JMCPAS

Red Rocks Credit Union

Report on Audit
of Financial Statements

for the years ended
December 31, 2020 and 2019

Jones Mertsching

Certified Public Accountants

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JONES MERTSCHING CPAS, PC
Certified Public Accountants

JMCPAS

INDEPENDENT AUDITORS' REPORT

To the Supervisory Committee of Red Rocks Credit Union

Report on the Financial Statements

We have audited the accompanying financial statements of Red Rocks Credit Union which comprise the statements of financial condition as of December 31, 2020 and 2019, and the related statements of income, comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red Rocks Credit Union as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones Mertsching CPAs, P.C.

Evergreen, Colorado
March 26, 2021

303-480-9090

32186 Castle Court, Suite 220, Evergreen, CO 80439

Red Rocks Credit Union
Statements of Financial Condition
at December 31, 2020 and 2019

	2020	2019
ASSETS		
Loans to members, net of allowance for loan losses	$ 233,537,134	$ 246,716,874
Purchased loans to non-members, net of allowance for loan loss	9,378,371	-
Cash	41,364,002	74,464,708
Investments, Alloya Credit Union	2,378,388	2,167,164
Available-for-sale debt securities	36,779,121	1,268,351
Held-to-maturity debt securities	6,998,653	-
Investments, other	5,883,533	1,024,850
Property and equipment, net	13,207,657	12,649,234
NCUSIF deposit	2,816,438	2,762,575
Accrued interest receivable	760,800	662,153
Other assets	2,709,124	1,221,566
	$ 355,813,221	$ 342,937,475
LIABILITIES AND MEMBERS' EQUITY		
Members' shares and savings accounts	$ 315,254,032	$ 298,709,791
Non-members' certificate accounts	5,026,000	5,026,000
Borrowed funds	-	4,000,000
Accrued expenses and other liabilities	2,411,729	2,126,580
Total liabilities	322,691,761	309,862,371
Members' equity:		
Regular reserve	3,211,955	3,211,955
Undivided earnings	29,797,717	29,905,374
Accumulated other comprehensive gain (loss)	111,788	(42,225)
Total members' equity	33,121,460	33,075,104
	$ 355,813,221	$ 342,937,475

The accompanying notes are a part of the financial statements.

Red Rocks Credit Union
Statements of Income
for the years ended December 31, 2020 and 2019

	2020	2019
Interest and dividend income:		
Loans to members and others	$ 12,274,003	$ 14,192,034
Investments	526,360	974,374
Total interest and dividend income	12,800,363	15,166,408
Interest and dividend expense:		
Members' shares and savings accounts	3,296,236	3,646,497
Other borrowed funds	54,638	130,146
Total interest and dividend expense	3,350,874	3,776,643
Net interest income	9,449,489	11,389,765
Provision for loan losses	446,529	204,265
Net interest income after provision for loan losses	9,002,960	11,185,500
Non-interest income:		
Fees for member services	859,944	990,019
Income from sale of mortgages	183,599	56,182
VISA check card income	426,337	403,927
Other operating income	56,773	102,152
Net gain on sale or disposition of assets	1,836	159,268
Total non-interest income	1,528,489	1,711,548
Non-interest expense:		
Compensation and benefits	5,112,031	5,300,979
Office occupancy expense	944,138	911,130
Other operating expenses	4,582,937	3,935,539
Total non-interest expense	10,639,106	10,147,648
Net (loss) income	$ (107,657)	$ 2,749,400

The accompanying notes are a part of the financial statements

Red Rocks Credit Union
Statements of Comprehensive Income
for the years ended December 31, 2020 and 2019

	2020	2019
Net (loss) income	$ (107,657)	$ 2,749,400
Other comprehensive income:		
Unrealized gain on available-for-sale debt securities:		
Unrealized holding gains arising during period	154,013	72,168
Reclassification adjustment for loss included in net income	-	-
Other comprehensive income	154,013	72,168
Comprehensive income	$ 46,356	$ 2,821,568

The accompanying notes are a part of the financial statements.

Red Rocks Credit Union
Statements of Members' Equity
for the years ended December 31, 2020 and 2019

	Regular Reserve	Accumulated Other Comprehensive Income (Loss)	Undivided Earnings	Total
Balances, December 31, 2018	$ 3,211,955	$ (114,393)	$ 27,155,974	$ 30,253,536
Net income	-	-	2,749,400	2,749,400
Other comprehensive income	-	72,168	-	72,168
Balances, December 31, 2019	$ 3,211,955	$ (42,225)	$ 29,905,374	$ 33,075,104
Net (loss)	-	-	(107,657)	(107,657)
Other comprehensive income	-	154,013	-	154,013
Balances, December 31, 2020	$ 3,211,955	$ 111,788	$ 29,797,717	$ 33,121,460

The accompanying notes are a part of the financial statements.

Red Rocks Credit Union
Statements of Cash Flows
for the years ended December 31, 2020 and 2019

		2020		2019
Cash flows from operating activities:				
Interest and dividends received	$	13,259,579	$	15,682,901
Interest and dividends paid		(3,361,924)		(3,776,643)
Other operating income received		1,494,728		1,487,896
Cash paid to employees and suppliers		(9,700,355)		(9,765,487)
Net cash provided by operating activities		1,692,028		3,628,667
Cash flows from investing activities:				
Net decrease (increase) in loans to members		11,477,533		27,776,683
Net decrease (increase) in purchased loans		(9,789,870)		-
Purchases of other investments		(7,058,758)		(94,961)
Purchases of investments, available-for-sale		(38,806,165)		-
Purchases of investments, held-to-maturity		(7,068,149)		-
Proceeds from maturities of Alloya and other investments		2,232,000		449,046
Proceeds from maturities of available-for-sale debt securities		3,227,471		311,781
Expenditures for property and equipment		(1,285,950)		(626,788)
(Increase) in NCUSIF deposit		(53,863)		(217,364)
Net cash provided by (used in) investing activities		(47,125,751)		27,598,397
Cash flows from financing activities:				
(Decrease) in borrowed funds		(4,000,000)		-
Net increase (decrease) in members' shares and savings accounts		16,544,241		33,284,212
Net cash provided by financing activities		12,544,241		33,284,212
Net increase (decrease) in cash and cash equivalents		(32,889,482)		64,511,276
Cash and cash equivalents (Note 3):				
Beginning of year		75,786,435		11,275,159
End of year	$	42,896,953	$	75,786,435

The accompanying notes are a part of the financial statements.

