,391,305</u>	<u>\$ 7,396</u>	<u>\$ (3,858,110)</u>	<u>\$ 27,540,591</u>

The amortized cost and estimated market value of debt securities at December 31, 2024, by contractual maturity, are shown below. Expected maturities on mortgage-backed securities, collateralized mortgage obligations and small business administration securities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in less than one year	\$ 105,256	\$ 106,091
Due in one year to less than five years	4,998,284	4,522,305
Small business administration	1,146,666	1,137,167
Collateralized mortgage obligations	21,582,340	19,456,214
Mortgage-backed securities	10,002,869	9,006,368
Total	<u>\$ 37,835,415</u>	<u>\$ 34,228,145</u>

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Information pertaining to securities with gross unrealized losses at December 31, 2024 aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

	As of December 31, 2024					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	\$ -	\$ -	\$ 4,522,305	\$ (475,979)	\$ 4,522,305	\$ (475,979)
Small business administration securities	-	-	910,089	(12,287)	910,089	(12,287)
Collateralized mortgage obligations	2,755,191	(900)	14,344,435	(2,127,963)	17,099,626	(2,128,863)
Mortgage-backed securities	4,263,705	(78,696)	5,137,583	(918,332)	9,401,288	(997,028)
Total	\$ 7,018,896	\$ (79,596)	\$ 24,914,412	\$ (3,534,561)	\$ 31,933,308	\$ (3,614,157)

Information pertaining to securities with gross unrealized losses at December 31, 2023 aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

	As of December 31, 2023					
	Continuing Unrealized Losses For Less than 12 Months		Continuing Unrealized Losses For 12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury securities	\$ -	\$ -	\$ 4,470,937	\$ (526,821)	\$ 4,470,937	\$ (526,821)
Small business administration securities	547,074	(2,755)	726,504	(14,585)	1,273,578	(17,340)
Collateralized mortgage obligations	515,747	(26,831)	20,739,300	(3,285,680)	21,255,047	(3,312,511)
Municipal bonds	151,449	(1,438)	-	-	151,449	(1,438)
Total	\$ 1,214,270	\$ (31,024)	\$ 25,936,741	\$ (3,827,086)	\$ 27,151,011	\$ (3,858,110)

As of December 31, 2024 and 2023, the Credit Union's security portfolio consisted of 50 and 47 securities, 38 and 37 of which were in an unrealized loss position, respectively.

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

The Credit Union's small business administration securities, collateralized mortgage obligations and U.S treasury securities are issued by the U.S Government and its Agencies. Therefore, unrealized losses on these securities, if any, have not been recognized income because of the implicit guarantee of the principal balances of these securities by the U.S Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the intent to hold these securities through to recovery of fair value, which may be maturity, therefore; the Credit Union did not record expected credit loss.

Unrealized loss on municipal bonds have not been recognized into income because they are highly rated. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the intent to hold these securities through to recover of fair value, which may be maturity, therefore; the Credit Union did not record expected credit loss.

Note 3 - Loans to Members

The composition of loans to members are as follows:

	December 31,	
	2024	2023
Real Estate:		
First Liens	\$ 152,564,555	\$ 157,283,200
Second Liens	85,429,468	69,922,369
	<u>237,994,023</u>	<u>227,205,569</u>
Consumer:		
New vehicle	33,575,466	39,093,892
Used vehicle	119,102,841	134,523,132
Credit cards	17,065,327	16,656,191
Unsecured	26,884,814	25,532,298
Other secured	36,894,680	44,319,512
	<u>233,523,128</u>	<u>260,125,025</u>
Commercial:		
Real Estate	94,890,910	88,460,899
Other	3,118,013	2,003,648
	<u>98,008,923</u>	<u>90,464,547</u>
	569,526,074	577,795,141
Net deferred (fees) and costs	543,311	587,761
Net premiums and (discounts)	(152,379)	(240,405)
	<u>569,917,006</u>	<u>578,142,497</u>
Less: Allowance for credit losses	(6,637,017)	(4,770,416)
Loans to members, net	<u>\$ 563,279,989</u>	<u>\$ 573,372,081</u>

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Allowance for Credit Losses

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment:

	For the year ended December 31, 2024			
	Commercial	Residential Real Estate	Consumer	Total
<i>Allowance for credit losses:</i>				
Beginning Balance, December 31, 2023	\$ 751,200	\$ 906,818	\$ 3,112,398	\$ 4,770,416
Provision for credit losses	-	-	6,851,099	6,851,099
Recoveries on previous credit losses	(1,476)	-	1,553,244	1,551,768
Loans receivable charged off	-	-	(6,536,266)	(6,536,266)
Off balance sheet transfer	-	-	-	-
Ending Balance, December 31, 2024	<u>\$ 749,724</u>	<u>\$ 906,818</u>	<u>\$ 4,980,475</u>	<u>\$ 6,637,017</u>

