

2021
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YOUR FUTURE.
OUR PRIORITY.



CorporateAmerica
CREDIT UNION

2013 ANNUAL REPORT



CorporateAmerica
CREDIT UNION

ANNUAL REPORT 2013

32nd Annual Meeting

Destin, FL • April 23, 2014

AGENDA

- I. Ascertainment that 15 members are present to provide a quorum
- II. Reading and approval or correction of minutes of the 2012 annual meeting
- III. Report of the Chairman
- IV. Report of the President
- V. Report of the Loan Officer
- VI. Report of the Treasurer
- VII. Report of the Supervisory Committee
- VIII. Unfinished business
- IX. New business other than elections
- X. Elections
- XI. Adjournment



Section I: Financial Reports

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REPORT OF THE CHAIRMAN AND PRESIDENT



Regulatory Compliance

was addressed as revised NCUA Rules and Regulations Part 704 for Corporate Credit Unions carried deadlines pertaining to capital and retained earnings levels. In addition to exceeding required levels in these areas, a restructuring of our

balance sheet provided for full compliance with investment provisions.

The Sluggish Economy we all endure drove more necessary change. We reduced net operating expenses 44%, or \$3,239,544, comparing 2013 to 2012. We restructured our balance sheet, a year-long endeavor, resulting in substantial increases to net interest income. We divested and closed a total of three CUSOs, streamlining our operation while increasing efficiency. Although we realized a loss for the year, net income exceeded \$1.2 million for the 4th Quarter of 2013, and we proceed into 2014 healthy and positioned to serve you well.

Adding Value to Your Operation, the reason we exist, remains the focal point of our planning and execution. During 2013 CACU:

- Paid out over \$4.2 million in dividends and interest
- Processed 67.9 million checks exceeding \$36 billion in value
- Processed 37.5 million ACH items exceeding \$45.8 billion in value
- Paid a rate of 30 basis points on our 30-day notice account, **Super 30**
- Paid a rate of 1% on Perpetual Contributed Capital
- Maintained membership options **NOT** requiring capital contributions

Increased Cyber Threat is a challenge facing us all, and we continue improving system security. Enhancements to our human capital, software, hardware, and processes continue to take place ensuring guarded and robust systems. With these actions come increased expenses. Regardless of this fact rest assured that the Board and management of Corporate America Credit Union remain vigilant addressing potential threats.

Liquidity Needs will soon challenge the financial sector of our nation's economy according to some pundits. We are positioned to serve in any economic environment with a Liquidity Coverage Ratio of 75% at the time of this writing. Combining cash held, tested sources of liquidity, and liquid marketable securities, nearly \$1.9 billion can be raised in a short amount



of time - a severe liquidity event could be addressed. Conversely, in times of flush liquidity, we offer an array of investment products. Government securities, brokered CDs, and many other investment options carrying various structures and durations are available.

Not a single dollar of member contributed capital has been eroded at Corporate America Credit Union, and we did not add to the corporate assessment that is hopefully behind us. We proudly move forward at a fast pace with dedication to your successful future, our priority. We move forward due to loyalty from the more than 500 members served across the country – thank you!

Respectfully,

Monte J. Hill, Chairman

Pete Pritts, President/CEO

REPORT OF THE LOAN OFFICER

The Loan Officer granted 1,499 loans totaling \$983,662,352 during 2013. 356 members held Advised Lines of Credit totaling \$2,429,108,647. Cash held on balance sheet, liquid marketable securities, and tested sources of funds provide for approximately \$1.9 billion of liquidity to be raised at Corporate America Credit Union. Having the ability to quickly cover 75% of our position, we are poised to be responsive to member needs should a severe “liquidity event” materialize.

Please call upon Corporate America as a liquidity source when the need arises. Multiple products, structures, and terms are available to address your needs.

Respectfully submitted,

Pete Pritts
Loan Officer



REPORT OF THE TREASURER



2013 was a pivotal year for Corporate America Credit Union. Streamlining operations, realigning staff and complying with regulatory requirements were top priorities over the last year. Members were asked to commit capital or pay a Line of Credit Fee for the benefit and support of Corporate America Credit Union and all member credit unions. As a result of these actions, all regulatory requirements were met and surpassed. The following are a few key ratios as of December 31, 2013:

Description	Regulatory Minimum	CACU's Ratio
Leverage Ratio	4.00%	5.46%
Retained Earnings	0.45%	0.64%
Tier 1 RBC Ratio	4.00%	32.23%
Total RBC Ratio	8.00%	36.39%
Base NEV Ratio	3.00%	5.48%
NEV Ratio - Shocked	2.00%	4.58%

Much focus was placed on achieving regulatory minimums, but this did not detract from providing products and services to member credit unions. Corporate America Credit Union finished the year with more than \$1.8 billion in assets, 536 members, 205 capital accounts, almost 200 credit unions using item processing, and more than 150 credit unions using branch capture and proof of deposit programs. Even with continued changes, our members continue to show their confidence and support. We sincerely appreciate the level of confidence each member credit union has placed in Corporate America Credit Union.