Red Rocks Credit Union
Statements of Cash Flows
for the years ended December 31, 2020 and 2019

	2020	2019
Net (loss) income	$ (107,657)	$ 2,749,400
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	729,363	702,408
Provision for loan losses	446,529	204,265
Amortization of net deferred loan origination costs	266,430	434,830
Amortization of investment premiums, net	291,433	1,689
Equity income	(31,925)	(64,384)
Loss (gain) on sale of investments	-	(160,398)
(Gain) loss on sale of disposition of assets	(1,836)	1,130
(Increase) decrease in accrued interest receivable	(98,647)	79,974
(Increase) decrease in other assets	(86,811)	304,628
(Decrease) increase in other liabilities	285,149	(624,875)
Net cash provided by operating activities	$ 1,692,028	$ 3,628,667

The accompanying notes are a part of the financial statements.

1. Summary of Significant Accounting Policies:

a. Organization:

Red Rocks Credit Union (the Credit Union) is a Colorado state chartered credit union operated for the benefit of employees, former employees and members of their families of Lockheed Martin, other select employee groups, and people who live or work in Douglas, Arapahoe, and Jefferson Counties, Colorado. In 2019, the Credit Union added the members of the Community Impact Fund to its field of membership. The Credit Union holds savings deposits, provides loans, and provides other financial services for its members at locations predominately in the Denver, Colorado metropolitan area.

b. Comprehensive income:

The Credit Union reports comprehensive income in addition to net income from operations. Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income. For 2020 and 2019, items of other comprehensive income consist of unrealized gains and losses on available-for-sale debt securities (See Note 5).

c. Use of estimates in the preparation of financial statements:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Loans to members:

Loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Except as noted below, interest on loans is recognized using the simple-interest method on principal amounts outstanding.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

1. Summary of Significant Accounting Policies, Continued:

d. Loans to members, continued:

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss and the levels of nonperforming loans. Specific allowances for loan losses are established for impaired loans on an individual basis and for all balances greater than 90 days delinquent. The specific allowance established for these loans is based on a thorough analysis of the most probable source of repayment including the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default rates derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

Accrual of interest is discontinued on a loan when the loan becomes 90 days delinquent. Consumer loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if management believes, after considering economic conditions, business conditions, and collection efforts, that collection of principal or interest is considered doubtful.

Conforming first mortgage real estate loans of members are stated at the amount of unpaid principal. Interest on these loans is recognized using the level yield method of interest computation.

1. Summary of Significant Accounting Policies, Continued:

d. Loans to members, continued:

Certain direct loan origination fees and costs are deferred and recognized as an adjustment to interest income using the straight-line method of amortization which does not produce financial results that are materially different from the interest method.

e. Available-for-sale debt securities:

Available-for-sale debt securities consist predominately of federal agency and government sponsored mortgage backed securities not classified as trading securities nor as held-to-maturity securities.

Available-for-sale debt securities are reported at fair value with unrealized gains and losses reported as a net amount in other comprehensive income (see above). Realized gains and losses on the sale of available-for-sale debt securities are determined using the specific identification method. Realized gains and losses are included in earnings.

Interest income, including amortization of the premiums and discounts arising at acquisition, on debt securities classified as available-for-sale is included in earnings. Premiums and discounts are amortized or accreted using the interest method over the term to the first call date for agency bonds, or to the estimated average life of outstanding principal on mortgage backed and other securities based upon the average three month prepayment speed.

f. Held-to-maturity debt securities:

Investment securities for which the Credit Union has the positive intent and ability to hold to maturity are reported at amortized cost. Held-to-maturity investments consist of federal agency securities not classified as trading or available-for-sale.

1. Summary of Significant Accounting Policies, Continued:

g. Investments in equity securities without readily determined fair values carried at cost:

The aggregate carrying amount of all investments, including investments at Alloya (other than cash and cash equivalents), accounted for under the cost method at December 31, 2020 and 2019, was $6,246,838 and $1,475,713, respectively. The aggregate carrying amount of cost method investments that were not evaluated for impairment at December 31, 2020 or 2019 was $6,246,838 and $1,475,713, respectively, as there were no identified events or changes in circumstances that may have had a significant adverse effect on the fair value of the investments and, other than the investments in certificates of deposit, it was not practicable to estimate the fair value of cost method investments.

h. Property and equipment:

Land is carried at cost. Other property and equipment is stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

i. Other real estate owned (OREO):

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value at the date of foreclosure. Costs relating to development and improvement of the property are capitalized, whereas costs relating to holding the property are expensed. Valuations are periodically performed by management and an allowance for losses is established by means of a charge to operations if the carrying value of the property exceeds the lower of cost, or the fair value less estimated costs to sell.

j. NCUSIF deposit and insurance premiums:

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with 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 Credit Union is required to pay an annual insurance premium equal to a percentage of its insured shares, unless the payment is waived or reduced by the NCUA Board.

1. Summary of Significant Accounting Policies, Continued:

k. Members' shares and savings accounts:

Members' shares 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 on members' share accounts are approved by the board of directors, and interest rates on other members' accounts are set by the asset liability committee, based on an evaluation of current and future market conditions.

l. Members' equity:

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction on undivided earnings, is not available for the payment of dividends.

m. Advertising costs:

Advertising costs are expensed as incurred. For the years ended December 31, 2020 and 2019, advertising and marketing costs were $490,326 and $363,998, respectively.

n. Income tax status:

The Credit Union is exempt from federal and state income tax. The Credit Union’s accounting policy under FASB ACS 740-10 *Accounting for Uncertainty in Income Taxes* is to recognize in its financial statements only those tax benefits (reported or to be reported in its tax returns) when it is more likely than not that the tax position will be sustained on examination by the relevant taxing authority. Management currently believes that it is more likely than not that all of its significant tax positions, included positions related to the unrelated business income tax (UBIT) would be sustained on examination by relevant taxing authorities. Additionally, no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions. Currently, the 2017, 2018 and 2019 federal income tax returns are open for examination by the IRS.

