

|                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|
| <div>Form 5500</div> <div>Department of the Treasury<br/>Internal Revenue Service</div> <div>Department of Labor<br/>Employee Benefits Security<br/>Administration</div> <div>Pension Benefit Guaranty Corporation</div> | <div>Annual Return/Report of Employee Benefit Plan</div> <div>This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code).</div> <div>▶ Complete all entries in accordance with the instructions to the Form 5500.</div> | <div>OMB Nos. 1210-0110<br/>1210-0089</div> <div>2022</div> <div>This Form is Open to Public Inspection</div> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|

|                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Part I                                                                                     | Annual Report Identification Information                                                                                                                                                                                                                                                                                                                                                                          |
| For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022 |                                                                                                                                                                                                                                                                                                                                                                                                                   |
| A                                                                                          | This return/report is for:<br><div><input type="checkbox"/> a multiemployer plan</div> <div><input checked="" type="checkbox"/> a single-employer plan</div> <div><input type="checkbox"/> a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.)</div> <div><input type="checkbox"/> a DFE (specify) _____</div> |
| B                                                                                          | This return/report is:<br><div><input type="checkbox"/> the first return/report</div> <div><input type="checkbox"/> the final return/report</div> <div><input type="checkbox"/> an amended return/report</div> <div><input type="checkbox"/> a short plan year return/report (less than 12 months)</div>                                                                                                          |
| C                                                                                          | If the plan is a collectively-bargained plan, check here. .... ▶ <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                         |
| D                                                                                          | Check box if filing under:<br><div><input checked="" type="checkbox"/> Form 5558</div> <div><input type="checkbox"/> automatic extension</div> <div><input type="checkbox"/> the DFVC program</div> <div><input type="checkbox"/> special extension (enter description)</div>                                                                                                                                     |
| E                                                                                          | If this is a retroactively adopted plan permitted by SECURE Act section 201, check here. .... ▶ <input type="checkbox"/>                                                                                                                                                                                                                                                                                          |

|         |                                                                                                                                                                                                                                                                                                                                            |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Part II | Basic Plan Information—enter all requested information                                                                                                                                                                                                                                                                                     |
| 1a      | Name of plan<br>MAINE SAVINGS FEDERAL CREDIT UNION 401(K) PLAN AND TRUST                                                                                                                                                                                                                                                                   |
| 1b      | Three-digit plan number (PN) ▶ 002                                                                                                                                                                                                                                                                                                         |
| 1c      | Effective date of plan<br>01/01/1993                                                                                                                                                                                                                                                                                                       |
| 2a      | Plan sponsor's name (employer, if for a single-employer plan)<br>Mailing address (include room, apt., suite no. and street, or P.O. Box)<br>City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)<br>MAINE SAVINGS FEDERAL CREDIT UNION<br><br>101 WESTERN AVE<br>HAMPDEN, ME 04444-1437 |
| 2b      | Employer Identification Number (EIN)<br>01-0267010                                                                                                                                                                                                                                                                                         |
| 2c      | Plan Sponsor's telephone number<br>207-862-7211                                                                                                                                                                                                                                                                                            |
| 2d      | Business code (see instructions)<br>522130                                                                                                                                                                                                                                                                                                 |

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

|           |                                                   |            |                                                              |
|-----------|---------------------------------------------------|------------|--------------------------------------------------------------|
| SIGN HERE | Filed with authorized/valid electronic signature. | 07/20/2023 | NICHOLE SJOSTROM                                             |
|           | Signature of plan administrator                   | Date       | Enter name of individual signing as plan administrator       |
| SIGN HERE |                                                   |            |                                                              |
|           | Signature of employer/plan sponsor                | Date       | Enter name of individual signing as employer or plan sponsor |
| SIGN HERE |                                                   |            |                                                              |
|           | Signature of DFE                                  | Date       | Enter name of individual signing as DFE                      |

|                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| <b>3a</b> Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>3b</b> Administrator's EIN              |
|                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>3c</b> Administrator's telephone number |
| <b>4</b> If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report:<br><b>a</b> Sponsor's name<br><b>c</b> Plan Name                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>4b</b> EIN<br><br><b>4d</b> PN          |
| <b>5</b> Total number of participants at the beginning of the plan year                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>5</b> 125                               |
| <b>6</b> Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines <b>6a(1)</b> , <b>6a(2)</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ).                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                            |
| <b>a(1)</b> Total number of active participants at the beginning of the plan year .....                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>6a(1)</b> 107                           |
| <b>a(2)</b> Total number of active participants at the end of the plan year .....                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>6a(2)</b> 119                           |
| <b>b</b> Retired or separated participants receiving benefits .....                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>6b</b> 1                                |
| <b>c</b> Other retired or separated participants entitled to future benefits.....                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>6c</b> 21                               |
| <b>d</b> Subtotal. Add lines <b>6a(2)</b> , <b>6b</b> , and <b>6c</b> .....                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>6d</b> 141                              |
| <b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. ....                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>6e</b> 1                                |
| <b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>6f</b> 142                              |
| <b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>6g</b> 141                              |
| <b>h</b> Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested.....                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>6h</b> 11                               |
| <b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) .....                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>7</b>                                   |
| <b>8a</b> If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions:<br>2E 2F 2G 2J 2K 2S 2T 3D                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                            |
| <b>b</b> If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                            |
| <b>9a</b> Plan funding arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                              | <b>9b</b> Plan benefit arrangement (check all that apply)<br>(1) <input type="checkbox"/> Insurance<br>(2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts<br>(3) <input checked="" type="checkbox"/> Trust<br>(4) <input type="checkbox"/> General assets of the sponsor                                                                                                                                                                                                       |                                            |
| <b>10</b> Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                            |
| <b>a Pension Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information)<br><br>(2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary<br><br>(3) <input type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary | <b>b General Schedules</b><br>(1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information)<br>(2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan)<br>(3) <input type="checkbox"/> <b>0 A</b> (Insurance Information)<br>(4) <input checked="" type="checkbox"/> <b>C</b> (Service Provider Information)<br>(5) <input type="checkbox"/> <b>D</b> (DFE/Participating Plan Information)<br>(6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules) |                                            |

**Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)**

**11a** If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

**11b** Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

**11c** Enter the Receipt Confirmation Code for the 2022 Form M-1 annual report. If the plan was not required to file the 2022 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code \_\_\_\_\_

|                                                                                                                                                                                                                                              |                                                                                                                                                                                                                             |                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| <div>SCHEDULE C</div> <div>(Form 5500)</div> <div>Department of the Treasury<br/>Internal Revenue Service</div> <div>Department of Labor<br/>Employee Benefits Security Administration</div> <div>Pension Benefit Guaranty Corporation</div> | <div>Service Provider Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div> | OMB No. 1210-0110                       |
|                                                                                                                                                                                                                                              |                                                                                                                                                                                                                             | 2022                                    |
|                                                                                                                                                                                                                                              |                                                                                                                                                                                                                             | This Form is Open to Public Inspection. |

|                                                                                              |                                                      |     |
|----------------------------------------------------------------------------------------------|------------------------------------------------------|-----|
| For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022   |                                                      |     |
| A Name of plan<br>MAINE SAVINGS FEDERAL CREDIT UNION 401(K) PLAN AND TRUST                   | B Three-digit plan number (PN) ▶                     | 002 |
|                                                                                              |                                                      |     |
| C Plan sponsor's name as shown on line 2a of Form 5500<br>MAINE SAVINGS FEDERAL CREDIT UNION | D Employer Identification Number (EIN)<br>01-0267010 |     |

|        |                                                 |
|--------|-------------------------------------------------|
| Part I | Service Provider Information (see instructions) |
|--------|-------------------------------------------------|

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No
- b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

|                                                                                                            |
|------------------------------------------------------------------------------------------------------------|
| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
| FIDELITY INVESTMENTS INSTITUTIONAL                                                                         |
| 04-2647786                                                                                                 |

|                                                                                                            |
|------------------------------------------------------------------------------------------------------------|
| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
|------------------------------------------------------------------------------------------------------------|

|                                                                                                            |
|------------------------------------------------------------------------------------------------------------|
| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
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|------------------------------------------------------------------------------------------------------------|
| (b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation |
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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 37 60 64 65            | RECORDKEEPER                                                                                      | 1388                                                                   | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                  | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                                                            | 0                                                                                                                                                                               | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>                          |

(a) Enter name and EIN or address (see instructions)

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
|                        |                                                                                                   |                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                             | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

(a) Enter name and EIN or address (see instructions)

| (b)<br>Service Code(s) | (c)<br>Relationship to employer, employee organization, or person known to be a party-in-interest | (d)<br>Enter direct compensation paid by the plan. If none, enter -0-. | (e)<br>Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f)<br>Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g)<br>Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h)<br>Did the service provider give you a formula instead of an amount or estimated amount? |
|------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
|                        |                                                                                                   |                                                                        | Yes <input type="checkbox"/> No <input type="checkbox"/>                                             | Yes <input type="checkbox"/> No <input type="checkbox"/>                                                                       |                                                                                                                                                                                 | Yes <input type="checkbox"/> No <input type="checkbox"/>                                     |

**Part I Service Provider Information (continued)**

**3.** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2                                      | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation                                                                                                                          |
|----------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                                                           | 60                                      | 0                                                                                                                                                                  |
| (d) Enter name and EIN (address) of source of indirect compensation                          |                                         | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
| AS SPL SM CP VAL ADM - DST ASSET M      430 W 7TH STREET STE 219432<br>KANSAS CITY, MO 64105 |                                         | 0.35%                                                                                                                                                              |
|                                                                                              |                                         |                                                                                                                                                                    |
| (a) Enter service provider name as it appears on line 2                                      | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation                                                                                                                          |
| FIDELITY INVESTMENTS INSTITUTIONAL                                                           | 60                                      | 0                                                                                                                                                                  |
| (d) Enter name and EIN (address) of source of indirect compensation                          |                                         | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
| GS INFL-PRO SECS INV - GOLDMAN SAC<br><br>13-5108880                                         |                                         | 0.25%                                                                                                                                                              |
|                                                                                              |                                         |                                                                                                                                                                    |
| (a) Enter service provider name as it appears on line 2                                      | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect compensation                                                                                                                          |
| FIDELITY INVESTMENTS INSTITUTIONAL                                                           | 60                                      | 0                                                                                                                                                                  |
| (d) Enter name and EIN (address) of source of indirect compensation                          |                                         | (e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. |
| INVS DIVRS DIVD R5 - INVESCO INVES      11 GREENWAY PLAZA, SUITE 100<br>HOUSTON, TX 77046    |                                         | 0.35%                                                                                                                                                              |

**Part I Service Provider Information (continued)**

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect<br>compensation |
|---------------------------------------------------------|-----------------------------------------|----------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                      | 60                                      | 0                                            |

| (d) Enter name and EIN (address) of source of indirect compensation        | (e) Describe the indirect compensation, including any<br>formula used to determine the service provider's eligibility<br>for or the amount of the indirect compensation. |
|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| J H ENTERPRISE T - JANUS HENDERSON 151 DETROIT STREET,<br>DENVER, CO 80206 | 0.35%                                                                                                                                                                    |

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect<br>compensation |
|---------------------------------------------------------|-----------------------------------------|----------------------------------------------|
| FIDELITY INVESTMENTS INSTITUTIONAL                      | 60                                      | 0                                            |

| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any<br>formula used to determine the service provider's eligibility<br>for or the amount of the indirect compensation. |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MM SMALL CAP OPP ADM - STATE STREE<br><br>04-0025081                | 0.35%                                                                                                                                                                    |

| (a) Enter service provider name as it appears on line 2 | (b) Service Codes<br>(see instructions) | (c) Enter amount of indirect<br>compensation |
|---------------------------------------------------------|-----------------------------------------|----------------------------------------------|
|                                                         |                                         |                                              |

| (d) Enter name and EIN (address) of source of indirect compensation | (e) Describe the indirect compensation, including any<br>formula used to determine the service provider's eligibility<br>for or the amount of the indirect compensation. |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                     |                                                                                                                                                                          |

**Part II Service Providers Who Fail or Refuse to Provide Information**

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|--------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |
| (a) Enter name and EIN or address of service provider (see instructions) | (b) Nature of Service Code(s) | (c) Describe the information that the service provider failed or refused to provide |
|                                                                          |                               |                                                                                     |

**Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)**  
(complete as many entries as needed)

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                    |                     |
|--------------------|---------------------|
| <b>a</b> Name:     | <b>b</b> EIN:       |
| <b>c</b> Position: |                     |
| <b>d</b> Address:  | <b>e</b> Telephone: |
|                    |                     |

Explanation:

|                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                              |                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>SCHEDULE H</b><br><b>(Form 5500)</b><br><br><small>Department of the Treasury<br/>Internal Revenue Service</small><br><br><small>Department of Labor<br/>Employee Benefits Security Administration</small><br><br><small>Pension Benefit Guaranty Corporation</small> | <b>Financial Information</b><br><br>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).<br><br><b>► File as an attachment to Form 5500.</b> | OMB No. 1210-0110<br><br><b>2022</b><br><br><b>This Form is Open to Public Inspection</b> |
| For calendar plan year 2022 or fiscal plan year beginning <u>01/01/2022</u> and ending <u>12/31/2022</u>                                                                                                                                                                 |                                                                                                                                                                                                                                                                              |                                                                                           |
| <b>A</b> Name of plan<br><u>MAINE SAVINGS FEDERAL CREDIT UNION 401(K) PLAN AND TRUST</u>                                                                                                                                                                                 | <b>B</b> Three-digit plan number (PN) <span style="float: right;">►</span>                                                                                                                                                                                                   | <u>002</u>                                                                                |
| <b>C</b> Plan sponsor's name as shown on line 2a of Form 5500<br><u>MAINE SAVINGS FEDERAL CREDIT UNION</u>                                                                                                                                                               | <b>D</b> Employer Identification Number (EIN)<br><u>01-0267010</u>                                                                                                                                                                                                           |                                                                                           |

| Part I                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Asset and Liability Statement |                       |                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------|------------------|
| <b>1</b> Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. <b>Round off amounts to the nearest dollar.</b> MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions. |                               |                       |                  |
| Assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                               | (a) Beginning of Year | (b) End of Year  |
| <b>a</b> Total noninterest-bearing cash.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                               | <b>1a</b>             | 00               |
| <b>b</b> Receivables (less allowance for doubtful accounts):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                               |                       |                  |
| <b>(1)</b> Employer contributions.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                               | <b>1b(1)</b>          | 00               |
| <b>(2)</b> Participant contributions.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                               | <b>1b(2)</b>          | 00               |
| <b>(3)</b> Other.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                               | <b>1b(3)</b>          | 00               |
| <b>c</b> General investments:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |                       |                  |
| <b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                               | <b>1c(1)</b>          | 21993776298      |
| <b>(2)</b> U.S. Government securities .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                               | <b>1c(2)</b>          | 00               |
| <b>(3)</b> Corporate debt instruments (other than employer securities):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                               |                       |                  |
| <b>(A)</b> Preferred .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                               | <b>1c(3)(A)</b>       | 00               |
| <b>(B)</b> All other .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                               | <b>1c(3)(B)</b>       | 00               |
| <b>(4)</b> Corporate stocks (other than employer securities):                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               |                       |                  |
| <b>(A)</b> Preferred .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                               | <b>1c(4)(A)</b>       | 00               |
| <b>(B)</b> Common.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                               | <b>1c(4)(B)</b>       | 00               |
| <b>(5)</b> Partnership/joint venture interests .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                               | <b>1c(5)</b>          | 00               |
| <b>(6)</b> Real estate (other than employer real property) .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                               | <b>1c(6)</b>          | 00               |
| <b>(7)</b> Loans (other than to participants).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                               | <b>1c(7)</b>          | 00               |
| <b>(8)</b> Participant loans.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                               | <b>1c(8)</b>          | 122730136926     |
| <b>(9)</b> Value of interest in common/collective trusts.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                               | <b>1c(9)</b>          | 00               |
| <b>(10)</b> Value of interest in pooled separate accounts .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                               | <b>1c(10)</b>         | 00               |
| <b>(11)</b> Value of interest in master trust investment accounts.....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                               | <b>1c(11)</b>         | 00               |
| <b>(12)</b> Value of interest in 103-12 investment entities .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                               | <b>1c(12)</b>         | 00               |
| <b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                               | <b>1c(13)</b>         | 1427714610835760 |
| <b>(14)</b> Value of funds held in insurance company general account (unallocated contracts).....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                               | <b>1c(14)</b>         | 00               |
| <b>(15)</b> Other .....                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                               | <b>1c(15)</b>         | 00               |

| <b>1d</b> Employer-related investments:                              |              | (a) Beginning of Year | (b) End of Year |
|----------------------------------------------------------------------|--------------|-----------------------|-----------------|
| (1) Employer securities .....                                        | <b>1d(1)</b> | 0                     | 0               |
| (2) Employer real property .....                                     | <b>1d(2)</b> | 0                     | 0               |
| <b>e</b> Buildings and other property used in plan operation .....   | <b>1e</b>    | 0                     | 0               |
| <b>f</b> Total assets (add all amounts in lines 1a through 1e) ..... | <b>1f</b>    | 14421869              | 11748984        |

**Liabilities**

|                                                                           |           |   |   |
|---------------------------------------------------------------------------|-----------|---|---|
| <b>g</b> Benefit claims payable .....                                     | <b>1g</b> | 0 | 0 |
| <b>h</b> Operating payables .....                                         | <b>1h</b> | 0 | 0 |
| <b>i</b> Acquisition indebtedness .....                                   | <b>1i</b> | 0 | 0 |
| <b>j</b> Other liabilities .....                                          | <b>1j</b> | 0 | 0 |
| <b>k</b> Total liabilities (add all amounts in lines 1g through 1j) ..... | <b>1k</b> | 0 | 0 |

**Net Assets**

|                                                           |           |          |          |
|-----------------------------------------------------------|-----------|----------|----------|
| <b>l</b> Net assets (subtract line 1k from line 1f) ..... | <b>1l</b> | 14421869 | 11748984 |
|-----------------------------------------------------------|-----------|----------|----------|

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income**

|                                                                                                            |                 |        |         |
|------------------------------------------------------------------------------------------------------------|-----------------|--------|---------|
| <b>a Contributions:</b>                                                                                    |                 |        |         |
| (1) Received or receivable in cash from: <b>(A)</b> Employers.....                                         | <b>2a(1)(A)</b> | 430469 |         |
| <b>(B)</b> Participants.....                                                                               | <b>2a(1)(B)</b> | 610906 |         |
| <b>(C)</b> Others (including rollovers).....                                                               | <b>2a(1)(C)</b> | 72905  |         |
| (2) Noncash contributions.....                                                                             | <b>2a(2)</b>    | 0      | 1114280 |
| (3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> ..... | <b>2a(3)</b>    |        |         |
| <b>b Earnings on investments:</b>                                                                          |                 |        |         |
| (1) Interest:                                                                                              |                 |        |         |
| <b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit).....        | <b>2b(1)(A)</b> | 10386  |         |
| <b>(B)</b> U.S. Government securities.....                                                                 | <b>2b(1)(B)</b> | 0      |         |
| <b>(C)</b> Corporate debt instruments.....                                                                 | <b>2b(1)(C)</b> | 0      |         |
| <b>(D)</b> Loans (other than to participants).....                                                         | <b>2b(1)(D)</b> | 0      |         |
| <b>(E)</b> Participant loans.....                                                                          | <b>2b(1)(E)</b> | 6563   |         |
| <b>(F)</b> Other.....                                                                                      | <b>2b(1)(F)</b> | 0      |         |
| <b>(G)</b> Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....                              | <b>2b(1)(G)</b> |        | 16949   |
| (2) Dividends: <b>(A)</b> Preferred stock.....                                                             | <b>2b(2)(A)</b> | 0      |         |
| <b>(B)</b> Common stock.....                                                                               | <b>2b(2)(B)</b> | 0      |         |
| <b>(C)</b> Registered investment company shares (e.g. mutual funds).....                                   | <b>2b(2)(C)</b> | 265635 |         |
| <b>(D)</b> Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....                  | <b>2b(2)(D)</b> |        | 265635  |
| (3) Rents.....                                                                                             | <b>2b(3)</b>    |        | 0       |
| (4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds.....                                  | <b>2b(4)(A)</b> | 0      |         |
| <b>(B)</b> Aggregate carrying amount (see instructions).....                                               | <b>2b(4)(B)</b> | 0      |         |
| <b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result.....                   | <b>2b(4)(C)</b> |        |         |
| (5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate.....                          | <b>2b(5)(A)</b> | 0      |         |
| <b>(B)</b> Other.....                                                                                      | <b>2b(5)(B)</b> | 0      |         |
| <b>(C)</b> Total unrealized appreciation of assets.<br>Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....      | <b>2b(5)(C)</b> |        |         |

|                                                                                                 |        | (a) Amount | (b) Total |
|-------------------------------------------------------------------------------------------------|--------|------------|-----------|
| (6) Net investment gain (loss) from common/collective trusts .....                              | 2b(6)  |            | 0         |
| (7) Net investment gain (loss) from pooled separate accounts .....                              | 2b(7)  |            | 0         |
| (8) Net investment gain (loss) from master trust investment accounts .....                      | 2b(8)  |            | 0         |
| (9) Net investment gain (loss) from 103-12 investment entities.....                             | 2b(9)  |            | 0         |
| (10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) ..... | 2b(10) |            | -2923168  |
| c Other income .....                                                                            | 2c     |            | 0         |
| d Total income. Add all <b>income</b> amounts in column (b) and enter total .....               | 2d     |            | -1526304  |
| <b>Expenses</b>                                                                                 |        |            |           |
| e Benefit payment and payments to provide benefits:                                             |        |            |           |
| (1) Directly to participants or beneficiaries, including direct rollovers .....                 | 2e(1)  | 1145193    |           |
| (2) To insurance carriers for the provision of benefits .....                                   | 2e(2)  | 0          |           |
| (3) Other .....                                                                                 | 2e(3)  | 0          |           |
| (4) Total benefit payments. Add lines 2e(1) through (3) .....                                   | 2e(4)  |            | 1145193   |
| f Corrective distributions (see instructions) .....                                             | 2f     |            | 0         |
| g Certain deemed distributions of participant loans (see instructions) .....                    | 2g     |            | 0         |
| h Interest expense .....                                                                        | 2h     |            | 0         |
| i Administrative expenses: (1) Professional fees .....                                          | 2i(1)  | 0          |           |
| (2) Contract administrator fees .....                                                           | 2i(2)  | 0          |           |
| (3) Investment advisory and management fees .....                                               | 2i(3)  | 0          |           |
| (4) Other .....                                                                                 | 2i(4)  | 1388       |           |
| (5) Total administrative expenses. Add lines 2i(1) through (4) .....                            | 2i(5)  |            | 1388      |
| j Total expenses. Add all <b>expense</b> amounts in column (b) and enter total .....            | 2j     |            | 1146581   |
| <b>Net Income and Reconciliation</b>                                                            |        |            |           |
| k Net income (loss). Subtract line 2j from line 2d .....                                        | 2k     |            | -2672885  |
| l Transfers of assets:                                                                          |        |            |           |
| (1) To this plan .....                                                                          | 2l(1)  |            | 0         |
| (2) From this plan .....                                                                        | 2l(2)  |            | 0         |

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

**b** Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **BAKER NEWMAN & NOYES LLC**

(2) EIN: **01-0494526**

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

**a** Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) .....

|           | Yes | No | Amount |
|-----------|-----|----|--------|
| <b>4a</b> |     | X  |        |

|                                                                                                                                                                                                                                                                                                            | Yes | No | Amount  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----|---------|
| <b>b</b> Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) |     |    |         |
| <b>4b</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)                                                                                                                             |     |    |         |
| <b>4c</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)                                                                                                                  |     |    |         |
| <b>4d</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>e</b> Was this plan covered by a fidelity bond?                                                                                                                                                                                                                                                         | X   |    | 5000000 |
| <b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?                                                                                                                                                                          |     | X  |         |
| <b>4f</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?                                                                                                                                       |     |    |         |
| <b>4g</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?                                                                                                                             |     |    |         |
| <b>4h</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)                                                                                                                                                   | X   |    |         |
| <b>4i</b>                                                                                                                                                                                                                                                                                                  | X   |    |         |
| <b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)                                                                                     |     |    |         |
| <b>4j</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?                                                                                                                                              |     |    |         |
| <b>4k</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>l</b> Has the plan failed to provide any benefit when due under the plan?                                                                                                                                                                                                                               |     |    |         |
| <b>4l</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)                                                                                                                                                                                     |     |    |         |
| <b>4m</b>                                                                                                                                                                                                                                                                                                  |     | X  |         |
| <b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.                                                                                                                        |     |    |         |
| <b>4n</b>                                                                                                                                                                                                                                                                                                  |     |    |         |

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No  
If "Yes," enter the amount of any plan assets that reverted to the employer this year \_\_\_\_\_.