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment:

	For the year ended December 31, 2023			
	Commercial	Residential Real Estate	Consumer	Total
<i>Allowance for credit losses:</i>				
Beginning Balance, December 31, 2022	\$ 104,884	\$ 8,276	\$ 2,501,843	\$ 2,615,003
Impact of adopting FASB ASU 2016-13	646,316	898,542	568,569	2,113,427
Balance, January 1, 2023 as restated	\$ 751,200	\$ 906,818	\$ 3,070,412	\$ 4,728,430
Provision for credit losses	-	-	3,697,286	3,697,286
Recoveries on previous credit losses	-	-	1,270,490	1,270,490
Loans receivable charged off	-	-	(4,925,790)	(4,925,790)
Ending Balance, December 31, 2023	<u>\$ 751,200</u>	<u>\$ 906,818</u>	<u>\$ 3,112,398</u>	<u>\$ 4,770,416</u>

As of December 31, 2024, the allowance for credit losses (ACL) totaled approximately \$6,637,000, up approximately \$1,867,000 compared to December 31, 2023. The day one impact of the adoption of CECL was an increase of \$2,113,427 to the ACL. The remaining net change was due to nominal changes in portfolio size and mix.

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Age Analysis of Past Due Loans

The following tables present the aging of the recorded investment in past due loans:

As of the year ended December 31, 2024						
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Real Estate:						
First Liens	\$ 2,467,660	\$ 475,804	\$ 135,268	\$ 3,078,732	\$ 149,485,823	\$ 152,564,555
Second Liens	1,951,853	424,307	300,299	2,676,459	82,753,009	85,429,468
Total	4,419,513	900,111	435,567	5,755,191	232,238,832	237,994,023
Consumer:						
New vehicle	557,666	39,355	66,797	663,818	32,911,648	33,575,466
Used vehicle	4,466,838	805,439	929,114	6,201,391	112,901,450	119,102,841
Credit cards	180,594	66,849	12,177	259,620	16,805,707	17,065,327
Unsecured	283,046	104,966	47,861	435,873	26,448,941	26,884,814
Other secured	911,039	202,602	227,089	1,340,730	35,553,950	36,894,680
Total	6,399,183	1,219,211	1,283,038	8,901,432	224,621,696	233,523,128
Commercial:						
Real Estate	-	-	-	-	94,890,910	94,890,910
Other	-	-	-	-	3,118,013	3,118,013
Total	-	-	-	-	98,008,923	98,008,923
Grand Total	\$ 10,818,696	\$2,119,322	\$ 1,718,605	\$ 14,656,623	\$ 554,869,451	\$ 569,526,074
As of the year ended December 31, 2023						
	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Real Estate:						
First Liens	\$ 1,829,405	\$ -	\$ 551,389	\$ 2,380,794	\$ 154,902,406	\$ 157,283,200
Second Liens	1,418,739	197,232	354,090	1,970,061	67,952,308	69,922,369
Total	3,248,144	197,232	905,479	4,350,855	222,854,714	227,205,569
Consumer:						
New vehicle	583,279	97,916	44,288	725,483	38,368,409	39,093,892
Used vehicle	4,783,823	641,400	748,218	6,173,441	128,349,691	134,523,132
Credit cards	185,856	103,477	10,181	299,514	16,356,677	16,656,191
Unsecured	480,383	117,697	57,663	655,743	24,876,555	25,532,298
Other secured	1,482,009	144,105	238,570	1,864,684	42,454,828	44,319,512
Total	7,515,350	1,104,595	1,098,920	9,718,865	250,406,160	260,125,025
Commercial:						
Real Estate	-	-	-	-	88,460,899	88,460,899
Other	-	-	-	-	2,003,648	2,003,648
Total	-	-	-	-	90,464,547	90,464,547
Grand Total	\$ 10,763,494	\$1,301,827	\$ 2,004,399	\$ 14,069,720	\$ 563,725,421	\$ 577,795,141

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Consumer and Real Estate Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance. For consumer loan and real estate classes, the Credit Union evaluates credit quality based on the aging status of the loan and payment activity. Accordingly, non-accrual loans are considered to be in a non-performing status for purposes of credit quality evaluation.

