



**CorporateAmerica**  
CREDIT UNION

*DIFFERENT **STARTS HERE**™*

**2022**

**ANNUAL REPORT**



**CorporateAmerica**  
CREDIT UNION

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## **ANNUAL REPORT 2022**

### **Section I: Financial Reports**

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## REPORT OF THE CHAIRMAN AND PRESIDENT



2022 brought about a “sea change” for much of our membership regarding liquidity levels. Some of the driving forces included:

- Consumer mortgage balances increasing to \$11.92 trillion
- Credit card balances increasing to \$986 billion surpassing the pre-pandemic level of \$927 billion
- Auto loans increasing by \$28 billion in the 4th quarter alone
- Student loans increasing to \$1.6 trillion

To add even more pressure on liquidity, Americans ended 2022 with a personal savings rate of 4.5%, a level comparable to 2008 as the Great Recession was about to unleash its wrath. This was impactful considering the personal savings rate averaged 8.92% from 1959 through 2022 (although skewed by the highest level in history at 33.8% in April 2020). Combine this savings data with total household debt increasing to \$16.9 trillion during the year, and the liquidity drain makes sense. Accordingly, CACU focused on serving as a liquidity provider for members, resulting in over \$11 billion loaned to members during the year.

Adding to the storm, inflationary pressures initially considered “transitory” and later being labeled “entrenched” drove the Federal Open Market Committee (FOMC) to tighten at a rapid pace during 2022:

- March 17 = 25 basis points (bps)
- May 5 = 50 bps
- June 16 = 75 bps
- July 27 = 75 bps
- September 21 = 75 bps
- November 2 = 75 bps
- December 14 = 50 bps

Seven increases totaling 425 basis points in an 8-month period exhibited the determination of the FOMC to tame inflation. After peaking in June 2022 at 9.1%, Committee members have made it quite clear that they strive for a 2% inflation reading and will take action necessary to achieve that level. Many speculate on when the Committee will pause and pivot as the equities market underperforms of late and the bond market, albeit with an inverted yield curve, is the instrument showing higher returns. It is our hope that shortly after this report is printed the FOMC does pause and pivot, the yield curve again slopes in the normal direction, 401k values recover, and the U.S. economy thrives.

Soft landing, hard landing, no recession... the debate is on as to where we stand. Let's look at some data:

- Inverted yield curve - consistent with recessionary times
- University of Michigan Consumer Sentiment Index:
  - Since 1955 historical norm of an 86 reading
  - Expansions show a reading of at least 88
  - Recessions show a reading of 71 or lower
  - February 2023 came in at 67

The last time we saw these levels on this Index:

- July 2008
- October 1990
- March 1982
- November 1984

All recessionary periods.

History tells us that recessions since WWII:


- Last 10 months
- Erode 4 or 5 million jobs - unemployment levels reach 6%
- Decrease GDP 2 or 3%
- Reduce home prices 20%

However, there are signs of a strong and strengthening economy such as an unemployment level of 3.6% as of February 2023 and **headline inflation** (which includes food and energy) dropping well below the peak of 9.1% reached in mid-2022. Regardless of what the National Bureau of Economic Research tells us regarding a recession, CACU remains poised to deal with macro-economic extremes such as those all of us have endured the past few years.

We continue to advance technology in the payment system arena around Real-Time Payments and FedNow, which provide for core-to-core transactions. A product receiving much interest nationally with many credit unions live and a long list in the queue is our **RISE** product. **RISE** simplifies the process of making and receiving loan payments using ACH or debit/credit rails to process payments. CACU constantly seeks to add value to you in other ways, such as waiving monthly service fees from time to time and paying bonus dividends on capital. Both of these actions were taken in 2022 and have also been announced for 2023.

We forge ahead advancing technology and pushing value your way with focus and determination. As forces out of our control come our way providing challenges and opportunities, the board and management will be consistent taking action with your best interest as the guiding light. Thank you for the opportunity to work for you - we will keep working hard.

**WE WANT YOU TO THRIVE!**



Bradley A. Long, Chairman



Pete Pritts, President/CEO



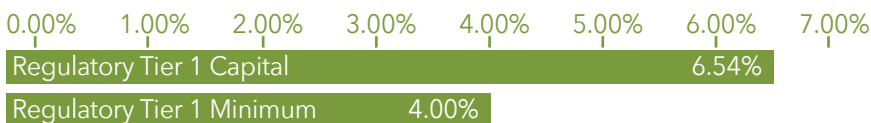
## REPORT OF THE TREASURER



Thank you to each and every member for allowing Corporate America Credit Union to serve your institution. CACU continues to succeed working with our members to deliver timely and pertinent services. We are continuously adapting to your needs. The staff and management remain dedicated to serving you well!

**Below are some key financial ratios for 2022:**

### Capital Ratios - December 2022



Description	Regulatory Minimum	CACU's Ratio
Retained Earnings	0.45%	3.34%
Tier 1 RBC Ratio	4.00%	21.00%
Total RBC Ratio	8.00%	21.14%
Base NEV Ratio	3.00%	7.85%
NEV Ratio - Shock Scenario	2.00%	7.46%

CACU ended 2022 with \$3.1 billion in assets, 523 members, 171 credit unions using item processing, 137 using ACH origination and/or receipt and 154 credit unions using remote deposit capture services. The Board of Directors is appreciative for the confidence you continuously put into CACU. On behalf of the management and staff we extend our sincerest gratitude for the trust exhibited. Thank you for the opportunity to serve you!

Respectfully submitted,

Blane Mink, Secretary/Treasurer

## REPORT OF THE LOAN OFFICER

The Loan Officer granted 3,611 loans totaling \$11,192,506,930 during 2022. Aggregate Member Advised Lines of Credit to 312 members were \$3,069,687,847 and one Committed Line of Credit was for \$21 million. Cash held on balance sheet, liquid marketable securities, and tested sources of funds provide for approximately \$2.7 billion of

## REPORT OF THE SUPERVISORY COMMITTEE

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It has been a pleasure to chair the Supervisory Committee at Corporate America Credit Union and serve alongside Ed Turk from Heritage Community Credit Union, Whitney Oswald from Alabama One Credit Union and Tangela Souders from All In Credit Union.

The two primary objectives of the Supervisory Committee are to ensure that financial reporting requirements are met and that the practices, procedures, and internal controls safeguard members' assets.

For the year 2022, the Supervisory Committee engaged the accounting firm of Doeren Mayhew to assist in the fulfillment of these objectives.

The accounting firm performed an opinion audit as of December 31, 2022, and rendered an unqualified opinion on Corporate America's financial statements as of that date. This opinion is included in the Annual Report.

In addition to the annual opinion audit, Doeren Mayhew examined internal controls over financial reporting as of December 31, 2022, and determined Corporate America maintained effective internal controls over financial reporting. Corporate America also has an internal auditor that follows an audit plan based on an annual risk assessment which is approved by the Committee. The NCUA and ACUA jointly performed their examination in July of 2022.

The Supervisory Committee would like to take the opportunity to thank management and staff for their full cooperation during the year.

Respectfully submitted,

A handwritten signature in black ink that reads "Miles Strickland". The signature is written in a cursive, slightly stylized font.

Miles Strickland, Chairman

Ed Turk, Vice Chairman  
Whitney Oswald, Member  
Tangela Souders, Member

liquidity to be raised at Corporate America Credit Union. Having the ability to quickly cover 86% of our position, we are positioned to be responsive to member needs should a severe liquidity event occur.

Respectfully submitted,

A handwritten signature in black ink that reads "Pete Pritts". The signature is written in a cursive, slightly stylized font.

Pete Pritts, Loan Officer



## BOARD OF DIRECTORS

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**Bradley A. Long**  
Chairman  
First Florida CU



**Joey Hand**  
Second Vice Chairman  
eCO CU



**Blane Mink**  
Secretary/Treasurer  
APCO Employees CU



**George Glasser**  
Director  
Memorial Employees  
FCU



**Heath Harrell**  
Director  
Guardian CU



**Mark Johnson**  
Director  
Naheola CU



**Mike Miller**  
Director  
iTHINK Financial CU



**Steve Nix**  
Director  
AlaTrust CU



**Eric Renaud**  
Director  
Pima FCU



**Kendall Speed**  
Director  
Mutual Savings CU

## SUPERVISORY COMMITTEE

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**Miles Strickland**  
Chairman  
USF FCU



**Ed Turk**  
Vice Chairman  
Heritage  
Community CU



**Whitney Oswald**  
Member  
Alabama One CU



**Tangela Souders**  
Member  
All In CU





## CORPORATE AMERICA MANAGEMENT

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**Pete Pritts**  
President/CEO



**Lisa Coffey**  
Chief Innovation  
Officer



**Rachel Dodson**  
Chief Financial  
Officer



**Donald Eagen**  
Chief Technology  
Officer



**Dave Filby**  
Chief Investment  
Officer



**Lauren Howle**  
Chief Strategy  
Officer



**Kayla Barnett**  
VP Human Resources  
& Culture



**Alison Dagnan**  
VP Operations



**Michael Kennedy**  
VP Electronic  
Payments



**Trey Rudder**  
VP Strategic Balance  
Sheet Management



**Shane St. John**  
VP Information  
Technology



**Penny Swindle**  
BSA/AML Officer

## CORPORATE AMERICA STAFF

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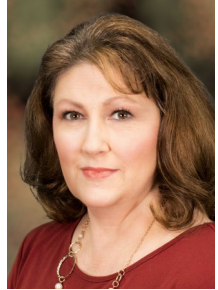
**Jasmine Aaron**  
Operations Specialist



