

Audited Consolidated Financial Statements

**XCEL FEDERAL CREDIT UNION
AND SUBSIDIARY**

December 31, 2022



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INDEPENDENT AUDITOR'S REPORT

To the Supervisory Committee and Board of Directors
XCEL Federal Credit Union
Bloomfield, New Jersey

Opinion

We have audited the accompanying consolidated financial statements of XCEL Federal Credit Union and its subsidiary (the "Credit Union"), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive (loss) income, members' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 the Credit Union's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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Auditor's Responsibilities for the Audit 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 an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

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

Xirley, Moran, Xue & Esser, CPA, P.C.

Syracuse, New York
May 5, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

	December 31,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 14,837,077	\$ 24,703,084
Certificates of deposit	8,915,000	12,512,000
Investments--available for sale	35,337,067	44,681,070
Investment--Federal Home Loan Bank Stock, at cost	735,300	832,100
Loans to members, net	111,339,186	102,864,093
Accrued interest receivable	449,799	376,776
Property and equipment, net	4,296,116	4,585,909
National Credit Union Share Insurance Fund (NCUSIF) deposit	1,621,199	1,699,822
Defined benefit pension asset	5,276,584	5,317,061
Other assets	952,783	1,862,080
	<u>\$ 183,760,111</u>	<u>\$ 199,433,995</u>
TOTAL ASSETS		
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' share accounts	\$ 170,437,224	\$ 181,954,342
Accrued expenses and other liabilities	787,406	1,082,909
TOTAL LIABILITIES	<u>171,224,630</u>	<u>183,037,251</u>
MEMBERS' EQUITY	<u>12,535,481</u>	<u>16,396,744</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 183,760,111</u>	<u>\$ 199,433,995</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

XCEL FEDERAL CREDIT UNION AND SUBSIDIARY

	Year ended December 31,	
	2022	2021
Interest income:		
Loans	\$ 5,981,614	\$ 5,867,682
Investments	1,005,557	526,422
	<u>6,987,171</u>	<u>6,394,104</u>
	TOTAL INTEREST INCOME	
Interest expense:		
Dividends on members' share accounts	434,928	754,663
	<u>6,552,243</u>	<u>5,639,441</u>
	NET INTEREST INCOME	
Provision for loan losses	781,523	318,352
	<u>5,770,720</u>	<u>5,321,089</u>
	NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	
Non-interest income:		
Service fees	1,286,691	1,245,526
Corporate Credit Union claim distribution	199,644	808,657
Employee retention tax credits	586,055	-0-
Other	582,596	412,903
	<u>2,654,986</u>	<u>2,467,086</u>
	TOTAL NON-INTEREST INCOME	
Non-interest expense:		
Compensation and employee benefits	3,435,205	3,271,760
Office occupancy and operations	2,255,715	2,269,022
Loan servicing	861,782	749,487
Professional and outside services	636,867	288,875
Education and promotion	207,105	145,509
	<u>7,396,674</u>	<u>6,724,653</u>
	TOTAL NON-INTEREST EXPENSE	
	<u>\$ 1,029,032</u>	<u>\$ 1,063,522</u>
	NET INCOME	

See accompanying notes to consolidated financial statements.