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

| 5b(1) Name of plan(s) | 5b(2) EIN(s) | 5b(3) PN(s) |
|-----------------------|--------------|-------------|
|                       |              |             |
|                       |              |             |
|                       |              |             |
|                       |              |             |

**5c** Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined

If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year \_\_\_\_\_.

|                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| <div>SCHEDULE R<br/>(Form 5500)<br/><br/>Department of the Treasury<br/>Internal Revenue Service<br/><br/>Department of Labor<br/>Employee Benefits Security Administration<br/><br/>Pension Benefit Guaranty Corporation</div>                                                                                                                            | <div>Retirement Plan Information</div> <div>This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).</div> <div>► File as an attachment to Form 5500.</div> | <div>OMB No. 1210-0110</div> <div>2022</div> <div>This Form is Open to Public Inspection.</div> |
| For calendar plan year 2022 or fiscal plan year beginning 01/01/2022 and ending 12/31/2022                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| A Name of plan<br>MAINE SAVINGS FEDERAL CREDIT UNION 401(K) PLAN AND TRUST                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                  | B Three-digit plan number (PN) 002                                                              |
| C Plan sponsor's name as shown on line 2a of Form 5500<br>MAINE SAVINGS FEDERAL CREDIT UNION                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                  | D Employer Identification Number (EIN)<br>01-0267010                                            |
| Part I Distributions                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| All references to distributions relate only to payments of benefits during the plan year.                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                  | 1                                                                                               |
| 2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):<br><br>EIN(s): 04-6568107<br><br>Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.                               |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                  | 3                                                                                               |
| Part II Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A<br>If the plan is a defined benefit plan, go to line 8.                                                                                                |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____<br>If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.       |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived).....                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                  | 6a                                                                                              |
| b Enter the amount contributed by the employer to the plan for this plan year.....                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                  | 6b                                                                                              |
| c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                  | 6c                                                                                              |
| If you completed line 6c, skip lines 8 and 9.                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 7 Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| Part III Amendments                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box..... <input type="checkbox"/> Increase <input type="checkbox"/> Decrease <input type="checkbox"/> Both <input type="checkbox"/> No          |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| Part IV ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?..... <input type="checkbox"/> Yes <input type="checkbox"/> No                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 11 a Does the ESOP hold any preferred stock?..... <input type="checkbox"/> Yes <input type="checkbox"/> No                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)..... <input type="checkbox"/> Yes <input type="checkbox"/> No                                                                                                              |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| 12 Does the ESOP hold any stock that is not readily tradable on an established securities market?..... <input type="checkbox"/> Yes <input type="checkbox"/> No                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| For Paperwork Reduction Act Notice, see the Instructions for Form 5500.                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                  |                                                                                                 |
| Schedule R (Form 5500) 2022 v. 220413                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                  |                                                                                                 |

**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that (1) contributed more than 5% of total contributions to the plan during the plan year or (2) was one of the top-ten highest contributors (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

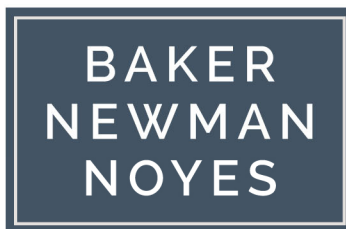
(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

|           |                                                                                                                                                                                                                                                                                                                                 |            |  |
|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| <b>14</b> | Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:                                                                                                                      |            |  |
|           | <b>a</b> The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: <input type="checkbox"/> last contributing employer <input type="checkbox"/> alternative <input type="checkbox"/> reasonable approximation (see instructions for required attachment)..... | <b>14a</b> |  |
|           | <b>b</b> The plan year immediately preceding the current plan year. <input type="checkbox"/> Check the box if the number reported is a change from what was previously reported (see instructions for required attachment) .....                                                                                                | <b>14b</b> |  |
|           | <b>c</b> The second preceding plan year. <input type="checkbox"/> Check the box if the number reported is a change from what was previously reported (see instructions for required attachment) .....                                                                                                                           | <b>14c</b> |  |
| <b>15</b> | Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:                                                                                                                                                    |            |  |
|           | <b>a</b> The corresponding number for the plan year immediately preceding the current plan year.....                                                                                                                                                                                                                            | <b>15a</b> |  |
|           | <b>b</b> The corresponding number for the second preceding plan year.....                                                                                                                                                                                                                                                       | <b>15b</b> |  |
| <b>16</b> | Information with respect to any employers who withdrew from the plan during the preceding plan year:                                                                                                                                                                                                                            |            |  |
|           | <b>a</b> Enter the number of employers who withdrew during the preceding plan year .....                                                                                                                                                                                                                                        | <b>16a</b> |  |
|           | <b>b</b> If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....                                                                                                                                                           | <b>16b</b> |  |
| <b>17</b> | If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment ..... <input type="checkbox"/>                                                                            |            |  |

|                |                                                                                                   |
|----------------|---------------------------------------------------------------------------------------------------|
| <b>Part VI</b> | <b>Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans</b> |
|----------------|---------------------------------------------------------------------------------------------------|

|           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>18</b> | If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ..... <input type="checkbox"/>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>19</b> | <p>If the total number of participants is 1,000 or more, complete lines (a) through (c)</p> <p><b>a</b> Enter the percentage of plan assets held as:<br/>           Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%</p> <p><b>b</b> Provide the average duration of the combined investment-grade and high-yield debt:<br/> <input type="checkbox"/> 0-3 years <input type="checkbox"/> 3-6 years <input type="checkbox"/> 6-9 years <input type="checkbox"/> 9-12 years <input type="checkbox"/> 12-15 years <input type="checkbox"/> 15-18 years <input type="checkbox"/> 18-21 years <input type="checkbox"/> 21 years or more</p> <p><b>c</b> What duration measure was used to calculate line 19(b)?<br/> <input type="checkbox"/> Effective duration <input type="checkbox"/> Macaulay duration <input type="checkbox"/> Modified duration <input type="checkbox"/> Other (specify): _____</p>                                                                                                                                                                 |
| <b>20</b> | <p><b>PBGC missed contribution reporting requirements.</b> If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.</p> <p><b>a</b> Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>b</b> If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:</p> <p><input type="checkbox"/> Yes.</p> <p><input type="checkbox"/> No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.</p> <p><input type="checkbox"/> No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.</p> <p><input type="checkbox"/> No. Other. Provide explanation _____</p> |



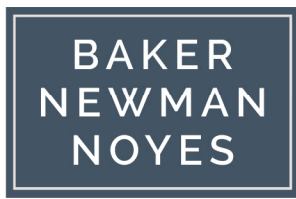
# **Maine Savings Federal Credit Union and Subsidiaries**

**Audited Consolidated Financial Statements**

*For the Years Ended March 31, 2023 and 2022  
With Independent Auditors' Report*

Baker Newman & Noyes LLC  
MAINE | MASSACHUSETTS | NEW HAMPSHIRE  
800.244.7444 | [www.bnn CPA.com](http://www.bnn CPA.com)





## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Maine Savings Federal Credit Union and Subsidiaries

### Opinion

We have audited the consolidated financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union), which comprise the consolidated statements of financial condition as of March 31, 2023 and 2022, the related consolidated statements of income, changes in 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 as of March 31, 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 (U.S. GAAP).

### 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 Auditors' 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 U.S. 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 within one year after the date that the financial statements are issued or available to be issued.

### **Auditors' 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 auditors' 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.

*BAKER NEWMAN & NOYES LLC*  
Portland, Maine  
June 28, 2023

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

March 31, 2023 and 2022

|                                                                                                                                | <u>2023</u>           | <u>2022</u>           |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <u>ASSETS</u>                                                                                                                  |                       |                       |
| Cash and due from banks                                                                                                        | \$ 80,187,165         | \$ 109,656,440        |
| Interest-bearing deposits in banks and<br>corporate credit unions                                                              | 33,598,000            | 20,871,000            |
| Investment securities held-to-maturity (fair value of \$9,660,170<br>and \$4,860,130 at March 31, 2023 and 2022, respectively) | 10,000,000            | 5,000,000             |
| Loans receivable, net of allowance for loan losses                                                                             | 498,730,005           | 382,973,267           |
| Accrued interest receivable                                                                                                    | 1,855,146             | 1,047,845             |
| Property and equipment, net of accumulated depreciation                                                                        | 11,298,757            | 11,340,080            |
| Federal Home Loan Bank stock, at cost                                                                                          | 356,100               | 356,100               |
| Investment in CUSO Mortgage Corporation                                                                                        | 4,029,645             | 4,296,081             |
| NCUSIF deposit                                                                                                                 | 4,721,406             | 4,435,738             |
| Other investments                                                                                                              | 20,519,835            | 22,123,849            |
| Operating lease right-of-use asset                                                                                             | 1,086,340             | —                     |
| Other assets                                                                                                                   | <u>7,551,905</u>      | <u>7,176,001</u>      |
| Total assets                                                                                                                   | \$ <u>673,934,304</u> | \$ <u>569,276,401</u> |

### LIABILITIES AND MEMBERS' EQUITY

|                                       |                       |                       |
|---------------------------------------|-----------------------|-----------------------|
| Members' share accounts               | \$ 617,487,176        | \$ 517,216,570        |
| Deferred compensation                 | 529,508               | 1,290,517             |
| Accrued expenses                      | 899,892               | 1,282,712             |
| Operating lease liability             | <u>1,227,738</u>      | <u>—</u>              |
| Total liabilities                     | 620,144,314           | 519,789,799           |
| Members' equity:                      |                       |                       |
| Undivided earnings                    | <u>53,789,990</u>     | <u>49,486,602</u>     |
| Total members' equity                 | <u>53,789,990</u>     | <u>49,486,602</u>     |
| Total liabilities and members' equity | \$ <u>673,934,304</u> | \$ <u>569,276,401</u> |

See accompanying notes.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

Years Ended March 31, 2023 and 2022

|                                                       | <u>2023</u>         | <u>2022</u>         |
|-------------------------------------------------------|---------------------|---------------------|
| Interest income:                                      |                     |                     |
| Interest and fees on loans receivable                 | \$21,832,469        | \$16,737,300        |
| Interest on interest-bearing deposits and investments | <u>2,648,716</u>    | <u>597,077</u>      |
|                                                       | 24,481,185          | 17,334,377          |
| Interest expense:                                     |                     |                     |
| Interest expense on members' share accounts           | 3,738,572           | 2,511,824           |
| Interest expense on borrowed funds                    | <u>681,171</u>      | <u>1,219,817</u>    |
|                                                       | <u>4,419,743</u>    | <u>3,731,641</u>    |
| Net interest income                                   | 20,061,442          | 13,602,736          |
| Provision for loan losses                             | <u>390,000</u>      | <u>—</u>            |
| Net interest income after provision for loan losses   | 19,671,442          | 13,602,736          |
| Noninterest income:                                   |                     |                     |
| Service charges and fees                              | 2,428,213           | 2,123,452           |
| (Loss) gain on other investments                      | (1,259,493)         | 129,507             |
| Interchange income                                    | 3,832,709           | 3,604,591           |
| Referral and incentive income                         | 108,402             | 952,325             |
| Other income                                          | <u>1,400,222</u>    | <u>2,126,350</u>    |
|                                                       | 6,510,053           | 8,936,225           |
| Noninterest expenses:                                 |                     |                     |
| Compensation and benefits                             | 11,222,931          | 10,503,193          |
| Occupancy                                             | 1,524,909           | 1,533,626           |
| Office operations                                     | 1,395,288           | 1,200,916           |
| Other                                                 | <u>7,468,543</u>    | <u>6,230,429</u>    |
| Total noninterest expenses                            | 21,611,671          | 19,468,164          |
| Equity in (loss) income of CUSO Mortgage Corporation  | <u>(266,436)</u>    | <u>78,958</u>       |
| Net income                                            | <u>\$ 4,303,388</u> | <u>\$ 3,149,755</u> |

See accompanying notes.

**MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY**

Years Ended March 31, 2023 and 2022

|                                | <u>Statutory<br/>Reserves</u> | <u>Undivided<br/>Earnings</u> | <u>Total</u>         |
|--------------------------------|-------------------------------|-------------------------------|----------------------|
| Balances, March 31, 2021       | \$ 3,507,665                  | \$42,829,182                  | \$46,336,847         |
| Reclassification (see Note 11) | (3,507,665)                   | 3,507,665                     | —                    |
| Net income                     | <u>—</u>                      | <u>3,149,755</u>              | <u>3,149,755</u>     |
| Balances, March 31, 2022       | —                             | 49,486,602                    | 49,486,602           |
| Net income                     | <u>—</u>                      | <u>4,303,388</u>              | <u>4,303,388</u>     |
| Balances, March 31, 2023       | \$ <u>—</u>                   | \$ <u>53,789,990</u>          | \$ <u>53,789,990</u> |

See accompanying notes.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended March 31, 2023 and 2022

|                                                                                   | <u>2023</u>          | <u>2022</u>          |
|-----------------------------------------------------------------------------------|----------------------|----------------------|
| Cash flows from operating activities:                                             |                      |                      |
| Net income                                                                        | \$ 4,303,388         | \$ 3,149,755         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |                      |
| Depreciation                                                                      | 797,959              | 773,271              |
| Gain on sale of property and equipment                                            | —                    | (586,176)            |
| Provision for loan losses                                                         | 390,000              | —                    |
| Loss (equity) in income of CUSO Mortgage Corporation                              | 266,436              | (78,958)             |
| Loss (gain) on other investments                                                  | 1,259,493            | (129,507)            |
| Change in accrued interest receivable                                             | (807,301)            | (45,951)             |
| Change in other assets                                                            | (435,478)            | 224,563              |
| Change in deferred compensation liability                                         | (761,009)            | 129,507              |
| Change in accrued expenses                                                        | (254,198)            | 929,156              |
| Change in deferred loan costs/fees                                                | (278,810)            | 12,012               |
| Net change in operating lease right-of-use asset and liabilities                  | <u>12,776</u>        | <u>—</u>             |
| Net cash provided by operating activities                                         | 4,493,256            | 4,377,672            |
| Cash flows from investing activities:                                             |                      |                      |
| Net change in interest-bearing deposits in banks and corporate credit union       | (12,727,000)         | (5,987,000)          |
| Proceeds from the sale of other real estate owned                                 | 59,574               | 45,742               |
| Purchase of property and equipment                                                | (756,636)            | (547,639)            |
| Proceeds from sale of property and equipment                                      | —                    | 2,000,000            |
| Purchase of held-to-maturity investments                                          | (6,000,000)          | (5,000,000)          |
| Purchase of other investments                                                     | (1,000,000)          | (10,000,000)         |
| Proceeds from sale of other investments                                           | 1,344,521            | —                    |
| Proceeds from maturity of held-to-maturity investments                            | 1,000,000            | —                    |
| Redemption of Federal Home Loan Bank stock                                        | —                    | 333,300              |
| Net change in NCUSIF deposit                                                      | (285,668)            | (256,674)            |
| Net change in loans receivable                                                    | <u>(115,867,928)</u> | <u>(20,769,543)</u>  |
| Net cash used in investing activities                                             | (134,233,137)        | (40,181,814)         |
| Cash flows from financing activities:                                             |                      |                      |
| Payments on borrowed funds                                                        | —                    | (6,000,000)          |
| Net increase in members' share accounts                                           | <u>100,270,606</u>   | <u>27,423,333</u>    |
| Net cash provided by financing activities                                         | <u>100,270,606</u>   | <u>21,423,333</u>    |
| Net decrease in cash and cash equivalents                                         | (29,469,275)         | (14,380,809)         |
| Cash and cash equivalents, beginning of year                                      | <u>109,656,440</u>   | <u>124,037,249</u>   |
| Cash and cash equivalents, end of year                                            | <u>\$ 80,187,165</u> | <u>\$109,656,440</u> |

**MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

Years Ended March 31, 2023 and 2022

|                                                           | <u>2023</u>  | <u>2022</u>  |
|-----------------------------------------------------------|--------------|--------------|
| Supplemental disclosure of cash flow information:         |              |              |
| Interest paid                                             | \$ 4,419,743 | \$ 3,731,641 |
| Non-cash operating activities:                            |              |              |
| Initial recognition of operating lease right-of-use asset | \$ 1,163,425 | \$ —         |
| Initial recognition of operating lease liabilities        | 1,292,047    | —            |
| Elimination of deferred rent liability                    | 128,622      | —            |

See accompanying notes.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies

#### Principles of Consolidation

The consolidated financial statements include the accounts of Maine Savings Federal Credit Union (the Credit Union) and its wholly-owned subsidiaries, One Maine Insurance, LLC and One Maine Financial, LLC. All significant intercompany balances and transactions are eliminated in consolidation.

#### Field of Membership

The Credit Union's field of membership includes a number of employee groups, church groups and other associations that are located in or near the service offices in the towns of Hampden, Bar Harbor, Ellsworth, Milo, Corinth, Brewer, Vassalboro, Old Town, Portland and Bangor, Maine. The Credit Union's primary source of revenue is providing commercial and residential real estate and consumer loans to individual members in its service area. Most of the Credit Union's customers are located in the State of Maine, particularly in the area surrounding Bangor.

#### Use of Estimates

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated statements of financial condition and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses.

#### Cash and Cash Equivalents

For the consolidated statement of cash flows, cash and cash equivalents include cash and due from banks. The Credit Union maintains cash balances at a financial institution which, at times, may exceed federally insured limits. The Credit Union has not experienced any losses in such accounts. The Credit Union believes it is not exposed to any significant risk of loss on cash and cash equivalents.

#### Interest-Bearing Deposits in Banks and Corporate Credit Unions

Interest-bearing time deposits in banks and corporate credit unions consist of certificates of deposit with initial maturities of 30 days or more. These balances are carried at cost.

#### Investment Securities Held-to-Maturity

The Credit Union invests in debt securities with the positive intent and ability to hold to maturity which are classified as held-to-maturity and are carried at amortized cost.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### Loans Receivable and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal plus net deferred origination costs, reduced by an allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged off against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb probable losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience.

While management uses available information to recognize losses on loans, future additions to the allowance may be necessary. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Credit Union's allowance for loan losses. Such agencies may require the Credit Union to recognize additions to the allowance based on judgments different from those of management.

General Component – The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: residential mortgages and home equity, automobile, commercial mortgage, other consumer, and credit cards. Management generally uses average historical losses based on a timeframe appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors (where appropriate): changes in local and national economic and business conditions; levels/trends in delinquencies; and effects of changes in risk selection and underwriting standards and other changes in lending policies.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

*Residential real estate & home equity loans:* The Credit Union generally does not originate residential mortgage loans with a loan-to-value ratio greater than 80 percent (with the exception of CU Promise Loans) without requiring Private Mortgage Insurance and does not grant subprime loans. The Credit Union generally does not originate home equity loans with a loan-to-value greater than 90%. Loans in this segment are mostly secured by one-to-four family owner occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, may have an effect on the credit quality in this loan segment.

*Automobile loans:* Loans in this segment are secured by new and used automobiles and recreational vehicles. These loans are made primarily to individuals and repayment is dependent on the credit quality of the individual borrower.

*Commercial mortgages:* Loans in this segment are primarily income-producing properties throughout Maine. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates which, in turn, will have an effect on the credit quality in this segment. Management periodically obtains rent rolls and continually monitors the cash flows of these loans.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

*Other consumer loans and credit card:* Loans in these segments consist of unsecured loans, share secured loans, and lines of credit and repayment is dependent on the credit quality of the individual borrower.

Allocated Component – The allocated component relates to loans that are classified as impaired.

Loans are considered impaired when it is probable that the Credit Union will be unable to collect all principal and interest amounts due according to the contractual terms of the loan agreement. Commercial loans over \$200,000, other loans over \$100,000, and troubled debt restructured loans are individually reviewed for impairment. Impaired loans are reduced to the present value of expected future cash flows or to the fair value of collateral for loans which are collateral dependent by the establishment of an allowance. Loans under those amounts are collectively evaluated for impairment.

Factors considered by management in determining impairment include payment status and collateral value. The amount of the impairment is determined by the difference between the present value of the expected cash flows related to the loan, using the original contractual interest rate, and its recorded value, or, in the case of collateral dependent loans, the difference between the fair value of the collateral and the recorded amount of the loans. Consumer and certain mortgage loans are measured for impairment collectively. Loans that experience insignificant payment delays and insignificant shortfalls in payment amounts generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reason for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Credit Union periodically may agree to modify the contractual term of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are initially classified as impaired.

Unallocated Component – An unallocated component of the allowance for loan losses is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

#### Interest Income on Loans

Interest on loans is accrued and credited to income based on the principal amounts outstanding. The accrual of interest on loans is discontinued when, in the opinion of management, the payment of interest or principal is in doubt, the loan is impaired, or when interest or principal is 90 days past due unless the loan is well-secured and in process of collection. If there is doubt as to the collectibility of the interest, all previously accrued interest is reversed from current income. Nonaccrual loans, which include impaired loans, are returned to accrual status when principal and interest become current and payment of the loan is expected in accordance with its contractual terms, generally after a period of six months.

#### Origination Fees and Costs

Loan origination fees and direct loan origination costs are deferred and amortized over the contractual life of the related loan. Prepayments are accounted for in the year of prepayment.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Expenditures for normal repairs and maintenance are expensed as incurred.

#### Federal Home Loan Bank Stock

Federal Home Loan Bank (FHLB) stock is carried at cost and can only be sold back to the FHLB based on its current redemption policies.

#### Investment in CUSO Mortgage Corporation

The investment in CUSO Mortgage Corporation (CUSO) is carried based on the equity method of investment and the Credit Union records its share of CUSO's income (loss).

#### NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The Federal Credit Union Act requires the NCUA Board to set a target equity ratio of at least 1.20 percent and no more than 1.50 percent of total insured deposits. It is NCUA Board policy that the normal operating equity ratio is 1.30 percent. In the event that the equity ratio of the fund falls below 1.20 percent, the Federal Credit Union Act requires the NCUA Board to charge credit unions a premium or to develop and implement a restoration plan for the fund. The NCUA Board has discretion whether to charge a premium when the equity ratio is between 1.20 percent and 1.30 percent.

#### Other Investments

Other investments consist of investments made by the Credit Union that are invested in a variety of mutual funds and annuity contracts and in part are used to fund the deferred compensation plan. The mutual funds are carried at fair value with both realized and unrealized gains and losses being credited or charged to income. The annuity contracts are carried at cost with interest earned but not received recorded within accrued interest receivable.

#### Members' Share Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### Members' Equity

The Credit Union was required by regulation to maintain a statutory reserve through December 31, 2021. This reserve, which represented a regulatory restriction of members' equity, was not available for the payment of interest. Effective January 1, 2022, the Credit Union is no longer required to maintain a statutory reserve.

#### Advertising

Advertising costs are expensed as incurred. For the years ended March 31, 2023 and 2022, advertising expense was approximately \$350,000 and \$193,000, respectively.

#### Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes.

#### Revenue Recognition

The majority of the Credit Union's revenues come from interest income and other sources, including loans and investments which are outside the scope of Topic 606. Those revenues that are within scope of Topic 606 are presented within Non-Interest Income and include service charges and fees and other income. Revenue on these services is recognized as the Credit Union satisfies its performance obligations to the customer.

#### New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU affect entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The main objective of this ASU, along with subsequent ASUs issued to provide transition relief, narrow technical improvements, and certain codification improvements, is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this ASU replace the incurred loss methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a reporting entity's portfolio. Additionally, this ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This ASU is effective for fiscal years beginning after December 15, 2022. An entity will apply the amendments in this guidance through a cumulative-effect adjustment to members' equity as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Credit Union is currently reviewing the amendments in this ASU to determine the impact on its consolidated financial statements.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

Events occurring after the consolidated statement of financial condition date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. For the purposes of recognition and disclosure in these consolidated financial statements, management of the Credit Union has evaluated subsequent events through June 28, 2023, which is the date these consolidated financial statements were available to be issued.

### 2. Interest-Bearing Deposits in Banks and Corporate Credit Unions

At March 31, 2023, the Credit Union's interest-bearing deposits in banks and corporate credit unions mature as follows:

|                                       |                     |
|---------------------------------------|---------------------|
| Due in one year or less               | \$16,924,000        |
| Due in one year through three years   | 12,694,000          |
| Due in three years through five years | <u>3,980,000</u>    |
|                                       | <u>\$33,598,000</u> |

Balances in interest-bearing deposits in banks and corporate credit unions are fully insured at March 31, 2023.

### 3. Investment Securities Held-To-Maturity

At March 31, 2023, the Credit Union holds U.S. Government-sponsored entities bonds with a cost of \$10,000,000 and a fair value of \$9,660,170 for a net unrealized loss of \$339,830 from 19 securities. Seven of these securities have been in an unrealized loss position for less than 12 months with a fair value of \$4,467,085 and an unrealized loss of \$35,675. Ten of these securities have been in an unrealized loss position for more than 12 months with a fair value of \$4,692,180 and an unrealized loss of \$307,820. These investments all mature within five years.

At March 31, 2022, the Credit Union holds U.S. Government-sponsored entities bonds with a cost of \$5,000,000 and a fair value of \$4,860,130 for an unrealized loss of \$139,870 from 10 securities, all of which have been in an unrealized loss position for less than 12 months. These investments all mature after one year through five years.