1. Summary of Significant Accounting Policies, Continued:

o. Presentation of cash flows:

For the purpose of reporting cash flows, cash and cash equivalents includes cash on hand and amounts due from financial institutions (including cash items in process of clearing). Cash equivalents include short-term highly liquid investments with an original maturity of three months or less. Cash flows from deposits placed with other financial institutions, member deposits, and loans to members are reported net.

p. Adoption of a new accounting standard:

In April 2019, the Financial Accounting Standard Board issued Accounting Standards Update ("ASU") 2019-04, Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments. ASU 2019-04 clarifies and improves guidance within the recently issued standards on credit losses, hedging, and recognition and measurement of financial instruments. ASU 2019-04 is effective for fiscal years beginning after December 15, 2019.

The Credit Union adopted ASU 2019-04 using the modified retrospective method. The adoption of ASU 2019-04 did not result in any changes in the measurement of financial instruments. This standard eliminated the disclosure of fair value of held-to-maturity of investments.

q. Subsequent events:

Management has evaluated subsequent events for recognition and/or disclosure in the accompanying financial statements through March 26, 2021, the date the financial statements are available to be issued.

2. Loans to Members:

The composition of loans to members at December 31, 2020 and 2019 is as follows:

	2020	2019
Loans secured by automobiles, including unamortized direct loan origination costs (Note 12)	$ 46,332,386	$ 51,874,404
Loans secured by real estate, fixed rate	133,095,664	132,465,445
Loans secured by real estate, variable rate	45,800,288	54,692,209
Unsecured loans	3,930,726	2,402,172
Loans secured by shares	49,352	74,844
VISA Card credit card loans, unsecured	4,501,188	5,226,999
Other secured loans	971,377	860,768
	234,680,981	247,596,841
Less allowance for loan losses	1,143,847	879,967
	$233,537,134	$246,716,874

a. Allowance for Loan Losses

The Credit Union has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Credit Union’s loan portfolio. For purposes of determining the allowance for loan losses, the Credit Union segments certain loans in its portfolio by product type. The Credit Union’s loans are segmented into the following pools: auto, real estate, consumer secured, and consumer unsecured portfolios. The Credit Union also sub-segments these segments into classes based on the associated risks within those segments.

Auto loans are divided into the following five classes: (a) direct new auto loans, (b) direct used auto loans, (c) indirect new auto loans, (d) indirect used auto loans, and (e) lender protection. Real estate loans are divided into three classes: (a) first mortgages, (b) first time home-buyers, and (c) second mortgages. Consumer secured loans are divided into two classes: (a) share secured and (b) other secured. In addition, consumer unsecured loans are divided into four classes: (a) unsecured loans, (b) negative shares, (c) credit cards and (d) debt elimination.

2. Loans to Members, Continued:

a. Allowance for Loan Losses

A 12 month historical loss percentage was applied to each segment and applied to the calculation of allowance for loan losses.

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Credit Union considers the allowance for loan losses of $1,143,847 adequate to cover loan losses inherent in the loan portfolio, at December 31, 2020. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans for the years ended December 31, 2020 and 2019.

Management's estimate does include estimated losses related to the outbreak of the novel coronavirus (COVID-19).

Allowance for Loan Losses and Recorded Investment in Loans
for the year ended December 31, 2020

	Auto	Real Estate	Consumer Secured	Consumer Unsecured	Total
Allowance for Loan Losses:					
Beginning balance	$ 335,410	$ 299,037	$ 898	$ 244,622	$ 879,967
Charge-offs	(227,379)	(-)	(9,073)	(283,033)	(520,485)
Recoveries	194,398	9,053	-	134,385	337,836
Provision	123,475	(3,611)	23,477	303,188	446,529
Ending balance	$ 425,904	$ 304,479	$ 15,302	$ 398,162	$ 1,143,847
Ending balance: individually evaluated for impairment	$ 41,552	$ -	$ -	$ -	$ 41,552
Ending balance: collectively evaluated for impairment	384,351	304,479	15,302	398,163	1,102,295
	$ 425,903	$ 304,479	$ 15,302	$ 398,163	$ 1,143,847
Loan to members:					
Ending balance: individually evaluated for impairment	$ 78,037	$ 52,917	$ -	$ -	$ 130,954
Ending balance: collectively evaluated for impairment	46,254,349	178,843,035	1,020,729	8,431,914	234,550,027
Total ending balance	$46,332,386	$178,895,952	$1,020,729	$8,431,914	$234,680,981

2. Loans to Members, Continued:

a. Allowance for Loan Losses, Continued:

Allowance for Loan Losses and Recorded Investment in Loans
for the year ended December 31, 2019

	Auto	Real Estate	Consumer Secured	Consumer Unsecured	Total
Allowance for Loan Losses:					
Beginning balance	$ 456,412	$ 285,691	$ 990	$ 398,466	$ 1,141,559
Charge-offs	(420,525)	(-)	(-)	(308,003)	(728,528)
Recoveries	192,387	107	-	70,177	262,671
Provision	107,136	13,239	(92)	83,982	204,265
Ending balance	$ 335,410	$ 299,037	$ 898	$ 244,622	$ 879,967
Ending balance: individually evaluated for impairment	$ 62,483	$ -	$ -	$ 7,752	$ 70,235
Ending balance: collectively evaluated for impairment	272,927	299,037	898	236,870	809,732
	$ 335,410	$ 299,037	$ 898	$ 244,622	$ 879,967
Loan to members:					
Ending balance: individually evaluated for impairment	$ 111,778	$ 308,229	$ -	$ 15,504	$ 435,511
Ending balance: collectively evaluated for impairment	51,762,626	186,849,425	935,612	7,613,667	247,161,330
Total ending balance	$51,874,404	$187,157,654	$935,612	$7,629,171	$247,596,841

b. Credit Quality Information

The Credit Union’s creditworthiness of the loan portfolio is analyzed by a third party agency annually. However, the analysis was not completed during 2020 as many credit scores are on hold due to the COVID-19 pandemic. In May 2019, the analysis was on real estate loans, auto loans, and consumer unsecured loans. Category ratings are reviewed each year, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track the migration of loan qualities. Loans that trend upward toward higher levels generally have a lower risk factor associated; whereas, loans that migrate toward lower ratings generally will result in a higher risk factor being applied to those related loan balances.