The following tables present the loan balance based on performance indication:

	As of December 31, 2024		As of December 31, 2023	
	Performing Loans	Non- performing Loans	Performing Loans	Non- performing Loans
Real Estate:				
First Liens	\$ 152,429,287	\$ 135,268	\$ 156,731,811	\$ 551,389
Second Liens	85,129,169	300,299	69,568,279	354,090
Total	\$ 237,558,456	\$ 435,567	\$ 226,300,090	\$ 905,479
Consumer:				
New vehicle	33,508,669	66,797	39,049,604	44,288
Used vehicle	118,173,727	929,114	133,774,914	748,218
Credit cards	17,053,150	12,177	16,646,010	10,181
Unsecured	26,836,953	47,861	25,474,635	57,663
Other secured	36,667,591	227,089	44,080,942	238,570
Total	\$ 232,240,090	\$ 1,283,038	\$ 259,026,105	\$ 1,098,920
Grand Total	\$ 469,798,546	\$ 1,718,605	\$ 485,326,195	\$ 2,004,399

Commercial Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for credit losses. For commercial loan classes, the Credit Union evaluates credit quality based on risk ratings assigned to each loan as described in Note 1.

The following tables present the loan balance for commercial loans based on risk rating:

	As of the year ended December 31, 2024	
	Commercial Real Estate	Commercial Other
Credit Grade:		
Pass	\$ 94,890,910	\$ 3,118,013
	As of the year ended December 31, 2023	
	Commercial Real Estate	Commercial Other
Credit Grade:		
Pass	\$ 88,460,899	\$ 2,003,648

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Non-accrual Loans

Loans on which the accrual of interest has been discontinued or reduced amounted to approximately \$1,719,000 and \$2,004,000 in consumer, real estate, and commercial loans as of December 31, 2024 and 2023, respectively.

Note 4 - Premises and Equipment

	December 31,	
	2024	2023
Land	\$ 5,111,364	\$ 5,111,364
Buildings	15,777,918	15,533,675
Furniture and equipment	15,001,805	14,624,785
Leasehold improvements	571,244	571,244
Construction in process	184,891	184,891
	<u>36,647,222</u>	<u>36,025,959</u>
Less accumulated depreciation and amortization	(17,706,076)	(16,098,552)
Premises and equipment, net	<u>\$ 18,941,146</u>	<u>\$ 19,927,407</u>

Note 5 - Share and Savings Accounts

	December 31,	
	2024	2023
Share draft accounts	\$ 56,637,956	\$ 54,889,227
Money market accounts	83,210,864	82,813,369
Share accounts	182,180,943	172,568,735
IRA share accounts	9,208,565	10,315,375
Certificate accounts	307,220,309	316,950,607
Total	<u>\$ 638,458,637</u>	<u>\$ 637,537,313</u>

The scheduled maturities of certificate accounts are as follows:

Year Ending December 31,	Amount
2025	\$ 283,238,155
2026	14,531,158
2027	5,563,117
2028	3,708,548
2029	179,331
Total	<u>\$307,220,309</u>

	December 31,	
	2024	2023
Certificate accounts in denominations of \$250,000 or more	<u>\$ 79,384,898</u>	<u>\$ 77,380,799</u>

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Note 6 - Borrowed Funds

Line-of-Credit

The Credit Union has a line-of-credit with Vizo Financial Corporate Credit Union. The terms of the agreement require the pledging of all present and future loans and equipment as security for obligations under this line-of-credit agreement. The interest rate terms under this line-of-credit agreement are variable.

	December 31, 2024		December 31, 2023	
	Credit Limit	Balance	Credit Limit	Balance
Vizo Financial Corporate Credit Union	\$ 20,000,000	\$ -	\$ 20,000,000	\$ -

Federal Home Loan Bank

As a member of the Federal Home Loan Bank (FHLB), and in accordance with an agreement with them, the Credit Union is required to maintain qualified collateral for advances. Qualified collateral, as defined in the FHLB Statement of Credit Policy, is free and clear of liens, pledges, and encumbrances. The Federal Home Loan Bank of Atlanta has established a Credit Availability of \$129,526,811 and \$100,264,132 as of December 31, 2024 and 2023 respectively. As of December 31, 2024 and 2023, the outstanding balances of these loans were as follows:

	December 31,	
	2024	2023
Federal Home Loan Bank	\$ -	\$ 5,000,000

Note 7 - Commitments and Contingent Liabilities

Off-Balance-Sheet Risk

The Credit Union is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of financial condition.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2024, the total unfunded commitments under such lines-of-credit was approximately \$136,929,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

Note 8 - Capital Requirements

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

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Federally insured, natural-person credit unions defined as “complex” will have to comply with the NCUA’s risk-based capital (“RBC”) final rule which amends NCUA’s Prompt Corrective Action (“PCA”) regulations, part 702, or the newly created Complex Credit Union Leverage Ratio (“CCULR”) rule. A credit union is defined as “complex” if the credit union’s quarter-end total assets exceed \$500,000,000, as reflected in its most recent Call Report. The rules require credit unions taking certain risks to hold capital commensurate with those risks. The RBC rule revises part 702 of NCUA’s current regulations to establish an RBC ratio measure that is the percentage of a credit union’s capital divided by the credit union’s defined risk weighted asset base. This RBC rule more closely aligns NCUA’s risk weights with those assigned by other Banking agencies.