**Olivia Anderson**  
Electronic Payments  
Specialist



**John Basco**  
Network  
Administrator



**Kellanee Beavers**  
Accountant



**Carrie Besse**  
Senior Accountant



**Tameka Bray**  
Operations Leader



**Anita Burke**  
Electronic Payments  
Specialist



**Carolyn Byner**  
Electronic Payments  
Specialist



**Sharon Childs**  
Cash Vault Specialist



**Lisa Chimento**  
Electronic Payments  
Specialist



**Mallory Clayton**  
ERM Director



**Allison Cobb**  
Investment Credit  
Director



## CORPORATE AMERICA STAFF

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**Danny Crosby**  
Physical Assets/  
Security Specialist



**Jessica Cummo**  
Member Advisor



**Ashley Daniels**  
Marketing &  
Communications  
Director



**Jennifer Davis**  
Project Management  
Leader



**Tanya DeVliieger**  
Member Investment  
Director



**Neicey Dukes**  
BSA/AML Analyst



**Jenny Edgeworth**  
Electronic Payments  
Director



**Jill Felton**  
Operations Specialist



**Laura Filasek**  
Board Liaison/Execu-  
tive Assistant



**Kevin Ford**  
Member Advisor



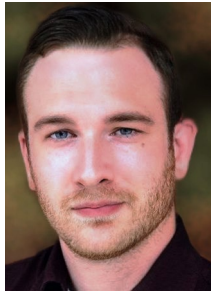
**Allyson Gilbert**  
Investment Portfolio  
Manager

## CORPORATE AMERICA STAFF

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**Victoria Hamm**  
Product Implementa-  
tion Leader



**Nathan Hicks**  
Member Advisor



**Denise Hill**  
Member Investment  
Director



**Natassa Hogan**  
ACH Specialist



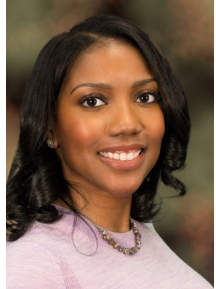
**Tim Hurd**  
Software  
Administrator



**Tonya Jackson**  
Operations Specialist



**Lisa Johnson**  
Operations Specialist



**Raven Johnson**  
ACH Leader



**Trent Kirk**  
Electronic Payments  
Specialist



**John Lorenzo**  
Member Advisor



**Gisli Magnusson**  
National Sales  
Director



## CORPORATE AMERICA STAFF

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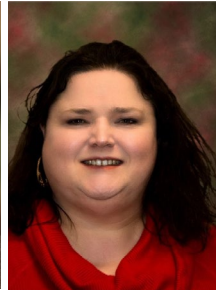
**Victoria Mason**  
Cash Vault Specialist



**Taylor McBride**  
Electronic Payments  
Specialist



**Lynn Middleton**  
Contracts & Product  
Implementation  
Specialist



**Alonda Montgomery**  
IT Analyst



**Lorenzo Moore**  
Member Credit  
Specialist



**Gina Murray**  
Human Resources  
Leader



**Harold Nelson**  
Systems  
Administrator



**Brandy Norvell**  
Investment Credit  
Analyst



**Elizabeth Ogle**  
Administrative Spe-  
cialist



**Hali Oliver**  
Electronic Payments  
Specialist

## CORPORATE AMERICA STAFF

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**Dan Olley**  
Member Advisor



**Trey Ragland**  
Product Development  
Director



**Melissa Reeves**  
Operations Specialist



**Joe Rodgers**  
ALM Director/Senior  
Analyst



**Kevin Sample**  
Systems Analyst



**David Short**  
Electronic Payments  
Specialist



**Paul Simpson**  
Software  
Administrator



**Mary Ann Spiegel**  
Project Management  
Director



**Kaytlin Swart**  
Operations Specialist



**Jackie Walker**  
Liquidity Director



## CORPORATE AMERICA STAFF

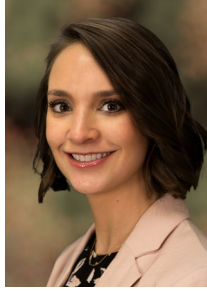
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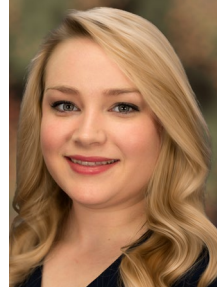
**Brittany Walters**  
Accounting Director



**Alston Walton**  
ALM Analyst



**Mallory Wear**  
Product  
Implementation  
Director



**Ashley White**  
Investment Analyst



**Sheryll Wilson**  
Electronic Payments  
Specialist



**Brandon Yarbrough**  
IT Analyst

# MINUTES

FORTIETH ANNUAL MEETING - APRIL 28, 2022

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## **Call to Order**

First Vice Chairman Gary Fairley called the fortieth annual meeting of Corporate America Credit Union to order at 2:30 p.m. Central. The meeting was held virtually.

## **Invocation**

Director Nancy Kline gave the invocation.

## **Pledge of Allegiance**

Director Nancy Kline requested everyone stand for the Pledge of Allegiance.

## **Recording Secretary**

First Vice Chairman Gary Fairley appointed Ms. Laura Filasek, Board Liaison/Executive Assistant, as Recording Secretary.

## **Parliamentarian**

First Vice Chairman Gary Fairley appointed Second Vice Chairman Joey Hand with eCO Credit Union as Parliamentarian.

## **Attendance**

First Vice Chairman Gary Fairley determined that a quorum was present.

## **Introduction of Board**

First Vice Chairman Gary Fairley introduced the Board of Directors of Corporate America Credit Union.

## **Introduction of Supervisory Committee**

First Vice Chairman Gary Fairley introduced the Supervisory Committee of Corporate America Credit Union..

## **Approval of Consent Agenda**

First Vice Chairman Gary Fairley referred to the Consent Agenda, containing the Report of the Chairman and President, the Report of the Treasurer, the Report of the Supervisory Committee, the Report of the Loan Officer, and the Minutes of the Annual Meeting held on August 26, 2021.





## MINUTES

FORTIETH ANNUAL MEETING - APRIL 28, 2022

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It was unanimously VOTED: that the Consent Agenda, including the minutes of the previous meeting, be accepted as presented.

### **Comments from the Chairman**

First Vice Chairman Gary Fairley thanked the attendees for participating in the virtual meeting and all of the membership for their continued support of CACU. He also congratulated CACU management and staff for another successful year.

### **Comments from the President**

First Vice Chairman Gary Fairley called upon President/CEO Pete Pritts for his comments. President/CEO Pritts welcomed attendees and thanked them for participating virtually.

President/CEO Pritts provided an overview of exciting things happening at CACU, including participating in real-time payments, becoming a pilot for the FedNow system, acting as funding agent for credit unions, and opening a capital offering to members.

In closing, President Pritts offered appreciation to member credit unions for their continued support and stated that CACU remains committed to the membership and focused on adding value to member credit unions.

### **Unfinished Business**

None.

### **New Business**

First Vice Chairman Gary Fairley called upon the Nominating Committee Chairman George Glasser to give the report. Nominating Committee Chairman Glasser introduced the members of the Nominating Committee: Directors Nancy Kline and Joey Hand. He thanked the Committee for assisting in the nominations.

# MINUTES

FORTIETH ANNUAL MEETING - APRIL 28, 2022

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He then presented the slate of candidates as chosen by the Committee:

## BOARD OF DIRECTORS

<u>Position</u>	<u>Term</u>	<u>Nominee</u>	<u>Credit Union</u>
Director	3 Years	Steve Nix	AlaTrust Credit Union
Director	3 Years	Brad Houle	CAHP Credit Union

## SUPERVISORY COMMITTEE

<u>Position</u>	<u>Term</u>	<u>Nominee</u>	<u>Credit Union</u>
SC Member	3 Years	Whitney Oswalt	Alabama One CU
SC Member	3 Years	Ed Turk	Heritage Community CU

Nominating Committee Chairman Glasser stated no nominations by petition had been received and as such, the nominees announced were elected by acclamation.

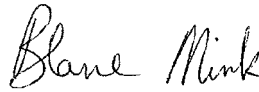
Nominating Committee Chairman Glasser congratulated the elected Directors and the Supervisory Committee Members.

## Adjournment

First Vice Chairman Gary Fairley asked for a motion to adjourn. The meeting was duly adjourned at 2:48 p.m. Central.



Bradley A. Long  
Chairman



Blane Mink  
Secretary/Treasurer



**CorporateAmerica**  
CREDIT UNION

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## **Section II: Corporate America Credit Union and Subsidiaries Consolidated Financial Statements**

*For The Years Ended  
December 31, 2022 and 2021*

## MANAGEMENT REPORT

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### MANAGEMENT REPORT REGARDING STATEMENT OF MANAGEMENT'S RESPONSIBILITIES, COMPLIANCE WITH DESIGNATED LAWS AND REGULATIONS, AND MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

#### Statement of Management's Responsibilities

Management of Corporate America Credit Union and Subsidiary is responsible for preparing Corporate America Credit Union and Subsidiary's annual consolidated financial statements in accordance with generally accepted accounting principles; for designing, implementing, and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions in National Credit Union Administration (NCUA) Form 5310 (call report instructions); and for complying with the federal laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends.