2. Loans to Members, Continued:

b. Credit Quality Information, Continued:

The FICO score based risk ratings are as follows: above 720 were 'Exceptional', 680-719 were 'Great', 640-679 were 'Good', 600-639 were 'Fair', and below 600 were 'Low'. Based on the valuations performed in May 2019, the Credit Union's internal risk ratings based on FICO scores, were as follows:

Mortgage loans - May 2019

Credit Rating	Loan Volume	% of Portfolio	Number of Loans	% of Total	Median FICO	Median LTV
Exceptional	$146,401,915	71.9%	2,282	72.5%	779	49.1%
Great	28,380,471	13.9%	442	14.0%	702	69.6%
Good	17,477,681	8.6%	245	7.8%	663	72.6%
Fair	6,097,333	3.0%	100	3.2%	625	62.9%
Low	5,368,376	2.6%	79	2.5%	561	70.6%
Total	$203,725,776	100.0%	3,148	100.0%	761	56.1%

Consumer unsecured loans

	May 2019		
Credit Rating	Loan Volume	Number of Loans	Median FICO
Exceptional	$ 3,381,823	4,126	792
Great	1,863,109	675	700
Good	742,426	389	662
Fair	494,681	196	622
Low	508,500	220	549
Total	$ 6,990,539	5,606	773

Auto loans - May 2019

Credit Rating	Loan Volume	% of Portfolio	Number of Loans	% of Total	Median FICO	Median LTV
Exceptional	$33,071,945	57.1%	2,417	55.1%	773	77.7%
Great	10,083,872	17.4%	771	17.6%	701	88.9%
Good	5,787,207	10.0%	439	10.0%	662	92.1%
Fair	3,586,444	6.2%	278	6.3%	622	101.7%
Low	5,401,561	9.3%	484	11.0%	551	104.3%
Total	$57,931,029	100.0%	4,389	100.0%	730	85.0%

2. Loans to Members, Continued:

c. Age Analysis of Past Due Loans By Class

Following are tables which include an aging analysis of the recorded investment of past due loans to members as of December 31, 2020 and 2019. The Credit Union stops the accrual of interest on loans over 90 day past due.

At December 31, 2020

	61-179 Days Past Due	> 180 Days Past Due	Total Past Due	Current	Total Loans
Direct Auto	$ 15,102	$ -	$ 15,102	$ 18,588,151	$ 18,603,253
Indirect Auto	77,827	-	77,827	27,651,306	27,729,133
Consumer secured	-	-	-	1,020,729	1,020,729
1st Mortgage	-	-	-	58,851,764	58,851,764
Home Equities	73,415	29,499	102,914	119,941,274	120,044,188
Unsecured	-	-	-	3,930,726	3,930,726
Credit Card	-	-	-	4,501,188	4,501,188
Total	$ 166,344	$ 29,499	$ 195,843	$234,485,138	$234,680,981

At December 31, 2019

	61-179 Days Past Due	> 180 Days Past Due	Total Past Due	Current	Total Loans
Direct Auto	$ 41,981	$ -	$ 41,981	$ 17,393,032	$ 17,435,013
Indirect Auto	97,740	5,065	102,805	34,336,586	34,439,391
Consumer secured	-	-	-	935,612	935,612
1st Mortgage	-	-	-	47,096,227	47,096,227
Home Equities	316,879	227,596	544,475	139,516,952	140,061,427
Unsecured	-	-	-	2,402,172	2,402,172
Credit Card	36,695	-	36,695	5,190,304	5,226,999
Total	$ 493,295	$232,661	$ 725,956	$246,870,885	$247,596,841

2. Loans to Members, Continued:

d. Impaired Loans

A loan is impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect all amounts due according to the contractual terms of the loan agreement, including collection of principal and interest as scheduled in the loan agreement. The following is a summary of information pertaining to individually identified impaired loans with the associated allowance amount, if applicable, at December 31, 2020 and 2019:

As of December 31, 2020

	Unpaid Principal Balance	Allocated Allowance	Average Recorded Balance	Interest Income Recognized
Impaired loans without a valuation allowance	$ 64,999	$ -	$ 16,250	$ 4,551
Impaired loans with a valuation allowance	65,955	41,552	10,993	5,688
	$ 130,954	$ 41,552	$ 13,095	$ 10,239

As of December 31, 2019

	Unpaid Principal Balance	Allocated Allowance	Average Recorded Balance	Interest Income Recognized
Impaired loans without a valuation allowance	$ 315,868	$ -	$ 28,715	$ 15,724
Impaired loans with a valuation allowance	119,643	70,235	9,203	10,151
	$ 435,511	$ 70,235	$ 18,935	$ 25,875

e. Interest receivable

Accrued interest receivable on loans to members totaled $664,415 and $617,281 at December 31, 2020 and 2019, respectively. The accrual of interest has been discontinued on loan balances of approximately $151,000 and $412,000 at December 31, 2020 and 2019, respectively. Such loans were in the ordinary course of business at normal credit terms including interest rates and collateralization and do not represent more than a normal risk of collection.

f. Related party loans receivable

Included in loans to members at December 31, 2020 and 2019, are loans of approximately $684,000 and $658,000, respectively, to directors and management of the Credit Union, including approximately $613,000 and $637,000, respectively, in real estate loans.

2. Loans to Members, Continued:

g. Trouble debt restructuring

The Credit Union's loan portfolio also includes certain loans that have been modified in a Trouble Debt Restructuring (TDR), where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Credit Union's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions.