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Management of the Credit Union, in addition to considering current trends and economic conditions that may affect the quality of individual securities within the Credit Union's investment portfolio, also considers the Credit Union's ability and intent to hold such securities to maturity. The primary cause for the unrealized losses is the impact movements in market interest rates have had in comparison to the underlying yields on these securities. Management does not believe that any of its investments are other-than-temporarily impaired at March 31, 2023 or March 31, 2022.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable

The composition of loans receivable as of March 31, 2023 and 2022 is as follows:

|                                | <u>2023</u>           | <u>2022</u>           |
|--------------------------------|-----------------------|-----------------------|
| Residential mortgage           | \$ 165,222,011        | \$ 118,400,032        |
| Home equity                    | 72,699,708            | 60,405,152            |
| Automobile                     | 108,347,776           | 79,024,174            |
| Commercial mortgage            | 58,142,126            | 57,075,759            |
| Other consumer                 | 83,889,544            | 60,145,077            |
| Credit cards                   | <u>10,766,907</u>     | <u>8,555,770</u>      |
|                                | 499,068,072           | 383,605,964           |
| Net deferred costs             | 967,090               | 688,280               |
| Less allowance for loan losses | <u>(1,305,157)</u>    | <u>(1,320,977)</u>    |
| Total loans receivable, net    | <u>\$ 498,730,005</u> | <u>\$ 382,973,267</u> |

The following is an aged analysis of past due status by loan portfolio as of March 31, 2023.

|                      | <u>30-59<br/>Days</u> | <u>60-89<br/>Days</u> | <u>90 Days<br/>or More</u> | <u>Total<br/>Past Due</u> | <u>Current</u>        | <u>Total<br/>Loans</u> | <u>Non-<br/>Accrual</u> | <u>90 Days or<br/>More and<br/>Accruing</u> |
|----------------------|-----------------------|-----------------------|----------------------------|---------------------------|-----------------------|------------------------|-------------------------|---------------------------------------------|
| Residential mortgage | \$ 1,198,841          | \$ 9,223              | \$ 222,848                 | \$ 1,430,912              | \$ 163,791,099        | \$ 165,222,011         | \$ 222,848              | \$ —                                        |
| Home equity          | 215,791               | 129,305               | 421                        | 345,517                   | 72,354,191            | 72,699,708             | 421                     | —                                           |
| Automobile           | 1,176,211             | 242,107               | 285,032                    | 1,703,350                 | 106,644,426           | 108,347,776            | 285,032                 | —                                           |
| Commercial mortgage  | 216,033               | —                     | —                          | 216,033                   | 57,926,093            | 58,142,126             | —                       | —                                           |
| Other consumer       | 124,785               | 22,499                | 55,393                     | 202,677                   | 83,686,867            | 83,889,544             | 55,393                  | —                                           |
| Credit cards         | <u>19,100</u>         | <u>33,343</u>         | <u>5,994</u>               | <u>58,437</u>             | <u>10,708,470</u>     | <u>10,766,907</u>      | <u>5,994</u>            | <u>—</u>                                    |
| Total loans          | <u>\$ 2,950,761</u>   | <u>\$ 436,477</u>     | <u>\$ 569,688</u>          | <u>\$ 3,956,926</u>       | <u>\$ 495,111,146</u> | <u>\$ 499,068,072</u>  | <u>\$ 569,688</u>       | <u>\$ —</u>                                 |

The following is an aged analysis of past due status by loan portfolio as of March 31, 2022.

|                      | <u>30-59<br/>Days</u> | <u>60-89<br/>Days</u> | <u>90 Days<br/>or More</u> | <u>Total<br/>Past Due</u> | <u>Current</u>        | <u>Total<br/>Loans</u> | <u>Non-<br/>Accrual</u> | <u>90 Days or<br/>More and<br/>Accruing</u> |
|----------------------|-----------------------|-----------------------|----------------------------|---------------------------|-----------------------|------------------------|-------------------------|---------------------------------------------|
| Residential mortgage | \$ 321,271            | \$ 13,642             | \$ 79,841                  | \$ 414,754                | \$ 117,985,278        | \$ 118,400,032         | \$ 79,841               | \$ —                                        |
| Home equity          | —                     | —                     | 111,003                    | 111,003                   | 60,294,149            | 60,405,152             | 111,003                 | —                                           |
| Automobile           | 312,201               | 42,625                | 3,812                      | 358,638                   | 78,665,536            | 79,024,174             | 3,812                   | —                                           |
| Commercial mortgage  | 246,373               | 4,105                 | 2,801                      | 253,279                   | 56,822,480            | 57,075,759             | 2,801                   | —                                           |
| Other consumer       | 945,692               | —                     | —                          | 945,692                   | 59,199,385            | 60,145,077             | —                       | —                                           |
| Credit cards         | <u>32,732</u>         | <u>37,185</u>         | <u>37,461</u>              | <u>107,378</u>            | <u>8,448,392</u>      | <u>8,555,770</u>       | <u>37,461</u>           | <u>—</u>                                    |
| Total loans          | <u>\$ 1,858,269</u>   | <u>\$ 97,557</u>      | <u>\$ 234,918</u>          | <u>\$ 2,190,744</u>       | <u>\$ 381,415,220</u> | <u>\$ 383,605,964</u>  | <u>\$ 234,918</u>       | <u>\$ —</u>                                 |

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable (Continued)

The following table presents the activity in the allowance for loan losses and select loan information by portfolio segment as of and for the year ended March 31, 2023:

|                                                                          | Residential<br>Mortgages<br>and Home<br>Equity | Automobile           | Commercial<br>Mortgage | Other<br>Consumer   | Credit<br>Cards     | Un-<br>allocated | Total                |
|--------------------------------------------------------------------------|------------------------------------------------|----------------------|------------------------|---------------------|---------------------|------------------|----------------------|
| Balance,<br>March 31, 2022                                               | \$ 379,524                                     | \$ 78,497            | \$ 313,917             | \$ 219,725          | \$ 55,562           | \$ 273,752       | \$ 1,320,977         |
| Charge-offs                                                              | —                                              | (111,787)            | —                      | (359,579)           | (195,922)           | —                | (667,288)            |
| Recoveries                                                               | 15,338                                         | 21,631               | —                      | 168,397             | 56,102              | —                | 261,468              |
| (Benefit) provision                                                      | <u>89,645</u>                                  | <u>99,154</u>        | <u>5,865</u>           | <u>263,034</u>      | <u>179,200</u>      | <u>(246,898)</u> | <u>390,000</u>       |
| Balance,<br>March 31, 2023                                               | <u>\$ 484,507</u>                              | <u>\$ 87,495</u>     | <u>\$ 319,782</u>      | <u>\$ 291,577</u>   | <u>\$ 94,942</u>    | <u>\$ 26,854</u> | <u>\$ 1,305,157</u>  |
| Allowance for loan<br>losses individually<br>evaluated for<br>impairment | \$ —                                           | \$ —                 | \$ —                   | \$ —                | \$ —                | \$ —             | \$ —                 |
| Allowance for loan<br>losses collectively<br>evaluated for<br>impairment | <u>484,507</u>                                 | <u>87,495</u>        | <u>319,782</u>         | <u>291,577</u>      | <u>94,942</u>       | <u>26,854</u>    | <u>1,305,157</u>     |
| Balance,<br>March 31, 2023                                               | <u>\$ 484,507</u>                              | <u>\$ 87,495</u>     | <u>\$ 319,782</u>      | <u>\$ 291,577</u>   | <u>\$ 94,942</u>    | <u>\$ 26,854</u> | <u>\$ 1,305,157</u>  |
| <u>Loans</u>                                                             |                                                |                      |                        |                     |                     |                  |                      |
| Loans individually<br>evaluated for<br>impairment                        | \$ —                                           | \$ —                 | \$ —                   | \$ —                | \$ —                | \$ —             | \$ —                 |
| Loans collectively<br>evaluated for<br>impairment                        | <u>237,921,719</u>                             | <u>108,347,776</u>   | <u>58,142,126</u>      | <u>83,889,544</u>   | <u>10,766,907</u>   | <u>—</u>         | <u>499,068,072</u>   |
| Balance,<br>March 31, 2023                                               | <u>\$237,921,719</u>                           | <u>\$108,347,776</u> | <u>\$58,142,126</u>    | <u>\$83,889,544</u> | <u>\$10,766,907</u> | <u>\$ —</u>      | <u>\$499,068,072</u> |

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable (Continued)

The following table presents the activity in the allowance for loan losses and select loan information by portfolio segment as of and for the year ended March 31, 2022:

|                                                                          | Residential<br>Mortgages<br>and Home<br>Equity | Automobile          | Commercial<br>Mortgage | Other<br>Consumer   | Credit<br>Cards    | Un-<br>allocated  | Total                |
|--------------------------------------------------------------------------|------------------------------------------------|---------------------|------------------------|---------------------|--------------------|-------------------|----------------------|
| Balance,<br>March 31, 2021                                               | \$ 388,043                                     | \$ 106,246          | \$ 337,051             | \$ 257,907          | \$ 59,219          | \$ 379,132        | \$ 1,527,598         |
| Charge-offs                                                              | —                                              | (47,642)            | —                      | (300,126)           | (87,996)           | —                 | (435,764)            |
| Recoveries                                                               | 314                                            | 14,305              | —                      | 165,079             | 49,445             | —                 | 229,143              |
| (Benefit) provision                                                      | <u>(8,833)</u>                                 | <u>5,588</u>        | <u>(23,134)</u>        | <u>96,865</u>       | <u>34,894</u>      | <u>(105,380)</u>  | <u>—</u>             |
| Balance,<br>March 31, 2022                                               | <u>\$ 379,524</u>                              | <u>\$ 78,497</u>    | <u>\$ 313,917</u>      | <u>\$ 219,725</u>   | <u>\$ 55,562</u>   | <u>\$ 273,752</u> | <u>\$ 1,320,977</u>  |
| Allowance for loan<br>losses individually<br>evaluated for<br>impairment | \$ —                                           | \$ —                | \$ —                   | \$ —                | \$ —               | \$ —              | \$ —                 |
| Allowance for loan<br>losses collectively<br>evaluated for<br>impairment | <u>379,524</u>                                 | <u>78,497</u>       | <u>313,917</u>         | <u>219,725</u>      | <u>55,562</u>      | <u>273,752</u>    | <u>1,320,977</u>     |
| Balance,<br>March 31, 2022                                               | <u>\$ 379,524</u>                              | <u>\$ 78,497</u>    | <u>\$ 313,917</u>      | <u>\$ 219,725</u>   | <u>\$ 55,562</u>   | <u>\$ 273,752</u> | <u>\$ 1,320,977</u>  |
| <u>Loans</u>                                                             |                                                |                     |                        |                     |                    |                   |                      |
| Loans individually<br>evaluated for<br>impairment                        | \$ —                                           | \$ —                | \$ —                   | \$ —                | \$ —               | \$ —              | \$ —                 |
| Loans collectively<br>evaluated for<br>impairment                        | <u>178,805,184</u>                             | <u>79,024,174</u>   | <u>57,075,759</u>      | <u>60,145,077</u>   | <u>8,555,770</u>   | <u>—</u>          | <u>383,605,964</u>   |
| Balance,<br>March 31, 2022                                               | <u>\$178,805,184</u>                           | <u>\$79,024,174</u> | <u>\$57,075,759</u>    | <u>\$60,145,077</u> | <u>\$8,555,770</u> | <u>\$—</u>        | <u>\$383,605,964</u> |

The Credit Union has a member privilege program, which is an overdraft protection program for its members. Charge-offs under this program during the years ended March 31, 2023 and 2022 were \$183,072 and \$142,331, respectively, and recoveries were \$137,814 and \$114,009, respectively. This activity is included in other consumer loans.

There were no impaired loans at March 31, 2023 and 2022, or during the fiscal year ended March 31, 2023 and 2022.

The Credit Union utilizes an internal risk rating system for commercial loans, which is updated on an ongoing basis. A description of the Credit Union's internal risk rating system as it relates to credit quality is as follows:

*Pass* – Acceptable debt capacity and liquidity with a proven track record of success and the ability to withstand adverse economic circumstances.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable (Continued)

*Watch* – These credits are bankable but require more attention and more conservative structuring. These borrowers will display limited capacity, marginal liquidity and lower than average credit scores. Based on information provided by the borrowers, these concerns will be temporary and the borrower will have a plan in place to remedy the credit deficiencies in a 12-month period.

*Special Mention* – Credits of clearly unacceptable risk based on seriously deficient credit strength and/or repayment sources. A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. All available actions to prevent or minimize loss to the Credit Union must be taken.

*Substandard* – A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Contingent or remedial plans to improve the Credit Union's risk exposure should be established.

*Doubtful* – An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. All available actions to prevent or minimize loss to the Credit Union must be taken.

*Loss* – Assets in this category will be considered uncollectible or possess such little value they will be written off as a loss. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

The commercial mortgage risk rated loan portfolio as of March 31, 2023 and 2022 consisted of the following:

|                 | <u>2023</u>         | <u>2022</u>         |
|-----------------|---------------------|---------------------|
| Pass            | \$53,891,199        | \$53,489,571        |
| Watch           | 3,985,817           | 3,309,610           |
| Special mention | <u>265,110</u>      | <u>276,578</u>      |
|                 | <u>\$58,142,126</u> | <u>\$57,075,759</u> |

Loans other than commercial are evaluated based on their delinquency status.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable (Continued)

The Credit Union considers non-risk rated loans to be non-performing when they are 90 days or more past due. The non-risk rated loan portfolio as of March 31, 2023 consisted of the following:

|                | <u>Residential<br/>Mortgage</u> | <u>Home<br/>Equity</u> | <u>Automobile</u>    | <u>Consumer</u>     | <u>Other<br/>Credit Cards</u> | <u>Total</u>          |
|----------------|---------------------------------|------------------------|----------------------|---------------------|-------------------------------|-----------------------|
| Performing     | \$164,999,163                   | \$72,699,287           | \$108,062,744        | \$83,834,151        | \$10,760,913                  | \$ 440,356,258        |
| Non-performing | <u>222,848</u>                  | <u>421</u>             | <u>285,032</u>       | <u>55,393</u>       | <u>5,994</u>                  | <u>569,688</u>        |
|                | <u>\$165,222,011</u>            | <u>\$72,699,708</u>    | <u>\$108,347,776</u> | <u>\$83,889,544</u> | <u>\$10,766,907</u>           | <u>\$ 440,925,946</u> |

The non-risk rated loan portfolio as of March 31, 2022 consisted of the following:

|                | <u>Residential<br/>Mortgage</u> | <u>Home<br/>Equity</u> | <u>Automobile</u>   | <u>Consumer</u>     | <u>Other<br/>Credit Cards</u> | <u>Total</u>         |
|----------------|---------------------------------|------------------------|---------------------|---------------------|-------------------------------|----------------------|
| Performing     | \$118,320,191                   | \$60,294,149           | \$79,020,362        | \$60,145,077        | \$8,518,309                   | \$326,298,088        |
| Non-performing | <u>79,841</u>                   | <u>111,003</u>         | <u>3,812</u>        | <u>—</u>            | <u>37,461</u>                 | <u>232,117</u>       |
|                | <u>\$118,400,032</u>            | <u>\$60,405,152</u>    | <u>\$79,024,174</u> | <u>\$60,145,077</u> | <u>\$8,555,770</u>            | <u>\$326,530,205</u> |

The Credit Union makes loans to its officers and directors. Loans to officers and directors totaled approximately \$2,873,000 and \$2,758,000 at March 31, 2023 and 2022, respectively.

The Credit Union participates in the CU Promise program, whereby the Credit Union owns a participating interest in residential mortgage loans originated by CUSO. These loans totaled \$64,102,158 and \$68,104,278 at March 31, 2023 and 2022, respectively, and are considered to be residential mortgages. Other credit unions in Maine also own a participating interest in the residential mortgages.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 5. Leases

#### Adoption of ASC Topic 842, Leases (ASC 842)

Substantially all of the leases in which the Credit Union is the lessee are comprised of real estate property for branches with terms extending through April 2038. All of the Credit Union's leases are classified as operating leases and, therefore, were previously not recognized in the Credit Union's consolidated balance sheet. ASC 842 became effective for the Credit Union on April 1, 2022 and was adopted using the modified retrospective method for all leases that had commenced as of the effective date, along with certain available practical expedients. The Credit Union elected to recognize any effects of applying the new standard as a cumulative-effect adjustment to the opening balance of members' equity in the period of adoption, which there were none. In addition, the Credit Union elected to adopt the package of practical expedients permitted under the transition guidance within the new standard. The practical expedient package applied to leases that commenced prior to the effective date of the new standard and permits a reporting entity not to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the historical lease classification for any expired or existing leases, and iii) reassess initial direct costs for any existing leases. The reporting results for fiscal year 2023 reflect the application of ASC 842 guidance while the historical results for fiscal year 2022 were prepared under the guidance of ASC 840. The adoption of the new standard did not have a significant impact upon the Credit Union's consolidated statements of income and cash flows. The adoption of the new standard resulted in the recording of right-of-use assets and corresponding lease liabilities pertaining to the Credit Union's operating leases on the consolidated balance sheet.

The calculated amount of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Credit Union's lease agreements often include one or more options to renew at the Credit Union's discretion. If at lease inception, the Credit Union considers the exercising of a renewal option to be reasonably certain, the Credit Union will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Credit Union utilizes a risk-free rate at lease inception, over a similar term. See below for information on lease terms and rates:

|                                       | As of<br><u>March 31, 2023</u> |
|---------------------------------------|--------------------------------|
| Weighted-average remaining lease term |                                |
| Operating leases                      | 13.6 years                     |
| Weighted-average discount rate        |                                |
| Operating leases                      | 2.32%                          |

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 5. Leases (Continued)

Future minimum payments for leases with initial terms of one year or more as of March 31, 2023 are as follows:

|                                                    |                    |
|----------------------------------------------------|--------------------|
| 2024                                               | \$ 103,000         |
| 2025                                               | 104,000            |
| 2026                                               | 106,000            |
| 2027                                               | 106,000            |
| 2028                                               | 106,000            |
| Thereafter                                         | <u>885,000</u>     |
| Total future minimum lease payments                | 1,410,000          |
| Amounts representing interest                      | <u>(182,262)</u>   |
| Present value of net future minimum lease payments | <u>\$1,227,738</u> |

The Credit Union recognized lease expense of approximately \$114,000 and \$111,000, including common area maintenance charges, in the years ended March 31, 2023 and 2022, respectively.

### 6. Property and Equipment

Property and equipment at March 31, 2023 and 2022 are summarized as follows:

|                                 | <u>2023</u>         | <u>2022</u>         |
|---------------------------------|---------------------|---------------------|
| Land                            | \$ 2,846,774        | \$ 2,846,774        |
| Buildings and improvements      | 13,464,857          | 13,381,694          |
| Land improvements               | 749,461             | 749,461             |
| Furniture and equipment         | 2,799,662           | 2,423,877           |
| Computer equipment and software | 626,750             | 520,818             |
| Leasehold improvements          | 44,222              | 39,382              |
| Construction in process         | <u>235,538</u>      | <u>362,141</u>      |
|                                 | 20,767,264          | 20,324,147          |
| Less accumulated depreciation   | <u>(9,468,507)</u>  | <u>(8,984,067)</u>  |
|                                 | <u>\$11,298,757</u> | <u>\$11,340,080</u> |

## MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

#### 7. Transactions with CUSO Mortgage Corporation

##### Investment in CUSO Mortgage Corporation

The Credit Union owns approximately 24% of the outstanding common stock of CUSO Mortgage Corporation (CUSO) at March 31, 2023 and 2022. CUSO's primary purpose is to originate and service one-to-four family properties and, through its wholly-owned subsidiary, Business Lending Solutions, LLC (BLS), to originate and service commercial loans. CUSO engages in normal loan servicing activities, mortgage loan origination, processing and underwriting, and sales of mortgage loans to the secondary market. Net amounts paid to CUSO for these services totaled \$432,419 and \$412,027 in the years ended March 31, 2023 and 2022, respectively. Amounts paid relating to loan originations are recorded as net deferred loan origination costs.

The Credit Union recorded income of \$108,402 and \$610,730 from CUSO for the years ended March 31, 2023 and 2022, respectively, for referrals on loans sold; these amounts are included in other income.

Also, the Credit Union recorded income of \$341,595 through an incentive program from CUSO for the year ended March 31, 2022. The Credit Union did not record any income from this program in the year ended March 31, 2023.

Summarized financial information of CUSO at March 31, 2023 and 2022 and for the years then ended is presented below:

|                   | <u>2023</u>  | <u>2022</u>  |
|-------------------|--------------|--------------|
| Assets            | \$57,754,311 | \$64,150,763 |
| Liabilities       | 40,664,263   | 45,930,741   |
| Equity            | 17,090,048   | 18,220,022   |
| Revenues          | 7,083,494    | 12,231,673   |
| Net income (loss) | (1,129,979)  | 334,865      |

The investment in CUSO is in accordance with applicable regulations, which allow the Credit Union to invest up to 1% of members' shares and undivided earnings in credit union service organizations.

##### Management and Other Agreements

The Credit Union rents office space to CUSO in the Credit Union's operations center. The Credit Union received \$195,986 and \$195,142 in the years ended March 31, 2023 and 2022, respectively, which is included in other income on the consolidated statements of income.

CUSO and BLS service loans for the Credit Union. At March 31, 2023 and 2022, they were holding loan payments for the Credit Union totaling \$2,331,322 and \$4,249,761, respectively, which were remitted shortly after year end. These amounts are included in other assets on the consolidated statements of financial condition.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 7. Transactions with CUSO Mortgage Corporation (Continued)

#### Loans to CUSO Mortgage Corporation

Certain owners of CUSO have extended a line of credit to CUSO in the amount of \$4,300,000. Of this total, the Credit Union has participated in an amount not to exceed \$1,000,000. At March 31, 2023 and 2022, there were no advances under the line. Interest is charged monthly at the prevailing federal funds rate. No interest income was earned by the Credit Union for the years ended March 31, 2023 and 2022 as the line of credit was unused.

This line is collateralized by all loans and indebtedness, all take-out commitments and other agreements for the sale of mortgage loans, all rights to deliver loans to investors and proceeds resulting from the disposition of such loans, all accounts maintained in CUSO's name, all pledged negotiable instruments and nonnegotiable certificates of deposit, and all contracts for the servicing of mortgage loans by CUSO.

Upon written demand from the Credit Union, CUSO may be required to pay principal on the line of credit in the amount the underlying borrowing base exceeds the value of the eligible collateral.

This line of credit is in accordance with applicable regulations, which allow the Credit Union to lend up to 1% of members' shares and undivided earnings to credit union service organizations.

#### Share Accounts

CUSO has share accounts with the Credit Union totaling \$26,361,734 and \$12,598,178 at March 31, 2023 and 2022, respectively. Approximately half of CUSO's balances are transferred regularly, and at least monthly, to another institution.

### 8. Other Investments

The table below summarizes the composition of other investments at March 31, 2023 and 2022:

|                   | <u>2023</u>         | <u>2022</u>         |
|-------------------|---------------------|---------------------|
| Mutual funds      | \$11,864,357        | \$12,123,849        |
| Annuity contracts | <u>8,655,478</u>    | <u>10,000,000</u>   |
|                   | <u>\$20,519,835</u> | <u>\$22,123,849</u> |

The annuity contracts were entered into in June 2021 and include guaranteed interest rates for the first five years at 2.25% for Reliance Standard and 2.50% for Delaware Life. Interest of \$221,016 and \$181,541 was earned in the year ended March 31, 2023 and 2022, respectively. Accrued interest will be received upon withdrawal from the contracts. Each contract is subject to withdrawal charges based on a surrender schedule. Reliance Standard charges decline from 8% during the first contract year to 0% after the fifth contract year. Delaware Life charges decline from 7% during the first contract year to 0% after the fifth contract year. However, 10% of each contract value can be withdrawn each year after year 1 without any withdrawal charges. During the year ending March 31, 2023, 10% was withdrawn from both the Reliance Standard and Delaware Life contracts.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 8. Other Investments (Continued)

For the years ended March 31, 2023 and 2022, (\$1,259,493) and \$129,507, respectively, of the investment (losses) gains related to mutual funds still owned at year end.

### 9. Members' Share Accounts

Members' share accounts at March 31, 2023 and 2022 are summarized as follows:

|                                                                                     | <u>2023</u>           | <u>2022</u>           |
|-------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Members' share accounts (including certificates) greater than or equal to \$250,000 | \$ 118,379,443        | \$ 81,771,535         |
| Brokered share certificates greater than or equal to \$250,000                      | 22,951,000            | 31,627,000            |
| Accounts under \$250,000:                                                           |                       |                       |
| Regular savings                                                                     | 184,176,827           | 183,326,688           |
| Share drafts                                                                        | 106,842,944           | 96,701,491            |
| Money market                                                                        | 14,018,122            | 15,703,986            |
| Club accounts                                                                       | 17,425,790            | 19,159,729            |
| Share certificates                                                                  | 110,620,743           | 56,016,579            |
| Individual retirement accounts, certificates                                        | 40,441,306            | 30,265,248            |
| Individual retirement accounts, savings                                             | <u>2,631,001</u>      | <u>2,644,314</u>      |
|                                                                                     | <u>\$ 617,487,176</u> | <u>\$ 517,216,570</u> |

Noninterest-bearing accounts at March 31, 2023 and 2022 totaled \$122,131,667 and \$109,996,420, respectively.

At March 31, 2023, scheduled maturities of members' share accounts are as follows:

|                               |                       |
|-------------------------------|-----------------------|
| No contractual maturity       | \$ 407,380,611        |
| Maturity within one year      | 36,630,253            |
| One to two years              | 58,337,471            |
| Two to three years            | 16,355,894            |
| Three to four years           | 95,050,078            |
| Four to five years            | <u>3,732,869</u>      |
| Total members' share accounts | <u>\$ 617,487,176</u> |

Member shares from principal officers and directors held by the Credit Union at March 31, 2023 and 2022 amounted to \$1,282,183 and \$1,650,380, respectively.

## MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

#### 10. **Borrowed Funds**

The Credit Union is required to own shares of capital stock in the FHLB of Boston in order to borrow from the FHLB. At March 31, 2023, the Credit Union has an unused borrowing capacity of approximately \$22,450,000, as well as a line of credit under which it can borrow up to \$1,392,000 from the FHLB of Boston. There were no amounts drawn under this line at March 31, 2023 and 2022. Borrowings from the FHLB are secured by a blanket lien on the Credit Union's qualified mortgages and its FHLB capital stock. There were no outstanding borrowings at March 31, 2023 and 2022.

The Credit Union is able to borrow from the Federal Reserve Bank of Boston through the Borrower-In-Custody program. The program allows the Credit Union to borrow money based upon a percentage of eligible collateral. The Credit Union had pledged approximately \$2,226,000 and \$2,722,000 in share certificates at March 31, 2023 and 2022, respectively, in conjunction with the program, but had not borrowed any funds in either year.

#### 11. **Regulatory Matters**

##### *Net Worth Levels*

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 consolidated 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 regulatory accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

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) to total assets (as defined). Effective January 1, 2022, Credit Unions are considered complex if total assets exceed \$500 million which also requires a risk-based capital ratio (as defined) to be calculated. As of March 31, 2023 and 2022 the Credit Union's total assets exceed \$500 million and it is considered complex. Management believes, as of March 31, 2023, that the Credit Union meets all capital adequacy requirements to which it is subject.

The most recent notification from the 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 7.0% of assets and maintain a risk-based capital ratio of 10% or greater. There are no conditions or events since that notification that management believes have changed the institution's category.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 11. Regulatory Matters (Continued)

The Credit Union's regulatory capital amounts and ratios at March 31, 2023 and 2022 are presented in the table below:

|                    | <u>Actual</u> |              | <u>To Be Adequately<br/>Capitalized Under<br/>Prompt Corrective<br/>Action Provisions</u> |              | <u>To Be Well<br/>Capitalized Under<br/>Prompt Corrective<br/>Action Provisions</u> |              |
|--------------------|---------------|--------------|-------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------|--------------|
|                    | <u>Amount</u> | <u>Ratio</u> | <u>Amount</u>                                                                             | <u>Ratio</u> | <u>Amount</u>                                                                       | <u>Ratio</u> |
| March 31, 2023:    |               |              |                                                                                           |              |                                                                                     |              |
| Net worth          | \$53,789,990  | 8.02%        | \$40,220,560                                                                              | 6.0%         | \$46,923,986                                                                        | 7.0%         |
| Risk-based capital | 50,373,844    | 11.84        | 34,027,526                                                                                | 8.0          | 42,534,408                                                                          | 10.0         |
| March 31, 2022:    |               |              |                                                                                           |              |                                                                                     |              |
| Net worth          | \$49,486,602  | 8.69%        | \$34,112,230                                                                              | 6.0%         | \$39,797,602                                                                        | 7.0%         |
| Risk-based capital | 46,371,839    | 15.38        | 24,126,053                                                                                | 8.0          | 30,157,567                                                                          | 10.0         |

Effective January 1, 2022 the statutory reserve requirement was eliminated. As a result, the Credit Union reclassified \$3,507,665 from statutory reserves to undivided earnings within Members' equity.