Looking and moving forward, Corporate America Credit Union will continue adjusting to new regulations and a changing environment. While we exceeded the 0.45% retained earnings ratio requirement for October 2013, we now turn our focus to the next key date – October 2016. As of October 2016, all corporate credit unions will be required to have a 1.00% minimum retained earnings ratio. And while we will focus on the new requirements, just as we did in 2013, our priority remains enhancing our value proposition for members. Our ongoing goal at Corporate America Credit Union is to be the first institution our member credit unions turn to for all financial servicing needs. The management, staff and Board of Directors at CACU will strive each day to achieve this goal, continuing to ensure Corporate America Credit Union is a safe and sound corporate credit union you continue to have confidence in for years to come.

Respectfully submitted,

Joey Hand
Secretary/Treasurer



REPORT OF THE SUPERVISORY COMMITTEE



It has been a pleasure to serve as Chairman of the Supervisory Committee at Corporate America Credit Union along with Carrie Player and our newest member of the Committee, Doug Key, for the year 2013.

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 2013, the Supervisory Committee engaged the accounting firm of Crowe Horwath LLP to assist in the fulfillment of these objectives.

The accounting firm performed an opinion audit as of December 31, 2013, 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, Crowe Horwath LLP examined internal controls over financial reporting as of December 31, 2013, 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 April of 2014 and had several contact visits during the course of the year.

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

Respectfully submitted,

Mark Johnson
Chairman

Carrie Player
Doug Key



BOARD OF DIRECTORS



MONTE J. HILL
Chairman
Family Savings CU



V. MERRILL MANN
First Vice Chairman
APCO Employees CU



BRAD LONG
Second Vice Chairman
First Florida CU



JOEY HAND
Secretary/Treasurer
eCO CU



JANE BOYSEN
Director
Alabama Rural Electric CU



KIM BURKETT
Director
TVA Community CU



GARY FAIRLEY
Director
Jackson Area FCU



HEATH HARRELL
Director
Guardian CU



JOYCE HARRISON
Director
Mobile Postal Employees CU



BOARD OF DIRECTORS



STEVE NIX
Director
AlaTrust Credit Union



JIM PHILLIPS
Director
Alabama One CU



TANGELA SOUDERS
Director
Wiregrass FCU

SUPERVISORY COMMITTEE



MARK JOHNSON
Supervisory Committee
Chairman
Naheola CU



CARRIE PLAYER
Supervisory Committee
First Vice Chairperson
Alabama Central CU



DOUG KEY
Supervisory Committee
Member
Mutual Savings CU



CORPORATE AMERICA STAFF



PETE PRITTS
President/CEO



DAVE FILBY
EVP Asset Liability



LISA COFFEY
COO



**RACHEL
DODSON**
VP Accounting



**LAUREN
HOWLE**
VP Member
Alliance Group



**SHIRLEY
SENN**
VP ALM



**PENNY
SWINDLE**
VP Operations



CORPORATE AMERICA STAFF



GINA
SELF
Board Liaison/
Executive
Assistant



CONNIE
HALL
Human Resources
Director



CAROL
GLOVER
Internal Auditor



MELISSA
MANTOOTH
BSA/Compliance
Leader



Accounting
Crystal Self, Allison Cobb, Brittany Walters



CORPORATE AMERICA STAFF



Electronic Payments Management
Jenny Edgeworth, Michael Kennedy,
Lynne Weldon



Electronic Payment Specialists -
Share Drafts
David Short, Carolyn Thornton,
Sheryll Wilson, Trent Kirk



Electronic Payment Specialists - ACH
Top: Wanda Bearden, Michael Kennedy,
Sharon Childs *Bottom:* Jill Felton,
Lenora Davis, Lynne Weldon



Electronic Payment Specialists -
Branch Capture
Lisa Younger, Anita Burke,
Valerie Turner



CORPORATE AMERICA STAFF



Luke Lang
IT Director



Information Technology
John Basco, Chris Roberts, Luke Lang, Scott Hawkins
Not Pictured: Paul Simpson



DANNY CROSBY
Physical Assets/
Security Specialist



RUSS HOLMES
Information Security
Director



CORPORATE AMERICA STAFF



Member Alliance Group

Top: Ashley Daniels, Dale Goode, Elizabeth Ogle

Bottom: Jessica Cummo, Mallory Wear

Not Pictured: Hillary Harrell



Investment and ALM

Top: Denise Hill, Dave Filby, Jackie Walker

Bottom: Allyson Gilbert, Shirley Senn

Not Pictured: Darcy Morrison



CORPORATE AMERICA STAFF



Member Services and Operations Department
Top: Teresa Cohen, Alison Dagnan, Patsy McKenzie
Bottom: Gina Murray, Victoria Hamm, Kayla Barnett



ABRIDGED MINUTES

THIRTY-FIRST ANNUAL MEETING - APRIL 23, 2013

Call to Order

First Vice Chairman V. Merrill Mann called the thirty-first annual meeting of Corporate America Credit Union to order at 8:04 a.m. at the Hilton Sandestin Beach Golf Resort & Spa in Destin, FL.