#### Management's Assessment of Compliance with Designated Laws and Regulations

Management of Corporate America Credit Union and Subsidiary has assessed its compliance with the federal laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends during the fiscal year that ended on December 31, 2022. Based upon its assessment, management has concluded that the Corporate America Credit Union and Subsidiary complied with the federal laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends during the fiscal year that ended on December 31, 2022.

#### Management's Assessment of Internal Control Over Financial Reporting

Corporate America Credit Union and Subsidiary's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., call reports. Corporate America Credit Union and Subsidiary's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Corporate America Credit Union and Subsidiary; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of Corporate America Credit Union and Subsidiary are being made only in accordance with authorizations of management and directors of Corporate



## MANAGEMENT REPORT

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America Credit Union and Subsidiary; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of Corporate America Credit Union and Subsidiary's assets that could have a material effect on the financial statements.

Internal Control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgement and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of the Credit Union's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for NCUA Form 5310, as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based upon its assessment, management has concluded that, as of December 31, 2022, Corporate America Credit Union and Subsidiary's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for NCUA Form 5310, is effective based on criteria established in *Internal Control - Integrated Framework* (2013), issued by COSO.

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for NCUA Form 5310, as of December 31, 2022, has been audited by Doeren Mayhew, an independent public accounting firm, as stated in their report dated March 20, 2023.

Corporate America Credit Union and Subsidiary

March 20, 2023

Pete Pritts, President/CEO

Rachel Dodson, CFO

# INDEPENDENT AUDITORS' REPORT

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12060 S.W. 129th Court, Ste. 201  
Miami, Florida 33186-4582  
305.232.8272  
[doeren.com](http://doeren.com)

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March 20, 2023

To the Supervisory Committee, Board of Directors  
and Management of Corporate America Credit Union

## ***Opinions on the Financial Statements and Internal Control Over Financial Reporting***

We have audited the consolidated financial statements of Corporate America Credit Union and its subsidiary, which comprise the consolidated statement of financial condition as of December 31, 2022, and the related consolidated statements of income, comprehensive operations, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

We also have audited Corporate America Credit Union and its subsidiary internal control over financial reporting as of December 31, 2022, based on including controls over the preparation of regulatory consolidated financial statements in accordance with the instructions for the National Credit Union Administration's (NCUA) 5310 Call Report, as of December 31, 2022, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework (2013). In our opinion, Corporate America Credit Union and its subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in the Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

## ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control Over Financial Reporting



## INDEPENDENT AUDITORS' REPORT - CONTINUED

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section of our report. We are required to be independent of Corporate America Credit Union and its subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Other Matter***

The consolidated financial statements of Corporate America Credit Union and its subsidiary for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on March 16, 2022.

### ***Responsibilities of Management for the Consolidated Statements and Internal Control Over Consolidated Reporting***

Management is responsible for the preparation and fair presentation of the consolidated statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of effective internal control over consolidated reporting relevant to the preparation and fair presentation of consolidated statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over consolidated reporting, included in the accompanying 2022 Management Report.

In preparing the consolidated statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Corporate America Credit Union and its subsidiary' ability to continue as a going concern for one year after the date that the consolidated statements are issued.

### ***Auditor's Responsibilities for the Audits of the Consolidated Statements and Internal Control Over Consolidated Reporting***

Our objectives are to obtain reasonable assurance about whether the consolidated statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over consolidated reporting was maintained in all material respects, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of consolidated statements or an audit of internal control over consolidated reporting conducted in accordance

## INDEPENDENT AUDITORS' REPORT - CONTINUED

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with GAAS will always detect a material misstatement or a material weakness 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 to be 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 consolidated statements.

In performing an audit of consolidated statements and an audit of internal control over consolidated reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated statements.
- Obtain an understanding of internal control relevant to the consolidated statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over consolidated reporting relevant to the audit of internal control over consolidated reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over consolidated reporting based on the assessed risk.
- 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 consolidated statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Corporate America Credit Union and its subsidiary'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 consolidated statement audit.

### ***Definition and Inherent Limitations of Internal Control Over Consolidated Reporting***

An entity's internal control over consolidated reporting is a process effected by those charged with governance, management, and other personnel, designed





## INDEPENDENT AUDITORS' REPORT - CONTINUED

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to provide reasonable assurance regarding the preparation of reliable consolidated statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 704.15 of the NCUA Regulations, our audit of Corporate America Credit Union and its subsidiary's internal control over consolidated reporting included controls over the preparation of consolidated statements in accordance with accounting principles generally accepted in the United States of America and with the NCUA 5310 Call Report instructions. An entity's internal control over consolidated reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated statements.

Because of its inherent limitations, internal control over consolidated reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Doeren Mayhew  
Miami, FL

# CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 670,969,229	\$ 850,264,064
Accounts receivable	19,985,811	18,139,456
Securities - Available-for-Sale	2,195,729,755	3,527,654,776
Loans, Net	152,051,461	15,935,813
Accrued Interest Receivable	10,939,920	5,858,635
Premises and Equipment, Net	5,047,926	5,128,445
National Credit Union Share Insurance Fund (NCUSIF) Deposit	1,030,877	978,011
Federal Home Loan Bank (FHLB) Stock	6,480,500	2,449,000
Central Liquidity Facility (CLF) Stock	-	32,530,619
Other Assets	4,324,087	1,950,805
	<u>3,066,469,566</u>	<u>4,460,889,724</u>
Total Assets	<u>\$ 3,066,469,566</u>	<u>\$ 4,460,889,724</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>LIABILITIES</b>		
Members' Shares and Certificates	\$ 2,799,249,135	\$ 4,249,517,333
Borrowed Funds	100,000,000	-
Accrued Interest Payable	2,515,467	444,241
Accrued Expenses and Other Liabilities	7,018,666	9,555,497
	<u>2,908,783,268</u>	<u>4,259,517,071</u>
Total Liabilities	<u>2,908,783,268</u>	<u>4,259,517,071</u>
<b>MEMBERS' EQUITY</b>		
Perpetual Paid-In Capital	121,754,415	100,095,520
Undivided Earnings	125,541,276	116,523,329
Accumulated Other Comprehensive Loss	(89,609,393)	(15,246,196)
Total Members' Equity	<u>157,686,298</u>	<u>201,372,653</u>
Total Liabilities and Members' Equity	<u>\$ 3,066,469,566</u>	<u>\$ 4,460,889,724</u>

See accompanying notes to consolidated financial statements.



## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>INTEREST INCOME</b>		
Securities, Interest Bearing Deposits, and Cash Equivalents	\$ 58,793,984	\$ 29,882,219
Loans	<u>3,352,993</u>	<u>97,706</u>
Total Interest Income	<u>62,146,977</u>	<u>29,979,925</u>
<b>INTEREST EXPENSE</b>		
Members' Share and Nonperpetual Capital Accounts	35,055,408	5,087,042
Borrowed Funds	<u>6,405,796</u>	<u>18,796</u>
Total Interest Expense	<u>41,461,204</u>	<u>5,105,838</u>
<b>NET INTEREST INCOME</b>	<u>20,685,773</u>	<u>24,874,087</u>
<b>NONINTEREST INCOME</b>		
U.S. Central Distribution	10,172,235	13,891,933
Service Charges and Fees	<u>7,139,690</u>	<u>7,662,453</u>
Total Noninterest Income	<u>17,311,925</u>	<u>21,554,386</u>
<b>NONINTEREST EXPENSE</b>		
Employee Compensation and Benefits	13,282,206	12,939,757
Net Loss (Gain) on Sale of Assets	4,739,690	(3,065,851)
Other Operating Expenses	2,234,646	2,211,222
Occupancy and Operations	1,989,411	2,150,743
Professional and Outside Services	1,380,162	1,287,670
Educational and Promotional	654,611	645,682
Operations	624,010	451,119
Other Pension Expense	606,662	466,148
Travel and Conference Expense	<u>316,853</u>	<u>205,326</u>
Total Noninterest Expense	<u>25,828,250</u>	<u>17,291,816</u>
<b>NET INCOME</b>	<u>\$ 12,169,448</u>	<u>\$ 29,136,657</u>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>NET INCOME</b>	\$ 12,169,448	\$ 29,136,657
<b>OTHER COMPREHENSIVE INCOME (LOSS):</b>		
<b>Securities - Available-for-Sale</b>		
Unrealized Holding Loss Arising During the Period	(84,357,005)	(4,264,509)
Reclassification for Net Losses (Gains) included		
in Net Income	4,739,690	(3,065,851)
Subtotal	(79,617,315)	(7,330,360)
<b>Defined Benefit Plan</b>		
Net Gain (Loss) Arising During the Period	4,387,079	(1,794,415)
Amortization of Net Loss	273,284	144,357
Amortization of Prior Service Cost	593,755	593,755
Subtotal	5,254,118	(1,056,303)
Total Other Comprehensive Loss	(74,363,197)	(8,386,663)
<b>TOTAL COMPREHENSIVE (LOSS) INCOME</b>	<b>\$ (62,193,749)</b>	<b>\$ 20,749,994</b>

