

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, 2024 and 2023, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Credit Union as of September 30, 2024 and 2023, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Credit Union’s October 1, 2023 adoption of Accounting Standards Update (ASU) No. 2016-13, Measurement of Credit Losses on Financial Instruments, resulted in a significant change to the methodology for estimating the allowance for credit losses on loans. Our opinion is not modified with respect to this matter.

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 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 12, 2024, 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 Assurance

Miami, Florida
December 12, 2024

SUPERVISORY COMMITTEE

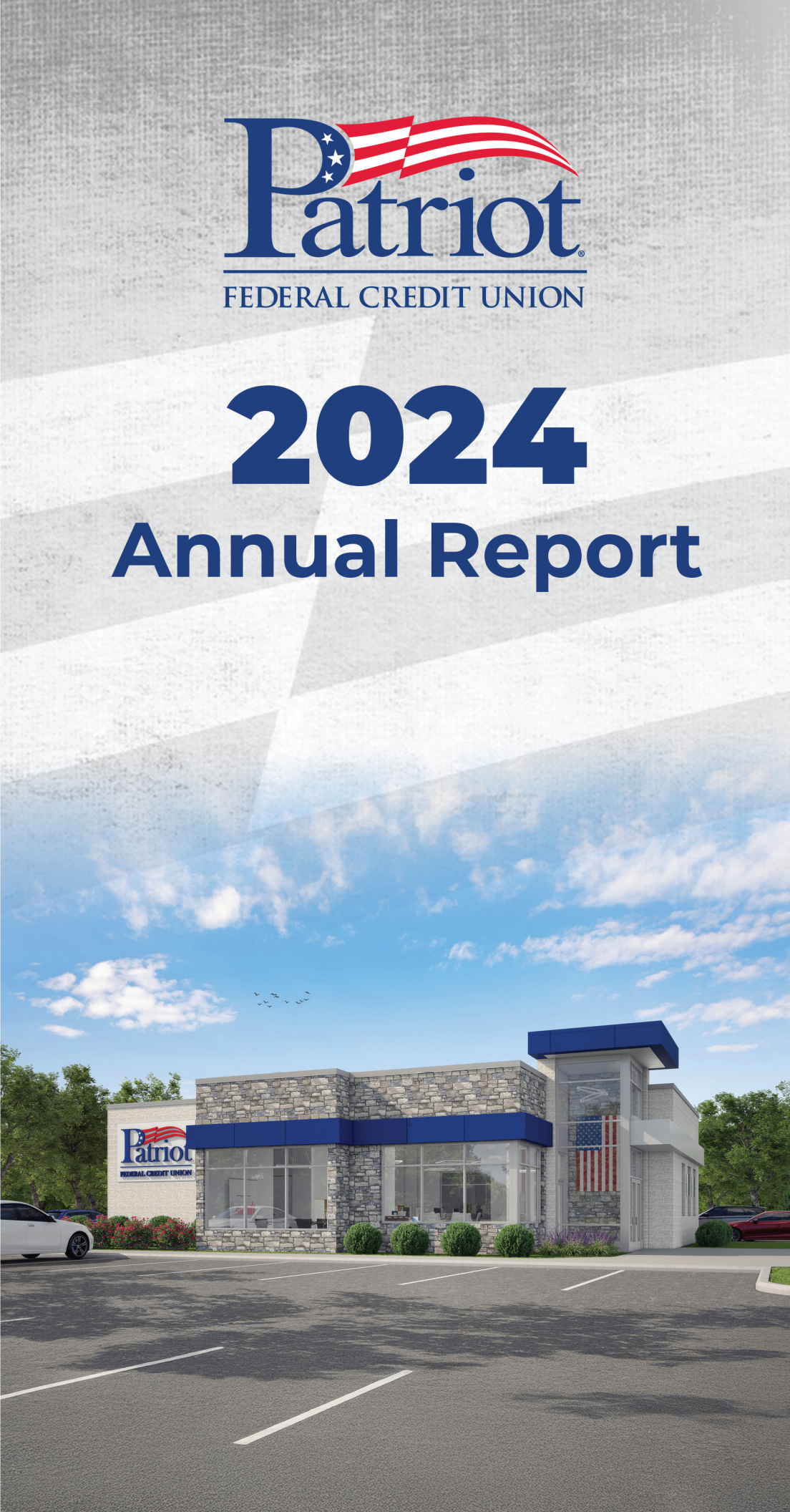
The Supervisory Committee is established in accordance with the Federal Credit Union Act. It serves as a liaison between Patriot Federal Credit Union’s members and the Credit Union’s management. The Supervisory Committee is responsible for reviewing internal controls for the purpose of safeguarding credit 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, 2024. In addition the Supervisory Committee engaged the firm of RKL, LLP who performed periodic internal audits and reported 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.