Recording Secretary

First Vice Chairman Mann appointed Ms. Gina Self, Board Liaison/ Executive Assistant, as Recording Secretary.

Parliamentarian

First Vice Chairman Mann appointed Mr. Douglas Key with Mutual Savings Credit Union as Parliamentarian.

Presentation of Colors

The Color Guard entered and presented Colors and the National Anthem.

Invocation

Director Jim Phillips gave the invocation.

Attendance

First Vice Chairman Mann determined that a quorum was present. There were 135 registered attendees, representing 53 credit union members.

Introduction of Board

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

Introduction of Supervisory Committee

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

Approval of Minutes

First Vice Chairman Mann referred to the 2012 Abridged Minutes on pages 15-21 of the Annual Report.

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



ABRIDGED MINUTES

THIRTY-FIRST ANNUAL MEETING - APRIL 23, 2013

Chairman's Report

First Vice Chairman Mann referred to Corporate America Credit Union's Mission Statement, "To provide world-class service and a competitive rate of return to our member credit unions." He stated this drives Corporate America as it does most natural person credit unions.

First Vice Chairman Mann referred to page 3, Report of the Chairman and President. He expressed appreciation to the members and supporters of Corporate America Credit Union. He stated it had been an honor and a pleasure to serve with this Board of Directors.

First Vice Chairman Mann stated Corporate America has been one of the few corporate credit unions to emerge preserving every single dollar of membership contributed capital and has done so without being propped up by regulators or insurers. At the end of 2012, there was over \$100 million in capital providing for a solid financial foundation going forward. Corporate America remains a strong corporate and strives to serve members well.

In closing, First Vice Chairman Mann expressed gratitude to the membership for allowing Corporate America be their corporate credit union. First Vice Chairman Mann stated the goal continues to be helping member credit unions serve their members.

President's Report

First Vice Chairman Mann called upon President Pete Pritts to give the President's Report. President Pritts expressed thanks to First Vice Chairman Mann and the attendees. He recognized the staff in attendance and stated he was proud to be a part of the Corporate America team. During this time, he has realized the dedication and focus of the Officials. Their mission has been to continue serving members and serve better than any alternative.

He stated Corporate America was committed to providing as much economic benefit to member credit unions as possible. During 2012 Corporate America paid over \$9 million in dividends to its membership. He stated Corporate proudly serves over 500 members in 39 states, as well as in Puerto Rico and Guam.

One of the major tasks during the second half of the year included adapting



ABRIDGED MINUTES

THIRTY-FIRST ANNUAL MEETING - APRIL 23, 2013

and complying with changing regulation and compliance requirements. In the fourth quarter of 2013, all corporates must be compliant with the revised NCUA Rules and Regulations Part 704 for Corporate Credit Unions. Corporate America is on track to be compliant months in advance of all regulatory deadlines. With over 500 members and over \$100 million in capital, the future is bright. He stated Corporate America weathered the economic storm and adapted to regulatory change and the test of time. This fact has been a result of member support and loyalty that has been nothing short of amazing.

In 2013, Corporate America's goal will be finding new and innovative ways to pay more to members, while remaining safe and sound. President Pritts stated Corporate America Credit Union was proud to work for its member credit unions and it was a privilege to do so.

Treasurer's Report

First Vice Chairman Mann called upon Secretary/Treasurer Joey Hand to give the Treasurer's Report. Secretary/Treasurer Hand referred to the audited Financial Statements in the Annual Report on pages 26-75. Secretary/Treasurer Hand stated in 2012, corporate credit unions around the nation continued to adapt to regulatory changes. Corporate America placed an emphasis on getting its balance sheet in compliance with new regulations, while preparing to achieve each benchmark set by NCUA. He stated although the process did result in negative earnings for 2012, it positioned Corporate America to meet each regulatory minimum by October 2013.

While Corporate America has shifted its balance sheet and adjusted to new regulations, member credit unions have fully continued to support our mission. Secretary/Treasurer Hand expressed thanks to new and existing members. He noted Corporate America ended 2012 with 550 credit unions representing 39 states, Guam and Puerto Rico; 44 credit unions utilizing item processing; and 32 credit unions using branch capture and proof of deposit programs. He stated the level of confidence each member credit union has placed in Corporate America is sincerely appreciated.

In closing, Secretary/Treasurer Hand stated Board, Officials and staff of Corporate America appreciated the continued loyalty and support of all member credit unions. Corporate America will continue to work hard to



ABRIDGED MINUTES

THIRTY-FIRST ANNUAL MEETING - APRIL 23, 2013

maintain a safe and sound correspondent credit union in which members can have confidence in coming years.