*See accompanying notes to consolidated financial statements.*



**CONSOLIDATED STATEMENTS  
OF CHANGES IN MEMBERS' EQUITY**  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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	<u>Perpetual Paid-In Capital</u>
<b>BALANCE - DECEMBER 31, 2020</b>	\$ 100,095,520
Net Income	-
Other Comprehensive Loss	-
Perpetual Contributed Capital Dividends	<u>-</u>
<b>BALANCE - DECEMBER 31, 2021</b>	100,095,520
Net Income	-
Other Comprehensive Income	-
Issuance of Perpetual Contributed Capital	21,658,895
Perpetual Contributed Capital Dividends	<u>-</u>
<b>BALANCE - DECEMBER 31, 2022</b>	<u><u>\$ 121,754,415</u></u>

## CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Undivided Earnings	Accumulated Other Comprehensive Loss	Total
\$ 88,888,110	\$ (6,859,533)	\$ 182,124,097
29,136,657	-	29,136,657
-	(8,386,663)	(8,386,663)
(1,501,438)	-	(1,501,438)
116,523,329	(15,246,196)	201,372,653
12,169,448	-	12,169,448
-	(74,363,197)	(74,363,197)
-	-	21,658,895
(3,151,501)	-	(3,151,501)
\$ 125,541,276	\$ (89,609,393)	\$ 157,686,298

*See accompanying notes to consolidated financial statements.*



# CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 12,169,448	\$ 29,136,657
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	452,956	411,878
Amortization of Security Premiums/Discounts, Net	23,716,784	25,683,210
Net Losses (Gains) on Sale of Securities, Net	4,739,690	(3,065,851)
Changes in:		
Increase in Accrued Interest Receivable	(5,068,990)	(543,860)
Increase in Securities - Principal Receivable	(1,846,355)	(2,824,241)
Decrease (Increase) in Other Assets	5,090,664	(1,132,429)
Decrease (Increase) in Other Investments	430,272	(133,969)
Increase in Accrued Interest Payable	2,071,226	10,373
(Decrease) Increase in Accrued Expenses and Other Liabilities	(2,536,831)	3,673,761
Net Cash Provided by Operating Activities	<u>39,218,865</u>	<u>51,215,529</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Securities:		
Available-for-Sale	(1,048,565,390)	(2,085,343,031)
Proceeds from Maturities and Principal Paydowns of Securities:		
Available-for-Sale	1,363,216,703	1,518,201,523
Proceeds from Sales of Securities - Available-for-Sale:		
Available-for-Sale	909,199,919	630,731,580
(Purchases) Redemptions of FHLB Stock	(4,031,500)	202,100
Redemption of CLF Stock	32,518,324	-
Loan Originations Net of Principal Collected on Loans to Members	(136,115,648)	(12,923,726)
Increase in NCUSIF Deposit	(52,866)	(44,795)
Purchase of Other Investments	(2,550,000)	-
Expenditures for Premises and Equipment	(372,437)	(192,336)
Net Cash Provided by Investing Activities	<u>1,113,247,105</u>	<u>50,631,315</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Decrease in Members' Shares and Certificates	(1,450,268,198)	(459,865,999)
Borrowings on FHLB Line of Credit	100,000,000	-
Net Increase in Member Perpetual Contributed Capital	21,658,895	-
Dividends on Member Perpetual Contributed Capital	(3,151,501)	(1,501,438)
Net Cash Used in Financing Activities	<u>(1,331,760,804)</u>	<u>(461,367,437)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(179,294,835)	(359,520,593)
Cash and Cash Equivalents - Beginning of Year	<u>850,264,064</u>	<u>1,209,784,657</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 670,969,229</u>	<u>\$ 850,264,064</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH AND CASH FLOW INFORMATION</b>		
Borrowed Funds Interest Paid	<u>\$ 5,038,870</u>	<u>\$ 18,796</u>
Members' Share and Nonperpetual Capital Accounts Interest Paid	<u>\$ 32,984,182</u>	<u>\$ 5,076,669</u>

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Business**

Corporate credit unions are non-profit cooperatives that make up the corporate credit union system. The primary purpose of corporate credit unions is to assist their natural-person credit union members in the financial services market. Corporate America Credit Union (Corporate America or the Corporate), an Alabama state-chartered credit union, was established to operate as a corporate credit union for the purpose of meeting its members' liquidity and investment needs as well as providing settlement and other financial services. Corporate America's members consist of credit unions located across the nation. Corporate America's board of directors is composed of current executive management from the Corporate's member credit unions. Corporate America is regulated by the Alabama Credit Union Administration (ACUA) and insured by the National Credit Union Administration (NCUA).

Corporate America's wholly owned subsidiary, SmartSource Solutions, LLC, was formed for the purpose of providing web development, hosting, and content management services and offering online solutions for members and the credit union industry.

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of Corporate America Credit Union and its wholly owned subsidiary, SmartSource Solutions, LLC. All significant intercompany accounts and transactions have been eliminated.

#### **Financial Statement Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management has made assumptions in estimating the fair values of the defined benefit plan, financial investments, in the assessment of other-than-temporary impairment of investments and in the amortization and accretion of premiums and discounts on investments subject to prepayment risks. Actual results could differ from those estimates.

#### **Concentration of Credit Risk**

Corporate America may be exposed to credit risk since the majority of the Corporate's business activity is with its members who are primarily credit unions located across the nation. Corporate America makes loans to these member credit unions; substantially all of the borrowing credit unions' assets, excluding residential real estate loans, are secured as collateral. Periodic credit reviews are made in order to assist the Corporate in determining the appropriate levels of allowance for doubtful accounts. Corporate America has certain member credit unions which maintain significant deposit balances. Deposits of the top five members aggregated 18% and 13% of total member deposits at December 31, 2022 and 2021.





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Concentration of Credit Risk (Continued)**

Financial instruments which potentially subject the Corporate to concentrations of credit risk include cash and cash equivalents, investments, and loans to members. Cash and cash equivalents are placed with the Federal Reserve Bank (FRB) and the Federal Home Loan Bank (FHLB), and, at times, deposits may exceed federally insured limits. Investments consist primarily of debt obligations of the U.S. Government or its agencies or other asset-backed securities and FHLB stock.

#### **Cash and Cash Equivalents**

For purposes of statement of financial condition classification and the statement of cash flows, cash and cash equivalents include cash on deposit, cash items in the process of collection and amounts due from correspondent depository institutions with maturities less than 90 days.

#### **Securities – Available-for-Sale**

Investment accounting practices have been adopted as follows:

Government and government agency bonds, government sponsored enterprises, mortgage-backed securities, private label commercial mortgage pass-through securities and other asset-backed securities are classified available-for-sale when the Corporate anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in accumulated other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using methods approximating the interest method over the terms of the securities, except for mortgage-backed securities where prepayments are anticipated. In addition, for callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date.

Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Securities – Available-for-Sale (Continued)

Corporate America follows the accounting guidance related to recognition and presentation of other than temporary impairment (OTTI), which is primarily codified in FASB ASC 320-10. This guidance specifies that (a) if a company does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other than temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security and it is more likely than not the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an OTTI of a debt security in earnings and the remaining portion in other comprehensive income. There was no OTTI as of December 31, 2022 and 2021.

In accordance with this OTTI guidance, for debt securities that the Corporate intends to sell or would more likely than not be required to sell before the expected recovery of the amortized cost basis, OTTI is recognized in earnings as the difference between the security's amortized cost basis and fair value. For debt securities that management has no intent to sell and believes that it more likely than not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the fair value loss is recognized in accumulated other comprehensive loss. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections. See Note 3 to the consolidated financial statements for disclosures related to Corporate America's investment in securities and other than temporary impairments.

### Securities – Principal Receivable

Delayed principal payments related to asset-backed securities are recorded as a receivable.

### Other Investments

CUSOs are entities created to serve credit unions and are subject to review by the NCUA. The Corporate is a less than 20% owner in Primary Financial Company, LLC, CU Investment Solutions, LLC, and Aptys Solutions, LLC which are CUSOs. Management evaluates CUSO stock annually for impairment. The Corporate's consolidated wholly owned subsidiary, SmartSource Solutions, LLC is a CUSO.

### Loans to Members

Loans to members consist of settlement loans, demand loans, and term loans. Loans to members are stated at the unpaid principal amount outstanding, net of any related allowance for loan losses. Interest rates charged on settlement and demand loans are at a variable rate. Term loans are advanced at fixed rates. Interest income is accrued on the daily balance outstanding at the rate in effect. Loans to members are secured by substantially all of the member's assets excluding residential real-estate loans.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Loans to Members (Continued)**

The allowance for loan losses is based on management's evaluation of the collectability of the loans. The evaluation of management includes consideration of prior loan loss experience, the results of internal review procedures, the current financial condition of the borrower, and the quality of the collateral and current economic conditions affecting the inherent collection risks of the loan portfolio. The accrual of interest is discontinued when management believes that the collection of interest is doubtful. Corporate America has not historically incurred loan losses. At December 31, 2022 and 2021, management determined that all loans were collectable and, therefore, no allowance for loan losses was recorded.

#### **Property and Equipment**

Land is carried at cost. Building, furniture, fixtures, and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated over the estimated useful lives of the assets (typically ranging from 3 to 40 years) using the straight-line method.

#### **National Credit Union Share Insurance Fund**

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% 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.