### 12. Employee Benefits

#### Defined Contribution Plan

The Credit Union has a defined contribution pension plan which covers substantially all employees. Contributions are made annually, up to a maximum of 6% of eligible wages, and amounted to \$426,498 and \$385,425 for the years ended March 31, 2023 and 2022, respectively.

#### Deferred Compensation Plan

The Credit Union has a deferred compensation plan covering certain officers of the Credit Union. The assets related to this plan are included in other investments on the consolidated statement of financial condition. Participants in the plan accrue benefits to the extent the assets earmarked for the participants exceed certain amounts based on investment performance. The deferred compensation liability represents the amounts owed to plan participants. The accrued benefit at March 31, 2023 and 2022 was \$529,508 and \$1,290,517, respectively. For the year ended March 31, 2023, the amount recognized as a loss on other investments was \$1,259,493 and the amount recognized as a reduction of benefit expense was \$761,008. For the year ended March 31, 2022, the amount charged to benefit expense and recognized as a gain on other investments was \$129,507.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 13. Contingent Liabilities and Commitments

#### Financial Instruments

The Credit Union is a party to financial instruments with off-balance-sheet risk. These instruments, which arise in the normal course of business, are commitments to extend credit to members in the form of residential loans, credit card loans and home equity loans. The commitments involve varying degrees of credit and interest rate risk in excess of the amount recognized in the statement of financial condition. The Credit Union follows the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments, including requiring similar collateral or other security to support financial instruments with credit risk. The Credit Union's exposure to credit loss in the event of nonperformance by the member is represented by the contractual notional amount of those instruments.

Financial instruments whose contract amounts represent credit risk total approximately the following amounts at March 31, 2023 and 2022:

|                                                 | <u>2023</u>  | <u>2022</u>  |
|-------------------------------------------------|--------------|--------------|
| Undisbursed lines of credit                     | \$53,875,555 | \$48,652,000 |
| Mortgage loans approved                         | 10,956,000   | 11,335,000   |
| Member privilege program (overdraft protection) | 9,510,000    | 9,099,000    |
| Credit card available credit                    | 37,888,230   | 33,653,000   |

Commitments generally have fixed expiration dates or other termination clauses. Since a portion of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

### 14. Fair Value of Financial Instruments

#### Fair Value Measurements

The Credit Union is required to use certain fair value measurements for all financial instruments that are being measured and reported on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Credit Union uses various methods, including market, income and cost approaches. Based on these approaches, the Credit Union often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Credit Union utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the observable inputs used in the valuation techniques, the Credit Union is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 14. Fair Value of Financial Instruments (Continued)

Level 2 – Valuations for assets and liabilities not traded in active dealer markets. Valuations are based on inputs other than quoted prices that are observable or corroborated by observable data.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

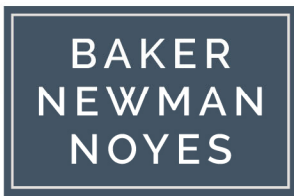
In determining the appropriate levels, the Credit Union performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The Credit Union's mutual fund investments are classified within Level 1 of the fair value hierarchy based on quoted market prices in an active exchange for identical securities.

#### Fair Value on a Recurring Basis

The table below presents the balances of assets included in other investments measured at fair value on a recurring basis as of March 31, 2023 and 2022.

|              | <u>Total</u>        | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> |
|--------------|---------------------|---------------------|----------------|----------------|
| <u>2023</u>  |                     |                     |                |                |
| Mutual funds | <u>\$11,864,357</u> | <u>\$11,864,357</u> | <u>\$ —</u>    | <u>\$ —</u>    |
| <u>2022</u>  |                     |                     |                |                |
| Mutual funds | <u>\$12,123,849</u> | <u>\$12,123,849</u> | <u>\$ —</u>    | <u>\$ —</u>    |



The Supervisory Committee  
Maine Savings Federal Credit Union and Subsidiaries

We are pleased to present this report related to our audit of the consolidated financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union) as of and for the year ended March 31, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Credit Union's financial reporting process.

This report is intended solely for the information and use of the Supervisory Committee, the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Credit Union.

*BAKER NEWMAN & NOYES LLC*

Portland, Maine  
June 28, 2023

## **Required Communications**

Auditing standards generally accepted in the United States of America (GAAS) (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Our Responsibilities with Regard to the Financial Statement Audit**

Our responsibilities under GAAS have been described to you in our arrangement letter dated January 23, 2023. Our audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication dated January 23, 2023 regarding the planned scope and timing of our audit and identified significant risks.

### **Accounting Policies and Practices**

#### ***Preferability of Accounting Policies and Practices***

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### ***Adoption of, or Change in, Accounting Policies***

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Credit Union. Accounting policies are outlined in Note 1 of the financial statements.

As more fully described in Note 5 to the financial statements, the Credit Union adopted the provisions of Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), effective April 1, 2022. Under the new guidance, the Credit Union is required to recognize lease related assets and liabilities on the balance sheet for all leases with terms greater than 12 months. Adoption of this standard required the Credit Union to record initial operating right-of-use assets and operating lease obligations of \$1,163,425 and \$1,292,047, respectively.

#### ***Significant Accounting Policies***

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### ***Significant Unusual Transactions***

We did not identify any significant unusual transactions.

#### ***Management's Judgments and Accounting Estimates***

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

### **Audit Adjustments and Uncorrected Misstatements**

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

## Required Communications (Continued)

### Observations About the Audit Process

#### *Disagreements with Management*

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the consolidated financial statements.

#### *Consultations with Other Accountants*

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

#### *Significant Issues Discussed with Management*

No significant issues arising from the audit were discussed or the subject of correspondence with management.

#### *Significant Difficulties Encountered in Performing the Audit*

We did not encounter any significant difficulties in dealing with management during the audit.

#### *Difficult or Contentious Matters That Required Consultation*

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

### Shared Responsibilities: AICPA Independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, the Supervisory Committee, and audit firms work together in considering compliance with AICPA independence rules. For Baker Newman & Noyes LLC (BNN) to fulfill its professional responsibility to maintain and monitor independence, management, the shareholders, and BNN each play an important role.

#### *Our Responsibilities*

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. BNN is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

#### *The Credit Union's Responsibilities*

- Timely inform BNN, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, officers, or person in financial reporting oversight roles.
  - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Credit Union and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with BNN.
- Not entering into relationships resulting in BNN, BNN covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Credit Union.

## **Required Communications (Continued)**

### **Internal Control Matters**

We have separately communicated control deficiencies identified during our audit of the consolidated financial statements, a copy of which is attached.

### **Significant Written Communications Between Management and Our Firm**

Copies of significant written communications between our firm and the management of the Credit Union, including the representation letter provided to us by management, are attached.

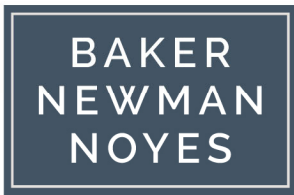
## MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

### SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

Year Ended March 31, 2023

Accounting estimates are an integral part of the preparation of the consolidated financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You should continue to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimate reflected in the Credit Union's March 31, 2023 consolidated financial statements.

| Estimate                  | Accounting Policy                                        | Management's Estimation Process                                                             | Basis for Our Conclusions on Reasonableness of Estimate                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Allowance for loan losses | Refer to Note 1 of the consolidated financial statements | Allowance for loan losses model incorporating both quantitative and qualitative assumptions | <p>Obtain an understanding of management's methodology for estimating credit losses.</p> <p>Review and test management's process, including:</p> <ul style="list-style-type: none"><li>• Testing data used in forming assumptions</li><li>• Evaluating assumptions</li><li>• Analyzing historical data</li><li>• Testing calculations</li><li>• Reviewing subsequent events or transactions</li><li>• Reviewing impaired and delinquent loans</li><li>• Performing various ratio and analytical analyses</li></ul> |



January 23, 2023

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
101 Western Avenue  
Hampden, Maine 04444

Attention: Supervisory Committee Members

### **The Objective and Scope of the Audit of the Financial Statements**

You have requested that Baker Newman & Noyes LLC (BNN, we, us, or our) audit the consolidated financial statements of Maine Savings Federal Credit Union (the Credit Union), which comprise the consolidated balance sheet as of March 31, 2023, the related consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the year then ending, and the related notes to the consolidated financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter (Arrangement Letter).

The objectives of our audit 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 auditors' 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 auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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. 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.

### **The Responsibilities of the Auditor**

We will conduct our audit in accordance with GAAS. Those standards require that we comply with applicable ethical requirements. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- 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 entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit;

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

- 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Conclude, based on the audit evidence obtained, 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 a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

We will also communicate to the Supervisory Committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

We will maintain our independence in accordance with the standards of the American Institute of Certified Public Accountants (AICPA).

### **The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Management is responsible for:

1. Identifying and ensuring that the Credit Union complies with the laws and regulations applicable to its activities, and for informing us about all known violations of such laws or regulations, other than those that are clearly inconsequential;
2. The design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements; and
3. Informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, vendors, customers or others.

The Supervisory Committee is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

Our audit will be conducted on the basis that management and the Supervisory Committee acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP);
2. To evaluate subsequent events through the date the consolidated financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the consolidated financial statements. Management also agrees that it will not conclude on subsequent events earlier than the date of the management representation letter referred to below;

3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; and
4. To provide us with:
  - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the consolidated financial statements, including information relevant to disclosures;
  - b. Additional information that we may request from management for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including, among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this Arrangement Letter and in management's separate Management Acknowledgment Letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

## **Reporting**

We will issue a written report upon completion of our audit of the Credit Union's consolidated financial statements. Our report will be addressed to the Supervisory Committee of the Credit Union. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, or add an emphasis-of-matter paragraph or other-matter paragraph to our auditors' report.

Pursuant to National Credit Union Administration (NCUA) regulations, the target delivery date for the report will enable the Credit Union to meet its annual audit requirements in 12 CFR 715.

If circumstances arise relating to the condition of the Credit Union's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the consolidated financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including, but not limited to, declining to express an opinion or issue a report, or withdrawing from the engagement.

## **Records and Assistance**

During the course of our engagement, we may accumulate records containing data that should be reflected in the Credit Union's books and records. The Credit Union will determine that all such data, if necessary, will be so reflected. Accordingly, the Credit Union will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Credit Union personnel is described in the client participation list, which outlines the specific schedules and analyses that should be completed by Credit Union personnel, including the dates when the information should be available to us. The participation list will be discussed with and agreed to by members of management. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

## **Accounting and Tax Services**

In connection with our audit, you have requested us to draft the consolidated financial statements. David Sayers, Chief Financial Officer, will oversee the service, make all significant judgments that are the proper responsibility of management, evaluate the adequacy of the service, make an informed judgment about the results of the service and accept responsibility for it. Management also agrees to establish and maintain internal control over the service, including ongoing monitoring activities. At the conclusion of our audit, we will ask management to provide written representations to that effect.

Our services under this Arrangement Letter do not include services for tax return preparation, tax advice or representation in any tax matter. Nevertheless, we may discuss with you or management certain tax considerations or provide you or management with tax information that may be relevant to our services. Any such discussions or information would be based upon limited tax research, limited due diligence and limited analysis regarding the underlying facts. Because additional research or a more complete review of the facts could affect our analysis and conclusions, the information provided during these discussions shall not be used as the basis for proceeding with any transaction or any tax return reporting.

Separate arrangement letters, including fee arrangements, are required for tax preparation, tax advice or tax representation services.

## **Fees and Costs**

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus directly billed expenses. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from Credit Union personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of client assistance requests
4. Timely communication of all significant accounting and financial reporting matters
5. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. We estimate our fees will be \$49,000, plus direct costs.

All matters related to the Credit Union's adoption of the new leases standard pursuant to Accounting Standards Codification (ASC) 842 and the adoption of the new credit losses standard pursuant to ASC 326 will be accounted for and billed separately.

## **Use of Subcontractors and Third-Party Products**

From time to time and depending upon the circumstances, we may, in our sole discretion, use qualified third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose Personal Information or Confidential Information (as both terms are defined below) to them. You hereby consent to us sharing your information, including Confidential Information and Personal Information, with these third-party service providers on the same basis as we would be permitted to share information with one of our employees, provided that such recipients are bound by written obligations of confidentiality that are as protective of your Confidential Information as the confidentiality terms set forth herein. You acknowledge and agree that our use of a third-party service provider may involve the processing, input, disclosure, movement, transfer, and storage of your information and data outside of our technology infrastructure.

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

We also may provide services to you using certain third-party hardware, software, software services, managed services (including, but not limited to, web hosting, data security, data back-up, email security, or similar services subject to direct end-user or subscription agreements), applications, and equipment (collectively, Third-Party Products). You acknowledge that your or our use of a Third-Party Product may involve the processing, input, disclosure, movement, transfer, and storage of information provided by you to us, including Personal Information and Confidential Information, within the Third-Party Product's infrastructure and not ours, and that the terms of use and service set forth in the end-user license, subscription, or other agreement with the licensor of such Third-Party Product, including, but not limited to, applicable laws, will govern all obligations of such licensor relating to data privacy, storage, recovery, security, and processing within such Third-Party Product's infrastructure, as well as the service levels associated with such Third-Party Product. You hereby consent to the disclosure of the Credit Union's information, including the Credit Union's Confidential Information and Personal Information, to the licensors of such Third-Party Products for the purpose described herein.

You acknowledge that your or our use of Third-Party Products may be subject to limitations, delays, interruptions, errors, and other problems which are beyond our control, including, without limitation, internet outage or lack of availability related to updates, upgrades, patches, fixes, maintenance, or other issues. We will not be liable for any delays, delivery failures, or other losses or damages resulting from such issues, nor will we be held responsible or liable for any loss, or unauthorized use or disclosure, of any information or data provided by the Credit Union, including, without limitation, Personal Information provided by the Credit Union, resulting from the Credit Union's or our use of a Third-Party Product.

#### **Use and Ownership: Access to Audit Documentation**

The Audit Documentation for this engagement is the property of BNN. For the purposes of this Arrangement Letter, the term "Audit Documentation" shall mean the confidential and proprietary records of BNN's audit procedures performed, relevant audit evidence obtained, other audit-related workpapers, and conclusions reached. Audit Documentation shall not include custom-developed documents, data, reports, analyses, recommendations, and deliverables authored or prepared by BNN for the Credit Union under this Arrangement Letter, or any documents belonging to the Credit Union or furnished to BNN by the Credit Union.

As required by NCUA staff and/or the State credit union supervisor, or the designated representative of each, access will be provided to the complete set of original workpapers, either at the offices of the Credit Union or at a mutually agreed-upon location, for purposes of inspection. Workpapers shall be retained for a minimum of three years from the date of the written audit report.

Review of Audit Documentation by a successor auditor or as part of due diligence is subject to applicable BNN policies, and will be agreed to, accounted for and billed separately. Any such access to our Audit Documentation is subject to a successor auditor signing an Access and Release Letter substantially in BNN's form. BNN reserves the right to decline a successor auditors' report request to review our workpapers.

In the event we are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Credit Union, the Credit Union will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

## **Confidentiality**

BNN and the Credit Union may, from time to time, disclose Confidential Information (as defined below) to one another. Accordingly, BNN and the Credit Union agree as the recipient of such Confidential Information (the Receiving Party) to keep strictly confidential all Confidential Information provided to it by the disclosing party (the Disclosing Party) and use, modify, store, and copy such Confidential Information only as necessary to perform its obligations and exercise its rights under this Arrangement Letter and for no other purpose or use. Except as otherwise set forth herein, the Receiving Party may only disclose the Confidential Information of the Disclosing Party to its personnel, agents, and representatives who are subject to obligations of confidentiality at least as restrictive as those set forth herein and only for the purpose of exercising its rights and fulfilling its obligations hereunder. To avoid any doubt, BNN is permitted to disclose the Credit Union's Confidential Information to BNN's personnel, agents, and representatives for the purpose of maintaining compliance with applicable laws and professional, regulatory, and/or ethical standards.

As used herein, "Confidential Information" means information in any form, oral, graphic, written, electronic, machine-readable or hard copy, consisting of: (i) any nonpublic information provided by the Disclosing Party, including, but not limited to, all of its inventions, designs, data, source and object code, programs, program interfaces, know-how, trade secrets, techniques, ideas, discoveries, marketing and business plans, pricing, profit margins and/or similar information; (ii) any information that the Disclosing Party identifies as confidential; or (iii) any information that, by its very nature, a person in the same or similar circumstances would understand should be treated as confidential, including, but not limited to, this Arrangement Letter.

As used herein, the term "Confidential Information" will not include information that: (i) is publicly available at the time of disclosure by the Disclosing Party; (ii) becomes publicly available by publication or otherwise after disclosure by the Disclosing Party, other than by breach of the confidentiality obligations set forth herein by the Receiving Party; (iii) was lawfully in the Receiving Party's possession, without restriction as to confidentiality or use, at the time of disclosure by the Disclosing Party; (iv) is provided to the Receiving Party without restriction as to confidentiality or use by a third party without violation of any obligation to the Disclosing Party; or (v) is independently developed by employees or agents of the Receiving Party who did not access or use the Confidential Information.

The Receiving Party will treat the Disclosing Party's Confidential Information with the same degree of care as the Receiving Party treats its own confidential and proprietary information, but in no event will such standard of care be less than a reasonable standard of care. The Receiving Party will promptly notify the Disclosing Party if it becomes aware that any of the Confidential Information of the Disclosing Party has been used or disclosed in violation of this Arrangement Letter.

Notwithstanding the foregoing, in the event that the Receiving Party becomes legally compelled to disclose any of the Confidential Information of the Disclosing Party, or as may be required by applicable regulations or professional standards, the Receiving Party will use commercially reasonable efforts to provide the Disclosing Party with notice prior to disclosure, to the extent permitted by law.

## **Preexisting Nondisclosure Agreements**

In the event that the parties have executed a separate nondisclosure agreement and such agreement does not automatically terminate or expire upon execution of this Arrangement Letter, such agreement shall be terminated as of the effective date of this Arrangement Letter.

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

## **Data Protection Compliance**

We take reasonable steps to comply with all applicable privacy, cybersecurity, and data protection laws that may apply to Personal Information and Confidential Information we process on behalf of our clients. Upon written request, we will provide summaries of our IT security and disaster recovery policies and make our senior IT personnel reasonably available for discussion upon request. Any information we disclose to you concerning our IT control environment shall constitute Confidential Information of BNN and shall be subject to the confidentiality obligations set forth in this Arrangement Letter.

Prior to disclosing to us or our subcontractors or granting us or our subcontractors with access to the Credit Union's data, the Credit Union will identify in writing any personal, technical, or other data provided or made accessible to us or our subcontractors pursuant to this Arrangement Letter that may be subject to heightened protections under applicable privacy, cybersecurity, export control, and/or data protection laws, including, but not limited to, protected health information pursuant to the *Health Information Portability and Accountability Act of 1996* (HIPAA), classified or controlled unclassified information subject to the National Industrial Security Program, the National Industrial Security Program Operating Manual, or the Defense Federal Acquisition Regulation Supplement (DFARS), data subject to Export Administration Regulations (EAR), or International Traffic in Arms Regulations (ITAR) controlled data. Unless otherwise expressly agreed upon and specified in writing by BNN and the Credit Union, you shall not provide us or any of our subcontractors with access to such data and the Credit Union shall be responsible for the handling of all such data in connection with the performance of the services requested hereunder, including, but not limited to, the scrubbing, de-identification, de-aggregation, protection, encryption, transfer, movement, input, storage, migration, deletion, copying, processing, and modification of such data.

BNN and the Credit Union acknowledge and agree that they may correspond or convey information and documentation, including Confidential Information and Personal Information, via various forms of electronic transmission, including, but not limited to, Third-Party Products, such as email, FTP and cloud-based sharing and hosting applications (e.g., portals, data analytics tools, and helpdesk and support ticketing applications), and that neither party has control over the performance, operation, reliability, availability, or security of these electronic transmission methods. Therefore, neither party will be liable for any loss, damage, expense, harm, disclosure or inconvenience resulting from the loss, delay, interception, corruption, unauthorized disclosure, or alteration of any electronic transmission where the party has used commercially reasonable efforts to protect such information. We offer our clients various platforms for the exchange of information. You hereby agree that you shall be bound by and comply with any and all user terms and conditions made available (whether by link, click-through, or otherwise) with respect to such platforms.

## **Personal Information**

As used herein, the term "Personal Information" means any personal information that directly or indirectly identifies a natural person as may be defined by applicable privacy, data protection or cybersecurity laws, and includes, but is not limited to, nonpublic, personally identifiable information such as Social Security numbers, Social Insurance numbers, driver's license numbers or state- or province-issued identification card numbers, credit or debit card numbers with or without any required security code, number or passwords, health information, and other personal information as defined by applicable laws, whether of the Credit Union or the Credit Union's customers or other third parties.

Each party agrees that it will not transmit to the other, in any manner, (i) Personal Information that is not needed to render the services hereunder, and (ii) Personal Information that has not been encrypted. In the event the Credit Union transmits to us Personal Information in an unencrypted format or via unencrypted means, the Credit Union agrees that we have no obligation to notify you of the foregoing.

You represent and warrant that the Credit Union has provided all notices and obtained all consents required under applicable data protection laws prior to your collection, use and disclosure to us or our subcontractors of such Personal Information and shall take reasonable steps to ensure that such Personal Information does not include irrelevant or unnecessary information about individuals.

We will use all such Credit Union-provided Personal Information, if at all, only for the purposes described in this Arrangement Letter. The parties agree that as part of the performance of the services as described in this Arrangement Letter, and as part of the direct business relationship between the parties, we may, at our election, use the Personal Information to improve the services and for other similar internal and business purposes. We agree to maintain appropriate security measures to protect such Personal Information in accordance with applicable laws.

If we become aware of an unauthorized acquisition or use of Credit Union-provided Personal Information, we will promptly inform you of such unauthorized acquisition or use as required by applicable laws and, upon your written request, reasonably cooperate with you at your sole cost in support of any breach notification requirements as imposed upon you by applicable laws.

### **Retention of Records**

We will return to the Credit Union all original records the Credit Union provides to us in connection with this engagement. Further, in addition to providing you with those deliverables set forth in this Arrangement Letter, we will provide to the Credit Union a copy of any records we prepare or accumulate in connection with such deliverables which are not otherwise reflected in the Credit Union's books and records without which the Credit Union's books and records would be incomplete. The Credit Union has the sole responsibility for retaining and maintaining in its possession or custody all of its financial and nonfinancial records related to this engagement. We will not host, and will not accept responsibility to host, any of the Credit Union's records. We, however, may maintain a copy of any records of the Credit Union necessary for us to comply with applicable law and/or professional standards. Any such records retained by us will be subject to the confidentiality obligations set forth herein and destroyed in accordance with our record retention policies.

### **Termination**

Your failure to make full payment of any and all undisputed amounts invoiced in a timely manner constitutes a material breach for which we may refuse to provide deliverables and/or, upon written notice, suspend or terminate our services under this Arrangement Letter. We will not be liable to you for any resulting loss, damage or expense connected with the suspension or termination of our services due to your failure to make full payment of undisputed amounts invoiced in a timely manner.

In the event you terminate this engagement, you will pay us for all services rendered (including deliverables and products delivered), expenses incurred, and noncancelable commitments made by us on your behalf through the effective date of termination.

We will not be responsible for any delay or failure in our performance resulting from acts beyond our reasonable control or unforeseen or unexpected circumstances, such as, but not limited to, acts of God, government or war, riots or strikes, disasters, fires, floods, epidemics, pandemics or outbreaks of communicable disease, cyberattacks, and internet or other system or network outages. At your option, you may terminate this Arrangement Letter where our services are delayed more than 120 days; however, you are not excused from paying us for all amounts owed for services rendered and deliverables provided prior to the termination of this Arrangement Letter.

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, we may, at our sole discretion, terminate this Arrangement Letter without further obligation to you. Resumption of our work following termination may be subject to our client acceptance procedures and, if resumed, will require additional procedures not contemplated in this Arrangement Letter. Accordingly, the scope, timing and fee arrangement discussed in this Arrangement Letter will no longer apply. In order for us to recommence work, the execution of a new Arrangement Letter with the Supervisory Committee and a new Management Acknowledgment Letter will be required.

We may terminate this Arrangement Letter upon written notice if: (i) we determine that our continued performance would result in a violation of law, regulatory requirements, applicable professional or ethical standards, or our client acceptance or retention standards; or (ii) the Credit Union is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, the Credit Union or any of its affiliates is placed on a verified sanctioned person list, in each case, including, but not limited to, lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union, or any other relevant sanctioning authority.

The parties agree that those provisions of this Arrangement Letter which, by their context, are intended to survive, including, but not limited to, payment, use and ownership, and confidentiality obligations, shall survive the termination of this Arrangement Letter.

### **Miscellaneous**

We may mention the Credit Union's name and provide a general description of the engagement in our client lists and marketing materials.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a principal or professional employee leaves BNN and is subsequently employed by or associated with a client in a key position. Accordingly, you agree to compensate us for any additional costs incurred as a result of your employment of one of our principals or employees.

You agree that any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement, or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

If mediation fails to resolve the dispute or claim, the parties hereby agree to submit any action, claim or counterclaim, whether based in contract, tort, statutory rights or otherwise, to the Courts of the State of Maine.