If Management determines that the value of the modified loan is less than the recorded investment in the loan, impairment is recognized by segment or class of loan, as applicable, through the allowance for loan losses. The amount added to the allowance for loan losses from TDRs for 2020 and 2019 was $-0- and $-0-, respectively.

The following tables include the recorded investment for TDRs originated within the last year and TDRs that defaulted in the current reporting period. Management defines a TDR as subsequently defaulted when the TDR is 90 days past due.

	For the year ended December 31, 2020				
	Trouble Debt Restructuring			TDRs Which Subsequently Defaulted	
	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment	Number of Loans	Recorded Investment
Consumer loans	-	$ -0-	$ -0-	0	$ -0-

	For the year ended December 31, 2019				
	Trouble Debt Restructuring			TDRs Which Subsequently Defaulted	
	Number of Loans	Pre-modification Outstanding Recorded Investment	Post-modification Outstanding Recorded Investment	Number of Loans	Recorded Investment
Consumer loans	1	$ 4,764	$ 4,100	0	$ -0-

3. Purchased Loans to Non-members

The Credit Union has entered into an agreement with Alliant Credit Union ("Alliant"), whereby the Credit Union has purchased an interest in certain loan pools originated by Alliant and serviced by Payoff, Inc. (dba Happy Money). At December 31, 2020, the Credit Union has purchased a loan package, with a total remaining carrying amount of $9,378,371 (net of allowance of $500,000).

The allowance for loan loss was based on the estimated lifetime net losses of the pool of loans at a rate that was determined based on models provided by Happy Money and took into consideration the impact of the pandemic/recession based on how loans they had originated performed during the Katrina disaster.

All loans subject to the participation agreement are unsecured loans written between 5.99% and 15.91%, with a weighted average coupon rate of 11%. The loan package was purchased at a premium of $953,925 which is being amortized straight-line over the estimated average life of the loans.

All loans purchased by the Credit Union are without recourse to Alliant. Happy Money retains the right to service the loans and to charge a servicing fee.

4. Cash & Cash Equivalents and Investments at Alloya Credit Union:

The following reconciles cash in the statement of financial condition to cash and cash equivalents in the statement of cash flows at December 31, 2020 and 2019:

	2020	2019
Cash	$41,364,002	$74,464,708
Investments, Alloya Credit Union:		
Daily deposit shares, 0.05% rate at December 31, 2020	1,532,951	1,321,727
	$42,896,953	$75,786,435

Investments at Alloya Credit Union at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Cash and cash equivalents	$ 1,532,951	$ 1,321,727
Perpetual contribution capital account, 2.25% yield at December 31, 2020	845,437	845,437
	$ 2,378,388	$ 2,167,164

4. Cash & Cash Equivalents and Investments at Alloya Credit Union, Continued:

In 2011, in conjunction with the recapitalization requirements for corporate credit unions, Alloya Credit Union (Alloya) offered its member credit unions subscriptions to perpetual contributed capital (PCC I) and non-perpetual capital (NCA I). Both capital subscriptions are required for continued membership in Alloya and were calculated based on the Credit Union's assets reported on the June 30, 2012 Call Report. PCC I and NCA I are speculative investments, subject to the risk of loss, are uninsured, and have substantial restrictions on transferability. They both are available to cover losses that exceed reserves and undivided earnings and to the extent that PCC I and NCA I funds are used to cover losses, Alloya is prohibited from restoring or replenishing the affected accounts under any circumstances. Both PCC I and NCA I were issued for indefinite terms and have no maturity dates. NCA I may be withdrawn upon not less than five years prior notice to Alloya. PCC I is callable only at the option of Alloya and only if Alloya meets its minimum required capital requirements after the funds are called. Alloya also must obtain the prior, written approval of NCUA before releasing any PCC I.

There is no obligation for Alloya to pay dividends on PCC I or NCA I. If the Alloya board of directors determines that it will pay dividends on PCC I and NCA I, any such dividends may only be paid after dividends have been paid on all superior classes of shares and deposits. Dividends may be paid only when sufficient current and/or prior earnings are available at the end of the dividend period.

In June 2011, Red Rocks Credit Union's Board of Directors authorized the purchase of Alloya PCC I and NCA I, in the amounts of $845,437 and $363,625, respectively. In 2018, the Credit Union withdrew the NCA I.

5. Available-for-Sale Debt Securities:

The amortized cost and estimated fair values of the Credit Union's available-for-sale portfolio of debt securities at December 31, 2020 and 2019 are as follows:

	Weighted Average Yield 12/31/20	2020 Amortized Cost	2020 Estimated Fair Value	2019 Amortized Cost	2019 Estimated Fair Value
Federal agency mortgage backed securities	0.92%	23,106,946	23,220,863	$ 128,528	$ 125,918
Federal agency CMO securities	0.43%	3,010,006	3,011,654	-	-
Federal agency CMBS securities	0.61%	10,550,379	10,546,602	1,182,048	1,142,433
Total available-for-sale Portfolio	0.802%	$36,667,331	$36,779,119	$1,310,576	$1,268,351

Proceeds from sales of available-for-sale debt securities during 2020 and 2019 were $-0-.

