

## AUDIT REPORT

To the Supervisory Committee and Board of Directors of  
**Patriot Federal Credit Union**

### Report on the Audits of the Financial Statements

#### Opinion

We have audited the financial statements of Patriot Federal Credit Union (the Credit Union), which comprise the statements of financial condition as of September 30, 2023 and 2022, and the related statements of income, comprehensive operations, members' equity and cash flows for the years 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 the Credit Union as of September 30, 2023 and 2022, 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 (GAAP).

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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 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 the 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

#### Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The FHA lender with Title II authority adjusted net worth computation and financial data template shown on pages 43 and 44, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements.

The FHA lender with Title II authority adjusted net worth computation and financial data template are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS.

In our opinion, the FHA lender with Title II authority adjusted net worth computation and financial data template are fairly stated, in all material respects, in relation to the financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 18, 2023, on our consideration of the Credit Union's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Credit Union's internal control over financial reporting and compliance.

*Doeren Mayhew*

Doeren Mayhew  
Miami, FL

December 18, 2023

## SUPERVISORY COMMITTEE

The Supervisory Committee is established in accordance with the Federal Credit Union Act. It serves as a liaison between Patriot Federal Credit Union's members and the Credit Union's management. The Supervisory Committee is responsible for reviewing internal controls for the purpose of safeguarding credit assets. The Supervisory Committee is also responsible for ensuring the reliability of the credit union's financial records, promoting operational efficiency, and encouraging adherence to prescribed policies. It is the duty of the Supervisory Committee to oversee the annual audit and to ensure that a report of the audit is submitted to the Board of Directors.

The committee engaged the certified public accounting (CPA) firm of Doeren Mayhew to perform a certified audit as of September 30, 2023. In addition the Supervisory Committee engaged the firm of RKL, LLP who performs quarterly internal audits and reports their findings to the Supervisory Committee. Members can communicate directly to the committee verbally, or via letter to Patriot Federal Credit Union, Attention: Supervisory Committee, P.O. Box 778, Chambersburg, PA 17201.

The committee will strive to resolve any member concern.



# 2023 Annual Report



## CEO's ANNUAL REPORT

Let me begin by reiterating my appreciation for the opportunity to serve this credit union and the local communities. As you may know, I started as the CEO here at Patriot some 16 months ago, and I have truly enjoyed engaging with members and others living, working, and doing business in our communities.



Patriot has a fantastic blend of a future-focused, supportive board of directors, a dedicated, engaged, and experienced executive leadership team, a collaborative team of managers and staff, a vibrant geographic market area to serve, a strong reputation, and a solid financial position. It serves as a strong foundation for your credit union to grow in the future, strengthened by a continued focus on a mission of "People Helping People" through a strong culture of servant leadership with respect and professionalism.

Before I touch on what lies ahead, I'd like to present a brief recap of Patriot's progress in the past year. Let's start by looking in the rearview mirror at the accomplishments and challenges from 2023, even though in this fast-paced world, it seems to have been some time ago.

Turning back the pages, interest rates remained elevated throughout 2023 following the unprecedented increases by the Federal Reserve in 2022 and early 2023 to mitigate a potential recession. With what then appeared to be a recession looming, many financial institutions planned for higher delinquency by increasing their allowance for loan loss reserves. Many families were impacted by the highest interest rates on credit cards since 1994, adding to or creating financial hardships and a deterioration in credit quality across the financial services sector resulting in higher delinquencies and losses.

Ultimately, the economic slowdown proved to be mild. While some households on the lower end of the income spectrum were more significantly challenged, most Patriot members remained current on their loans, and our loan quality was only marginally impacted.

Homebuyers were faced with mortgage rates that nearly doubled from several years earlier to nearly 7% at a time when housing inventory was very low, resulting in higher home prices and monthly payments that either made them unaffordable or put a big squeeze on the family budget. This significantly slowed real estate lending.

While the supply of affordable homes tightened, new vehicle production increased following more than 18 months of limited availability. However, inventory of used cars did not substantially improve, resulting in inflated prices coupled with higher interest rates. Small businesses continued to be challenged by the staffing shortages that surfaced during the pandemic, albeit to a lesser extent, while trying to compete with larger businesses who were willing to pay above-market wages. These economic factors, along with overall higher prices at retailers, grocery stores, and the gas pump that exceeded wage increases, placed many consumers in greater financial stress.

The higher costs for goods and services resulted in the erosion of savings account balances at many financial institutions. Conversely, the higher interest rates were a welcome sight for savers, and like many other financial institutions, Patriot experienced strong growth in share certificates.

Last year, confidence in the banking sector took a hit following the failure of several large banks. Patriot remained stable, strong and secure, as reflected in our 5-Star rating from Bauer Financial for safety and soundness – a designation that we have maintained for over 124 consecutive quarters, 30 years and running.

For Patriot, 2023 was a milestone as the credit union surpassed the \$1 billion mark in assets growing 8%. Loan growth exceeded 9% and shares were up 8.5%. Your credit union received some special recognition, including being named one of the best credit unions in Forbes' "Best in State Credit Union 2023".