### **Governing Law**

This Arrangement Letter, including, without limitation, its validity, interpretation, construction, and enforceability, and any dispute, litigation, suit, action, claim, or other legal proceeding arising out of, from, or relating in any way to this Arrangement Letter, any provisions herein, a report issued or the services provided hereunder, will be governed and construed in accordance with the laws of the State of Maine, without regard to its conflict of law principles, and applicable U.S. federal law.

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Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

### **Entire Agreement**

This Arrangement Letter constitutes the complete and exclusive statement of agreement between BNN and the Credit Union and supersedes all prior agreements, understandings, and proposals, whether oral or written, relating to the subject matter of this Arrangement Letter.

If any term or provision of this Arrangement Letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

This Arrangement Letter may be amended or modified only by a written instrument executed by both parties.

### **Electronic Signatures and Counterparts**

Each party hereto agrees that any electronic signature of a party to this Arrangement Letter or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (a) to be “written” or “in writing,” (b) to have been signed and (c) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, “electronic signature” includes, but is not limited to, (a) a scanned copy (as a “pdf” (portable document format) or other replicating image) of a manual ink signature, (b) an electronic copy of a traditional signature affixed to a document, (c) a signature incorporated into a document utilizing touchscreen capabilities or (d) a digital signature. This Arrangement Letter may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or “printouts” of such documents, if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

Please sign and return a copy of this Arrangement Letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.



Page 11

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

### Acknowledgement and Acceptance

Each party acknowledges that it has read and agrees to all of the terms and conditions contained herein. Each party and its signatory below represents that said signatory is a duly authorized representative of such party and has the requisite power and authority to bind such party to the undertakings and obligations contained herein.

#### Agreed to and acknowledged by:

BAKER NEWMAN & NOYES LLC

Jeffrey T. Skaggs  
Principal

#### Confirmed on behalf of Maine Savings Federal Credit Union:

DocuSigned by:

Joseph Young, Chair of the Supervisory Committee

1/26/2023

Date

The Supervisory Committee  
Maine Savings Federal Credit Union and Subsidiaries

In planning and performing our audit of the financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union) as of and for the year ended March 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Credit Union's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Credit Union's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

### **Timely Review of Reconciliations**

We identified several instances where the formal review and approval of the monthly federal reserve account reconciliation and Synergent check reconciliation were not performed timely. These instances are generally isolated to quarter-end dates and management has indicated that they are delayed as a result of the preparation of quarter-end materials during the same time period. We recommend ensuring that the formal review and approval of these reconciliations is performed timely in order to identify any errors or issues in a timely manner.

### **Loan Risk Rating Changes**

The Credit Union adopted a new loan risk rating scale in January 2023. There were two instances identified in which a relationship was reviewed during the annual review process using the updated risk rating scale; however, the risk rating in the loan system was not updated to the new risk rating scale following that annual review. The loan risk rating differences were within pass-rated categories; however, we recommend the Credit Union improve the loan maintenance process to ensure all risk rating change requests are appropriately reflected in the loan system.

### **Allowance for Loan Losses Calculation**

In an effort to further enhance the documented support for the qualitative factors utilized in the allowance for loan loss calculation, as well as in preparation for the approaching implementation of the Current Expected Credit Loss (CECL) standard affecting the allowance for loan losses, we recommend that the Credit Union more formally assess and document its qualitative factors on a quarterly basis, including a documented analysis and conclusion with narrative and referenced sources, and make adjustments as necessary that are reflective of any increases in perceived risk related to trends in qualitative and environmental factors.

As part of this process, management should consider those qualitative or environmental factors that are likely to cause estimated credit losses associated with the Credit Union's existing portfolio to differ from historical loss experience, including but not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not considered elsewhere in estimating credit losses;
- Changes in national, regional and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the experience, ability and depth of lending management and other relevant staff;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans and the volume and severity of adversely classified or graded loans;
- Changes in the quality of the loan review system;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses.

Further, as part of the calculation to determine the allowance for loan losses, we recommend that the Credit Union apply methodology under Accounting Standards Codification (ASC) 310-10-35 in order to determine which loans to specifically reserve. The loans falling within the scope of ASC 310-10-35 are generally limited to impaired loans. Each loan that is measured within the scope of this ASC should quantify their specific reserves based on one of the three following methods:

- Present value of expected future cash flows discounted at the loan's effective interest rate;
- Observable market price of the loan; or
- Fair value of collateral less costs to sell.

Management has indicated that they agree with this comment and are implementing as part of their adoption of CECL moving forward.

This communication is intended solely for the information and use of the Supervisory Committee, the Board of Directors, management and others within the Credit Union and is not intended to be, and should not be, used by anyone other than these specified parties.

*BAKER NEWMAN & NOYES LLC*  
Portland, Maine  
June 28, 2023



June 28<sup>th</sup>, 2023

Baker Newman & Noyes LLC  
280 Fore Street  
Portland, Maine 04101-4177

This representation letter is provided in connection with your audits of the consolidated financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union), which comprise the consolidated statements of financial condition as of March 31, 2023 and 2022, the related consolidated statements of income, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements for the purpose of expressing an opinion on whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

***Financial Statements***

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 23, 2022, for the preparation and fair presentation of the consolidated financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through the date of this letter, have been recognized or disclosed in the consolidated financial statements. No events or transactions other than those disclosed in the consolidated financial statements have occurred subsequent to the balance sheet date and through the date of this letter that would require recognition or disclosure in the consolidated financial statements. We further represent that as of the date of this letter, the consolidated financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the consolidated financial statements had been obtained.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The methods and significant assumptions used to determine fair values of financial instruments are described in footnote 14 to the consolidated financial statements. The methods and significant assumptions used result in a measure of fair value appropriate for consolidated financial statement measurement and disclosure purposes.
9. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit or similar arrangements have been properly disclosed.
10. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the consolidated financial statements:
  - a. The extent, nature and terms of financial instruments with off-balance-sheet-risk;
  - b. The amount of credit risk of financial instruments with off-balance-sheet-risk and information about the collateral supporting such financial instruments; and
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
11. We have evaluated all of our debt securities for which there has been a decline in fair value below the amortized cost. In that regard:
  - a. We do not have the intent to sell any of the securities that are in an unrealized loss position;
  - b. We have forecasted recovery of these debt securities and our liquidity and have concluded that it is not more likely than not that we will have to sell the securities prior to forecasted recovery;
  - c. We have evaluated these debt securities to determine whether we expect to recover the amortized cost basis of the securities. We have concluded in all cases that we will recover the amortized cost basis of the securities; and
  - d. Any sales of securities in a loss position are immaterial to the consolidated financial statements and the sale resulted from an overall portfolio evaluation and not as a result of the loss on the security.
12. Debt securities that have been classified as held-to-maturity have been classified due to the Credit Union's intent to hold such securities to maturity and the Credit Union's ability to do so.
13. We have not yet completed the process of evaluating the effect that will result from adopting the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, as discussed in footnote 1 to the consolidated financial statements. The Credit Union is therefore unable to disclose the effect that adopting the guidance in this ASU will have on its financial position and results of operations when such guidance is adopted.

14. With respect to drafting the consolidated financial statements as a service performed in the course of the audit:
  - a. We have made all management decisions and performed all management functions;
  - b. We assigned an appropriate individual to oversee the service;
  - c. We evaluated the adequacy and results of the service performed, and made an informed judgment on the results of the service performed;
  - d. We have accepted responsibility for the results of the service; and
  - e. We have accepted responsibility for all significant judgments and decisions that were made.
15. We have no knowledge of any uncorrected misstatements in the consolidated financial statements.
16. The following have been properly recorded and/or disclosed in the consolidated financial statements:
  - a. Guarantees, whether written or oral, under which the Credit Union is contingently liable;
  - b. Lines of credit or similar arrangements;
  - c. Agreements to repurchase assets previously sold;
  - d. Security agreements in effect under the Uniform Commercial Code;
  - e. All other liens or encumbrances on assets and all other pledges of assets;
  - f. Amounts of contractual obligations for plant construction and/or purchase of real property, equipment, other assets, and intangibles;
  - g. All liabilities that are subordinated to any other actual or possible liabilities of the Credit Union;
  - h. All leases and material amounts of rental obligations under long-term leases;
  - i. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the *Risks and Uncertainties Topic* of the FASB Accounting Standards Codification (ASC). Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year;
  - j. Derivative financial instruments; and
  - k. Assets and liabilities measured at fair value in accordance with the *Fair Value Measurements and Disclosures Topic* of the FASB ASC.

***Information Provided***

17. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the consolidated financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the Credit Union from whom you determined it necessary to obtain audit evidence;
  - d. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared; and
  - e. Reports and correspondence between the Credit Union and regulatory examiners during the period under audit and all supervisory memoranda or agreements, if any, with any federal or state regulatory authority.
18. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

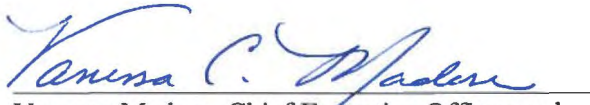
19. We have disclosed to you the results of our assessment of risk that the consolidated financial statements may be materially misstated as a result of fraud.
20. We have no knowledge regarding allegations of fraud or suspected fraud, affecting the Credit Union's consolidated financial statements involving:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the consolidated financial statements.
21. We have no knowledge regarding any allegations of fraud or suspected fraud affecting the Credit Union's consolidated financial statements received in communications from employees, former employees, analysts, regulators or others.
22. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
23. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the consolidated financial statements. We have not consulted legal counsel concerning litigation or claims.
24. We have disclosed to you the identity of all of the Credit Union's related parties and all the related-party relationships and transactions of which we are aware.
25. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Credit Union's ability to record, process, summarize and report financial data.
26. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
27. There have been no unfavorable findings that materially affect mortgage operations or suspensions by the U.S. Department of Housing and Urban Development (HUD) or any investor or regulatory agency within the past 12 months.
28. We believe that the past due, watch, impaired, troubled debt restructuring and nonaccrual listings are complete and accurate as of March 31, 2023.
29. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
  - a. The Credit Union has no significant amounts of idle property and equipment;
  - b. The Credit Union has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines;
  - c. We consider the decline in value of debt securities classified as either available-for-sale or held-to-maturity to be temporary;
  - d. Provision has been made to reduce all assets that have permanently declined in value to their realizable values; and
  - e. We have reviewed long-lived assets to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.

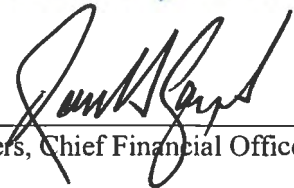
30. We are responsible for making the accounting estimates included in the consolidated financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- To reduce receivables to their estimated net collectable amounts;
  - For uninsured losses or loss retentions (deductibles) attributable to events occurring through March 31, 2023 and/or for expected retroactive insurance premium adjustments applicable to periods through March 31, 2023;
  - For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through March 31, 2023;
  - For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitments; and
  - For environmental clean-up obligations.
31. There are no:
- Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the consolidated financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a “potentially responsible party” by the Environmental Protection Agency in connection with any environmental contamination;
  - Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the *Contingencies* Topic of the FASB ASC.
32. The Credit Union has satisfactory title to all owned assets.
33. We have complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance.
34. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following are required:
- Management of the Credit Union believes that the allowance for loan losses is adequate. While management uses available information to establish the allowance for loan losses, future additions to the allowance may be necessary. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Credit Union’s allowance for loan losses and may require the Credit Union to recognize additions to the allowance based on judgments different from those of management;
  - Material estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses. In connection with the determination of the allowance for loan losses, management periodically obtains independent appraisals for significant properties; and
  - A substantial portion of the Credit Union’s loans are secured by real estate in central Maine. Accordingly, the ultimate collectability of a substantial portion of the Credit Union’s loan portfolio is susceptible to changes in market conditions in central Maine.
35. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

36. Dave Sayers has reviewed the Checklist for Disclosures and we are satisfied that the consolidated financial statements contain all material disclosures required by generally accepted accounting principles.

Very truly yours,

**Maine Savings Federal Credit Union and Subsidiaries**

  
Vanessa Madore, Chief Executive Officer and  
President

  
Dave Sayers, Chief Financial Officer

The Supervisory Committee  
Maine Savings Federal Credit Union and Subsidiaries

In planning and performing our audit of the financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union) as of and for the year ended March 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Credit Union's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Credit Union's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

#### **Timely Review of Reconciliations**

We identified several instances where the formal review and approval of the monthly federal reserve account reconciliation and Synergent check reconciliation were not performed timely. These instances are generally isolated to quarter-end dates and management has indicated that they are delayed as a result of the preparation of quarter-end materials during the same time period. We recommend ensuring that the formal review and approval of these reconciliations is performed timely in order to identify any errors or issues in a timely manner.

#### **Loan Risk Rating Changes**

The Credit Union adopted a new loan risk rating scale in January 2023. There were two instances identified in which a relationship was reviewed during the annual review process using the updated risk rating scale; however, the risk rating in the loan system was not updated to the new risk rating scale following that annual review. The loan risk rating differences were within pass-rated categories; however, we recommend the Credit Union improve the loan maintenance process to ensure all risk rating change requests are appropriately reflected in the loan system.

### **Allowance for Loan Losses Calculation**

In an effort to further enhance the documented support for the qualitative factors utilized in the allowance for loan loss calculation, as well as in preparation for the approaching implementation of the Current Expected Credit Loss (CECL) standard affecting the allowance for loan losses, we recommend that the Credit Union more formally assess and document its qualitative factors on a quarterly basis, including a documented analysis and conclusion with narrative and referenced sources, and make adjustments as necessary that are reflective of any increases in perceived risk related to trends in qualitative and environmental factors.

As part of this process, management should consider those qualitative or environmental factors that are likely to cause estimated credit losses associated with the Credit Union's existing portfolio to differ from historical loss experience, including but not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not considered elsewhere in estimating credit losses;
- Changes in national, regional and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the experience, ability and depth of lending management and other relevant staff;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans and the volume and severity of adversely classified or graded loans;
- Changes in the quality of the loan review system;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses.

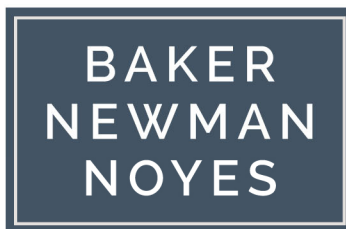
Further, as part of the calculation to determine the allowance for loan losses, we recommend that the Credit Union apply methodology under Accounting Standards Codification (ASC) 310-10-35 in order to determine which loans to specifically reserve. The loans falling within the scope of ASC 310-10-35 are generally limited to impaired loans. Each loan that is measured within the scope of this ASC should quantify their specific reserves based on one of the three following methods:

- Present value of expected future cash flows discounted at the loan's effective interest rate;
- Observable market price of the loan; or
- Fair value of collateral less costs to sell.

Management has indicated that they agree with this comment and are implementing as part of their adoption of CECL moving forward.

This communication is intended solely for the information and use of the Supervisory Committee, the Board of Directors, management and others within the Credit Union and is not intended to be, and should not be, used by anyone other than these specified parties.

*BAKER NEWMAN & NOYES LLC*  
Portland, Maine  
June 28, 2023



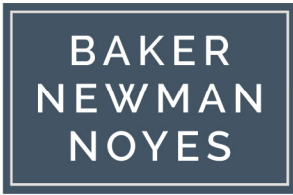
# **Maine Savings Federal Credit Union and Subsidiaries**

Audited Consolidated Financial Statements

*For the Years Ended March 31, 2023 and 2022  
With Independent Auditors' Report*

Baker Newman & Noyes LLC  
MAINE | MASSACHUSETTS | NEW HAMPSHIRE  
800.244.7444 | [www.bnn CPA.com](http://www.bnn CPA.com)





## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Maine Savings Federal Credit Union and Subsidiaries

### Opinion

We have audited the consolidated financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union), which comprise the consolidated statements of financial condition as of March 31, 2023 and 2022, the related consolidated statements of income, changes in 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 as of March 31, 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 (U.S. GAAP).

### 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 Auditors' 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 U.S. 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 within one year after the date that the financial statements are issued or available to be issued.

### **Auditors' 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 auditors' 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.

*BAKER NEWMAN & NOYES LLC*  
Portland, Maine  
June 28, 2023

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

March 31, 2023 and 2022

|                                                                                                                                | <u>2023</u>           | <u>2022</u>           |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <u>ASSETS</u>                                                                                                                  |                       |                       |
| Cash and due from banks                                                                                                        | \$ 80,187,165         | \$ 109,656,440        |
| Interest-bearing deposits in banks and<br>corporate credit unions                                                              | 33,598,000            | 20,871,000            |
| Investment securities held-to-maturity (fair value of \$9,660,170<br>and \$4,860,130 at March 31, 2023 and 2022, respectively) | 10,000,000            | 5,000,000             |
| Loans receivable, net of allowance for loan losses                                                                             | 498,730,005           | 382,973,267           |
| Accrued interest receivable                                                                                                    | 1,855,146             | 1,047,845             |
| Property and equipment, net of accumulated depreciation                                                                        | 11,298,757            | 11,340,080            |
| Federal Home Loan Bank stock, at cost                                                                                          | 356,100               | 356,100               |
| Investment in CUSO Mortgage Corporation                                                                                        | 4,029,645             | 4,296,081             |
| NCUSIF deposit                                                                                                                 | 4,721,406             | 4,435,738             |
| Other investments                                                                                                              | 20,519,835            | 22,123,849            |
| Operating lease right-of-use asset                                                                                             | 1,086,340             | —                     |
| Other assets                                                                                                                   | <u>7,551,905</u>      | <u>7,176,001</u>      |
| Total assets                                                                                                                   | \$ <u>673,934,304</u> | \$ <u>569,276,401</u> |

### LIABILITIES AND MEMBERS' EQUITY

|                                       |                       |                       |
|---------------------------------------|-----------------------|-----------------------|
| Members' share accounts               | \$ 617,487,176        | \$ 517,216,570        |
| Deferred compensation                 | 529,508               | 1,290,517             |
| Accrued expenses                      | 899,892               | 1,282,712             |
| Operating lease liability             | <u>1,227,738</u>      | <u>—</u>              |
| Total liabilities                     | 620,144,314           | 519,789,799           |
| Members' equity:                      |                       |                       |
| Undivided earnings                    | <u>53,789,990</u>     | <u>49,486,602</u>     |
| Total members' equity                 | <u>53,789,990</u>     | <u>49,486,602</u>     |
| Total liabilities and members' equity | \$ <u>673,934,304</u> | \$ <u>569,276,401</u> |

See accompanying notes.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

Years Ended March 31, 2023 and 2022

|                                                       | <u>2023</u>         | <u>2022</u>         |
|-------------------------------------------------------|---------------------|---------------------|
| Interest income:                                      |                     |                     |
| Interest and fees on loans receivable                 | \$21,832,469        | \$16,737,300        |
| Interest on interest-bearing deposits and investments | <u>2,648,716</u>    | <u>597,077</u>      |
|                                                       | 24,481,185          | 17,334,377          |
| Interest expense:                                     |                     |                     |
| Interest expense on members' share accounts           | 3,738,572           | 2,511,824           |
| Interest expense on borrowed funds                    | <u>681,171</u>      | <u>1,219,817</u>    |
|                                                       | <u>4,419,743</u>    | <u>3,731,641</u>    |
| Net interest income                                   | 20,061,442          | 13,602,736          |
| Provision for loan losses                             | <u>390,000</u>      | <u>—</u>            |
| Net interest income after provision for loan losses   | 19,671,442          | 13,602,736          |
| Noninterest income:                                   |                     |                     |
| Service charges and fees                              | 2,428,213           | 2,123,452           |
| (Loss) gain on other investments                      | (1,259,493)         | 129,507             |
| Interchange income                                    | 3,832,709           | 3,604,591           |
| Referral and incentive income                         | 108,402             | 952,325             |
| Other income                                          | <u>1,400,222</u>    | <u>2,126,350</u>    |
|                                                       | 6,510,053           | 8,936,225           |
| Noninterest expenses:                                 |                     |                     |
| Compensation and benefits                             | 11,222,931          | 10,503,193          |
| Occupancy                                             | 1,524,909           | 1,533,626           |
| Office operations                                     | 1,395,288           | 1,200,916           |
| Other                                                 | <u>7,468,543</u>    | <u>6,230,429</u>    |
| Total noninterest expenses                            | 21,611,671          | 19,468,164          |
| Equity in (loss) income of CUSO Mortgage Corporation  | <u>(266,436)</u>    | <u>78,958</u>       |
| Net income                                            | <u>\$ 4,303,388</u> | <u>\$ 3,149,755</u> |

See accompanying notes.

**MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY**

Years Ended March 31, 2023 and 2022

|                                | <u>Statutory<br/>Reserves</u> | <u>Undivided<br/>Earnings</u> | <u>Total</u>        |
|--------------------------------|-------------------------------|-------------------------------|---------------------|
| Balances, March 31, 2021       | \$ 3,507,665                  | \$42,829,182                  | \$46,336,847        |
| Reclassification (see Note 11) | (3,507,665)                   | 3,507,665                     | —                   |
| Net income                     | <u>—</u>                      | <u>3,149,755</u>              | <u>3,149,755</u>    |
| Balances, March 31, 2022       | —                             | 49,486,602                    | 49,486,602          |
| Net income                     | <u>—</u>                      | <u>4,303,388</u>              | <u>4,303,388</u>    |
| Balances, March 31, 2023       | \$ <u>—</u>                   | <u>\$53,789,990</u>           | <u>\$53,789,990</u> |

See accompanying notes.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended March 31, 2023 and 2022

|                                                                                   | <u>2023</u>          | <u>2022</u>          |
|-----------------------------------------------------------------------------------|----------------------|----------------------|
| Cash flows from operating activities:                                             |                      |                      |
| Net income                                                                        | \$ 4,303,388         | \$ 3,149,755         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |                      |
| Depreciation                                                                      | 797,959              | 773,271              |
| Gain on sale of property and equipment                                            | —                    | (586,176)            |
| Provision for loan losses                                                         | 390,000              | —                    |
| Loss (equity) in income of CUSO Mortgage Corporation                              | 266,436              | (78,958)             |
| Loss (gain) on other investments                                                  | 1,259,493            | (129,507)            |
| Change in accrued interest receivable                                             | (807,301)            | (45,951)             |
| Change in other assets                                                            | (435,478)            | 224,563              |
| Change in deferred compensation liability                                         | (761,009)            | 129,507              |
| Change in accrued expenses                                                        | (254,198)            | 929,156              |
| Change in deferred loan costs/fees                                                | (278,810)            | 12,012               |
| Net change in operating lease right-of-use asset and liabilities                  | <u>12,776</u>        | <u>—</u>             |
| Net cash provided by operating activities                                         | 4,493,256            | 4,377,672            |
| Cash flows from investing activities:                                             |                      |                      |
| Net change in interest-bearing deposits in banks and corporate credit union       | (12,727,000)         | (5,987,000)          |
| Proceeds from the sale of other real estate owned                                 | 59,574               | 45,742               |
| Purchase of property and equipment                                                | (756,636)            | (547,639)            |
| Proceeds from sale of property and equipment                                      | —                    | 2,000,000            |
| Purchase of held-to-maturity investments                                          | (6,000,000)          | (5,000,000)          |
| Purchase of other investments                                                     | (1,000,000)          | (10,000,000)         |
| Proceeds from sale of other investments                                           | 1,344,521            | —                    |
| Proceeds from maturity of held-to-maturity investments                            | 1,000,000            | —                    |
| Redemption of Federal Home Loan Bank stock                                        | —                    | 333,300              |
| Net change in NCUSIF deposit                                                      | (285,668)            | (256,674)            |
| Net change in loans receivable                                                    | <u>(115,867,928)</u> | <u>(20,769,543)</u>  |
| Net cash used in investing activities                                             | (134,233,137)        | (40,181,814)         |
| Cash flows from financing activities:                                             |                      |                      |
| Payments on borrowed funds                                                        | —                    | (6,000,000)          |
| Net increase in members' share accounts                                           | <u>100,270,606</u>   | <u>27,423,333</u>    |
| Net cash provided by financing activities                                         | <u>100,270,606</u>   | <u>21,423,333</u>    |
| Net decrease in cash and cash equivalents                                         | (29,469,275)         | (14,380,809)         |
| Cash and cash equivalents, beginning of year                                      | <u>109,656,440</u>   | <u>124,037,249</u>   |
| Cash and cash equivalents, end of year                                            | <u>\$ 80,187,165</u> | <u>\$109,656,440</u> |

**MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

Years Ended March 31, 2023 and 2022

|                                                           | <u>2023</u>  | <u>2022</u>  |
|-----------------------------------------------------------|--------------|--------------|
| Supplemental disclosure of cash flow information:         |              |              |
| Interest paid                                             | \$ 4,419,743 | \$ 3,731,641 |
| Non-cash operating activities:                            |              |              |
| Initial recognition of operating lease right-of-use asset | \$ 1,163,425 | \$ —         |
| Initial recognition of operating lease liabilities        | 1,292,047    | —            |
| Elimination of deferred rent liability                    | 128,622      | —            |

See accompanying notes.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies

#### Principles of Consolidation

The consolidated financial statements include the accounts of Maine Savings Federal Credit Union (the Credit Union) and its wholly-owned subsidiaries, One Maine Insurance, LLC and One Maine Financial, LLC. All significant intercompany balances and transactions are eliminated in consolidation.

#### Field of Membership

The Credit Union's field of membership includes a number of employee groups, church groups and other associations that are located in or near the service offices in the towns of Hampden, Bar Harbor, Ellsworth, Milo, Corinth, Brewer, Vassalboro, Old Town, Portland and Bangor, Maine. The Credit Union's primary source of revenue is providing commercial and residential real estate and consumer loans to individual members in its service area. Most of the Credit Union's customers are located in the State of Maine, particularly in the area surrounding Bangor.

#### Use of Estimates

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated statements of financial condition and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses.

#### Cash and Cash Equivalents

For the consolidated statement of cash flows, cash and cash equivalents include cash and due from banks. The Credit Union maintains cash balances at a financial institution which, at times, may exceed federally insured limits. The Credit Union has not experienced any losses in such accounts. The Credit Union believes it is not exposed to any significant risk of loss on cash and cash equivalents.