#### **Federal Home Loan Bank Stock**

Corporate America's investment in stock of the FHLB is accounted for at cost because it does not have a readily determinable market value and because its ownership is restricted. Management evaluates the FHLB stock annually for impairment based on the ultimate recoverability of the cost basis in the FHLB stock.

#### **Central Liquidity Facility Stock**

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) allowed Corporate America to become an agent member of the CLF and purchase CLF capital stock on behalf of a select group of member credit unions, with this obligation expiring on December 31, 2022. The stock has no quoted market value and is carried at cost.

**NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Members' Accounts**

Members' shares are subordinated to all other liabilities of the Corporate upon liquidation. Interest on members' accounts is based on available earnings at the end of an interest period and is not guaranteed by the Corporate. Interest rates on members' accounts are set by management, as authorized by Corporate America's board of directors, based on an evaluation of current and future market conditions.

**Members' Equity - Perpetual Contributed Capital (PCC) and Perpetual Paid-in-Capital (PIC)**

PIC III, PCC I, PCC II and PCC III are non-voting classes of membership in Corporate America that is perpetual non-maturing and non-cumulative.

As of December 31, 2022 and 2021, Corporate America had the following perpetual contributed capital and perpetual paid-in capital outstanding:

	<u>2022</u>	<u>2021</u>
PIC III	\$ 85,320,000	\$ 85,320,000
PCC I	\$ 8,180,817	\$ 8,180,817
PCC II	\$ 6,594,703	\$ 6,594,703
PCC III	\$ 21,658,895	-

Effective October 20, 2011, the Revised Corporate Part 704 Rule established new capital types. The term "perpetual contributed capital" (PCC) replaced "paid-in-capital" (PIC) for any new issuances. The shares that were issued prior to the rule revision will remain classified as paid-in capital.

For consolidated financial statement presentation at December 31, 2022 and 2021, PIC III, PCC I, PCC II and PCC III accounts are classified as substantially restricted equity and dividend payments are recorded as a reduction of equity.

PCC and PIC are subordinate, uninsured, non-voting classes of membership equity investment in Corporate America that are perpetual, non-maturing, non-cumulative, and available to cover losses that exceed retained earnings. PCC and PIC have no scheduled maturity date and are not redeemable except upon call by Corporate America and subject to maintenance of capital levels mandated by the NCUA, the ACUA, and the capital plan as set forth by the board of directors of Corporate America Credit Union from time to time. In order to call PCC or PIC, Corporate America would be required to have prior permission from both the NCUA and the ACUA.

**Members' Equity - Undivided Earnings**

Undivided Earnings represents the balance of retained earnings which is available for dividends.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Members' Equity – Reserves**

Corporate America is required by the NCUA and ACUA to maintain corporate and special reserves which are calculated in accordance with applicable federal and state regulations. The amounts in these reserves are not available for dividends (see Note 8 - Regulatory Capital).

#### **Income Taxes**

Corporate America is exempt from federal income taxes under provisions of the Internal Revenue Code, Section 501. The state of Alabama imposes a 6.5% excise tax on the taxable income of state-chartered credit unions. The Corporate's subsidiaries are also exempt from federal and state income taxes.

Corporate America has assessed its activities and any potential federal income tax liability. Corporate America believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter. In the opinion of management, any liability arising from federal taxation of activities deemed to be unrelated to its exempt purposes is not expected to have a material effect on the Corporate's financial position or results of operation. Corporate America has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits requiring recognition in the consolidated financial statements.

The taxing authorities have the ability to assess taxes, penalties, and interest for any years for which no tax return was filed. In the opinion of management, the potential tax liability, and any potential additional liability resulting from the taxing authorities imposing taxes, penalties, and interest on the taxes due is not expected to have a material effect on the Corporate's financial position or results of operations.

The Corporate has evaluated its tax positions and determined no uncertain tax positions exist as of December 31, 2022 and 2021.

Years 2019 through 2021 are subject to audit by Federal and State tax authorities.

#### **Retirement Plans**

Pension expense is the service costs of the plan. The net of interest cost, return on plan assets and amortization of gains and losses not immediately recognized are recorded as other operating expense. Employee 401(k) and profit-sharing plan expense is the amount of matching contributions.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale and changes in the funded status of defined benefit plan assets. At December 31, 2022 and 2021, accumulated other comprehensive loss was comprised of the following:

	Securities - Available-for- Sale	Defined Benefit Plan	Total
<b>BALANCE - DECEMBER 31, 2020</b>	\$ 339,429	\$ (7,198,962)	\$ (6,859,533)
Other Comprehensive Loss Before Reclassifications	(4,264,509)	(1,794,415)	(6,058,924)
Amounts Reclassified from Accumulated Other Comprehensive (Loss) Income	<u>(3,065,851)</u>	<u>738,112</u>	<u>(2,327,739)</u>
Net Prior Period Other Comprehensive Loss	<u>(7,330,360)</u>	<u>(1,056,303)</u>	<u>(8,386,663)</u>
<b>BALANCE - DECEMBER 31, 2021</b>	(6,990,931)	(8,255,265)	\$ (15,246,196)
Other Comprehensive (Loss) Gain Before Reclassifications	(84,357,005)	4,387,079	(79,969,926)
Amounts Reclassified from Accumulated Other Comprehensive Loss	<u>4,739,690</u>	<u>867,039</u>	<u>5,606,729</u>
Net Current Period Other Comprehensive (Loss) Income	<u>(79,617,315)</u>	<u>5,254,118</u>	<u>(74,363,197)</u>
<b>BALANCE - DECEMBER 31, 2022</b>	<u>\$ (86,608,246)</u>	<u>\$ (3,001,147)</u>	<u>\$ (89,609,393)</u>

### Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable, and an amount or range of loss can be reasonably estimated. Management does not believe there are any matters that will have a material effect on the consolidated financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **FRB – Excess Balance Account (EBA) Program**

Corporate America, as agent, entered into an EBA agreement with participating member credit unions and the FRB, whereby the FRB opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in Corporate America's consolidated financial statements. These balances totaled approximately \$42,000,000 and \$663,486,845 as of December 31, 2022 and 2021, respectively. Neither the participating member credit unions nor the agent may use the EBA for general payments or other activities. The aggregate balance in the EBA represents a deposit liability of the FRB solely to the participants. The agent is solely responsible for calculating and distributing the interest payable to each participant on the participant's excess balance and for damages owed to participants for any inaccuracy in calculating the participant's excess balance and interest.

#### **Off-Statement of Financial Condition Credit Related Financial Instruments**

In the ordinary course of business, the Corporate has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

#### **Revenue Recognition**

The Corporate recognizes revenue in accordance with Revenue from Contract with Customers (Topic 606). Refer to Note 13 Revenue from Contracts with Members for further details of disaggregated revenue.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to Noninterest Income such as service charges and member account fees. Significant components of Noninterest Income considered to be within the scope of Topic 606 is discussed below.

#### ***Service Charges and Member Account Fees***

The Corporate earns fees from its members for transaction-based, account maintenance, and web hosting/development services. Transaction-based fees, which include services such as share draft processing, branch capture processing, wire transfers, ACH origination and receipt, and web development, are recognized at the time the transaction is executed as that is the point in time the Corporate fulfills the member's request. Account maintenance fees and web hosting fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporate satisfies the performance obligation.

#### ***Other Income***

The Corporate acts as an agent for third-party vendors that provide investment services and products. Upon completion of a sale of investment services or products to a member, the Corporate receives a commission from the third-party vendor. The performance obligation to the third-party vendor is satisfied and the commission income is recognized at that point in time.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Revenue Recognition (Continued)**

#### *Other Income (Continued)*

Additionally, other income is earned as referral fees from third-party vendors. Upon completion of the sale by third-party vendors of products or services to a member, the Corporate receives referral fee income. The performance obligation to the third-party vendor is satisfied and the referral fee income is recognized at that point in time.

### **Subsequent Events**

In preparing these financial statements, the Corporate has evaluated events and transactions for potential recognition or disclosure through March 20, 2023, the date the financial statements were available to be issued.

### **Reclassification of 2021 Data**

Certain data in the 2021 financial statements has been reclassified to conform with the presentation adapted in the 2022 financial statements. This reclassification did not result in any change to net income or members' equity.

## NOTE 2 U.S. CENTRAL ESTATE SETTLEMENT

On October 1, 2010, U.S. Central Federal Credit Union (U.S. Central) was placed into liquidation status. At that time, Corporate America was issued a claim certificate for the membership capital and paid-in capital balances previously depleted through the recognition of losses. This claim certificate enables Corporate America to share in any proceeds correspondent to the payout priority of the claim recovered during the liquidation of U.S. Central. During 2021, evaluations conducted by the NCUA Board determined that sufficient funds were available for U.S. Central membership capital shareholders to receive distributions from the estate. Corporate America received approximately \$10,172,000 and \$13,892,000 in distributions recorded as a component of Noninterest Income in 2022 and 2021, respectively.