As consumers increasingly find digital access more convenient, Patriot rolled out internal ACH so that members could more easily make auto loan payments, enhanced our online account opening for an improved member experience, and introduced an optional multi-factor authentication for online and mobile banking users for an added level of security and peace of mind.

As the year progressed, we set in motion a number of initiatives that we rolled out in early 2024, including a new website with a Spanish version option as well as enhanced accessibility for visually impaired community members using assisted technology. We added new security features in our online and mobile banking to help our members better protect themselves from becoming victims of fraud, as well as interpretation and translation resources to assist our staff in serving our diverse communities and hearing-impaired individuals versed in American Sign Language. And we introduced a free education resource to enhance financial well-being called Zogo.

After nearly 47 years, the end of an era came in June with the closing of our Letterkenny Branch due to steadily declining activity. However, a new drive-up ATM was opened nearby in August. With a strong branch network covering the Chambersburg area, we are moving forward with plans to open new branches in Spring Mills near Martinsburg, WV, and Greencastle in 2025. A number of other initiatives that our teams are currently working on include additional enhancements for digital member experience, business services, and more - - - balanced with a level of security to provide member protection and peace of mind.

As of this writing, there remains concern about high prices of gas and consumer goods, economic problems in other countries, political turmoil and conflicts throughout the world, and our current domestic issues amid a presidential election year. There is much uncertainty about interest rates, with some experts indicating several Fed rate changes in the coming months and other pundits anticipating only one or two. With an inverted interest rate curve, rate changes are likely to be expected in the months ahead but when and how significant is nearly anyone's guess.

As far as Patriot is concerned, I'm very excited about the future for our credit union, our team, our members, and our community. We remain committed to enriching the lives of our communities and delivering value with a solid member experience as we strive to meet the financial needs of individuals, families, businesses, and organizations.

In closing, I want to thank you for your membership and support. If there is anything that we can do to help, please let us know. We look forward to serving your financial needs tomorrow and in the years ahead.

Sincerely,

Ron Celaschi, CEO

## FINANCIALS

SEPTEMBER 30, 2023 AND 2022

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 41,262,080	\$ 40,829,055
Interest bearing deposits	3,984,000	996,000
Available-for-sale investments	67,515,985	88,576,696
Loans held-for-sale	1,472,171	961,343
Loans to members, net of allowance for loan losses	851,902,974	764,485,886
Accrued interest receivable	3,360,937	2,701,405
Prepaid and other assets	38,902,335	36,263,899
Property and equipment	30,793,894	29,192,949
National Credit Union Share Insurance Fund (NCUSIF) deposit	8,194,721	7,608,147
<b>Total assets</b>	<b>\$1,047,389,097</b>	<b>\$971,615,380</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Liabilities:		
Members' shares and savings accounts	\$ 935,424,584	\$868,747,568
Accrued expenses and other liabilities	7,747,630	5,910,403
<b>Total liabilities</b>	<b>943,172,214</b>	<b>874,657,971</b>
Commitments and contingent liabilities		
Members' equity:		
Undivided earnings	124,174,283	115,265,298
Equity acquired in merger	1,345,792	1,345,792
Accumulated other comprehensive loss	(21,303,192)	(19,653,681)
<b>Total members' equity</b>	<b>104,216,883</b>	<b>96,957,409</b>
<b>Total liabilities and members' equity</b>	<b>\$1,047,389,097</b>	<b>\$971,615,380</b>
<b>INTEREST INCOME:</b>		
Loans to members	\$ 40,362,552	\$ 31,543,175
Investments and cash equivalents	3,789,000	1,819,376
<b>Total interest income</b>	<b>44,151,552</b>	<b>33,362,551</b>
<b>INTEREST EXPENSE:</b>		
Members' shares and savings accounts	12,046,977	4,763,617
Net interest income	32,104,575	28,598,934
Provision for loan losses	2,651,637	1,780,480
<b>Net interest income after provision for loan losses</b>	<b>29,452,938</b>	<b>26,818,454</b>
<b>NON-INTEREST INCOME:</b>		
Fees and charges	5,773,149	5,413,158
Interchange income	4,998,441	4,851,435
Other income	1,805,116	3,577,048
Gain on sale of loans	351,386	945,559
Gain on sale of investments	—	394,996
<b>Total non-interest income</b>	<b>12,928,092</b>	<b>15,182,196</b>
<b>NON-INTEREST EXPENSES:</b>		
Compensation and benefits	18,665,615	16,870,882
Office operations	4,972,167	4,611,607
Outside services	3,687,595	3,327,608
Office occupancy	2,328,283	2,167,620
Advertising	1,580,252	1,556,232
Loan servicing	1,434,559	1,345,853
Other expense	803,574	785,636
<b>Total non-interest expenses</b>	<b>33,472,045</b>	<b>30,665,438</b>
<b>Net income</b>	<b>\$ 8,908,985</b>	<b>\$ 11,335,212</b>