2024 Annual Report



CEO’s ANNUAL REPORT

As Patriot begins its 60th year of service to our members and local communities, it is my pleasure to help lead the credit union as your CEO. I am proud of our past successes and excited and energized about the opportunities that lie ahead as we engage and assist members and others living, working, and doing business in our communities with their financial needs.

As I have said before, Patriot has an amazing blend of 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, strong reputation, and a solid financial position. We are truly in a great place with 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. For all of these things, I am extremely grateful.

After over six decades, Patriot strives to remain true to the people who own the credit union – our members. It is our sole purpose – to solve real problems for real people, to meet unmet financial needs. As life moves faster, those needs are changing rapidly.

While some of us might long for the good old days or resist change, it is an inevitable disruption that we must face as we look to improve. There’s an adage that goes “If you’re not improving or learning, you’re falling behind.” And while a widely held sentiment, it takes intention and courage to depart from the safe status quo and to move forward.

Over the past year, we have been faced with change across our country and locally. While I am proud of our credit union’s financial performance in the accompanying financial report – assets grew 10.3%, shares were up 8.2%, and loans increased 2.1% – I am equally as proud that at Patriot, the changes made at our credit union have largely been responded to with grace and understanding by our members. And there’s more on the horizon in the future.

Let’s start by taking a look back over the past year and the progress that Patriot has made before we peer into the future and what the next year has in store. As you may recall, the Federal Reserve made three rate cuts totaling 1% in the second half of 2024 following a period of elevated interest rates from 2022 to 2023 when the Fed increased rates to mitigate a potential recession.

The current administration has been calling for the Fed to lower interest rates, suggesting that lower rates will spur consumers to borrow cheaply leading to the economy being stimulated and promoting job creation and economic growth. While it seems very likely that the Fed will drop rates later this year, they have refused to make changes and continue to take a ‘wait and see’, data-driven approach, citing stubborn inflation, an unstable job market, and the impact of tariffs as their rationale. And just because there is a cut in the federal funds rate, this may not impact some interest rates, for example mortgage interest rates. Lower mortgage rates typically boost home purchases as well as enable borrowers to refinance and save money by consolidating higher cost debt.

Higher cost debt impacts families who have higher credit card balances, adding to or creating financial hardships and a deterioration of credit quality for them and leading financial institutions to plan for higher delinquency by increasing their allowance for loan loss reserves. This tends to impact many households on the lower end of the income spectrum more significantly. Lower rates can also boost borrowing for vehicles, although auto lending remains strong. Early in 2025 concerns regarding the impact of tariffs on the auto industry stimulated car buying as consumers anticipated higher potential prices and lower inventory.

Housing continues to be a big challenge, with homebuyers faced with comparably high mortgage rates and low housing inventory, resulting in higher home prices and monthly payments that either made them unaffordable or put a significant squeeze on the family budget. All indications are that mortgage rates may stay elevated for a bit longer.