	2020 Gross Unrealized Gains	2020 Gross Unrealized Losses	2019 Gross Unrealized Gains	2019 Gross Unrealized Losses
Federal agency mortgage backed Securities	$ 141,864	$ 27,947	$ -	$ 2,610
Federal agency CMO securities	3,201	1,552		
Federal agency CMBS Securities	20,548	24,326	-	39,615
Total available-for-sale Portfolio	$165,613	$ 53,825	$ -	$ 42,225

5. Available-for-Sale Debt Securities, Continued:

Securities in loss positions at December 31, 2020 and 2019 are as follows:

December 31, 2020

	Fair Value	Gross Unrealized Losses < 1 year	Fair Value	Gross Unrealized Losses > 1 year
Federal agency mortgage backed Securities	$3,410,049	$23,908	$ 102,931	$ 4,039
Federal agency CMO securities	2,354,079	1,552	-	-
Federal agency CMBS securities	3,526,068	24,326	-	-
	$9,290,196	$49,786	$ 102,931	$ 4,039

December 31, 2019

	Fair Value	Gross Unrealized Losses < 1 year	Fair Value	Gross Unrealized Losses > 1 year
Federal agency mortgage backed securities	$ -	$ -	$ 125,918	$ 2,610
Federal agency CMO securities	-	-	1,142,431	39,615
	$ -	$ -	$1,268,349	$ 42,225

Management evaluates securities for OTTI (Other than temporary impairment) at least on an annual basis. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer or fund, and (3) the intent and ability of the Credit Union to retain its investments in the issuer or fund for a period of time sufficient to allow for any anticipated recovery in fair value. Market changes will cause normal fluctuations in the market price of securities and the possibility of temporary unrealized losses. Management of the Credit Union has evaluated the management of these debt securities and the trend in recovery of the loss positions, and has determined that there was no OTTI associated with these debt securities at December 31, 2020 or 2019.

5. Available-for-Sale Debt Securities, Continued:

The amortized cost and estimated fair values of the available-for-sale portfolio of debt securities at December 31, 2020, by contractual maturity, are shown below. Expected maturities on mortgage-related and callable securities will differ from contractual maturities due to prepayments and other factors.

	Amortized Cost	Estimated Fair Values
Due in one year or less	$ -	$ -
Due after one year through five years	-	-
Due after five years through ten years	9,171,900	9,176,527
Due after ten years	27,495,431	27,602,593
	$36,667,331	$36,779,120

6. Investments, Held-To-Maturity

The amortized cost of investment debt securities classified as held-to-maturity, as December 31, 2020, by contractual maturity, are shown below. Expected maturities 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
Due in one year or less	$ 6,998,653
Due after one year through five years	-
Due after five years through ten years	-
Due after ten years	-
	$ 6,998,653

7. Investments, Other:

The Credit Union's other investments at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Certificate of deposit, maturities 2021-2022		
Yield 0.73% at maturity	$4,712,000	$ -
FHLB stock	343,800	316,600
Equity securities:		
With readily determinable fair values (Note 12b)	314,413	226,855
Without readily determinable fair values:		
Investments in Credit Union Service Organizations:		
CO-OP Network, equity method	167,719	167,719
CU Service Network, LLC, at cost	52,000	52,000
Pro-Design Credit Union Systems, LLC, at cost	65,000	65,000
Other	228,601	196,676
	$5,883,533	$1,024,850

7. Investments, Other, Continued:

a. Investment in FHLB stock:

The Credit Union has invested in Federal Home Loan Bank of Topeka ("FHLB"), a privately owned, federally chartered bank that provides wholesale mortgage credit related products and services to financial institutions. At December 31, 2020, the Credit Union owns $343,000 in class A stock and $800 in class B stock of FHLB. The stock investment is required in order to obtain and continue FHLB membership. FHLB maintains the only market for its stock, and the price is always par at $100 per share. The stock investment allows the Credit Union to use FHLB as a borrowing facility; with borrowing advances collateralized by Credit Union mortgages (see Note 11). The stock pays a quarterly dividend, which is competitive with market rates.

b. Investment in CU Cooperative Systems, Inc:

The Credit Union has invested in the common stock of CU Cooperative Systems, Inc. (CO-OP) a credit union service organization that operates an ATM and shared branching network for credit unions and credit union members. At December 31, 2020, the Credit Union owns 10 shares of CO-OP's Class B common stock at a cost basis of $20,000, plus undistributed patronage dividends of $147,719, for total equity of $167,719. The stock of CO-OP is subject to a stock transfer agreement whereby disposition of the stock in any manner is restricted.

c. Investment in CU Service Network, LLC:

The Credit Union has invested in the membership units of CU Service Network, LLC (CUSN), a credit union service organization that operates shared service centers for credit unions and credit union members. At December 31, 2020, the Credit Union owns 2 units of CUSN's membership equity at an original cost basis of $52,000, which represents approximately 1.2% of total membership equity. The membership units of CUSN are subject to restrictions on transferability.

d. Investment in Pro-Design Credit Union Systems:

The Credit Union has invested in the membership units of Pro-Design Credit Union Systems. Pro-Design is the parent company that wholly owns Credit Union Data Processing, Inc., a credit union service organization that operates the core processing system of Red Rocks Credit Union. At December 31, 2020, the Credit Union owns 1 unit of Pro-Design's membership equity at an original cost basis of $65,000, which represents 1% of total membership equity with voting rights. The membership units of Pro Design are subject to restrictions on transferability.

8. Property and Equipment:

Property and equipment at December 31, 2020 and 2019 is summarized as follows:

	2020	2019
Land	$1,092,229	$1,092,229
Buildings and improvements	12,581,740	12,581,740
Construction in process	566,342	305,895
Furniture and equipment	4,134,216	3,132,175
Leasehold improvements	74,300	74,300
	18,448,827	17,186,339
Less accumulated depreciation	5,241,170	4,537,105
	$13,207,657	$12,649,234

Depreciation expense for the years ended December 31, 2020 and 2019 was $729,363 and $702,408, respectively.

9. Members' Shares and Savings Accounts:

A summary of members' shares and savings accounts at December 31, 2020 and 2019 is as follows:

	Weighted Average Rate at December 31, 2020	2020	2019
Regular shares	0.05%	$50,779,398	$44,052,404
High-yield savings	0.26%	120,409,787	94,553,360
Checking	-0-%	48,160,098	40,259,812
Regular shares - Business	-0-%	123,499	189,885
High-yield savings - Business	0.28%	771,338	859,760
Checking - Business	-0-%	1,432,249	1,188,575
Member mortgage payments and escrow in process	-0-%	1,575,769	1,044,869
Certificates of deposit	2.48%	91,923,238	116,561,126
		$315,254,032	$298,709,791

The aggregate amount of members' share and savings accounts potentially uninsured was approximately $34,569,000 and $28,915,000 at December 31, 2020 and 2019, respectively. All eligible accounts of the Credit Union are insured up to $250,000. The $250,000 level was made permanent under the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law on July 21, 2010.