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### NOTE 3 SECURITIES AND OTHER INVESTMENTS

#### AVAILABLE-FOR-SALE

The amortized cost and fair value of securities available-for-sale are as follows:

	As of December 31, 2022			Fair Value (Carrying Value)
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
U.S. Government and Federal				
Agency Securities	\$ 164,937,647	\$ -	\$ (5,817,803)	\$ 159,119,844
SBA Loan Pools	887,403,994	1,152,332	(13,553,595)	875,002,731
Collateralized Mortgage				
Obligation Securities	403,624,436	-	(18,597,616)	385,026,820
Asset-Backed Securities:				
FFELP Student Loans	232,234,305	127,793	(5,509,530)	226,852,568
Non FFELP Student Loans	277,602,383	-	(22,916,209)	254,686,174
Other Secured	316,535,236	-	(21,493,618)	295,041,618
Total	<u>\$ 2,282,338,001</u>	<u>\$ 1,280,125</u>	<u>\$ (87,888,371)</u>	<u>\$ 2,195,729,755</u>
	As of December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
U.S. Government and Federal				
Agency Securities	\$ 217,365,019	\$ 46,224	\$ (1,271,300)	\$ 216,139,943
SBA Loan Pools	1,038,910,125	2,507,015	(7,991,634)	1,033,425,506
Collateralized Mortgage				
Obligation Securities	684,109,094	2,460,351	(2,354,670)	684,214,775
Asset-Backed Securities:				
FFELP Student Loans	308,583,162	2,572,366	(483,199)	310,672,329
Non FFELP Student Loans	282,213,605	304,139	(2,020,982)	280,496,762
Other Secured	1,003,464,702	2,074,321	(2,833,562)	1,002,705,461
Total	<u>\$ 3,534,645,707</u>	<u>\$ 9,964,416</u>	<u>\$ (16,955,347)</u>	<u>\$ 3,527,654,776</u>

Sales of securities available-for-sale resulted in gross gains of approximately \$536,000 and \$3,370,000 and gross losses of approximately \$5,275,000 and \$304,000 during the years ended December 31, 2022 and 2021, respectively.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## NOTE 3 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

### AVAILABLE-FOR-SALE (CONTINUED)

Corporate America's available-for-sale portfolio includes federal agency mortgage-backed securities, small business administration securities, collateralized mortgage obligation securities, and asset-backed securities. These securities return principal based on payments received on the underlying assets. These securities have expected weighted average lives of one to ten years. However, return of principal may differ from expectation based on fluctuations in the market interest rates, delinquency, and foreclosure. The amortized cost and estimated fair value of investments with a contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

	As of December 31, 2022	
	Available-for-Sale	
	Amortized Cost	Fair Value
U.S. Government and Federal		
Agency Securities	\$ 164,937,647	\$ 159,119,844
SBA Pools	887,403,994	875,002,731
Collateralized Mortgage		
Obligation Securities	403,624,436	385,026,820
Asset-Backed Securities	826,371,924	776,580,360
Total	<u>\$ 2,282,338,001</u>	<u>\$ 2,195,729,755</u>

The following tables represent concentration limits on investments based on parameters established by NCUA Regulation 704.5. Per NCUA regulation, agency and government sponsored enterprise debt securities are not subject to capital or asset-based limits.

	As of December 31, 2022		
	Fair Value	Capital Based Limit	Asset Based Limit
By Security Type:			
Auto Loan/lease Asset-Backed Securities	\$ 201,759,903	\$ 1,236,749,160	\$ 766,617,392
Credit Card Asset-Backed Securities	11,298,847	1,236,749,160	766,617,392
Commercial Mortgage-Backed Securities	150,704,373	742,049,496	459,970,435
FFELP Student Loan Asset-Backed Securities	488,429,362	2,473,498,320	1,533,234,783
Mortgage-Backed Securities	393,442,291	2,473,498,320	1,533,234,783
Other Asset-Backed Securities	75,092,249	1,236,749,160	766,617,392

	As of December 31, 2022	
	Fair Value	Regulatory Limit
By Issuer:		
OMFIT 2021-1A A1	\$ 43,679,033	\$ 61,837,458
ACCS 2007-A A3	30,628,893	61,837,458
SLMA 2012-3 A	30,427,351	61,837,458
SLMA 2013-6 A3	29,751,857	61,837,458
SLMA 2014-2 A3	28,017,584	61,837,458



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

## FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### NOTE 3 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

#### AVAILABLE-FOR-SALE (CONTINUED)

##### Temporarily Impaired Securities

Information pertaining to securities with gross unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		As of December 31, 2022 Greater than 12 Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	U.S. Government and Federal Agency Securities	\$ (218,413)	\$ 6,366,521	\$ (5,599,390)	\$ 152,753,322	\$ (5,817,803)
SBA Pools	(3,005,719)	251,145,684	(10,547,676)	427,741,414	(13,553,595)	678,887,097
Collateralized Mortgage Obligation Securities	(7,644,796)	305,078,426	(10,952,820)	79,948,394	(18,597,616)	385,026,820
Asset-Backed Securities: FFELP Student Loans	(2,783,130)	122,479,634	(2,726,400)	89,882,306	(5,509,530)	212,361,940
Non FFELP Student Loans	(9,308,000)	118,213,298	(13,608,209)	136,472,876	(22,916,209)	254,686,174
Other Secured	(6,349,390)	133,976,645	(15,144,228)	161,064,973	(21,493,618)	295,041,618
Total	<u>\$ (29,309,448)</u>	<u>\$ 937,260,208</u>	<u>\$ (58,578,923)</u>	<u>\$ 1,047,863,285</u>	<u>\$ (87,888,371)</u>	<u>\$ 1,985,123,493</u>

	Less Than 12 Months		As of December 31, 2021 Greater than 12 Months		Total	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	U.S. Government and Federal Agency Securities	\$ (138,133)	\$ 14,335,727	\$ (1,133,167)	\$ 193,187,936	\$ (1,271,300)
SBA Pools	(1,150,698)	305,205,946	(6,840,936)	313,614,654	(7,991,634)	618,820,600
Collateralized Mortgage Obligation Securities	(2,354,670)	129,541,370	-	-	(2,354,670)	129,541,370
Asset-Backed Securities: FFELP Student Loans	(9,038)	9,587,145	(474,161)	115,404,250	(483,199)	124,991,395
Non FFELP Student Loans	(1,788,572)	170,295,216	(232,410)	35,212,060	(2,020,982)	205,507,275
Other Secured	(2,820,558)	671,872,165	(13,004)	13,515,577	(2,833,562)	685,387,741
Total	<u>\$ (8,261,669)</u>	<u>\$ 1,300,837,569</u>	<u>\$ (8,693,678)</u>	<u>\$ 670,934,477</u>	<u>\$ (16,955,347)</u>	<u>\$ 1,971,772,045</u>

**NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**NOTE 3 SECURITIES AND OTHER INVESTMENTS (CONTINUED)**

**AVAILABLE-FOR-SALE (CONTINUED)**

**Temporarily Impaired Securities (Continued)**

At December 31, 2022, the 413 securities with unrealized losses have depreciated 4.24% from the Credit Union's amortized cost basis. The U.S. Government and Agency securities as well as the SBA Pools and Collateralized Mortgage Obligations were guaranteed by the U.S. Government. Unrealized losses on these securities relate to movements in interest rates for similar types of securities.

Asset-backed FFELP Student Loan securities are 97% guaranteed by the U.S. Government while the remaining 3% is supported by credit enhancements. All other Asset-backed securities are not guaranteed. Management performs an analysis of the Asset-backed securities portfolio to determine whether there have been an other than temporary impairment of these securities. Corporate America evaluates each security for other-than-temporary impairment by considering the credit quality of each security as well as the tranche and underlying collateral in evaluating each security for other-than-temporary impairment. In analyzing these securities, Management considers whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer's financial condition. Management has the intent and ability to hold these securities to recovery of fair value, which may be maturity. There was no other-than-temporary impairment recognized on securities during the years ended December 31, 2022 and 2021.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

**NOTE 4 LOANS, NET**

The composition of loans is as follows:

	December 31,	
	2022	2021
Loans to Members:		
Fixed-Rate Term Loans	\$ 75,844,360	\$ 15,095,000
Overnight Loans	53,310,946	-
Settlement Lines of Credit	22,896,155	840,813
Loans, Net	\$ 152,051,461	\$ 15,935,813



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### NOTE 4 LOANS, NET (CONTINUED)

There were no past due, impaired, restructured or nonaccrual loans and management determined that all loans to member credit unions were collectable in full and therefore no allowance for loan losses was deemed necessary as of December 31, 2022 and 2021. Management considers loan balances to a single member greater than 20% of loans to be a concentration. At December 31, 2022, the Corporate had four loans to one member totaling \$80,000,000 (53% of total loans) at interest rates of 3.28% to 5.65%. Despite the limited lending volume, the Corporate has established an internal risk rating system for loans to monitor member's financial health.

### NOTE 5 PREMISES AND EQUIPMENT, NET

The Corporate's premises and equipment is summarized as follows:

	December 31,	
	2022	2021
Land	\$ 459,127	\$ 459,127
Buildings	4,550,266	4,541,104
Furniture and Equipment	4,608,063	4,305,565
Subtotal	9,617,456	9,305,796
Less: Accumulated Depreciation	(4,569,530)	(4,177,351)
Total	\$ 5,047,926	\$ 5,128,445

### NOTE 6 MEMBERS' SHARE AND CAPITAL ACCOUNTS

Members' share and capital accounts are as follows:

	As of December 31,	
	2022	2021
December 31, 2022	Balance	Balance
Share Accounts	\$ 1,924,789,270	\$ 3,638,211,771
Nonperpetual Contributed Capital		
Account (NCA)	1,672,642	4,760,681
Share Certificates	872,787,223	606,544,881
Total	\$ 2,799,249,135	\$ 4,249,517,333

Share accounts are comprised of settlement and overnight shares that are available on demand and other short-term liquidity accounts that require 30-day notice for withdrawal. Typically share account dividends accrue daily and are paid monthly. Share certificates typically have specific maturities and dividend rates. Dividend payments on share certificates vary depending on type and the length of maturity. Share certificates can be redeemed by members prior to maturity at fair value, as determined by Corporate America. Dividend rates are set by management, as authorized by Corporate America's board of directors, based on an evaluation of current and future market conditions.

**NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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**NOTE 6 MEMBERS' SHARE AND CAPITAL ACCOUNTS (CONTINUED)**

Scheduled contractual maturities of share certificates as of December 31, 2022 are as follows:

<u>Year Ending December 31.</u>	<u>Amount</u>
2023	\$ 306,843,250
2024	229,225,174
2025	116,845,000
2026	217,875,799
2027	1,998,000
Total	<u>\$ 872,787,223</u>

The aggregate amount of members' share and savings accounts in excess of \$250,000 at December 31, 2022 and 2021 was \$2,720,187,108 and \$4,147,799,254, respectively.

**Member Contributed Capital under Revised Corporate Rule 704**

*Nonperpetual Capital Accounts (NCA)* – have an indefinite term with a minimum withdrawal notice of five years; are not insured by the NCUSIF or other share or deposit insurers; cannot be pledged against borrowings; and are available to cover losses that exceed the Corporate's retained earnings. Any such losses would be distributed pro rata, at the time the loss is realized, among NCA account holders. To the extent that NCA funds are used to cover losses, the Corporate is prohibited from restoring or replenishing the affected accounts under any circumstance. In the event of liquidation, the holders of NCAs will claim equally; these claims will be subordinate to all other claims (including uninsured obligations to shareholders and NCUSIF claims), but not including contributed capital accounts issued before January 18, 2011 or perpetual capital accounts issued on or after January 18, 2011. However, NCAs that are used to cover losses in a calendar year previous to the year of liquidation have no claim against the liquidation estate.

Member accounts are insured to \$250,000 by the NCUSIF. The NCUSIF is a federal insurance fund backed by the full faith and credit of the U.S. Government.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### NOTE 7 BORROWED FUNDS

The Corporate maintains a line of credit with the Federal Home Loan Bank (FHLB) of Atlanta from which it obtains structured collateralized advances. As of December 31, 2022 and 2021, the Corporate has total outstanding advances of \$100,000,000 and \$0, respectively. The maximum credit available at December 31, 2022 and 2021 was \$831,475,750 and \$1,089,784,500, respectively; this amount is evaluated and adjusted monthly based on the size of the Corporate's assets. At December 31, 2022 and 2021, the advances are collateralized by investments with market values totaling \$990,968,038 and \$811,934,830, respectively.

Corporate America established a line of credit with U.S. Bank during 2022 from which it has access to obtain structured collateralized advances. As of December 31, 2022, the Corporate did not have any outstanding advances. The maximum credit available was \$100,000,000 as of December 31, 2022. At December 31, 2022, the line of credit was collateralized by investments with market values totaling \$111,864,268.

A summary of the outstanding advances is as follows:

Lender	Interest Type	Interest Rate	Final Maturity Date	December 31, 2022
FHLB	Fixed	4.26%	1/19/2023	<u>\$ 100,000,000</u>

A summary of the future payment requirement is as follows:

Year Ending December 31,	Amount
2023	<u>\$ 100,000,000</u>

### NOTE 8 REGULATORY CAPITAL

Corporate America is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory, and possible additional, discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporate's consolidated financial statements. The regulatory capital standards are set forth by the NCUA in Part 704 of the NCUA Rules and Regulations. The revised corporate rule Part 704 became effective on October 21, 2011. Among other things, the revised final rule modified the corporate credit union capital requirements to make them more consistent with the Basel 1 capital requirements imposed by banking regulators on banks. The revised final rule 704 establishes a new capital structure, including risk-based capital requirements and established prompt corrective action (PCA) requirements for corporate credit unions.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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## NOTE 8 REGULATORY CAPITAL (CONTINUED)

The revised final rule 704 replaced the 4% minimum total capital ratio with three minimum capital ratios:

- *Leverage Ratio* (4% to be adequately capitalized) (5% to be well capitalized) – The 4% leverage ratio became effective on October 21, 2013 and is defined as the ratio of Tier 1 core capital to moving daily average net assets (MDANA).
- *Tier 1 Risk-Based Capital Ratio* (4% to be adequately capitalized) (6% to be well capitalized) – Tier 1 core capital is defined as the sum of retained earnings and perpetual contributed capital. The Tier 1 risk-based capital ratio is defined as the ratio of Tier 1 capital to the moving monthly average net risk-weighted assets (MMANRA).
- *Total Risk-Based Capital Ratio* (8% to be adequately capitalized) (10% to be well capitalized) – The total risk-based capital ratio is defined as the ratio of total capital (retained earnings, PCC, or NCA to MMANRA).

Failure to meet any of these three minimum ratios triggers a capital restoration plan requirement and potentially other new PCA provisions. The 704 regulatory definition of Tier 1 capital changed November 2017. Corporates are required to deduct any amount of PCC received from federally insured credit unions that causes PCC minus retained earnings, all divided by the MDANA, to exceed 2% when a corporate credit union's retained earnings ratio is less than 2.5%. As of September 2018, CACU is not required to reallocate from Tier 1 to Tier 2 capital as a result of the calculation.

As of December 31, 2022, the most recent NCUA Call Reporting period, the Corporate was categorized as "well capitalized" based on the Leverage, Tier 1 and Total risk-based capital ratios under the regulatory framework for prompt corrective action. To remain categorized as "adequately capitalized" or "well capitalized", the Corporate will have to maintain minimum Total risk-based, Tier 1 risk-based, and Leverage ratios as disclosed in the tables below. There are no conditions or events since the most recent notification that management believes have changed the Corporate's prompt corrective action category.





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### NOTE 8 REGULATORY CAPITAL (CONTINUED)

The Corporate's actual and required capital amounts and ratios are as follows:

	Actual		For Capital Adequacy Purposes		To be Considered Well Capitalized	
	Amount	Rate	Amount	Rate	Amount	Rate
<b>December 31, 2022</b>						
Leverage Capital (Tier 1 Core Capital to MDANA)	\$ 245,741,883	6.54%	\$ 150,374,729	>4.0%	\$ 187,968,411	>5.0%
Tier 1 Risk-Based Capital (Tier 1 Core Capital to MMANRA)	\$ 245,741,883	21.00%	\$ 46,813,223	>4.0%	\$ 70,219,834	>6.0%
Total Risk-Based Capital (Total Capital to MMANRA)	\$ 247,349,832	21.14%	\$ 93,626,446	>8.0%	\$ 117,033,057	>10.0%
Retained Earnings (Retained Earnings to MDANA)	\$ 125,541,276	3.34%	\$ 16,917,157	>0.45%	N/A	N/A

	Actual		For Capital Adequacy Purposes		To be Considered Well Capitalized	
	Amount	Rate	Amount	Rate	Amount	Rate
<b>December 31, 2021</b>						
Leverage Capital (Tier 1 Core Capital to MDANA)	\$ 215,867,740	4.78%	\$ 180,659,775	>4.0%	\$ 225,824,719	>5.0%
Tier 1 Risk-Based Capital (Tier 1 Core Capital to MMANRA)	\$ 215,867,740	13.91%	\$ 62,076,317	>4.0%	\$ 93,114,476	>6.0%
Total Risk-Based Capital (Total Capital to MMANRA)	\$ 220,628,415	14.22%	\$ 124,152,634	>8.0%	\$ 155,190,793	>10.0%
Retained Earnings (Retained Earnings to MDANA)	\$ 116,523,329	2.58%	\$ 20,324,225	>0.45%	N/A	N/A

#### Additional Regulatory Capital Information

	2022	2021
MDANA	<u>\$ 3,759,368,219</u>	<u>\$ 4,516,494,375</u>
MMANRA	<u>\$ 1,170,330,571</u>	<u>\$ 1,551,907,929</u>
PCC/PIC III Perpetual NCA (Unamortized)	\$ 121,754,415	\$ 100,095,520
	1,607,949	4,760,681
Total	<u>\$ 123,362,364</u>	<u>\$ 104,856,201</u>

### NOTE 9 RELATED PARTY TRANSACTIONS

The board of directors of the Corporate is comprised of employees of member credit unions. During the years ended December 31, 2022 and 2021, the Corporate entered into numerous transactions with these member credit unions. The transactions were based on the individual credit union's investment and liquidity needs and their approved line-of-credit agreements. Management is of the opinion these transactions were made in accordance with existing regulations and were consummated on terms equivalent to those that prevail in arm's length transactions.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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## **NOTE 9 RELATED PARTY TRANSACTIONS (CONTINUED)**

As of December 31, 2022 and 2021, there were two loans outstanding to these member credit unions in the amount of \$4,113,840 and \$6,500,000, respectively. Deposits from these member credit unions at December 31, 2022 and 2021 amounted to \$191,197,495, and \$303,535,822, respectively.