Supervisory Committee Report

First Vice Chairman Mann called upon Supervisory Committee Chairman Mark Johnson to present the Supervisory Committee Report. Supervisory Committee Chairman Johnson referred to the report of that committee in the Annual Report on page 6. Supervisory Committee Chairman Johnson stated it had been a pleasure to serve on the Supervisory Committee of Corporate America Credit Union.

Supervisory Committee Chairman Johnson stated that the primary objectives of the Committee were to insure the financial reporting requirements were met and that the practice, procedures and internal controls safeguard members' assets. Supervisory Committee Chairman Johnson stated that the Committee engaged the accounting firm Dixon Hughes Goodman, LLP to assist in the fulfillment of these objectives. The accounting firm performed an opinion audit as of December 31, 2012, and rendered an unqualified opinion on Corporate America's financial statements as of that date which is included in the Annual Report.

The accounting firm Pearce, Bevell, Leesburg, Moore PC conducted certain procedures during the first quarter of the year. In addition, a full-time Internal Auditor position was created and filled during September 2012. Accordingly, the Supervisory Committee met with representatives of the accounting firm and the Internal Auditor to review and discuss the results of the procedures performed during the year. Exceptions and suggestions for improvements to internal controls, which were included in these results, were brought to the attention of the Board of Directors as well as management. The Supervisory Committee additionally followed up with management to ensure the recommendations were fully implemented.

During the year, the Alabama Credit Union Administration and the National Credit Union Administration also jointly examined the Corporate.

In conclusion, Supervisory Committee Chairman Johnson took the opportunity to thank Corporate America's management and staff for their full cooperation during the year.



ABRIDGED MINUTES

THIRTY-FIRST ANNUAL MEETING - APRIL 23, 2013

Loan Officer Report

First Vice Chairman Mann called upon President Pritts to present the Loan Officer Report. President Pritts referred to the report of that committee in the Annual Report, page 4. The Loan Officer granted 981 loans totaling \$561,123,037 during 2012. President Pritts stated he recommended approval of the Loan Officer Report.

It was unanimously VOTED: that the reading of the 2012 Loan Officer Report be accepted as presented.

Unfinished Business

None.

New Business

First Vice Chairman Mann called upon the Nominating Committee Chairperson Jane Boysen to give the report. She began by introducing the other members of the Nominating Committee: Assistant Chairperson Tangee Souders, Kim Burkett and Merrill Mann. She thanked the Committee for assisting in the nominations.

She then presented the nominees:

BOARD OF DIRECTORS

Position	Term	Nominee	Credit Union
Director	3 Years	Gary Fairley	Jackson Area Federal Credit Union
Director	3 Years	Joyce Harrison	Mobile Postal Employees Credit Union
Director	3 Years	Monte Hill	Family Savings Credit Union
Director	3 Years	Steve Nix	First Educators Credit Union

SUPERVISORY COMMITTEE

Position	Term	Nominee	Credit Union
Sup. Comm.	3 Years	Carrie Player	Alabama Central Credit Union
Sup. Comm.	1 Year	Douglas Key	Mutual Savings Credit Union

Nominating Committee Chairperson Boysen stated the nominees were approved by acclamation as presented.



ABRIDGED MINUTES

THIRTY-FIRST ANNUAL MEETING - APRIL 23, 2013

First Vice Chairman Mann congratulated the elected Directors and the Supervisory Committee members and thanked the Nominating Committee for their work.

Tribute

First Vice Chairman Mann presented appreciation plaques to Mr. Landel Casey and Mr. Sam McComas for over 50 years of dedicated service to the credit union movement and over 25 years of leadership to Corporate America Credit Union.

Adjournment

First Vice Chairman Mann asked for a motion to adjourn. The meeting was duly adjourned at 8:46 a.m.

V. Merrill Mann
First Vice-Chairman

Joey Hand
Secretary/Treasurer



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

*For The Years Ended
December 31, 2013 and 2012*



MANAGEMENT REPORT



The management of Corporate America Credit Union (the “Corporate”) is responsible for preparing the Corporate’s annual financial statements in accordance with generally accepted accounting principles; for establishing 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 for the NCUA 5310 - Corporate Credit Union Call Report; and for complying with the Federal laws, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure.

The management of the Corporate has assessed the Corporate’s compliance with the Federal and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2013. Based upon its assessment, management has concluded that the Corporate complied with the Federal laws and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2013.

The Corporate’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 reliability of financial reporting and 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., NCUA 5310 – Corporate Credit Union Call Report. The Corporate’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 the Corporate; (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 the Corporate are being made only in accordance with



MANAGEMENT REPORT

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

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation 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 Corporate's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2013, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework.

Based upon its assessment, management has concluded that, as of December 31, 2013, the Corporate's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, is effective based on the criteria established in Internal Control – Integrated Framework.