9. Members' Shares and Savings Accounts, Continued:

At December 31, 2020, scheduled maturities of share certificates are as follows:

2021	2022	2023	2024	2025	Total
$49,939,693	$31,534,600	$4,974,175	$3,360,680	$2,114,090	$91,923,238

10. Non-Members' Certificate Accounts:

Non-member certificates totaled $5,026,000 at December 31, 2020 with a weighted average rate of 3.44%. The aggregate amount of non-members' certificate accounts potentially uninsured was approximately $4,526,000 at December 31, 2020. All eligible accounts of the Credit Union are insured up to $250,000.

At December 31, 2020, scheduled maturities of certificates are as follows:

2022	2023+	Total
$2,442,000	$2,584,000	$5,026,000

11. Financial Instruments with Off-Balance-Sheet Risk:

a. Loan commitments and lines of credit:

The Credit Union has initiated lines of credit whereby members can draw on pre-approved loan amounts. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The Credit Union's exposure to credit loss in the event of non-performance by the counter party to the loan commitment is represented by the contractual amount of those instruments. However, since many of the commitments are expected to expire without being drawn upon in full, the total commitment amount does not necessarily represent future cash requirements. The Credit Union generally uses the same credit policies in making loan commitments as it does for on balance sheet instruments. In addition, the Credit Union has disclosed to its membership an overdraft privilege program, which gives qualifying members an amount of overdraft privilege without any loan agreement. Unused lines of credit amounts and unused overdraft privilege program commitments at December 31, 2020 of $101,909,206 are as follows. These amounts are not reflected in the accompanying financial statements.

	2020
Lines of credit, secured by real estate	$ 65,398,872
Overdraft privilege program	9,634,182
Lines of credit, unsecured	4,679,217
VISA credit card lines	14,841,444
Other unfunded commitments	7,355,491
	$101,909,206

11. Financial Instruments with Off-Balance-Sheet Risk, Continued:

a. Loan commitments and lines of credit, continued:

The Credit Union has an open end line of credit in the amount of $34.8 million, with Alloya Credit Union. Alloya holds a perfected security interest in all investment property, deposit accounts, accounts and other rights to payment, and general intangibles of the Credit Union. There were no outstanding advances on this line of credit at December 31, 2020 or 2019.

The Credit Union has entered into an Advance, Pledge and Security Agreement with FHLB (Note 7a). This agreement allows the Credit Union to obtain financing from FHLB up to an amount equal to a percentage of qualifying collateral. The Credit Union is required at all times to provide FHLB with a security interest in an amount of eligible collateral that has a lending value at least equal to the required collateral amount. As of December 31, 2020, conventional first mortgage loans and second mortgage loans qualified as approximately $32 million of eligible collateral. Outstanding advances at December 31, 2020 and 2019 were $-0- and $4,000,000, respectively. Interest on outstanding balances was due monthly at 3.18% - 3.31% and the principal amount of outstanding borrowings of $1,000,000 was due in September 2020, and the remaining $3,000,000 was paid off in May 2020.

b. Financial instruments with concentrations of credit risk:

A substantial amount of the Credit Union's business activity is with members who are employees, former employees, and members of their families of Lockheed Martin Corporation and Douglas County, Colorado residents. The amount of collateral obtained, if deemed necessary by the Credit Union upon extension of credit, is based on the credit evaluation of the member. The loan portfolio of these two groups is indicative of the loan composition described in Note 2.

Other financial instruments that potentially expose the Credit Union to concentrations of credit risk consist primarily of cash and cash equivalents and available-for-sale (AFS) and held-to-maturity (HTM) securities. At December 31, 2020, cash and cash equivalents of $1,532,951 are concentrated with Alloya Credit Union (Note 4). Cash and cash equivalents of $40,282,095 are also concentrated with the Federal Reserve Bank of Kansas City. The AFS and HTM securities are concentrated with government sponsored enterprises. The Credit Union has not experienced any losses on its cash equivalents, and management believes the Credit Union is not exposed to any significant credit risk on cash and cash equivalents or AFS and HTM securities.

12. Other Commitments:

a. Indirect lending program:

The Credit Union has contracted with CU Direct Connect to facilitate the origination of automobile loans at the point of purchase at automobile dealerships. Under terms of the agreement, the Credit Union agrees to pay a fee to the dealership and a fee for each completed loan transaction to CU Direct Connect. For the years ended December 31, 2020 and 2019, total fees of $197,111 and $281,235, were paid under the program. These loan origination costs have been deferred and the unamortized balance of $337,235 and $406,554 at December 31, 2020 and 2019, is included in loans to members in the accompanying financial statements.

b. Pension plan and supplemental executive retirement plan:

Pension plan:

The Credit Union has established a defined contribution and salary deferral 401(k) plan for all full-time employees with the Credit Union who have attained age 21. The Plan is funded monthly with an employer safe-harbor contribution based on compensation of eligible employees. Pension expense for the years ended December 31, 2020 and 2019 was $119,076 and $122,973, respectively.

Supplemental executive retirement plan:

The Credit Union has adopted a Supplemental Executive Retirement Plan (the “Plan”) to provide supplemental retirement benefits to select participants in the Plan as designated by the Board.

The participant will receive annual credits representing the Credit Union’s commitment under the Plan. The commitment is accrued for monthly as a liability. Benefits from the annual credits vest and the participant generally must be continually employed to the vesting dates, although benefits may be paid earlier upon certain events. The participant becomes 50% vested in the Plan upon the participant’s 60th birthday and 100% vested on the 65th birthday.

The Board has designated one participant and the Credit Union’s commitment under the Plan is $100,000 plus, beginning in 2018, 15% of base salary of the participant for the Plan year, plus 15% of any incentive award paid to the participant during the Plan Year. Expenses under the Plan for 2020 and 2019 were $87,558 and $87,461, respectively. The balance in the Plan liability at December 31, 2020 and 2019, was $314,413 and $226,855, respectively.