While the politicking has garnered a lot of attention in the news media, one of the critical issues to credit unions did not make a lot of headline noise: concerns about credit union’s



not-for-profit structure. As elected officials have looked for ways to reduce the deficit and curb spending, credit union’s favorable tax position has been tossed about in Washington, DC as a means to generate additional revenue.

While credit unions often draw comparisons to banks, we are different. Credit unions are ‘people-first’ financial providers. With rising concerns around fraud, inflation, and data privacy, more people are looking for financial institutions they can trust. Credit unions provide consumers with an option to select where they manage their finances matters. For over 140 million Americans, the solution is their credit union.

Credit unions don’t put shareholders ahead of customers and how much money can be made from a home loan, rather the focus is prioritizing Mainstreet America members’ ability to live their life. Unlike traditional banks, which are owned by shareholders and driven by profits, credit unions are owned by the people who use them. That means that all decisions are made in the best interest of members.

It is something that credit unions like ours have done for generations - offering fair loans to someone with no credit history, or a financial counselor helping someone rebuild after a rough patch. That’s not something you are likely going to see from traditional banking providers.

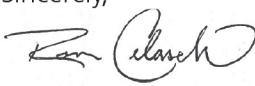
And credit unions are not your grandparents’ financial institution. Gen Z and Millennials are actively choosing credit unions for their values and authenticity, the things that we, at Patriot, exhibit every day. While digital banking is at the core of their banking preferences, younger consumers also desire proximity to branches for their banking experience. To that extent, credit unions like ours are investing in technology while staying rooted in people-first service. That means things like mobile apps and financial coaching, fraud protection and face-to-face support, and live support alongside the digital experience.

Recognizing consumer needs and taking action, our goal is to be there for our members by embracing technology without losing the authentic connections that matter most. For example, Patriot is upgrading our ATMs for tap and go card access, improving our online bill pay service, and focusing on an enhanced online account experience. There’s more in the works, including more security features and additional functionality for money movement including loan payments.

The technology-people balance is also supported by the addition of two new branch locations opening in the fall of 2025. To start, we will open our first branch in the state of West Virginia on the Williamsport Pike north of Martinsburg near the Spring Mills High School to better serve our growing membership base and others in Berkeley County. This full-service branch will incorporate our transformational design and service platform, similar to what was introduced to members at our Shippensburg branch office in 2023. Several weeks later, we will open a branch on Antrim Way in Greencastle, next to Weis Markets. This location also affords us the opportunity to better serve our strong membership base and extend our presence in Franklin County.

I’m very excited about the future for our credit union, our team, our members, and our community. We are in a position to remain the premier local credit union in our market along the I-81 and I-70 corridors. This area is thriving and expanding as evidenced by the fact that the counties in the Eastern Panhandle of West Virginia represent the top 3 fastest growing counties in the state (2020-25), Frederick County is the fastest growing county in Maryland, Franklin County is among the top 10 fastest growing counties in the commonwealth, and Washington County has shown growth in a state that has seen an overall declining population.

In closing, I want to thank you for your membership and support. We remain committed to a vision of “Empowering lives and enriching the economic well-being of our communities” by delivering value with a strong member experience as we strive to meet the financial needs of individuals, families, businesses and organizations. 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, 2024 AND 2023

ASSETS	2024	2023
Cash and cash equivalents	\$ 121,531,964	\$ 41,262,080
Interest bearing deposits	2,988,000	3,984,000
Available-for-sale investments	69,083,752	67,515,985
Loans held-for-sale	–	1,472,171
Loans to members, net of allowance for credit losses of \$10,544,717 and \$7,545,681 as of September 30, 2024 and 2023, respectively	869,502,870	851,902,974
Accrued interest receivable	3,588,588	3,360,937
Property and equipment	29,747,366	30,793,894
Prepaid and other assets	49,513,464	38,902,335
National Credit Union Share Insurance Fund (NCUSIF) deposit	8,807,623	8,194,721
Total assets	<u>\$1,154,763,627</u>	<u>\$1,047,389,097</u>