Corporate America Credit Union

Pete Pritts, President/CEO

Rachel Dodson, VP - Accounting



INDEPENDENT AUDITORS' REPORT



Crowe Horwath LLP
Independent Member Crowe Horwath International

Supervisory Committee and Board of Directors
Corporate America Credit Union
Birmingham, Alabama

We have examined Corporate America Credit Union's (the "Corporate America") internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Corporate America's management is responsible for maintaining effective internal control over financial reporting, and for its assertion of the effectiveness of internal control over financial reporting, included in the accompanying Management Report. Our responsibility is to express an opinion on the Corporate America's internal control over financial reporting based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process affected 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. Because management's assessment and our examination were conducted to meet the reporting requirements of Regulation 704.15 of the National Credit Union Administration (NCUA), our examination of Corporate America's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the NCUA-5310. An entity'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 the entity; (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 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 financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation 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.

In our opinion, Corporate America's Credit Union maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards generally accepted in the United States of America, the consolidated financial statements of Corporate America Credit Union and our report dated March 27, 2014 expressed an unqualified opinion on those financial statements.

Crowe Horwath LLP

Crowe Horwath LLP

Atlanta, Georgia
March 27, 2014



INDEPENDENT AUDITORS' REPORT



Crowe Horwath LLP
Independent Member Crowe Horwath International

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Corporate America Credit Union and Subsidiaries (the Corporate), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of operations, comprehensive loss, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corporate America Credit Union and Subsidiaries, as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Corporate America Credit Union and Subsidiaries as of December 31, 2012, were audited by other auditors whose report dated March 28, 2013, expressed an unqualified opinion on those statements based on their audit.

Crowe Horwath LLP
Crowe Horwath LLP

Atlanta, Georgia
March 27, 2014



CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Interest Income		
Interest on investments	\$ 12,662,016	\$ 18,843,673
Interest on loans	233,731	339,054
	<u>12,895,747</u>	<u>19,182,727</u>
Interest Expense		
Members' share and non-perpetual capital accounts	3,280,911	6,752,234
Borrowed funds	7,020,379	8,850,424
	<u>10,301,290</u>	<u>15,602,658</u>
Net Interest Income	2,594,457	3,580,069
Non-interest Revenues (Expenses):		
Item processing fees	3,075,163	2,768,390
Financial service fees and other income	3,665,695	3,613,591
Costs of financial services	(1,256,828)	(1,276,345)
Gains on sales of securities	668,175	2,967,525
Gains on disposals of assets	13,333	40,560
Total impairment losses on securities	-	(2,775,785)
	<u>6,165,538</u>	<u>5,337,936</u>
Non-interest Operating Expenses:		
Compensation and benefits	5,672,515	7,563,831
Occupancy and operations	1,603,725	1,602,047
Other	2,106,864	3,469,185
	<u>9,383,104</u>	<u>12,635,063</u>
Net Loss	<u>\$ (623,109)</u>	<u>\$ (3,717,058)</u>

See accompanying notes to consolidated financial statements.



CONSOLIDATED
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Net loss	\$ (623,109)	\$ (3,717,058)
Other comprehensive loss:		
Less reclassification adjustment for gains realized in net income	(668,175)	(2,967,525)
Net unrealized holding (losses) gains on available-for- sale securities arising during the year	(3,100,904)	3,456,746
Other-than-temporary impairment losses recognized in net income		2,775,785
Recapture of other-than-temporary impairment losses recognized in net income	2,669,734	-
Defined benefit plan funded benefit (loss) status	<u>1,166,399</u>	<u>(631,846)</u>
Other comprehensive income	<u>67,054</u>	<u>2,633,160</u>
Comprehensive loss	<u>\$ (556,055)</u>	<u>\$ (1,083,898)</u>

See accompanying notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF
FOR THE YEARS ENDED

	<u>Perpetual Paid-In Capital</u>
Beginning Balance, January 1, 2012	\$ 93,500,817
Dividends on perpetual paid-in capital	-
Net loss	-
Change in fair value of securities available-for-sale	-
Defined benefit plan adjustment	<u>-</u>
Ending Balance, December 31, 2012	93,500,817
Issuance of perpetual paid-in capital	6,594,703
Dividends on perpetual paid-in capital	-
Distribution of CUSOs	
Net loss	-
Change in fair value of securities available-for-sale	-
Defined benefit plan adjustment	<u>-</u>
Ending Balance, December 31, 2013	<u>\$ 100,095,520</u>

See accompanying notes to consolidated financial statements.