#### Interest-Bearing Deposits in Banks and Corporate Credit Unions

Interest-bearing time deposits in banks and corporate credit unions consist of certificates of deposit with initial maturities of 30 days or more. These balances are carried at cost.

#### Investment Securities Held-to-Maturity

The Credit Union invests in debt securities with the positive intent and ability to hold to maturity which are classified as held-to-maturity and are carried at amortized cost.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### Loans Receivable and Allowance for Loan Losses

Loans are stated at the amount of unpaid principal plus net deferred origination costs, reduced by an allowance for loan losses. The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged off against the allowance for loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb probable losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience.

While management uses available information to recognize losses on loans, future additions to the allowance may be necessary. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Credit Union's allowance for loan losses. Such agencies may require the Credit Union to recognize additions to the allowance based on judgments different from those of management.

General Component – The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: residential mortgages and home equity, automobile, commercial mortgage, other consumer, and credit cards. Management generally uses average historical losses based on a timeframe appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors (where appropriate): changes in local and national economic and business conditions; levels/trends in delinquencies; and effects of changes in risk selection and underwriting standards and other changes in lending policies.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

*Residential real estate & home equity loans:* The Credit Union generally does not originate residential mortgage loans with a loan-to-value ratio greater than 80 percent (with the exception of CU Promise Loans) without requiring Private Mortgage Insurance and does not grant subprime loans. The Credit Union generally does not originate home equity loans with a loan-to-value greater than 90%. Loans in this segment are mostly secured by one-to-four family owner occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, may have an effect on the credit quality in this loan segment.

*Automobile loans:* Loans in this segment are secured by new and used automobiles and recreational vehicles. These loans are made primarily to individuals and repayment is dependent on the credit quality of the individual borrower.

*Commercial mortgages:* Loans in this segment are primarily income-producing properties throughout Maine. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates which, in turn, will have an effect on the credit quality in this segment. Management periodically obtains rent rolls and continually monitors the cash flows of these loans.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

*Other consumer loans and credit card:* Loans in these segments consist of unsecured loans, share secured loans, and lines of credit and repayment is dependent on the credit quality of the individual borrower.

*Allocated Component* – The allocated component relates to loans that are classified as impaired.

Loans are considered impaired when it is probable that the Credit Union will be unable to collect all principal and interest amounts due according to the contractual terms of the loan agreement. Commercial loans over \$200,000, other loans over \$100,000, and troubled debt restructured loans are individually reviewed for impairment. Impaired loans are reduced to the present value of expected future cash flows or to the fair value of collateral for loans which are collateral dependent by the establishment of an allowance. Loans under those amounts are collectively evaluated for impairment.

Factors considered by management in determining impairment include payment status and collateral value. The amount of the impairment is determined by the difference between the present value of the expected cash flows related to the loan, using the original contractual interest rate, and its recorded value, or, in the case of collateral dependent loans, the difference between the fair value of the collateral and the recorded amount of the loans. Consumer and certain mortgage loans are measured for impairment collectively. Loans that experience insignificant payment delays and insignificant shortfalls in payment amounts generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reason for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Credit Union periodically may agree to modify the contractual term of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are initially classified as impaired.

*Unallocated Component* – An unallocated component of the allowance for loan losses is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

#### Interest Income on Loans

Interest on loans is accrued and credited to income based on the principal amounts outstanding. The accrual of interest on loans is discontinued when, in the opinion of management, the payment of interest or principal is in doubt, the loan is impaired, or when interest or principal is 90 days past due unless the loan is well-secured and in process of collection. If there is doubt as to the collectibility of the interest, all previously accrued interest is reversed from current income. Nonaccrual loans, which include impaired loans, are returned to accrual status when principal and interest become current and payment of the loan is expected in accordance with its contractual terms, generally after a period of six months.

#### Origination Fees and Costs

Loan origination fees and direct loan origination costs are deferred and amortized over the contractual life of the related loan. Prepayments are accounted for in the year of prepayment.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Expenditures for normal repairs and maintenance are expensed as incurred.

#### Federal Home Loan Bank Stock

Federal Home Loan Bank (FHLB) stock is carried at cost and can only be sold back to the FHLB based on its current redemption policies.

#### Investment in CUSO Mortgage Corporation

The investment in CUSO Mortgage Corporation (CUSO) is carried based on the equity method of investment and the Credit Union records its share of CUSO's income (loss).

#### NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The Federal Credit Union Act requires the NCUA Board to set a target equity ratio of at least 1.20 percent and no more than 1.50 percent of total insured deposits. It is NCUA Board policy that the normal operating equity ratio is 1.30 percent. In the event that the equity ratio of the fund falls below 1.20 percent, the Federal Credit Union Act requires the NCUA Board to charge credit unions a premium or to develop and implement a restoration plan for the fund. The NCUA Board has discretion whether to charge a premium when the equity ratio is between 1.20 percent and 1.30 percent.

#### Other Investments

Other investments consist of investments made by the Credit Union that are invested in a variety of mutual funds and annuity contracts and in part are used to fund the deferred compensation plan. The mutual funds are carried at fair value with both realized and unrealized gains and losses being credited or charged to income. The annuity contracts are carried at cost with interest earned but not received recorded within accrued interest receivable.

#### Members' Share Accounts

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share accounts is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### Members' Equity

The Credit Union was required by regulation to maintain a statutory reserve through December 31, 2021. This reserve, which represented a regulatory restriction of members' equity, was not available for the payment of interest. Effective January 1, 2022, the Credit Union is no longer required to maintain a statutory reserve.

#### Advertising

Advertising costs are expensed as incurred. For the years ended March 31, 2023 and 2022, advertising expense was approximately \$350,000 and \$193,000, respectively.

#### Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes.

#### Revenue Recognition

The majority of the Credit Union's revenues come from interest income and other sources, including loans and investments which are outside the scope of Topic 606. Those revenues that are within scope of Topic 606 are presented within Non-Interest Income and include service charges and fees and other income. Revenue on these services is recognized as the Credit Union satisfies its performance obligations to the customer.

#### New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU affect entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The main objective of this ASU, along with subsequent ASUs issued to provide transition relief, narrow technical improvements, and certain codification improvements, is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this ASU replace the incurred loss methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This ASU also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a reporting entity's portfolio. Additionally, this ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This ASU is effective for fiscal years beginning after December 15, 2022. An entity will apply the amendments in this guidance through a cumulative-effect adjustment to members' equity as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Credit Union is currently reviewing the amendments in this ASU to determine the impact on its consolidated financial statements.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 1. Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

Events occurring after the consolidated statement of financial condition date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. For the purposes of recognition and disclosure in these consolidated financial statements, management of the Credit Union has evaluated subsequent events through June 28, 2023, which is the date these consolidated financial statements were available to be issued.

### 2. Interest-Bearing Deposits in Banks and Corporate Credit Unions

At March 31, 2023, the Credit Union's interest-bearing deposits in banks and corporate credit unions mature as follows:

|                                       |                     |
|---------------------------------------|---------------------|
| Due in one year or less               | \$16,924,000        |
| Due in one year through three years   | 12,694,000          |
| Due in three years through five years | <u>3,980,000</u>    |
|                                       | <u>\$33,598,000</u> |

Balances in interest-bearing deposits in banks and corporate credit unions are fully insured at March 31, 2023.

### 3. Investment Securities Held-To-Maturity

At March 31, 2023, the Credit Union holds U.S. Government-sponsored entities bonds with a cost of \$10,000,000 and a fair value of \$9,660,170 for a net unrealized loss of \$339,830 from 19 securities. Seven of these securities have been in an unrealized loss position for less than 12 months with a fair value of \$4,467,085 and an unrealized loss of \$35,675. Ten of these securities have been in an unrealized loss position for more than 12 months with a fair value of \$4,692,180 and an unrealized loss of \$307,820. These investments all mature within five years.

At March 31, 2022, the Credit Union holds U.S. Government-sponsored entities bonds with a cost of \$5,000,000 and a fair value of \$4,860,130 for an unrealized loss of \$139,870 from 10 securities, all of which have been in an unrealized loss position for less than 12 months. These investments all mature after one year through five years.

Expected maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. Management of the Credit Union, in addition to considering current trends and economic conditions that may affect the quality of individual securities within the Credit Union's investment portfolio, also considers the Credit Union's ability and intent to hold such securities to maturity. The primary cause for the unrealized losses is the impact movements in market interest rates have had in comparison to the underlying yields on these securities. Management does not believe that any of its investments are other-than-temporarily impaired at March 31, 2023 or March 31, 2022.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable

The composition of loans receivable as of March 31, 2023 and 2022 is as follows:

|                                | <u>2023</u>           | <u>2022</u>           |
|--------------------------------|-----------------------|-----------------------|
| Residential mortgage           | \$ 165,222,011        | \$ 118,400,032        |
| Home equity                    | 72,699,708            | 60,405,152            |
| Automobile                     | 108,347,776           | 79,024,174            |
| Commercial mortgage            | 58,142,126            | 57,075,759            |
| Other consumer                 | 83,889,544            | 60,145,077            |
| Credit cards                   | <u>10,766,907</u>     | <u>8,555,770</u>      |
|                                | 499,068,072           | 383,605,964           |
| Net deferred costs             | 967,090               | 688,280               |
| Less allowance for loan losses | <u>(1,305,157)</u>    | <u>(1,320,977)</u>    |
| Total loans receivable, net    | <u>\$ 498,730,005</u> | <u>\$ 382,973,267</u> |

The following is an aged analysis of past due status by loan portfolio as of March 31, 2023.

|                      | <u>30-59<br/>Days</u> | <u>60-89<br/>Days</u> | <u>90 Days<br/>or More</u> | <u>Total<br/>Past Due</u> | <u>Current</u>        | <u>Total<br/>Loans</u> | <u>Non-<br/>Accrual</u> | <u>90 Days or<br/>More and<br/>Accruing</u> |
|----------------------|-----------------------|-----------------------|----------------------------|---------------------------|-----------------------|------------------------|-------------------------|---------------------------------------------|
| Residential mortgage | \$ 1,198,841          | \$ 9,223              | \$ 222,848                 | \$ 1,430,912              | \$ 163,791,099        | \$ 165,222,011         | \$ 222,848              | \$ —                                        |
| Home equity          | 215,791               | 129,305               | 421                        | 345,517                   | 72,354,191            | 72,699,708             | 421                     | —                                           |
| Automobile           | 1,176,211             | 242,107               | 285,032                    | 1,703,350                 | 106,644,426           | 108,347,776            | 285,032                 | —                                           |
| Commercial mortgage  | 216,033               | —                     | —                          | 216,033                   | 57,926,093            | 58,142,126             | —                       | —                                           |
| Other consumer       | 124,785               | 22,499                | 55,393                     | 202,677                   | 83,686,867            | 83,889,544             | 55,393                  | —                                           |
| Credit cards         | <u>19,100</u>         | <u>33,343</u>         | <u>5,994</u>               | <u>58,437</u>             | <u>10,708,470</u>     | <u>10,766,907</u>      | <u>5,994</u>            | <u>—</u>                                    |
| Total loans          | <u>\$ 2,950,761</u>   | <u>\$ 436,477</u>     | <u>\$ 569,688</u>          | <u>\$ 3,956,926</u>       | <u>\$ 495,111,146</u> | <u>\$ 499,068,072</u>  | <u>\$ 569,688</u>       | <u>\$ —</u>                                 |

The following is an aged analysis of past due status by loan portfolio as of March 31, 2022.

|                      | <u>30-59<br/>Days</u> | <u>60-89<br/>Days</u> | <u>90 Days<br/>or More</u> | <u>Total<br/>Past Due</u> | <u>Current</u>        | <u>Total<br/>Loans</u> | <u>Non-<br/>Accrual</u> | <u>90 Days or<br/>More and<br/>Accruing</u> |
|----------------------|-----------------------|-----------------------|----------------------------|---------------------------|-----------------------|------------------------|-------------------------|---------------------------------------------|
| Residential mortgage | \$ 321,271            | \$ 13,642             | \$ 79,841                  | \$ 414,754                | \$ 117,985,278        | \$ 118,400,032         | \$ 79,841               | \$ —                                        |
| Home equity          | —                     | —                     | 111,003                    | 111,003                   | 60,294,149            | 60,405,152             | 111,003                 | —                                           |
| Automobile           | 312,201               | 42,625                | 3,812                      | 358,638                   | 78,665,536            | 79,024,174             | 3,812                   | —                                           |
| Commercial mortgage  | 246,373               | 4,105                 | 2,801                      | 253,279                   | 56,822,480            | 57,075,759             | 2,801                   | —                                           |
| Other consumer       | 945,692               | —                     | —                          | 945,692                   | 59,199,385            | 60,145,077             | —                       | —                                           |
| Credit cards         | <u>32,732</u>         | <u>37,185</u>         | <u>37,461</u>              | <u>107,378</u>            | <u>8,448,392</u>      | <u>8,555,770</u>       | <u>37,461</u>           | <u>—</u>                                    |
| Total loans          | <u>\$ 1,858,269</u>   | <u>\$ 97,557</u>      | <u>\$ 234,918</u>          | <u>\$ 2,190,744</u>       | <u>\$ 381,415,220</u> | <u>\$ 383,605,964</u>  | <u>\$ 234,918</u>       | <u>\$ —</u>                                 |

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable (Continued)

The following table presents the activity in the allowance for loan losses and select loan information by portfolio segment as of and for the year ended March 31, 2023:

|                                                                          | Residential<br>Mortgages<br>and Home<br>Equity | Automobile           | Commercial<br>Mortgage | Other<br>Consumer   | Credit<br>Cards     | Un-<br>allocated | Total                |
|--------------------------------------------------------------------------|------------------------------------------------|----------------------|------------------------|---------------------|---------------------|------------------|----------------------|
| Balance,<br>March 31, 2022                                               | \$ 379,524                                     | \$ 78,497            | \$ 313,917             | \$ 219,725          | \$ 55,562           | \$ 273,752       | \$ 1,320,977         |
| Charge-offs                                                              | —                                              | (111,787)            | —                      | (359,579)           | (195,922)           | —                | (667,288)            |
| Recoveries                                                               | 15,338                                         | 21,631               | —                      | 168,397             | 56,102              | —                | 261,468              |
| (Benefit) provision                                                      | <u>89,645</u>                                  | <u>99,154</u>        | <u>5,865</u>           | <u>263,034</u>      | <u>179,200</u>      | <u>(246,898)</u> | <u>390,000</u>       |
| Balance,<br>March 31, 2023                                               | <u>\$ 484,507</u>                              | <u>\$ 87,495</u>     | <u>\$ 319,782</u>      | <u>\$ 291,577</u>   | <u>\$ 94,942</u>    | <u>\$ 26,854</u> | <u>\$ 1,305,157</u>  |
| Allowance for loan<br>losses individually<br>evaluated for<br>impairment | \$ —                                           | \$ —                 | \$ —                   | \$ —                | \$ —                | \$ —             | \$ —                 |
| Allowance for loan<br>losses collectively<br>evaluated for<br>impairment | <u>484,507</u>                                 | <u>87,495</u>        | <u>319,782</u>         | <u>291,577</u>      | <u>94,942</u>       | <u>26,854</u>    | <u>1,305,157</u>     |
| Balance,<br>March 31, 2023                                               | <u>\$ 484,507</u>                              | <u>\$ 87,495</u>     | <u>\$ 319,782</u>      | <u>\$ 291,577</u>   | <u>\$ 94,942</u>    | <u>\$ 26,854</u> | <u>\$ 1,305,157</u>  |
| <u>Loans</u>                                                             |                                                |                      |                        |                     |                     |                  |                      |
| Loans individually<br>evaluated for<br>impairment                        | \$ —                                           | \$ —                 | \$ —                   | \$ —                | \$ —                | \$ —             | \$ —                 |
| Loans collectively<br>evaluated for<br>impairment                        | <u>237,921,719</u>                             | <u>108,347,776</u>   | <u>58,142,126</u>      | <u>83,889,544</u>   | <u>10,766,907</u>   | <u>—</u>         | <u>499,068,072</u>   |
| Balance,<br>March 31, 2023                                               | <u>\$237,921,719</u>                           | <u>\$108,347,776</u> | <u>\$58,142,126</u>    | <u>\$83,889,544</u> | <u>\$10,766,907</u> | <u>\$ —</u>      | <u>\$499,068,072</u> |

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable (Continued)

The following table presents the activity in the allowance for loan losses and select loan information by portfolio segment as of and for the year ended March 31, 2022:

|                                                                          | Residential<br>Mortgages<br>and Home<br>Equity | Automobile          | Commercial<br>Mortgage | Other<br>Consumer   | Credit<br>Cards    | Un-<br>allocated  | Total                |
|--------------------------------------------------------------------------|------------------------------------------------|---------------------|------------------------|---------------------|--------------------|-------------------|----------------------|
| Balance,<br>March 31, 2021                                               | \$ 388,043                                     | \$ 106,246          | \$ 337,051             | \$ 257,907          | \$ 59,219          | \$ 379,132        | \$ 1,527,598         |
| Charge-offs                                                              | —                                              | (47,642)            | —                      | (300,126)           | (87,996)           | —                 | (435,764)            |
| Recoveries                                                               | 314                                            | 14,305              | —                      | 165,079             | 49,445             | —                 | 229,143              |
| (Benefit) provision                                                      | <u>(8,833)</u>                                 | <u>5,588</u>        | <u>(23,134)</u>        | <u>96,865</u>       | <u>34,894</u>      | <u>(105,380)</u>  | <u>—</u>             |
| Balance,<br>March 31, 2022                                               | <u>\$ 379,524</u>                              | <u>\$ 78,497</u>    | <u>\$ 313,917</u>      | <u>\$ 219,725</u>   | <u>\$ 55,562</u>   | <u>\$ 273,752</u> | <u>\$ 1,320,977</u>  |
| Allowance for loan<br>losses individually<br>evaluated for<br>impairment | \$ —                                           | \$ —                | \$ —                   | \$ —                | \$ —               | \$ —              | \$ —                 |
| Allowance for loan<br>losses collectively<br>evaluated for<br>impairment | <u>379,524</u>                                 | <u>78,497</u>       | <u>313,917</u>         | <u>219,725</u>      | <u>55,562</u>      | <u>273,752</u>    | <u>1,320,977</u>     |
| Balance,<br>March 31, 2022                                               | <u>\$ 379,524</u>                              | <u>\$ 78,497</u>    | <u>\$ 313,917</u>      | <u>\$ 219,725</u>   | <u>\$ 55,562</u>   | <u>\$ 273,752</u> | <u>\$ 1,320,977</u>  |
| <u>Loans</u>                                                             |                                                |                     |                        |                     |                    |                   |                      |
| Loans individually<br>evaluated for<br>impairment                        | \$ —                                           | \$ —                | \$ —                   | \$ —                | \$ —               | \$ —              | \$ —                 |
| Loans collectively<br>evaluated for<br>impairment                        | <u>178,805,184</u>                             | <u>79,024,174</u>   | <u>57,075,759</u>      | <u>60,145,077</u>   | <u>8,555,770</u>   | <u>—</u>          | <u>383,605,964</u>   |
| Balance,<br>March 31, 2022                                               | <u>\$178,805,184</u>                           | <u>\$79,024,174</u> | <u>\$57,075,759</u>    | <u>\$60,145,077</u> | <u>\$8,555,770</u> | <u>\$—</u>        | <u>\$383,605,964</u> |

The Credit Union has a member privilege program, which is an overdraft protection program for its members. Charge-offs under this program during the years ended March 31, 2023 and 2022 were \$183,072 and \$142,331, respectively, and recoveries were \$137,814 and \$114,009, respectively. This activity is included in other consumer loans.

There were no impaired loans at March 31, 2023 and 2022, or during the fiscal year ended March 31, 2023 and 2022.

The Credit Union utilizes an internal risk rating system for commercial loans, which is updated on an ongoing basis. A description of the Credit Union's internal risk rating system as it relates to credit quality is as follows:

*Pass* – Acceptable debt capacity and liquidity with a proven track record of success and the ability to withstand adverse economic circumstances.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable (Continued)

*Watch* – These credits are bankable but require more attention and more conservative structuring. These borrowers will display limited capacity, marginal liquidity and lower than average credit scores. Based on information provided by the borrowers, these concerns will be temporary and the borrower will have a plan in place to remedy the credit deficiencies in a 12-month period.

*Special Mention* – Credits of clearly unacceptable risk based on seriously deficient credit strength and/or repayment sources. A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. All available actions to prevent or minimize loss to the Credit Union must be taken.

*Substandard* – A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected. Contingent or remedial plans to improve the Credit Union's risk exposure should be established.

*Doubtful* – An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. All available actions to prevent or minimize loss to the Credit Union must be taken.

*Loss* – Assets in this category will be considered uncollectible or possess such little value they will be written off as a loss. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

The commercial mortgage risk rated loan portfolio as of March 31, 2023 and 2022 consisted of the following:

|                 | <u>2023</u>         | <u>2022</u>         |
|-----------------|---------------------|---------------------|
| Pass            | \$53,891,199        | \$53,489,571        |
| Watch           | 3,985,817           | 3,309,610           |
| Special mention | <u>265,110</u>      | <u>276,578</u>      |
|                 | <u>\$58,142,126</u> | <u>\$57,075,759</u> |

Loans other than commercial are evaluated based on their delinquency status.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 4. Loans Receivable (Continued)

The Credit Union considers non-risk rated loans to be non-performing when they are 90 days or more past due. The non-risk rated loan portfolio as of March 31, 2023 consisted of the following:

|                | <u>Residential<br/>Mortgage</u> | <u>Home<br/>Equity</u> | <u>Automobile</u>    | <u>Consumer</u>     | <u>Other<br/>Credit Cards</u> | <u>Total</u>          |
|----------------|---------------------------------|------------------------|----------------------|---------------------|-------------------------------|-----------------------|
| Performing     | \$164,999,163                   | \$72,699,287           | \$108,062,744        | \$83,834,151        | \$10,760,913                  | \$ 440,356,258        |
| Non-performing | <u>222,848</u>                  | <u>421</u>             | <u>285,032</u>       | <u>55,393</u>       | <u>5,994</u>                  | <u>569,688</u>        |
|                | <u>\$165,222,011</u>            | <u>\$72,699,708</u>    | <u>\$108,347,776</u> | <u>\$83,889,544</u> | <u>\$10,766,907</u>           | <u>\$ 440,925,946</u> |

The non-risk rated loan portfolio as of March 31, 2022 consisted of the following:

|                | <u>Residential<br/>Mortgage</u> | <u>Home<br/>Equity</u> | <u>Automobile</u>   | <u>Consumer</u>     | <u>Other<br/>Credit Cards</u> | <u>Total</u>         |
|----------------|---------------------------------|------------------------|---------------------|---------------------|-------------------------------|----------------------|
| Performing     | \$118,320,191                   | \$60,294,149           | \$79,020,362        | \$60,145,077        | \$8,518,309                   | \$326,298,088        |
| Non-performing | <u>79,841</u>                   | <u>111,003</u>         | <u>3,812</u>        | <u>—</u>            | <u>37,461</u>                 | <u>232,117</u>       |
|                | <u>\$118,400,032</u>            | <u>\$60,405,152</u>    | <u>\$79,024,174</u> | <u>\$60,145,077</u> | <u>\$8,555,770</u>            | <u>\$326,530,205</u> |

The Credit Union makes loans to its officers and directors. Loans to officers and directors totaled approximately \$2,873,000 and \$2,758,000 at March 31, 2023 and 2022, respectively.

The Credit Union participates in the CU Promise program, whereby the Credit Union owns a participating interest in residential mortgage loans originated by CUSO. These loans totaled \$64,102,158 and \$68,104,278 at March 31, 2023 and 2022, respectively, and are considered to be residential mortgages. Other credit unions in Maine also own a participating interest in the residential mortgages.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 5. Leases

#### Adoption of ASC Topic 842, Leases (ASC 842)

Substantially all of the leases in which the Credit Union is the lessee are comprised of real estate property for branches with terms extending through April 2038. All of the Credit Union's leases are classified as operating leases and, therefore, were previously not recognized in the Credit Union's consolidated balance sheet. ASC 842 became effective for the Credit Union on April 1, 2022 and was adopted using the modified retrospective method for all leases that had commenced as of the effective date, along with certain available practical expedients. The Credit Union elected to recognize any effects of applying the new standard as a cumulative-effect adjustment to the opening balance of members' equity in the period of adoption, which there were none. In addition, the Credit Union elected to adopt the package of practical expedients permitted under the transition guidance within the new standard. The practical expedient package applied to leases that commenced prior to the effective date of the new standard and permits a reporting entity not to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the historical lease classification for any expired or existing leases, and iii) reassess initial direct costs for any existing leases. The reporting results for fiscal year 2023 reflect the application of ASC 842 guidance while the historical results for fiscal year 2022 were prepared under the guidance of ASC 840. The adoption of the new standard did not have a significant impact upon the Credit Union's consolidated statements of income and cash flows. The adoption of the new standard resulted in the recording of right-of-use assets and corresponding lease liabilities pertaining to the Credit Union's operating leases on the consolidated balance sheet.

The calculated amount of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Credit Union's lease agreements often include one or more options to renew at the Credit Union's discretion. If at lease inception, the Credit Union considers the exercising of a renewal option to be reasonably certain, the Credit Union will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Credit Union utilizes a risk-free rate at lease inception, over a similar term. See below for information on lease terms and rates:

|                                       | As of<br><u>March 31, 2023</u> |
|---------------------------------------|--------------------------------|
| Weighted-average remaining lease term |                                |
| Operating leases                      | 13.6 years                     |
| Weighted-average discount rate        |                                |
| Operating leases                      | 2.32%                          |

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 5. Leases (Continued)

Future minimum payments for leases with initial terms of one year or more as of March 31, 2023 are as follows:

|                                                    |                    |
|----------------------------------------------------|--------------------|
| 2024                                               | \$ 103,000         |
| 2025                                               | 104,000            |
| 2026                                               | 106,000            |
| 2027                                               | 106,000            |
| 2028                                               | 106,000            |
| Thereafter                                         | <u>885,000</u>     |
| Total future minimum lease payments                | 1,410,000          |
| Amounts representing interest                      | <u>(182,262)</u>   |
| Present value of net future minimum lease payments | <u>\$1,227,738</u> |

The Credit Union recognized lease expense of approximately \$114,000 and \$111,000, including common area maintenance charges, in the years ended March 31, 2023 and 2022, respectively.