LIABILITIES AND MEMBERS’ EQUITY

Liabilities:		
Members’ shares and savings accounts	\$ 1,012,510,988	\$935,424,584
Borrowed funds	17,000,000	–
Accrued expenses and other liabilities	8,233,596	7,747,630
Total liabilities	<u>1,037,744,584</u>	<u>943,172,214</u>
Commitments and contingent liabilities		
Members’ equity:		
Undivided earnings	131,635,840	124,174,283
Equity acquired in merger	1,345,792	1,345,792
Accumulated other comprehensive loss	(15,962,589)	(21,303,192)
Total members’ equity	<u>117,019,043</u>	<u>104,216,883</u>
Total liabilities and members’ equity	<u>\$1,154,763,627</u>	<u>\$1,047,389,097</u>

INTEREST INCOME:

Loans to members	\$ 48,952,993	\$ 40,362,552
Investments and cash equivalents	7,032,339	3,789,000
Total interest income	<u>55,985,332</u>	<u>44,151,552</u>

INTEREST EXPENSE:

Members’ shares and savings accounts	20,396,545	12,046,977
Borrowed funds	586,953	–
Net interest income	35,001,834	32,104,575
Provision for credit losses	2,898,354	2,651,637
Net interest income after provision for credit losses	<u>32,103,480</u>	<u>29,452,938</u>

NON-INTEREST INCOME:

Fees and charges	5,827,361	5,773,149
Interchange income	5,186,023	4,998,441
Other income	1,721,996	1,805,116
Gain on sale of loans	272,980	351,386
Total non-interest income	<u>13,008,360</u>	<u>12,928,092</u>

NON-INTEREST EXPENSES:

Compensation and benefits	19,476,012	18,665,615
Office operations	4,903,037	4,972,167
Outside services	3,874,212	3,687,595
Office occupancy	2,375,161	2,328,283
Advertising	1,595,642	1,580,252
Loan servicing	1,392,478	1,434,559
Other expense	827,106	803,574
Total non-interest expenses	<u>34,443,648</u>	<u>33,472,045</u>
Net income	<u>\$ 10,668,192</u>	<u>\$ 8,908,985</u>

AGENDA

59TH ANNUAL MEETING SEPTEMBER 23, 2025

SCHEDULE OF EVENTS

Registration 12:45 pm-1:15 pm

BUSINESS MEETING – 1:30 PM

Welcome. Mr. Dennis Coons
Chairman

Call To Order Mr. Dennis Coons

Ascertain A Quorum Is PresentMr. Thomas Luzzi
Secretary

Reading & Approval of Minutes from Last MeetingMr. Thomas Luzzi

Reports

Report to the Membership. Mr. Ron Celaschi
President/CEO

TreasurerMr. Garry Gontz
Board Treasurer

Supervisory CommitteeMr. Matthew Zaborsky
Chairman

Unfinished Business

New Business

Nominating Committee ReportMr. Garry Gontz

Elections

Closing Remarks Mr. Dennis Coons

Adjournment

2024 ANNUAL REPORT



GENERAL MEMBERSHIP ANNUAL MEETING MINUTES

September 24, 2024

The 58th Annual General Membership Meeting of Patriot Federal Credit Union was held on September 24, 2024, at Patriot Federal Credit Union Chambersburg, PA. The following directors were present: Dennis Coons, John Boozer, Dennis Travers, Garry Gontz, Thomas Luzzi, Sila Alegret-Bartel, Calvin St. Juste, Deborah Hoff, and Dr. Lorenzo York. Associate director Matt Zaborsky was also present. The following associate directors were absent: Elliot Simon. The following Supervisory Committee members were present: Dennis Travers. The following Supervisory Committee member was absent: Jay Keefer. Ron Celaschi, President/CEO was also present.