CHANGES IN MEMBERS' EQUITY

DECEMBER 31, 2013 AND 2012

<u>Undivided Earnings</u>	Accumulated Other Comprehensive <u>Loss</u>	<u>Total</u>
\$ 20,915,482	\$ (10,790,082)	\$ 103,626,217
(2,341,358)	-	(2,341,358)
-	-	-
(3,717,058)	-	(3,717,058)
-	3,265,006	3,265,006
<u>-</u>	<u>(631,846)</u>	<u>(631,846)</u>
14,857,066	(8,156,922)	100,200,961
-	-	6,594,703
(953,723)	-	(953,723)
(13,558)	-	(13,558)
(623,109)	-	(623,109)
-	(1,099,345)	(1,099,345)
<u>-</u>	<u>1,166,399</u>	<u>1,166,399</u>
<u>\$ 13,266,676</u>	<u>\$ (8,089,868)</u>	<u>\$ 105,272,328</u>



CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Operating Activities		
Net loss	\$ (623,109)	\$ (3,717,058)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	521,407	561,635
Net amortization (Accretion) of investment premiums/discounts	(15,476,980)	26,983,025
Gain on sale of securities	(668,175)	(2,967,525)
Gain on disposal of assets	(13,333)	(40,560)
Distribution of CUSOs	(13,557)	-
OTTI Recapture on Investment	2,669,734	-
Impairment of investment securities	-	2,775,785
Changes in operating assets and liabilities:		
Decrease in accrued interest receivable	615,634	3,120,173
Decrease in receivables and other assets	1,977,473	972,687
Increase (decrease) in accrued interest payable	209,694	(374,432)
Increase (decrease) in accrued liabilities	<u>(1,952,259)</u>	<u>1,417,887</u>
Cash provided (used) by operating activities	<u>(12,753,470)</u>	<u>28,731,617</u>
Investing Activities		
Purchases of property and equipment	(348,941)	(438,258)
Proceeds from disposal of property and equipment	73,400	114,419
Net increase in loans to members	(1,788,747)	(2,375,589)
Net decrease in U.S. Central deposits	-	9,107,443
Purchases of securities available-for-sale	(900,943,869)	(856,239,197)
Proceeds from sales and redemptions of AFS securities	566,289,530	989,941,258
Proceeds from principal repayments on AFS securities	410,020,761	503,962,710
Reinvestment in mutual funds	(814,344)	(2,052,414)
Proceeds from redemption of Mutual Fund	74,778,347	-
Decrease (increase) in NCUSIF deposit	44,591	(246,843)
Net sales of FHLB stock	<u>2,187,500</u>	<u>14,977,600</u>
Cash provided by investing activities	<u>149,498,229</u>	<u>656,751,129</u>
Financing Activities		
Net repayment of advances from the FHLB	-	(20,000,000)
Decrease in deferred settlement balances	(27,440)	(12,556,946)
Net decrease in member accounts	(504,469,102)	(954,441,632)
Dividends on perpetual paid-in capital	(953,723)	(2,341,358)
Issuance of perpetual paid-in capital	<u>6,594,703</u>	<u>-</u>
Cash used by financing activities	<u>(498,855,562)</u>	<u>(989,339,936)</u>

See accompanying notes to consolidated financial statements.



CONSOLIDATED
STATEMENTS OF CASH FLOWS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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Decrease in cash and cash equivalents	(362,110,803)	(303,857,190)
Cash and cash equivalents at beginning of year	<u>987,305,071</u>	<u>1,291,162,261</u>
Cash and cash equivalents at end of year	<u>\$ 625,194,268</u>	<u>\$ 987,305,071</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 10,091,596	\$ 15,977,090
CUSO income taxes paid	26,152	299,589
Supplemental Disclosure of Non-cash Investing Activities:		
Net change in unrealized losses on AFS securities	\$ (1,099,345)	\$ 3,265,006
Defined benefit plan adjustment to AOCI	1,166,399	(631,846)

See accompanying notes to consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review: Management has evaluated subsequent events through March 27, 2014, the date on which the financial statements were available to be issued.

Nature of Business: Corporate credit unions are not-for-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 primarily located within Alabama and the surrounding states. Corporate America's board of directors is composed of current and former 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 financial statements in conformity with generally accepted accounting principles 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 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 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 within Alabama and the surrounding states. 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 20% of total member deposits at December 31, 2013 and 14% of total member deposits at December 31, 2012.

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 and the Federal Home Loan Bank 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 Federal Home Loan Bank 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. Cash flows from loans and FHLB investments, members' accounts and borrowed funds are reported net in the statement of cash flows.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Securities: Investment accounting practices have been adopted as follows:

Available-for-Sale: Government and government agency bonds, government sponsored enterprises, mortgage-backed securities, private label commercial mortgage pass-through securities, other asset-backed securities and mutual fund investments 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 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.

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.

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. All securities with OTTI had the full amount of impairment taken through earnings with no impairment remaining in accumulated other comprehensive income as of December 31, 2012. There was no OTTI as of December 31, 2013.

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 2 to the Consolidated Financial Statements for disclosures related to Corporate America's investment in securities and other-than-temporary impairments.