### 6. Property and Equipment

Property and equipment at March 31, 2023 and 2022 are summarized as follows:

|                                 | <u>2023</u>         | <u>2022</u>         |
|---------------------------------|---------------------|---------------------|
| Land                            | \$ 2,846,774        | \$ 2,846,774        |
| Buildings and improvements      | 13,464,857          | 13,381,694          |
| Land improvements               | 749,461             | 749,461             |
| Furniture and equipment         | 2,799,662           | 2,423,877           |
| Computer equipment and software | 626,750             | 520,818             |
| Leasehold improvements          | 44,222              | 39,382              |
| Construction in process         | <u>235,538</u>      | <u>362,141</u>      |
|                                 | 20,767,264          | 20,324,147          |
| Less accumulated depreciation   | <u>(9,468,507)</u>  | <u>(8,984,067)</u>  |
|                                 | <u>\$11,298,757</u> | <u>\$11,340,080</u> |

## MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

#### 7. Transactions with CUSO Mortgage Corporation

##### Investment in CUSO Mortgage Corporation

The Credit Union owns approximately 24% of the outstanding common stock of CUSO Mortgage Corporation (CUSO) at March 31, 2023 and 2022. CUSO's primary purpose is to originate and service one-to-four family properties and, through its wholly-owned subsidiary, Business Lending Solutions, LLC (BLS), to originate and service commercial loans. CUSO engages in normal loan servicing activities, mortgage loan origination, processing and underwriting, and sales of mortgage loans to the secondary market. Net amounts paid to CUSO for these services totaled \$432,419 and \$412,027 in the years ended March 31, 2023 and 2022, respectively. Amounts paid relating to loan originations are recorded as net deferred loan origination costs.

The Credit Union recorded income of \$108,402 and \$610,730 from CUSO for the years ended March 31, 2023 and 2022, respectively, for referrals on loans sold; these amounts are included in other income.

Also, the Credit Union recorded income of \$341,595 through an incentive program from CUSO for the year ended March 31, 2022. The Credit Union did not record any income from this program in the year ended March 31, 2023.

Summarized financial information of CUSO at March 31, 2023 and 2022 and for the years then ended is presented below:

|                   | <u>2023</u>  | <u>2022</u>  |
|-------------------|--------------|--------------|
| Assets            | \$57,754,311 | \$64,150,763 |
| Liabilities       | 40,664,263   | 45,930,741   |
| Equity            | 17,090,048   | 18,220,022   |
| Revenues          | 7,083,494    | 12,231,673   |
| Net income (loss) | (1,129,979)  | 334,865      |

The investment in CUSO is in accordance with applicable regulations, which allow the Credit Union to invest up to 1% of members' shares and undivided earnings in credit union service organizations.

##### Management and Other Agreements

The Credit Union rents office space to CUSO in the Credit Union's operations center. The Credit Union received \$195,986 and \$195,142 in the years ended March 31, 2023 and 2022, respectively, which is included in other income on the consolidated statements of income.

CUSO and BLS service loans for the Credit Union. At March 31, 2023 and 2022, they were holding loan payments for the Credit Union totaling \$2,331,322 and \$4,249,761, respectively, which were remitted shortly after year end. These amounts are included in other assets on the consolidated statements of financial condition.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 7. Transactions with CUSO Mortgage Corporation (Continued)

#### Loans to CUSO Mortgage Corporation

Certain owners of CUSO have extended a line of credit to CUSO in the amount of \$4,300,000. Of this total, the Credit Union has participated in an amount not to exceed \$1,000,000. At March 31, 2023 and 2022, there were no advances under the line. Interest is charged monthly at the prevailing federal funds rate. No interest income was earned by the Credit Union for the years ended March 31, 2023 and 2022 as the line of credit was unused.

This line is collateralized by all loans and indebtedness, all take-out commitments and other agreements for the sale of mortgage loans, all rights to deliver loans to investors and proceeds resulting from the disposition of such loans, all accounts maintained in CUSO's name, all pledged negotiable instruments and nonnegotiable certificates of deposit, and all contracts for the servicing of mortgage loans by CUSO.

Upon written demand from the Credit Union, CUSO may be required to pay principal on the line of credit in the amount the underlying borrowing base exceeds the value of the eligible collateral.

This line of credit is in accordance with applicable regulations, which allow the Credit Union to lend up to 1% of members' shares and undivided earnings to credit union service organizations.

#### Share Accounts

CUSO has share accounts with the Credit Union totaling \$26,361,734 and \$12,598,178 at March 31, 2023 and 2022, respectively. Approximately half of CUSO's balances are transferred regularly, and at least monthly, to another institution.

### 8. Other Investments

The table below summarizes the composition of other investments at March 31, 2023 and 2022:

|                   | <u>2023</u>         | <u>2022</u>         |
|-------------------|---------------------|---------------------|
| Mutual funds      | \$11,864,357        | \$12,123,849        |
| Annuity contracts | <u>8,655,478</u>    | <u>10,000,000</u>   |
|                   | <u>\$20,519,835</u> | <u>\$22,123,849</u> |

The annuity contracts were entered into in June 2021 and include guaranteed interest rates for the first five years at 2.25% for Reliance Standard and 2.50% for Delaware Life. Interest of \$221,016 and \$181,541 was earned in the year ended March 31, 2023 and 2022, respectively. Accrued interest will be received upon withdrawal from the contracts. Each contract is subject to withdrawal charges based on a surrender schedule. Reliance Standard charges decline from 8% during the first contract year to 0% after the fifth contract year. Delaware Life charges decline from 7% during the first contract year to 0% after the fifth contract year. However, 10% of each contract value can be withdrawn each year after year 1 without any withdrawal charges. During the year ending March 31, 2023, 10% was withdrawn from both the Reliance Standard and Delaware Life contracts.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 8. Other Investments (Continued)

For the years ended March 31, 2023 and 2022, (\$1,259,493) and \$129,507, respectively, of the investment (losses) gains related to mutual funds still owned at year end.

### 9. Members' Share Accounts

Members' share accounts at March 31, 2023 and 2022 are summarized as follows:

|                                                                                     | <u>2023</u>           | <u>2022</u>           |
|-------------------------------------------------------------------------------------|-----------------------|-----------------------|
| Members' share accounts (including certificates) greater than or equal to \$250,000 | \$ 118,379,443        | \$ 81,771,535         |
| Brokered share certificates greater than or equal to \$250,000                      | 22,951,000            | 31,627,000            |
| Accounts under \$250,000:                                                           |                       |                       |
| Regular savings                                                                     | 184,176,827           | 183,326,688           |
| Share drafts                                                                        | 106,842,944           | 96,701,491            |
| Money market                                                                        | 14,018,122            | 15,703,986            |
| Club accounts                                                                       | 17,425,790            | 19,159,729            |
| Share certificates                                                                  | 110,620,743           | 56,016,579            |
| Individual retirement accounts, certificates                                        | 40,441,306            | 30,265,248            |
| Individual retirement accounts, savings                                             | <u>2,631,001</u>      | <u>2,644,314</u>      |
|                                                                                     | <u>\$ 617,487,176</u> | <u>\$ 517,216,570</u> |

Noninterest-bearing accounts at March 31, 2023 and 2022 totaled \$122,131,667 and \$109,996,420, respectively.

At March 31, 2023, scheduled maturities of members' share accounts are as follows:

|                               |                       |
|-------------------------------|-----------------------|
| No contractual maturity       | \$ 407,380,611        |
| Maturity within one year      | 36,630,253            |
| One to two years              | 58,337,471            |
| Two to three years            | 16,355,894            |
| Three to four years           | 95,050,078            |
| Four to five years            | <u>3,732,869</u>      |
| Total members' share accounts | <u>\$ 617,487,176</u> |

Member shares from principal officers and directors held by the Credit Union at March 31, 2023 and 2022 amounted to \$1,282,183 and \$1,650,380, respectively.

## MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

#### 10. **Borrowed Funds**

The Credit Union is required to own shares of capital stock in the FHLB of Boston in order to borrow from the FHLB. At March 31, 2023, the Credit Union has an unused borrowing capacity of approximately \$22,450,000, as well as a line of credit under which it can borrow up to \$1,392,000 from the FHLB of Boston. There were no amounts drawn under this line at March 31, 2023 and 2022. Borrowings from the FHLB are secured by a blanket lien on the Credit Union's qualified mortgages and its FHLB capital stock. There were no outstanding borrowings at March 31, 2023 and 2022.

The Credit Union is able to borrow from the Federal Reserve Bank of Boston through the Borrower-In-Custody program. The program allows the Credit Union to borrow money based upon a percentage of eligible collateral. The Credit Union had pledged approximately \$2,226,000 and \$2,722,000 in share certificates at March 31, 2023 and 2022, respectively, in conjunction with the program, but had not borrowed any funds in either year.

#### 11. **Regulatory Matters**

##### *Net Worth Levels*

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 consolidated 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 regulatory accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

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) to total assets (as defined). Effective January 1, 2022, Credit Unions are considered complex if total assets exceed \$500 million which also requires a risk-based capital ratio (as defined) to be calculated. As of March 31, 2023 and 2022 the Credit Union's total assets exceed \$500 million and it is considered complex. Management believes, as of March 31, 2023, that the Credit Union meets all capital adequacy requirements to which it is subject.

The most recent notification from the 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 7.0% of assets and maintain a risk-based capital ratio of 10% or greater. There are no conditions or events since that notification that management believes have changed the institution's category.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 11. Regulatory Matters (Continued)

The Credit Union's regulatory capital amounts and ratios at March 31, 2023 and 2022 are presented in the table below:

|                    | <u>Actual</u> |              | <u>To Be Adequately<br/>Capitalized Under<br/>Prompt Corrective<br/>Action Provisions</u> |              | <u>To Be Well<br/>Capitalized Under<br/>Prompt Corrective<br/>Action Provisions</u> |              |
|--------------------|---------------|--------------|-------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------------------------------|--------------|
|                    | <u>Amount</u> | <u>Ratio</u> | <u>Amount</u>                                                                             | <u>Ratio</u> | <u>Amount</u>                                                                       | <u>Ratio</u> |
| March 31, 2023:    |               |              |                                                                                           |              |                                                                                     |              |
| Net worth          | \$53,789,990  | 8.02%        | \$40,220,560                                                                              | 6.0%         | \$46,923,986                                                                        | 7.0%         |
| Risk-based capital | 50,373,844    | 11.84        | 34,027,526                                                                                | 8.0          | 42,534,408                                                                          | 10.0         |
| March 31, 2022:    |               |              |                                                                                           |              |                                                                                     |              |
| Net worth          | \$49,486,602  | 8.69%        | \$34,112,230                                                                              | 6.0%         | \$39,797,602                                                                        | 7.0%         |
| Risk-based capital | 46,371,839    | 15.38        | 24,126,053                                                                                | 8.0          | 30,157,567                                                                          | 10.0         |

Effective January 1, 2022 the statutory reserve requirement was eliminated. As a result, the Credit Union reclassified \$3,507,665 from statutory reserves to undivided earnings within Members' equity.

### 12. Employee Benefits

#### Defined Contribution Plan

The Credit Union has a defined contribution pension plan which covers substantially all employees. Contributions are made annually, up to a maximum of 6% of eligible wages, and amounted to \$426,498 and \$385,425 for the years ended March 31, 2023 and 2022, respectively.

#### Deferred Compensation Plan

The Credit Union has a deferred compensation plan covering certain officers of the Credit Union. The assets related to this plan are included in other investments on the consolidated statement of financial condition. Participants in the plan accrue benefits to the extent the assets earmarked for the participants exceed certain amounts based on investment performance. The deferred compensation liability represents the amounts owed to plan participants. The accrued benefit at March 31, 2023 and 2022 was \$529,508 and \$1,290,517, respectively. For the year ended March 31, 2023, the amount recognized as a loss on other investments was \$1,259,493 and the amount recognized as a reduction of benefit expense was \$761,008. For the year ended March 31, 2022, the amount charged to benefit expense and recognized as a gain on other investments was \$129,507.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 13. Contingent Liabilities and Commitments

#### Financial Instruments

The Credit Union is a party to financial instruments with off-balance-sheet risk. These instruments, which arise in the normal course of business, are commitments to extend credit to members in the form of residential loans, credit card loans and home equity loans. The commitments involve varying degrees of credit and interest rate risk in excess of the amount recognized in the statement of financial condition. The Credit Union follows the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments, including requiring similar collateral or other security to support financial instruments with credit risk. The Credit Union's exposure to credit loss in the event of nonperformance by the member is represented by the contractual notional amount of those instruments.

Financial instruments whose contract amounts represent credit risk total approximately the following amounts at March 31, 2023 and 2022:

|                                                 | <u>2023</u>  | <u>2022</u>  |
|-------------------------------------------------|--------------|--------------|
| Undisbursed lines of credit                     | \$53,875,555 | \$48,652,000 |
| Mortgage loans approved                         | 10,956,000   | 11,335,000   |
| Member privilege program (overdraft protection) | 9,510,000    | 9,099,000    |
| Credit card available credit                    | 37,888,230   | 33,653,000   |

Commitments generally have fixed expiration dates or other termination clauses. Since a portion of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

### 14. Fair Value of Financial Instruments

#### Fair Value Measurements

The Credit Union is required to use certain fair value measurements for all financial instruments that are being measured and reported on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Credit Union uses various methods, including market, income and cost approaches. Based on these approaches, the Credit Union often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Credit Union utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the observable inputs used in the valuation techniques, the Credit Union is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

# MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

### 14. Fair Value of Financial Instruments (Continued)

Level 2 – Valuations for assets and liabilities not traded in active dealer markets. Valuations are based on inputs other than quoted prices that are observable or corroborated by observable data.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

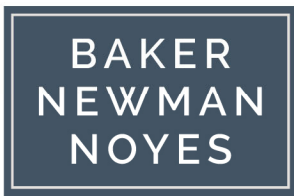
In determining the appropriate levels, the Credit Union performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The Credit Union's mutual fund investments are classified within Level 1 of the fair value hierarchy based on quoted market prices in an active exchange for identical securities.

#### Fair Value on a Recurring Basis

The table below presents the balances of assets included in other investments measured at fair value on a recurring basis as of March 31, 2023 and 2022.

|              | <u>Total</u>        | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> |
|--------------|---------------------|---------------------|----------------|----------------|
| <u>2023</u>  |                     |                     |                |                |
| Mutual funds | <u>\$11,864,357</u> | <u>\$11,864,357</u> | <u>\$ —</u>    | <u>\$ —</u>    |
| <u>2022</u>  |                     |                     |                |                |
| Mutual funds | <u>\$12,123,849</u> | <u>\$12,123,849</u> | <u>\$ —</u>    | <u>\$ —</u>    |



The Supervisory Committee  
Maine Savings Federal Credit Union and Subsidiaries

We are pleased to present this report related to our audit of the consolidated financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union) as of and for the year ended March 31, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Credit Union's financial reporting process.

This report is intended solely for the information and use of the Supervisory Committee, the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the Credit Union.

*BAKER NEWMAN & NOYES LLC*

Portland, Maine  
June 28, 2023

## **Required Communications**

Auditing standards generally accepted in the United States of America (GAAS) (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### **Our Responsibilities with Regard to the Financial Statement Audit**

Our responsibilities under GAAS have been described to you in our arrangement letter dated January 23, 2023. Our audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We have issued a separate communication dated January 23, 2023 regarding the planned scope and timing of our audit and identified significant risks.

### **Accounting Policies and Practices**

#### ***Preferability of Accounting Policies and Practices***

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### ***Adoption of, or Change in, Accounting Policies***

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Credit Union. Accounting policies are outlined in Note 1 of the financial statements.

As more fully described in Note 5 to the financial statements, the Credit Union adopted the provisions of Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), effective April 1, 2022. Under the new guidance, the Credit Union is required to recognize lease related assets and liabilities on the balance sheet for all leases with terms greater than 12 months. Adoption of this standard required the Credit Union to record initial operating right-of-use assets and operating lease obligations of \$1,163,425 and \$1,292,047, respectively.

#### ***Significant Accounting Policies***

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### ***Significant Unusual Transactions***

We did not identify any significant unusual transactions.

#### ***Management's Judgments and Accounting Estimates***

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

### **Audit Adjustments and Uncorrected Misstatements**

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

## Required Communications (Continued)

### Observations About the Audit Process

#### *Disagreements with Management*

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the consolidated financial statements.

#### *Consultations with Other Accountants*

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

#### *Significant Issues Discussed with Management*

No significant issues arising from the audit were discussed or the subject of correspondence with management.

#### *Significant Difficulties Encountered in Performing the Audit*

We did not encounter any significant difficulties in dealing with management during the audit.

#### *Difficult or Contentious Matters That Required Consultation*

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

### Shared Responsibilities: AICPA Independence

The American Institute of Certified Public Accountants (AICPA) regularly emphasizes that auditor independence is a **joint responsibility** and is managed most effectively when management, the Supervisory Committee, and audit firms work together in considering compliance with AICPA independence rules. For Baker Newman & Noyes LLC (BNN) to fulfill its professional responsibility to maintain and monitor independence, management, the shareholders, and BNN each play an important role.

#### *Our Responsibilities*

- AICPA rules require independence both of mind and in appearance when providing audit and other attestation services. BNN is to ensure that the AICPA's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

#### *The Credit Union's Responsibilities*

- Timely inform BNN, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, officers, or person in financial reporting oversight roles.
  - Change in corporate structure impacting affiliates such as add-on acquisitions or exits.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Credit Union and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with BNN.
- Not entering into relationships resulting in BNN, BNN covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Credit Union.

## **Required Communications (Continued)**

### **Internal Control Matters**

We have separately communicated control deficiencies identified during our audit of the consolidated financial statements, a copy of which is attached.

### **Significant Written Communications Between Management and Our Firm**

Copies of significant written communications between our firm and the management of the Credit Union, including the representation letter provided to us by management, are attached.

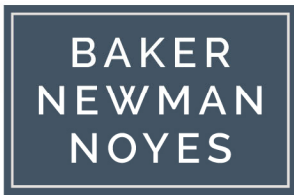
## MAINE SAVINGS FEDERAL CREDIT UNION AND SUBSIDIARIES

### SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

Year Ended March 31, 2023

Accounting estimates are an integral part of the preparation of the consolidated financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You should continue to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimate reflected in the Credit Union's March 31, 2023 consolidated financial statements.

| Estimate                  | Accounting Policy                                        | Management's Estimation Process                                                             | Basis for Our Conclusions on Reasonableness of Estimate                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------|----------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Allowance for loan losses | Refer to Note 1 of the consolidated financial statements | Allowance for loan losses model incorporating both quantitative and qualitative assumptions | <p>Obtain an understanding of management's methodology for estimating credit losses.</p> <p>Review and test management's process, including:</p> <ul style="list-style-type: none"><li>• Testing data used in forming assumptions</li><li>• Evaluating assumptions</li><li>• Analyzing historical data</li><li>• Testing calculations</li><li>• Reviewing subsequent events or transactions</li><li>• Reviewing impaired and delinquent loans</li><li>• Performing various ratio and analytical analyses</li></ul> |



January 23, 2023

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
101 Western Avenue  
Hampden, Maine 04444

Attention: Supervisory Committee Members

### **The Objective and Scope of the Audit of the Financial Statements**

You have requested that Baker Newman & Noyes LLC (BNN, we, us, or our) audit the consolidated financial statements of Maine Savings Federal Credit Union (the Credit Union), which comprise the consolidated balance sheet as of March 31, 2023, the related consolidated statements of income and comprehensive income, changes in members' equity and cash flows for the year then ending, and the related notes to the consolidated financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter (Arrangement Letter).

The objectives of our audit 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 auditors' 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 auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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. 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.

### **The Responsibilities of the Auditor**

We will conduct our audit in accordance with GAAS. Those standards require that we comply with applicable ethical requirements. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- 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 entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit;

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

- 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Conclude, based on the audit evidence obtained, 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 a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

We will also communicate to the Supervisory Committee (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

We will maintain our independence in accordance with the standards of the American Institute of Certified Public Accountants (AICPA).

### **The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Management is responsible for:

1. Identifying and ensuring that the Credit Union complies with the laws and regulations applicable to its activities, and for informing us about all known violations of such laws or regulations, other than those that are clearly inconsequential;
2. The design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements; and
3. Informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, vendors, customers or others.

The Supervisory Committee is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

Our audit will be conducted on the basis that management and the Supervisory Committee acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP);
2. To evaluate subsequent events through the date the consolidated financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the consolidated financial statements. Management also agrees that it will not conclude on subsequent events earlier than the date of the management representation letter referred to below;

3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; and
4. To provide us with:
  - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the consolidated financial statements, including information relevant to disclosures;
  - b. Additional information that we may request from management for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit, including, among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this Arrangement Letter and in management's separate Management Acknowledgment Letter; and
2. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

## **Reporting**

We will issue a written report upon completion of our audit of the Credit Union's consolidated financial statements. Our report will be addressed to the Supervisory Committee of the Credit Union. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, or add an emphasis-of-matter paragraph or other-matter paragraph to our auditors' report.

Pursuant to National Credit Union Administration (NCUA) regulations, the target delivery date for the report will enable the Credit Union to meet its annual audit requirements in 12 CFR 715.

If circumstances arise relating to the condition of the Credit Union's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the consolidated financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including, but not limited to, declining to express an opinion or issue a report, or withdrawing from the engagement.

## **Records and Assistance**

During the course of our engagement, we may accumulate records containing data that should be reflected in the Credit Union's books and records. The Credit Union will determine that all such data, if necessary, will be so reflected. Accordingly, the Credit Union will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by Credit Union personnel is described in the client participation list, which outlines the specific schedules and analyses that should be completed by Credit Union personnel, including the dates when the information should be available to us. The participation list will be discussed with and agreed to by members of management. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

## **Accounting and Tax Services**

In connection with our audit, you have requested us to draft the consolidated financial statements. David Sayers, Chief Financial Officer, will oversee the service, make all significant judgments that are the proper responsibility of management, evaluate the adequacy of the service, make an informed judgment about the results of the service and accept responsibility for it. Management also agrees to establish and maintain internal control over the service, including ongoing monitoring activities. At the conclusion of our audit, we will ask management to provide written representations to that effect.

Our services under this Arrangement Letter do not include services for tax return preparation, tax advice or representation in any tax matter. Nevertheless, we may discuss with you or management certain tax considerations or provide you or management with tax information that may be relevant to our services. Any such discussions or information would be based upon limited tax research, limited due diligence and limited analysis regarding the underlying facts. Because additional research or a more complete review of the facts could affect our analysis and conclusions, the information provided during these discussions shall not be used as the basis for proceeding with any transaction or any tax return reporting.

Separate arrangement letters, including fee arrangements, are required for tax preparation, tax advice or tax representation services.

## **Fees and Costs**

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus directly billed expenses. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from Credit Union personnel
2. Timely responses to our inquiries
3. Timely completion and delivery of client assistance requests
4. Timely communication of all significant accounting and financial reporting matters
5. The assumption that unexpected circumstances will not be encountered during the engagement

If any of the aforementioned criteria are not met, then fees may increase. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. We estimate our fees will be \$49,000, plus direct costs.

All matters related to the Credit Union's adoption of the new leases standard pursuant to Accounting Standards Codification (ASC) 842 and the adoption of the new credit losses standard pursuant to ASC 326 will be accounted for and billed separately.

## **Use of Subcontractors and Third-Party Products**

From time to time and depending upon the circumstances, we may, in our sole discretion, use qualified third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose Personal Information or Confidential Information (as both terms are defined below) to them. You hereby consent to us sharing your information, including Confidential Information and Personal Information, with these third-party service providers on the same basis as we would be permitted to share information with one of our employees, provided that such recipients are bound by written obligations of confidentiality that are as protective of your Confidential Information as the confidentiality terms set forth herein. You acknowledge and agree that our use of a third-party service provider may involve the processing, input, disclosure, movement, transfer, and storage of your information and data outside of our technology infrastructure.

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

We also may provide services to you using certain third-party hardware, software, software services, managed services (including, but not limited to, web hosting, data security, data back-up, email security, or similar services subject to direct end-user or subscription agreements), applications, and equipment (collectively, Third-Party Products). You acknowledge that your or our use of a Third-Party Product may involve the processing, input, disclosure, movement, transfer, and storage of information provided by you to us, including Personal Information and Confidential Information, within the Third-Party Product's infrastructure and not ours, and that the terms of use and service set forth in the end-user license, subscription, or other agreement with the licensor of such Third-Party Product, including, but not limited to, applicable laws, will govern all obligations of such licensor relating to data privacy, storage, recovery, security, and processing within such Third-Party Product's infrastructure, as well as the service levels associated with such Third-Party Product. You hereby consent to the disclosure of the Credit Union's information, including the Credit Union's Confidential Information and Personal Information, to the licensors of such Third-Party Products for the purpose described herein.

You acknowledge that your or our use of Third-Party Products may be subject to limitations, delays, interruptions, errors, and other problems which are beyond our control, including, without limitation, internet outage or lack of availability related to updates, upgrades, patches, fixes, maintenance, or other issues. We will not be liable for any delays, delivery failures, or other losses or damages resulting from such issues, nor will we be held responsible or liable for any loss, or unauthorized use or disclosure, of any information or data provided by the Credit Union, including, without limitation, Personal Information provided by the Credit Union, resulting from the Credit Union's or our use of a Third-Party Product.

#### **Use and Ownership: Access to Audit Documentation**

The Audit Documentation for this engagement is the property of BNN. For the purposes of this Arrangement Letter, the term "Audit Documentation" shall mean the confidential and proprietary records of BNN's audit procedures performed, relevant audit evidence obtained, other audit-related workpapers, and conclusions reached. Audit Documentation shall not include custom-developed documents, data, reports, analyses, recommendations, and deliverables authored or prepared by BNN for the Credit Union under this Arrangement Letter, or any documents belonging to the Credit Union or furnished to BNN by the Credit Union.

As required by NCUA staff and/or the State credit union supervisor, or the designated representative of each, access will be provided to the complete set of original workpapers, either at the offices of the Credit Union or at a mutually agreed-upon location, for purposes of inspection. Workpapers shall be retained for a minimum of three years from the date of the written audit report.