Accordingly, the RBC rule adopts a 10 percent RBC ratio level for “well capitalized” credit unions, and an 8 percent RBC ratio level for “adequately capitalized” credit unions. The CCULR rule simplifies the RBC rule requirements for complex credit unions that meet certain eligibility criteria by allowing them to choose between implementing the RBC rule or the CCULR. Credit unions that select CCULR instead of the RBC rule would have a minimum 9 percent leverage ratio. A qualifying complex credit union opting into the CCULR framework calculates its CCULR in the same manner as its net worth ratio under NCUA’s PCA regulations, part 702.

The Credit Union has elected to use the Risk-Based Capital Ratio as the determining net worth classification for regulatory purposes as of December 31, 2024 and 2023. The Credit Union has the option to change this election on a quarterly basis. There are no conditions or events since that notification that management believes have changed the institution's category.

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows:

	As of December 31, 2024		As of December 31, 2023	
	Amount	Ratio	Amount	Ratio
Regulatory Net Worth	\$ 57,239,040	8.16%	\$ 61,943,207	8.76%
Risk Based Capital	\$ 57,238,073	11.30%	\$ 59,559,990	11.70%
Net Worth Classification	Well Capitalized		Well Capitalized	
	As of December 31, 2024			
	PCA		Risk-based Capital	
	Amount	Ratio	Amount	Ratio
as "well capitalized"	\$ 49,091,975	7.00%	\$ 50,632,759	10.00%
as "adequately capitalized"	\$ 42,078,836	6.00%	\$ 40,506,207	8.00%
	As of December 31, 2023			
	PCA		Risk-based Capital	
	Amount	Ratio	Amount	Ratio
as "well capitalized"	\$ 49,501,831	7.00%	\$ 50,898,653	10.00%
as "adequately capitalized"	\$ 42,430,141	6.00%	\$ 40,718,922	8.00%

Note 9 - Fair Value Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under this guidance are described below:

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Basis of Fair Value Measurements

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Assets Measured at Fair Value on a Recurring Basis

	Assets at Fair Value as of December 31, 2024			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
Collateralized mortgage obligations	\$ 19,456,214	\$ -	\$ 19,456,214	\$ -
Mortgage-backed securities	9,006,368	-	9,006,368	-
U.S. treasury securities	4,628,396	4,628,396	-	-
Small business administration securities	1,137,167	-	1,137,167	-
Total	\$ 34,228,145	\$ 4,628,396	\$ 29,599,749	\$ -

	Assets at Fair Value as of December 31, 2023			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
Collateralized mortgage obligations	\$ 21,298,884	\$ -	\$ 21,298,884	\$ -
U.S. treasury securities	4,470,937	4,470,937	-	-
Small business administration securities	1,619,321	-	1,619,321	-
Municipal bond	151,449	-	151,449	-
Total	\$ 27,540,591	\$ 4,470,937	\$ 23,069,654	\$ -

Note 10 - Employee Benefits

401(k) Plan

The Credit Union maintains a 401(k) plan that allows employees to defer a portion of their salary into the 401(k) plan. Participation is limited to all employees who meet specific length of service and age requirements. Employee contributions to the plan are subject to certain limits established by the Internal Revenue Service and they are 100% vested in their own contributions. The Credit Union also matches a portion of employees' contributions.

	Years Ended December 31,	
	2024	2023
Credit Union contributions	\$ 461,243	\$ 414,378

SPERO FINANCIAL FEDERAL CREDIT UNION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024 AND 2023

Deferred Compensation Plan 457(b)

The Credit Union maintains non-qualified pension plans for a select group of Management. Participants are eligible based on approval by the Credit Union's Board of Directors. Under this plan, participants defer a portion of their compensation. The deferred compensation accounts are shown as both assets and liabilities on the Credit Union's financial statements and are available to creditors in the event of the Credit Union's liquidation.

	December 31,	
	2024	2023
Retirement plan balance	\$ 625,364	\$ 581,998

Deferred Compensation Plan 457(f)

The Credit Union maintains a supplementary retirement plan (Plan) with certain executive officers. The obligations of the Credit Union are based on the contracted agreements with applicable executive officers.

	Years Ended December 31,	
	2024	2023
Retirement plan expense	\$ 149,281	\$ 322,829