Federal Home Loan Bank Stock: Corporate America's investment in stock of the Federal Home Loan Bank ("FHLB") is accounted for at cost because it does not have a readily determinable market value and because its ownership is restricted. At December 31, 2013 and 2012, the Corporate maintains the minimum investment required by the FHLB, which amounted to \$10,461,300 and \$12,648,800, respectively. Management evaluates the FHLB stock annually for impairment based on the ultimate recoverability of the cost basis in the FHLB stock.

Loans to Members and Participation Loans: Loans to members consist of settlement loans, demand loans and term loans. Participation loans are purchased from member credit unions both for sale and for its own portfolio. Loans to members and participation loans 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, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 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, 2013 and 2012, 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, leasehold improvements, furniture, fixtures, and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated over the estimated useful lives of the assets (typically ranging from 2 to 30 years) using the straight-line method.

Credit Union Service Organization (CUSO's) Equity Investments: CUSO's are taxable 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 and Core Network Processing, LLC, both of which are CUSOs. During 2012, to more accurately reflect the periodic results of operations, Corporate changed from the cost method to the equity method of accounting for equity investments. The impact of this change in accounting principle was an increase of \$290,637 to interest income on investments during 2012. As of December 31, 2013, the stock in Primary Financial Company, LLC and Core Network Processing, LLC are reported in other assets at the equity value of \$320,876 and \$293,697, respectively. The Corporate's consolidated wholly-owned subsidiary, SmartSource Solutions, LLC is a CUSO. Management evaluates CUSO stock annually for impairment.

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.

NCUSIF Insurance Premium and Stabilization Fund Assessments: The Corporate is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived or reduced by the NCUA board. In recent years, due to the actions of the NCUA Board to stabilize the corporate credit union system, the NCUA assessed both an NCUSIF premium and a Stabilization Fund assessment. The Corporate's premium and Stabilization Fund assessment for the years ended December 31, 2013 and 2012 amounted to \$72,946 and \$90,859, respectively.

Deferred Settlement Balances: Deferred settlement balances primarily consist of uncollected cash items such as uncollected cash letters and net ACH transactions that have not cleared the Federal Reserve Bank.

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 the 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, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Members' Equity - Perpetual Contributed Capital and Perpetual Paid-in Capital: As of December 31, 2013 and 2012, Corporate America had the following perpetual contributed capital and perpetual paid-in-capital outstanding:

- PIC III is a non-voting class of membership equity investment in Corporate America that is perpetual non-maturing and non-cumulative. As of December 31, 2013 and 2012, \$85,320,000 in PIC III was outstanding with no stated maturity.
- PCC I is a non-voting class of membership equity investment in Corporate America that is perpetual non-maturing and non-cumulative. As of December 31, 2013 and 2012, \$8,180,817 in PCC I was outstanding with no stated maturity.
- PCC II is a non-voting class of membership equity investment in Corporate America that is perpetual non-maturing and non-cumulative. As of December 31, 2013, \$6,594,703 in PCC II was outstanding with no stated maturity.

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 financial statement presentation at December 31, 2013 and 2012, PIC III, PCC I and PCC II accounts are classified as substantially restricted equity and dividend payments are recorded as a reduction of equity.

Perpetual paid-in capital (PIC III) is a separate subordinate, non-voting class of membership equity investment in Corporate America that is perpetual non-maturing and non-cumulative. Payment of dividends and repayment of principal is subordinate to member capital share deposits account, all share certificate accounts and all previous issues of paid-in capital accounts (PIC I & PIC II). PIC III accounts are wholly at-risk and are not subject to share insurance coverage by the NCUSIF; were offered at the discretion of Corporate America; are callable only at the option of Corporate America; may not be pledged in whole or in part; and are available to cover losses that exceed the Corporate's retained earnings. In the event of liquidation, funds in the PIC III accounts are payable only after satisfaction of all liabilities including perpetual contributed capital, membership capital share deposits and all previously issued paid in capital.

Perpetual Contributed Capital (PCC I) is a subordinate, non-voting class of membership equity investment in Corporate America that is perpetual non-maturing and non-cumulative. Payment of dividends and repayment of principal is subordinate to all liabilities of the liquidation estate including uninsured obligations to shareholders and the NCUSIF but not including contributed capital accounts issued before January 18, 2011. However, paid-in capital that is used to cover losses in a calendar year previous to the year of liquidation, have no claim against the liquidation estate. PCC I accounts are not subject to share insurance coverage by the NCUSIF or other share or deposit insurance; were offered at the discretion of Corporate America; are callable only at the option of Corporate America; may not be pledged against borrowings; and are available to cover losses that exceed the Corporate's retained earnings. In the event of liquidation, any claims made by the holders of PCC I will be subordinate to all other claims, including uninsured obligations to shareholders and the NCUSIF, but not including contributed capital accounts issued before January 18, 2011.