Review of Audit Documentation by a successor auditor or as part of due diligence is subject to applicable BNN policies, and will be agreed to, accounted for and billed separately. Any such access to our Audit Documentation is subject to a successor auditor signing an Access and Release Letter substantially in BNN's form. BNN reserves the right to decline a successor auditors' report request to review our workpapers.

In the event we are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the Credit Union, the Credit Union will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

## **Confidentiality**

BNN and the Credit Union may, from time to time, disclose Confidential Information (as defined below) to one another. Accordingly, BNN and the Credit Union agree as the recipient of such Confidential Information (the Receiving Party) to keep strictly confidential all Confidential Information provided to it by the disclosing party (the Disclosing Party) and use, modify, store, and copy such Confidential Information only as necessary to perform its obligations and exercise its rights under this Arrangement Letter and for no other purpose or use. Except as otherwise set forth herein, the Receiving Party may only disclose the Confidential Information of the Disclosing Party to its personnel, agents, and representatives who are subject to obligations of confidentiality at least as restrictive as those set forth herein and only for the purpose of exercising its rights and fulfilling its obligations hereunder. To avoid any doubt, BNN is permitted to disclose the Credit Union's Confidential Information to BNN's personnel, agents, and representatives for the purpose of maintaining compliance with applicable laws and professional, regulatory, and/or ethical standards.

As used herein, "Confidential Information" means information in any form, oral, graphic, written, electronic, machine-readable or hard copy, consisting of: (i) any nonpublic information provided by the Disclosing Party, including, but not limited to, all of its inventions, designs, data, source and object code, programs, program interfaces, know-how, trade secrets, techniques, ideas, discoveries, marketing and business plans, pricing, profit margins and/or similar information; (ii) any information that the Disclosing Party identifies as confidential; or (iii) any information that, by its very nature, a person in the same or similar circumstances would understand should be treated as confidential, including, but not limited to, this Arrangement Letter.

As used herein, the term "Confidential Information" will not include information that: (i) is publicly available at the time of disclosure by the Disclosing Party; (ii) becomes publicly available by publication or otherwise after disclosure by the Disclosing Party, other than by breach of the confidentiality obligations set forth herein by the Receiving Party; (iii) was lawfully in the Receiving Party's possession, without restriction as to confidentiality or use, at the time of disclosure by the Disclosing Party; (iv) is provided to the Receiving Party without restriction as to confidentiality or use by a third party without violation of any obligation to the Disclosing Party; or (v) is independently developed by employees or agents of the Receiving Party who did not access or use the Confidential Information.

The Receiving Party will treat the Disclosing Party's Confidential Information with the same degree of care as the Receiving Party treats its own confidential and proprietary information, but in no event will such standard of care be less than a reasonable standard of care. The Receiving Party will promptly notify the Disclosing Party if it becomes aware that any of the Confidential Information of the Disclosing Party has been used or disclosed in violation of this Arrangement Letter.

Notwithstanding the foregoing, in the event that the Receiving Party becomes legally compelled to disclose any of the Confidential Information of the Disclosing Party, or as may be required by applicable regulations or professional standards, the Receiving Party will use commercially reasonable efforts to provide the Disclosing Party with notice prior to disclosure, to the extent permitted by law.

## **Preexisting Nondisclosure Agreements**

In the event that the parties have executed a separate nondisclosure agreement and such agreement does not automatically terminate or expire upon execution of this Arrangement Letter, such agreement shall be terminated as of the effective date of this Arrangement Letter.

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

## **Data Protection Compliance**

We take reasonable steps to comply with all applicable privacy, cybersecurity, and data protection laws that may apply to Personal Information and Confidential Information we process on behalf of our clients. Upon written request, we will provide summaries of our IT security and disaster recovery policies and make our senior IT personnel reasonably available for discussion upon request. Any information we disclose to you concerning our IT control environment shall constitute Confidential Information of BNN and shall be subject to the confidentiality obligations set forth in this Arrangement Letter.

Prior to disclosing to us or our subcontractors or granting us or our subcontractors with access to the Credit Union's data, the Credit Union will identify in writing any personal, technical, or other data provided or made accessible to us or our subcontractors pursuant to this Arrangement Letter that may be subject to heightened protections under applicable privacy, cybersecurity, export control, and/or data protection laws, including, but not limited to, protected health information pursuant to the *Health Information Portability and Accountability Act of 1996* (HIPAA), classified or controlled unclassified information subject to the National Industrial Security Program, the National Industrial Security Program Operating Manual, or the Defense Federal Acquisition Regulation Supplement (DFARS), data subject to Export Administration Regulations (EAR), or International Traffic in Arms Regulations (ITAR) controlled data. Unless otherwise expressly agreed upon and specified in writing by BNN and the Credit Union, you shall not provide us or any of our subcontractors with access to such data and the Credit Union shall be responsible for the handling of all such data in connection with the performance of the services requested hereunder, including, but not limited to, the scrubbing, de-identification, de-aggregation, protection, encryption, transfer, movement, input, storage, migration, deletion, copying, processing, and modification of such data.

BNN and the Credit Union acknowledge and agree that they may correspond or convey information and documentation, including Confidential Information and Personal Information, via various forms of electronic transmission, including, but not limited to, Third-Party Products, such as email, FTP and cloud-based sharing and hosting applications (e.g., portals, data analytics tools, and helpdesk and support ticketing applications), and that neither party has control over the performance, operation, reliability, availability, or security of these electronic transmission methods. Therefore, neither party will be liable for any loss, damage, expense, harm, disclosure or inconvenience resulting from the loss, delay, interception, corruption, unauthorized disclosure, or alteration of any electronic transmission where the party has used commercially reasonable efforts to protect such information. We offer our clients various platforms for the exchange of information. You hereby agree that you shall be bound by and comply with any and all user terms and conditions made available (whether by link, click-through, or otherwise) with respect to such platforms.

## **Personal Information**

As used herein, the term "Personal Information" means any personal information that directly or indirectly identifies a natural person as may be defined by applicable privacy, data protection or cybersecurity laws, and includes, but is not limited to, nonpublic, personally identifiable information such as Social Security numbers, Social Insurance numbers, driver's license numbers or state- or province-issued identification card numbers, credit or debit card numbers with or without any required security code, number or passwords, health information, and other personal information as defined by applicable laws, whether of the Credit Union or the Credit Union's customers or other third parties.

Each party agrees that it will not transmit to the other, in any manner, (i) Personal Information that is not needed to render the services hereunder, and (ii) Personal Information that has not been encrypted. In the event the Credit Union transmits to us Personal Information in an unencrypted format or via unencrypted means, the Credit Union agrees that we have no obligation to notify you of the foregoing.

You represent and warrant that the Credit Union has provided all notices and obtained all consents required under applicable data protection laws prior to your collection, use and disclosure to us or our subcontractors of such Personal Information and shall take reasonable steps to ensure that such Personal Information does not include irrelevant or unnecessary information about individuals.

We will use all such Credit Union-provided Personal Information, if at all, only for the purposes described in this Arrangement Letter. The parties agree that as part of the performance of the services as described in this Arrangement Letter, and as part of the direct business relationship between the parties, we may, at our election, use the Personal Information to improve the services and for other similar internal and business purposes. We agree to maintain appropriate security measures to protect such Personal Information in accordance with applicable laws.

If we become aware of an unauthorized acquisition or use of Credit Union-provided Personal Information, we will promptly inform you of such unauthorized acquisition or use as required by applicable laws and, upon your written request, reasonably cooperate with you at your sole cost in support of any breach notification requirements as imposed upon you by applicable laws.

### **Retention of Records**

We will return to the Credit Union all original records the Credit Union provides to us in connection with this engagement. Further, in addition to providing you with those deliverables set forth in this Arrangement Letter, we will provide to the Credit Union a copy of any records we prepare or accumulate in connection with such deliverables which are not otherwise reflected in the Credit Union's books and records without which the Credit Union's books and records would be incomplete. The Credit Union has the sole responsibility for retaining and maintaining in its possession or custody all of its financial and nonfinancial records related to this engagement. We will not host, and will not accept responsibility to host, any of the Credit Union's records. We, however, may maintain a copy of any records of the Credit Union necessary for us to comply with applicable law and/or professional standards. Any such records retained by us will be subject to the confidentiality obligations set forth herein and destroyed in accordance with our record retention policies.

### **Termination**

Your failure to make full payment of any and all undisputed amounts invoiced in a timely manner constitutes a material breach for which we may refuse to provide deliverables and/or, upon written notice, suspend or terminate our services under this Arrangement Letter. We will not be liable to you for any resulting loss, damage or expense connected with the suspension or termination of our services due to your failure to make full payment of undisputed amounts invoiced in a timely manner.

In the event you terminate this engagement, you will pay us for all services rendered (including deliverables and products delivered), expenses incurred, and noncancelable commitments made by us on your behalf through the effective date of termination.

We will not be responsible for any delay or failure in our performance resulting from acts beyond our reasonable control or unforeseen or unexpected circumstances, such as, but not limited to, acts of God, government or war, riots or strikes, disasters, fires, floods, epidemics, pandemics or outbreaks of communicable disease, cyberattacks, and internet or other system or network outages. At your option, you may terminate this Arrangement Letter where our services are delayed more than 120 days; however, you are not excused from paying us for all amounts owed for services rendered and deliverables provided prior to the termination of this Arrangement Letter.

Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, we may, at our sole discretion, terminate this Arrangement Letter without further obligation to you. Resumption of our work following termination may be subject to our client acceptance procedures and, if resumed, will require additional procedures not contemplated in this Arrangement Letter. Accordingly, the scope, timing and fee arrangement discussed in this Arrangement Letter will no longer apply. In order for us to recommence work, the execution of a new Arrangement Letter with the Supervisory Committee and a new Management Acknowledgment Letter will be required.

We may terminate this Arrangement Letter upon written notice if: (i) we determine that our continued performance would result in a violation of law, regulatory requirements, applicable professional or ethical standards, or our client acceptance or retention standards; or (ii) the Credit Union is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, the Credit Union or any of its affiliates is placed on a verified sanctioned person list, in each case, including, but not limited to, lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union, or any other relevant sanctioning authority.

The parties agree that those provisions of this Arrangement Letter which, by their context, are intended to survive, including, but not limited to, payment, use and ownership, and confidentiality obligations, shall survive the termination of this Arrangement Letter.

### **Miscellaneous**

We may mention the Credit Union's name and provide a general description of the engagement in our client lists and marketing materials.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a principal or professional employee leaves BNN and is subsequently employed by or associated with a client in a key position. Accordingly, you agree to compensate us for any additional costs incurred as a result of your employment of one of our principals or employees.

You agree that any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement, or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

If mediation fails to resolve the dispute or claim, the parties hereby agree to submit any action, claim or counterclaim, whether based in contract, tort, statutory rights or otherwise, to the Courts of the State of Maine.

### **Governing Law**

This Arrangement Letter, including, without limitation, its validity, interpretation, construction, and enforceability, and any dispute, litigation, suit, action, claim, or other legal proceeding arising out of, from, or relating in any way to this Arrangement Letter, any provisions herein, a report issued or the services provided hereunder, will be governed and construed in accordance with the laws of the State of Maine, without regard to its conflict of law principles, and applicable U.S. federal law.

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Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

### **Entire Agreement**

This Arrangement Letter constitutes the complete and exclusive statement of agreement between BNN and the Credit Union and supersedes all prior agreements, understandings, and proposals, whether oral or written, relating to the subject matter of this Arrangement Letter.

If any term or provision of this Arrangement Letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

This Arrangement Letter may be amended or modified only by a written instrument executed by both parties.

### **Electronic Signatures and Counterparts**

Each party hereto agrees that any electronic signature of a party to this Arrangement Letter or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (a) to be “written” or “in writing,” (b) to have been signed and (c) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, “electronic signature” includes, but is not limited to, (a) a scanned copy (as a “pdf” (portable document format) or other replicating image) of a manual ink signature, (b) an electronic copy of a traditional signature affixed to a document, (c) a signature incorporated into a document utilizing touchscreen capabilities or (d) a digital signature. This Arrangement Letter may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or “printouts” of such documents, if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

Please sign and return a copy of this Arrangement Letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities.



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Mr. Joseph Young, Supervisory Committee Chair  
c/o Mr. David Sayers, Chief Financial Officer  
Maine Savings Federal Credit Union  
January 23, 2023

### Acknowledgement and Acceptance

Each party acknowledges that it has read and agrees to all of the terms and conditions contained herein. Each party and its signatory below represents that said signatory is a duly authorized representative of such party and has the requisite power and authority to bind such party to the undertakings and obligations contained herein.

#### Agreed to and acknowledged by:

BAKER NEWMAN & NOYES LLC

Jeffrey T. Skaggs  
Principal

#### Confirmed on behalf of Maine Savings Federal Credit Union:

DocuSigned by:

Joseph Young, Chair of the Supervisory Committee

1/26/2023

Date

The Supervisory Committee  
Maine Savings Federal Credit Union and Subsidiaries

In planning and performing our audit of the financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union) as of and for the year ended March 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Credit Union's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Credit Union's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

### **Timely Review of Reconciliations**

We identified several instances where the formal review and approval of the monthly federal reserve account reconciliation and Synergent check reconciliation were not performed timely. These instances are generally isolated to quarter-end dates and management has indicated that they are delayed as a result of the preparation of quarter-end materials during the same time period. We recommend ensuring that the formal review and approval of these reconciliations is performed timely in order to identify any errors or issues in a timely manner.

### **Loan Risk Rating Changes**

The Credit Union adopted a new loan risk rating scale in January 2023. There were two instances identified in which a relationship was reviewed during the annual review process using the updated risk rating scale; however, the risk rating in the loan system was not updated to the new risk rating scale following that annual review. The loan risk rating differences were within pass-rated categories; however, we recommend the Credit Union improve the loan maintenance process to ensure all risk rating change requests are appropriately reflected in the loan system.

### **Allowance for Loan Losses Calculation**

In an effort to further enhance the documented support for the qualitative factors utilized in the allowance for loan loss calculation, as well as in preparation for the approaching implementation of the Current Expected Credit Loss (CECL) standard affecting the allowance for loan losses, we recommend that the Credit Union more formally assess and document its qualitative factors on a quarterly basis, including a documented analysis and conclusion with narrative and referenced sources, and make adjustments as necessary that are reflective of any increases in perceived risk related to trends in qualitative and environmental factors.

As part of this process, management should consider those qualitative or environmental factors that are likely to cause estimated credit losses associated with the Credit Union's existing portfolio to differ from historical loss experience, including but not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not considered elsewhere in estimating credit losses;
- Changes in national, regional and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the experience, ability and depth of lending management and other relevant staff;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans and the volume and severity of adversely classified or graded loans;
- Changes in the quality of the loan review system;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses.

Further, as part of the calculation to determine the allowance for loan losses, we recommend that the Credit Union apply methodology under Accounting Standards Codification (ASC) 310-10-35 in order to determine which loans to specifically reserve. The loans falling within the scope of ASC 310-10-35 are generally limited to impaired loans. Each loan that is measured within the scope of this ASC should quantify their specific reserves based on one of the three following methods:

- Present value of expected future cash flows discounted at the loan's effective interest rate;
- Observable market price of the loan; or
- Fair value of collateral less costs to sell.

Management has indicated that they agree with this comment and are implementing as part of their adoption of CECL moving forward.

This communication is intended solely for the information and use of the Supervisory Committee, the Board of Directors, management and others within the Credit Union and is not intended to be, and should not be, used by anyone other than these specified parties.

*BAKER NEWMAN & NOYES LLC*  
Portland, Maine  
June 28, 2023



June 28<sup>th</sup>, 2023

Baker Newman & Noyes LLC  
280 Fore Street  
Portland, Maine 04101-4177

This representation letter is provided in connection with your audits of the consolidated financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union), which comprise the consolidated statements of financial condition as of March 31, 2023 and 2022, the related consolidated statements of income, members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements for the purpose of expressing an opinion on whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

***Financial Statements***

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 23, 2022, for the preparation and fair presentation of the consolidated financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through the date of this letter, have been recognized or disclosed in the consolidated financial statements. No events or transactions other than those disclosed in the consolidated financial statements have occurred subsequent to the balance sheet date and through the date of this letter that would require recognition or disclosure in the consolidated financial statements. We further represent that as of the date of this letter, the consolidated financial statements were complete in a form and format that complied with U.S. GAAP, and all approvals necessary for issuance of the consolidated financial statements had been obtained.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
8. The methods and significant assumptions used to determine fair values of financial instruments are described in footnote 14 to the consolidated financial statements. The methods and significant assumptions used result in a measure of fair value appropriate for consolidated financial statement measurement and disclosure purposes.
9. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit or similar arrangements have been properly disclosed.
10. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the consolidated financial statements:
  - a. The extent, nature and terms of financial instruments with off-balance-sheet-risk;
  - b. The amount of credit risk of financial instruments with off-balance-sheet-risk and information about the collateral supporting such financial instruments; and
  - c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.
11. We have evaluated all of our debt securities for which there has been a decline in fair value below the amortized cost. In that regard:
  - a. We do not have the intent to sell any of the securities that are in an unrealized loss position;
  - b. We have forecasted recovery of these debt securities and our liquidity and have concluded that it is not more likely than not that we will have to sell the securities prior to forecasted recovery;
  - c. We have evaluated these debt securities to determine whether we expect to recover the amortized cost basis of the securities. We have concluded in all cases that we will recover the amortized cost basis of the securities; and
  - d. Any sales of securities in a loss position are immaterial to the consolidated financial statements and the sale resulted from an overall portfolio evaluation and not as a result of the loss on the security.
12. Debt securities that have been classified as held-to-maturity have been classified due to the Credit Union's intent to hold such securities to maturity and the Credit Union's ability to do so.
13. We have not yet completed the process of evaluating the effect that will result from adopting the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, as discussed in footnote 1 to the consolidated financial statements. The Credit Union is therefore unable to disclose the effect that adopting the guidance in this ASU will have on its financial position and results of operations when such guidance is adopted.

14. With respect to drafting the consolidated financial statements as a service performed in the course of the audit:
  - a. We have made all management decisions and performed all management functions;
  - b. We assigned an appropriate individual to oversee the service;
  - c. We evaluated the adequacy and results of the service performed, and made an informed judgment on the results of the service performed;
  - d. We have accepted responsibility for the results of the service; and
  - e. We have accepted responsibility for all significant judgments and decisions that were made.
15. We have no knowledge of any uncorrected misstatements in the consolidated financial statements.
16. The following have been properly recorded and/or disclosed in the consolidated financial statements:
  - a. Guarantees, whether written or oral, under which the Credit Union is contingently liable;
  - b. Lines of credit or similar arrangements;
  - c. Agreements to repurchase assets previously sold;
  - d. Security agreements in effect under the Uniform Commercial Code;
  - e. All other liens or encumbrances on assets and all other pledges of assets;
  - f. Amounts of contractual obligations for plant construction and/or purchase of real property, equipment, other assets, and intangibles;
  - g. All liabilities that are subordinated to any other actual or possible liabilities of the Credit Union;
  - h. All leases and material amounts of rental obligations under long-term leases;
  - i. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the *Risks and Uncertainties Topic* of the FASB Accounting Standards Codification (ASC). Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year;
  - j. Derivative financial instruments; and
  - k. Assets and liabilities measured at fair value in accordance with the *Fair Value Measurements and Disclosures Topic* of the FASB ASC.

***Information Provided***

17. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the consolidated financial statements such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the Credit Union from whom you determined it necessary to obtain audit evidence;
  - d. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared; and
  - e. Reports and correspondence between the Credit Union and regulatory examiners during the period under audit and all supervisory memoranda or agreements, if any, with any federal or state regulatory authority.
18. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

19. We have disclosed to you the results of our assessment of risk that the consolidated financial statements may be materially misstated as a result of fraud.
20. We have no knowledge regarding allegations of fraud or suspected fraud, affecting the Credit Union's consolidated financial statements involving:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others where the fraud could have a material effect on the consolidated financial statements.
21. We have no knowledge regarding any allegations of fraud or suspected fraud affecting the Credit Union's consolidated financial statements received in communications from employees, former employees, analysts, regulators or others.
22. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
23. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the consolidated financial statements. We have not consulted legal counsel concerning litigation or claims.
24. We have disclosed to you the identity of all of the Credit Union's related parties and all the related-party relationships and transactions of which we are aware.
25. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Credit Union's ability to record, process, summarize and report financial data.
26. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
27. There have been no unfavorable findings that materially affect mortgage operations or suspensions by the U.S. Department of Housing and Urban Development (HUD) or any investor or regulatory agency within the past 12 months.
28. We believe that the past due, watch, impaired, troubled debt restructuring and nonaccrual listings are complete and accurate as of March 31, 2023.
29. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
  - a. The Credit Union has no significant amounts of idle property and equipment;
  - b. The Credit Union has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines;
  - c. We consider the decline in value of debt securities classified as either available-for-sale or held-to-maturity to be temporary;
  - d. Provision has been made to reduce all assets that have permanently declined in value to their realizable values; and
  - e. We have reviewed long-lived assets to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.

30. We are responsible for making the accounting estimates included in the consolidated financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- To reduce receivables to their estimated net collectable amounts;
  - For uninsured losses or loss retentions (deductibles) attributable to events occurring through March 31, 2023 and/or for expected retroactive insurance premium adjustments applicable to periods through March 31, 2023;
  - For pension obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through March 31, 2023;
  - For any material loss to be sustained in the fulfillment of or from the inability to fulfill any commitments; and
  - For environmental clean-up obligations.
31. There are no:
- Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the consolidated financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a “potentially responsible party” by the Environmental Protection Agency in connection with any environmental contamination;
  - Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the *Contingencies* Topic of the FASB ASC.
32. The Credit Union has satisfactory title to all owned assets.
33. We have complied with all aspects of contractual agreements that would have a material effect on the consolidated financial statements in the event of noncompliance.
34. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following are required:
- Management of the Credit Union believes that the allowance for loan losses is adequate. While management uses available information to establish the allowance for loan losses, future additions to the allowance may be necessary. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Credit Union’s allowance for loan losses and may require the Credit Union to recognize additions to the allowance based on judgments different from those of management;
  - Material estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses. In connection with the determination of the allowance for loan losses, management periodically obtains independent appraisals for significant properties; and
  - A substantial portion of the Credit Union’s loans are secured by real estate in central Maine. Accordingly, the ultimate collectability of a substantial portion of the Credit Union’s loan portfolio is susceptible to changes in market conditions in central Maine.
35. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

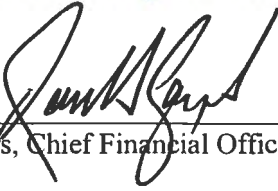
36. Dave Sayers has reviewed the Checklist for Disclosures and we are satisfied that the consolidated financial statements contain all material disclosures required by generally accepted accounting principles.

Very truly yours,

**Maine Savings Federal Credit Union and Subsidiaries**



Vanessa Madore, Chief Executive Officer and  
President



Dave Sayers, Chief Financial Officer

The Supervisory Committee  
Maine Savings Federal Credit Union and Subsidiaries

In planning and performing our audit of the financial statements of Maine Savings Federal Credit Union and Subsidiaries (the Credit Union) as of and for the year ended March 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Credit Union's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, we do not express an opinion on the effectiveness of the Credit Union's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

### **Timely Review of Reconciliations**

We identified several instances where the formal review and approval of the monthly federal reserve account reconciliation and Synergent check reconciliation were not performed timely. These instances are generally isolated to quarter-end dates and management has indicated that they are delayed as a result of the preparation of quarter-end materials during the same time period. We recommend ensuring that the formal review and approval of these reconciliations is performed timely in order to identify any errors or issues in a timely manner.

### **Loan Risk Rating Changes**

The Credit Union adopted a new loan risk rating scale in January 2023. There were two instances identified in which a relationship was reviewed during the annual review process using the updated risk rating scale; however, the risk rating in the loan system was not updated to the new risk rating scale following that annual review. The loan risk rating differences were within pass-rated categories; however, we recommend the Credit Union improve the loan maintenance process to ensure all risk rating change requests are appropriately reflected in the loan system.

### **Allowance for Loan Losses Calculation**

In an effort to further enhance the documented support for the qualitative factors utilized in the allowance for loan loss calculation, as well as in preparation for the approaching implementation of the Current Expected Credit Loss (CECL) standard affecting the allowance for loan losses, we recommend that the Credit Union more formally assess and document its qualitative factors on a quarterly basis, including a documented analysis and conclusion with narrative and referenced sources, and make adjustments as necessary that are reflective of any increases in perceived risk related to trends in qualitative and environmental factors.

As part of this process, management should consider those qualitative or environmental factors that are likely to cause estimated credit losses associated with the Credit Union's existing portfolio to differ from historical loss experience, including but not limited to:

- Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not considered elsewhere in estimating credit losses;
- Changes in national, regional and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments;
- Changes in the nature and volume of the portfolio and in the terms of loans;
- Changes in the experience, ability and depth of lending management and other relevant staff;
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans and the volume and severity of adversely classified or graded loans;
- Changes in the quality of the loan review system;
- Changes in the value of underlying collateral for collateral-dependent loans;
- The existence and effect of any concentrations of credit and changes in the level of such concentrations; and
- The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses.

Further, as part of the calculation to determine the allowance for loan losses, we recommend that the Credit Union apply methodology under Accounting Standards Codification (ASC) 310-10-35 in order to determine which loans to specifically reserve. The loans falling within the scope of ASC 310-10-35 are generally limited to impaired loans. Each loan that is measured within the scope of this ASC should quantify their specific reserves based on one of the three following methods:

- Present value of expected future cash flows discounted at the loan's effective interest rate;
- Observable market price of the loan; or
- Fair value of collateral less costs to sell.

Management has indicated that they agree with this comment and are implementing as part of their adoption of CECL moving forward.

This communication is intended solely for the information and use of the Supervisory Committee, the Board of Directors, management and others within the Credit Union and is not intended to be, and should not be, used by anyone other than these specified parties.

*BAKER NEWMAN & NOYES LLC*  
Portland, Maine  
June 28, 2023