12. Other Commitments, Continued:

b. Pension plan and supplemental executive retirement plan, continued:

Although the Plan is defined as unfunded, the Credit Union has set aside investments, the earnings of which are also credited to the participant’s account. These investments consist of cash equivalents, equities and exchange traded funds with a cost basis of $264,604 and fair value of $314,413 at December 31, 2020 and a cost basis of $207,498 and fair value of $226,855 at December 31, 2019. Unrealized gains recognized during the year on equity securities still held at December 31, 2020 and 2019 were $30,452 and $31,023, respectively.

Title to and beneficial ownership of these investments shall remain in the name of Credit Union, and neither the participant nor beneficiary shall have any right or property interest in these investments. In addition, these investments are subject to the general claims of creditors.

c. Lease commitments:

The Credit Union had entered into a 10 year shopping center (land) lease for its main branch. The shopping center land lease agreement contains six extension terms of five years each beginning in 2015. Rent expense, included in office occupancy expense in the accompanying financial statements totaled $148,558 and $148,558 for the years ended December 31, 2020 and 2019, respectively.

The following is a schedule by years of future minimum rental payments required under the second renewal term of the shopping center land lease:

2021	$ 143,325
2022	143,325
2023	143,325
2024	143,325
2025	83,606
	$ 656,906

13. Regulatory Capital:

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, 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 principles. The Credit Union’s capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined in the regulations) to total assets (as defined). Credit Unions are also required to calculate a Risk-Based Net Worth (RBNW) Requirement, which establishes whether or not the Credit Union will be considered “complex” under the regulatory framework. The Credit Union’s RBNW ratio as of December 31, 2020 and 2019 was 5.81% and 5.74%, respectively. The minimum ratio to be considered complex under the regulatory framework is 6%. Management believes, as of December 31, 2020 and 2019, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2020, the most recent call reporting period, NCUA categorized the Credit Union as “well capitalized” under the regulatory framework for prompt corrective action. To be categorized as “well capitalized,” the Credit Union must maintain a minimum net worth ratio of 7% of assets and meet any applicable RBNW Requirement. There are no conditions or events since that notification that management believes have changed the Credit Union’s category.

The Credit Union’s actual capital amounts and ratios are presented as follows as of December 31, 2020 and 2019:

	2020		2019	
	Amount	Ratio	Amount	Ratio
Amount needed to be classified as "adequately capitalized"	$21,051,057	6.0%	$20,129,831	6.0%
Amount needed to be classified as "well capitalized"	24,559,567	7.0%	23,484,803	7.0%
Actual net worth	33,009,672	9.4%	33,117,329	9.9%

13. Regulatory Capital, Continued:

In performing its calculation of total assets, the Credit Union uses the average of the current and three preceding calendar quarter end balances, as permitted by regulation.

14. Fair Value Measurements:

The fair value of assets and liabilities measured on a recurring basis at December 31, 2020 and 2019 are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
December 31, 2020:				
Available-for-sale debt securities (Note 5)	$36,779,121	$ -	$36,779,121	$ -
Equity securities with readily determined fair values	$314,413	$314,413	$ -	$ -
December 31, 2019:				
Available-for-sale debt securities (Note 5)	$1,268,351	$ -	$1,268,351	$ -
Equity securities with readily determined fair values	$226,855	$226,855	$ -	$ -

FASB ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of significant observable inputs other than quoted prices for identical assets, and Level 3 inputs have significant unobservable inputs and have the lowest priority. The Credit Union uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Credit Union measures fair value using Level 1 or Level 2 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

14. Fair Value Measurements, Continued:

Level 2 Fair Value Measurements:

The fair values of the available-for-sale portfolios of debt securities are based on quoted market prices for securities with similar characteristics. The fair value of equity securities with readily determinable fair values is based on quoted market prices at year-end.

Certain assets are measured at fair value on a non-recurring basis; that is the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. The following table presents assets measured at fair value on a non-recurring basis:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
December 31, 2020:				
Impaired Loans (Note 2d)	$ 130,954	$ -	$ -	$ 130,954
December 31, 2019:				
Impaired Loans (Note 2d)	$ 435,511	$ -	$ -	$ 435,511

See Note 1 for a description of the inputs and valuation techniques applicable to impaired loans. There were no OREO properties at December 31, 2020 or 2019. When OREO properties are required to be measured at fair value, the fair value is measured using Level 2 inputs (comparable sales) if independent appraisals are obtained, or Level 3 inputs if the fair value is estimated internally.

15. Revenue from Contracts with Members

Non-interest income, including revenue from contracts with members and customers, within the scope of ASC 606 is presented for the years ended December 31, 2020 and 2019:

	2020	2019
Non-interest income within the scope of ASC 606:		
Share account services fees	$ 684,670	$ 884,839
Interchange income	426,337	403,927
	1,111,007	1,288,766
Non-interest income outside the scope of ASC 606:		
Loan service fees	175,274	105,180
Gain on sale or disposition of assets	1,836	159,268
Sale of mortgages	183,599	56,182
Other operating income	56,773	102,152
	417,482	422,782
Total non-interest income	$1,528,489	$1,711,548

Share account service fees are fees earned from members for account maintenance and transaction-based activity. Account maintenance fees such as bad address fee, inactivity fees, bill payment fees, or safe deposit fees are typically charged on a monthly basis when the performance obligation for that month is satisfied because the service has been completed. These fees are recognized as revenue on a monthly basis. Transaction based fees such as late payment fee, skip a pay fee, overdraft line of credit fee, ACH return fee, etc. are charged for the specific service provided. The performance obligation is satisfied when the transaction is completed resulting in immediate recognition of the income as revenue.

Interchange income is earned when a debit or credit card is used to purchase a good or service. Many factors such as transaction amount and merchant type determine the amount of the transaction to be charged when the transaction is completed. The performance obligation is satisfied when the transaction is completed resulting in income during the period the transaction occurs. Card processing fees that are incurred and are directly associated with the interchange income are netted. Accordingly, for 2020 and 2019, these expenses of $268,910 and $323,272, respectively, are netted against interchange income of $695,247 and $727,199, respectively.