Chairman Dennis Coons called the business meeting to order at 1:30 pm. and welcomed all.

Chairman Coons introduced Deborah Hoff, Board Secretary. Ms. Hoff certified that a quorum of members was in attendance.

Board Secretary Hoff called for a review of the minutes of the September 26, 2023, meeting. Hearing no questions or corrections, the minutes were approved as written.

CEO, Ron Celaschi reviewed highlights from 2023 noting that Patriot Federal Credit Union has \$1.08 billion in assets which is an 8.13% increase over 2022. Loans increased by 9.37% while deposits were also up, by 8.47%. Patriot remains in a strong financial position following our performance in 2023. We have seen tremendous growth in our Business Loan portfolio, serving more of our small businesses and local communities. Although recessionary fears remain, Patriot did see the first (of likely several) interest rate adjustments by the Federal Open Market Committee recently. The economic challenges continue to face our members and communities, including stubborn inflation, mortgage rates/home prices and lack of inventory impacting activity and the ability to become a homeowner, and the affordability of auto prices, interest rates and monthly payments. Celaschi stated that Patriot Federal Credit Union is committed to continuing to serve our members needs while maintaining the safety and security that our members deserve.

Treasurer Mr. Gontz offered a summary of the credit union's financial soundness. Mr. Gontz noted that the financial report is included in the Annual Report for the review of all members.

Supervisory Committee Chair, Calvin St. Juste reviewed the success and changes to the internal audit firm. Mr. St. Juste provided a summary of member complaints received and successfully addressed. He reminded attendees that the Supervisory Committee report is included in the Annual Report.

There was no unfinished business to discuss.

Nominating Committee Chair, Thomas Luzzi announced the three nominees to fill the 3-year terms: 1st Vice Chair, John S. Boozer, 2nd Vice Chair, Dennis Travers and Secretary, Deborah Hoff. Their bios are found in the Annual Report package. There were no nominations from the floor.

With no further business on the table, Chairman Coons adjourned the 58th Annual General Membership Meeting of Patriot Federal Credit Union at 1:45 p.m.

Deborah Hoff
Board Secretary

NOMINEES FOR THE BOARD OF DIRECTORS

Sila Alegret-Bartel, Dennis Coons, and Thomas Luzzi have been nominated to fill three, 3-year terms; Matthew Zaborsky has been nominated to fill one, 1-year term; and Loren Martin and John Washabaugh have been nominated to fill two, 2-year terms on Patriot Federal Credit Union's Board of Directors.

Sila Alegret-Bartel

Sila Alegret-Bartel is originally from Cuba and has lived in the United States for over fifty years. She holds a Bachelor's Degree in General Studies from Vedado Institute in Havana, Cuba. Sila is the founder and president of International Corporate Training and Marketing, LLC (ICTM).

Prior to founding ICTM in 2002, Sila worked in banking, marketing and non-profit organizations in the DC area. She worked for Security Bank, Kiplinger Washington Editors, Kiplinger Marketing Services, and Paralyzed Veterans of America (PVA).

Through the years Sila has held several volunteer positions. She was a founding member of the Mid-Atlantic Hispanic Chamber of Commerce, and board member of the National Alliance on Mental Illness (NAMI - Frederick), United Way of Frederick County, and American Red Cross - Frederick County Chapter.

Currently, Sila is the Western Region Chapter Director of the Maryland Hispanic Chamber of Commerce, Mission and Outreach Committee Chair at the Horizon Goodwill Industries, and board member of Keystone Health.

"As a Patriot Federal Credit Union member," she remarked, "I want to share with the minority population of the regions we serve about the opportunities and benefits of becoming a Patriot member."

Dennis C. Coons

Dennis C. Coons of Chambersburg is an owner of Global Data Consultants, LLC. A graduate of Shippensburg University, Mr. Coons attained a Bachelor of Science degree in Mathematics and Computer Science.