## **NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES**

### **Financial Instruments with Off-Balance-Sheet-Risk**

The Corporate, in the normal course of business, is party to conditional commitments to meet the investment and liquidity needs of member credit unions and to reduce its overall exposure to fluctuations in interest rates. These commitments represent financial instruments to extend credit which are primarily advised lines of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Corporate has in particular classes of financial instruments. The Corporate's exposure to credit loss is represented by the notional amount of those instruments. The Corporate uses the same credit policies in making commitments as it does for on-balance-sheet instruments. The Corporate requires collateral or other security to support financial instruments with credit risk. As of December 31, 2022 and 2021, unfunded commitments under advised lines of credit approximated \$2,959,687,934 and \$2,430,910,834, respectively.

Commitments under revolving lines of credit are subject to the member credit unions meeting certain requirements set by the Corporate at the time advances are required. Since many commitments are never fully drawn, the total committed amount does not necessarily represent future cash requirements. Management evaluates each member's creditworthiness on a case-by-case basis. Advances are secured by substantially all of the member's assets excluding residential real estate loans.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### NOTE 11 FAIR VALUE

#### Recurring Basis

Fair values of available-for-sale securities that are measured on a recurring basis at December 31 are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2022</u>				
U.S. Government and Federal Agency Securities	\$ 159,119,843	\$ -	\$ 159,119,843	\$ -
SBA Loan Pools	875,002,731	-	875,002,731	-
Collateralized Mortgage Obligation Securities	385,026,820	-	385,026,820	-
Asset-Backed Securities:				
FFELP Student Loans	226,852,569	-	226,852,569	-
Non FFELP Student Loans	254,686,174	-	254,686,174	-
Other Secured	295,041,618	-	295,041,618	-
Total	<u>\$ 2,195,729,755</u>	<u>\$ -</u>	<u>\$ 2,195,729,755</u>	<u>\$ -</u>

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2021</u>				
U.S. Government and Federal Agency Securities	\$ 216,139,943	\$ -	\$ 216,139,943	\$ -
SBA Loan Pools	1,033,425,506	-	1,033,425,506	-
Collateralized Mortgage Obligation Securities	684,214,775	-	684,214,775	-
Asset-Backed Securities:				
FFELP Student Loans	310,672,329	-	310,672,329	-
Non FFELP Student Loans	280,496,762	-	280,496,762	-
Other Secured	1,002,705,461	-	1,002,705,461	-
Total	<u>\$ 3,527,654,776</u>	<u>\$ -</u>	<u>\$ 3,527,654,776</u>	<u>\$ -</u>

### NOTE 12 RETIREMENT PLANS

#### Defined Benefit

The Corporate's defined benefit pension plan as of December 31, 2022 covers substantially all of its full-time employees. The plan provides payment to participants at varying retirement dates. The plan benefits payable are generally determined based on length of service and employee compensation.

**NOTES TO  
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**NOTE 12 RETIREMENT PLANS (CONTINUED)**

Information about the plan's funded status and amounts recognized in the Corporate's consolidated financial statements for the years ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
<u>Change in Projected Benefit Obligation</u>		
Benefit Obligation - Beginning of Year	\$ 17,841,249	\$ 14,391,233
Service Cost	1,581,043	1,426,071
Interest Cost	527,770	389,699
Plan Amendments		
Actuarial (Gain) Loss	(7,189,448)	1,783,292
Benefits Paid	(38,843)	(149,046)
Benefit Obligation - End of Year	<u>\$ 12,721,771</u>	<u>\$ 17,841,249</u>
Accumulated Benefit Obligation - End of Year	<u>\$ 10,962,782</u>	<u>\$ 12,838,421</u>
<u>Change in Plan Assets</u>		
Fair Value of Plan Assets - Beginning of Year	\$ 13,146,972	\$ 11,038,891
Actual Return on Plan Assets	(2,014,222)	650,540
Employer Contribution	1,014,527	1,606,587
Benefits Paid, including Expenses	(38,843)	(149,046)
Fair Value of Plan Assets - End of Year	<u>\$ 12,108,434</u>	<u>\$ 13,146,972</u>
Funded Status	<u>\$ (613,337)</u>	<u>\$ (4,694,277)</u>
<u>Amounts Recognized in Statement of Financial Position</u>		
Noncurrent Liabilities	<u>\$ (613,337)</u>	<u>\$ (4,694,277)</u>
<u>Amounts Recognized in Accumulated Other Comprehensive Income</u>		
Net (Gain) Loss	\$ (116,067)	\$ 4,544,296
Prior Service Cost	3,117,214	3,710,969
Total Amount Recognized	<u>\$ 3,001,147</u>	<u>\$ 8,255,265</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### NOTE 12 RETIREMENT PLANS (CONTINUED)

	<u>2022</u>	<u>2021</u>
<u>Components of Net Periodic Pension Cost</u>		
Service Cost	\$ 1,581,043	\$ 1,426,071
Interest Cost	527,770	389,699
Expected Return on Plan Assets	(788,147)	(661,663)
Amortization of Net Loss	273,284	144,357
Amortization of Prior Service Costs	593,755	593,755
Net Periodic Pension Cost	<u>\$ 2,187,705</u>	<u>\$ 1,892,219</u>
 <u>Other Amounts Recognized in Other Comprehensive Income</u>		
Net (Gain) Loss	\$ (4,387,079)	\$ 1,794,415
Amortization of Net Loss	(273,284)	(144,357)
Amortization of Prior Service Costs	(593,755)	(593,755)
Total Recognized in Other Comprehensive Income	<u>\$ (5,254,118)</u>	<u>\$ 1,056,303</u>
 Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	<u>\$ (3,066,413)</u>	<u>\$ 2,948,522</u>
 <u>Assumptions at Year-End</u>		
Weighted Average Discount Rate (Pension Benefit Obligations)	5.29%	2.96%
Weighted Average Discount Rate (Net Periodic Pension Cost)	2.96%	2.71%
Expected Long-Term Return on Plan Assets	6.00%	6.00%
Rate of Increase in Future Compensation Levels	3.00%	3.00%
 <u>Cash Flows</u>		
Expected Contributions for Period Beginning January 1, 2023	\$ -	
Expected Benefit Payments for Period Beginning:		
2023	\$ 165,000	
2024	\$ 165,000	
2025	\$ 204,000	
2026	\$ 387,000	
2027	\$ 602,000	
Five Years Thereafter	\$ 4,264,000	

The estimated net loss, transition asset, and prior service cost for the defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is approximately \$594,000.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## NOTE 12 RETIREMENT PLANS (CONTINUED)

*Basis Used to Determine Discount Rate* – The discount rate is determined using the FTSE Above Median Pension Liability Index (formerly Citigroup Pension Curve) as of December 31, 2022.

*Basis Used to Determine Long-Term Rate of Return on Assets* – Expected long-term return on plan assets is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio.

*Description of Investment Policies and Strategies* – The Corporate's overall investment strategy is to safeguard the benefits they are obligated to pay to the employees. The pension fund is invested in broadly diversified funds to attempt to achieve a long-term annual average rate of return equal to approximately 6% while maintaining a reasonable volatility level.

The fair values of the Corporate's pension plan assets at December 31, by asset category, are as follows:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2022</u>				
JH LS Moderate Active Strategy	\$ 10,891,868	\$ 10,891,868	\$ -	\$ -
JH LS Conservative Active Strategy	1,216,566	1,216,566	-	-
Total	<u>\$ 12,108,434</u>	<u>\$ 12,108,434</u>	<u>\$ -</u>	<u>\$ -</u>
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2021</u>				
JH LS Balance Active Strategy	\$ 424,381	\$ 424,381	\$ -	\$ -
JH LS Moderate Active Strategy	7,117,527	7,117,527	-	-
JH LS Conservative Active Strategy	5,605,064	5,605,064	-	-
Total	<u>\$ 13,146,972</u>	<u>\$ 13,146,972</u>	<u>\$ -</u>	<u>\$ -</u>

### Level 1 Inputs

The JH LS Balance Active Strategy, JH LS Moderate Active Strategy, and JH LS Conservative Active Strategy growth are mutual funds in which the valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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### NOTE 12 RETIREMENT PLANS (CONTINUED)

#### 401(k) Plan

The Corporate sponsors a profit sharing 401(k) retirement plan covering substantially all employees. Under the plan, the Corporate matches the first 5% of the participant's deferral. The Corporate's expenses related to this plan for the years ended December 31, 2022 and 2021 totaled \$381,029 and \$367,376, respectively.

### NOTE 13 REVENUE FROM CONTRACTS WITH MEMBERS

The following presents Noninterest Income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2022 and 2021:

	2022	2021
In scope of ASC 606		
Service Charge and Member Account Fees	\$ 6,121,534	\$ 6,609,754
Interchange Fees	296,534	335,462
Noninterest Income in scope of ASC 606	<u>6,417,957</u>	<u>6,965,216</u>
Noninterest Income not within the scope of ASC 606	10,893,968	14,589,170
Total Noninterest Income	<u>\$ 17,311,925</u>	<u>\$21,554,386</u>

The Corporate does not typically enter into long-term revenue contracts with members, and therefore, does not experience significant contract balances. As of December 31, 2022 and 2021, the Corporate did not have any significant contract balances. As of December 31, 2022, the Corporate did not capitalize any contract acquisition costs.

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