He owns multiple businesses, and has areas of expertise in strategic planning, cost control, and business development. When asked his primary reason for wishing to continue serving on Patriot's Board of Directors, he stated, "I have spent my entire life in the area, and I would like to aid in enhancing the overall performance of Patriot by offering my business background and experience."

Thomas Luzzi

Thomas Luzzi resides in Chambersburg with his wife Christine and is currently retired after spending over 45 years as Chief Financial Officer, Professor, and consultant to non-profit organizations. He continues to share his expertise in financial and business management, budgeting and forecasting, and mergers.

Mr. Luzzi is currently Treasurer of the Majestic Ridge Home Owners Association. He holds a Bachelor of Science and Masters of Business Administration from the State University of New York at Albany. He is an Army veteran, serving during the Vietnam era. Mr. Luzzi served on a number of boards of directors for human service agencies providing care for substance abuse, child abuse and neglect, the mentally ill, and developmentally handicapped member of the community. Mr. Luzzi stated that his primary reason for wanting to serve on the Board of Directors of Patriot Federal Credit Union is to give back to the community many of the lessons that he has learned, so the community might be a better place to live now and in the future.

Matthew J. Zaborsky, Jr.

Matthew J. Zaborsky, Jr. of Martinsburg, West Virginia has retired after many years of working in the Financial Services industry.

A graduate of George Mason University, Mr. Zaborsky attained his Bachelor of Science Degree in Business Administration. Mr. Zaborsky initially sought to serve as a member of Patriot's Board because of his previous background in financial services working as a banker, credit union manager, and a self-employed mortgage broker. With the prospect of a new branch opening in Spring Mills/Martinsburg (WV), Mr. Zaborsky desires to give back to his community and to assist with the ongoing success of Patriot Federal Credit Union.

Loren Martin

Loren Martin is the president and fourth generation owner of ELM Shoes, Inc., a family business located in Greencastle, PA. Having grown up immersed in the shoe industry, Loren and his wife, Carissa, became sold owners of ELM Shoes in 2013. Under Loren's leadership, the business has flourished and diversified.

He spearheaded the launch of ELM Mobile, a mobile safety footwear store that serves employees at manufacturing companies across Pennsylvania, Maryland and West Virginia. Most recently, he expanded into the active lifestyle market with the opening of ELM Active, a store offering footwear, apparel, and accessories geared toward active living. Loren is also a partner in ELM Shoe Fly, which owns and operates three Shoe Fly retail locations in Maryland and Virginia.

Loren currently serves as Vice Chair on the Board of Directors for the National Shoe Retailers Association (NSRA), representing independently owned shoe retailers throughout the United States and Canada. In recognition of his vision, principled leadership, and service to the industry, Loren was named 'Retailer of the Year' by NSRA in 2024.

Loren and Carissa are proud parents of three married adult children and grandparents to five grandchildren. Outside of work, they enjoy spending time with family, boating, and engaging in a variety of watersports.

John Washabaugh

John Washabaugh resides in Fayetteville, PA. He is Director of Operations for Johnson Controls Navy Systems, LLC. His responsibilities encompass all manufacturing operations at the facility, including close surveillance to assure coordination and integration of work, budgetary performance, schedules, and optimum utilization of personnel. He is experienced in preparing budgets, forecasting, and controlling expenditures in accordance with those approved plans and budgets. He has coordinated and directed major projects such as expansion, acquisition, installation of equipment, and major repairs.

Mr. Washabaugh's education and experience includes degrees in Business Administration and Organizational Leadership from Penn State University. He previously served 7 years on Neighbors 1st Federal Credit Union Board of Directors.

As a member of the Board of Directors for Patriot Federal Credit Union, John will promote the highest levels of member service while maintaining fiscal responsibility for the credit union operation. He has been a member of Patriot Federal Credit Union since 1987.