Perpetual Contributed Capital (PCC II) is a subordinate, non-voting class of membership equity investment in Corporate America. Payment of dividends and repayment of principal with respect to Corporate America Perpetual Contributed Capital II is subordinate to all liabilities of the liquidation estate including uninsured obligations to shareholders and the NCUSIF except contributed capital accounts issued before January 18, 2011 and Membership Capital Accounts. However, paid in capital that is used to cover losses in a calendar year previous to the year of liquidation have no claim against the liquidation estate. PCC II has no scheduled maturity date and is 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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Corporate America Credit Union from time to time. In order to call PCC II, Corporate America would have to have prior permission from both the NCUA Administrator and the ACUA. PCC II accounts are callable on a pro-rata basis across an issuance class.

Members' Equity - Undivided Earnings: Undivided Earnings represents the balance of retained earnings which is available for dividends.

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 9 - 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 subject to federal and state income taxes. Subsidiary income taxes are accounted for using the asset and liability approach, the objective of which is to recognize the amount of taxes payable or refundable for the current year. Any deferred tax assets or liabilities for future tax consequences have not been recognized and are immaterial to the consolidated financial statements. Subsidiary accrued income tax payable for the year end December 31, 2013 and 2012 amounted to \$33,854 and \$19,630, respectively.

Based on the guidance from the provisions of FASB ASC 740, *Income Taxes*, associated with uncertainty in income tax positions, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. Based on this guidance, management has assessed whether there were any uncertain tax positions that may give rise to income tax liabilities and has determined that as a state-chartered credit union, Corporate America is subject to unrelated business income tax. Corporate America is a state-chartered credit union described in Internal Revenue Code (IRC) Section 501(c)(14). As such, Corporate America is exempt from federal taxation of income derived from the performance of activities that are in furtherance of its exempt purposes. However, IRC Section 511 imposes a tax on the unrelated business income (as defined in Section 512 and Section 514) derived by state-chartered credit unions. The specific application of Section 512 to the various activities conducted by state-chartered credit unions has been a point of contention between state-chartered credit unions and the IRS for many years. During 2007, the Internal Revenue Service (IRS) issued a series of Technical Advice Memoranda (TAM) to a number of state-chartered credit unions located throughout the country. In these TAMs the IRS ruled that certain products and services are subject to taxation as unrelated business income. Certain credit unions have contested the IRS TAM rulings in court. Recent judgments have been in favor of the credit unions.

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. Years 2011 through 2014 are subject to audit by Federal and State tax authorities.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plan: Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) and profit sharing plan expense is the amount of matching contributions.

Comprehensive Loss: Comprehensive loss consists of net income and other comprehensive income (loss). Other comprehensive 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, 2013 and 2012, accumulated other comprehensive loss was comprised of the following:

	2013	2012
Unrealized losses on securities available	\$ (7,042,902)	\$ (5,943,557)
Defined benefit plan related adjustments	<u>(1,046,966)</u>	<u>(2,213,365)</u>
Accumulated other comprehensive loss	<u>\$ (8,089,868)</u>	<u>\$ (8,156,922)</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 now are such matters that will have a material effect on the financial statements.

Off-Balance-Sheet 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.

Reclassifications: Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format. Net income and total members' equity are unchanged due to these reclassifications.

NOTE 2 - INVESTMENT SECURITIES - AVAILABLE-FOR-SALE

The amortized cost and estimated fair value of available-for-sale investments as of December 31, 2013 and 2012 are as follows:

December 31, 2013	Amortized Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Securities Available-for-Sale				
U.S. Government Agency or GSE:				
CMOs	\$ 230,025,863	\$ 1,102,539	\$ (5,688,521)	\$ 225,439,881
Mortgage-backed securities: Residential	8,776,699	-	(119,498)	8,657,201
Agency	6,880,021	-	(473,358)	6,406,663
SBA loan pools	<u>357,179,849</u>	<u>2,433,934</u>	<u>(518,442)</u>	<u>359,095,341</u>
	<u>602,862,432</u>	<u>3,536,473</u>	<u>(6,799,819)</u>	<u>599,599,086</u>
Asset-backed securities				
FFELP backed student loans	285,295,123	274,569	(3,683,246)	281,886,446
Non FFELP student loans	27,148,367	-	(23,187)	27,125,180
Non FFELP other assets loans	<u>251,542,086</u>	<u>225,527</u>	<u>(573,219)</u>	<u>251,194,394</u>
	<u>563,985,576</u>	<u>500,096</u>	<u>(4,279,652)</u>	<u>560,206,020</u>
Total Available-For-Sale	<u>\$ 1,166,848,008</u>	<u>\$ 4,036,569</u>	<u>\$ (11,079,471)</u>	<u>\$ 1,159,805,106</u>



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - INVESTMENT SECURITIES - AVAILABLE-FOR-SALE (Continued)

December 31, 2012

Securities Available-for-Sale	Amortized <u>Cost</u>	<u>Gross Unrealized</u>		<u>Fair Value</u>
		<u>Gains</u>	<u>Losses</u>	
U.S. Government Agency or GSE:				
CMOs	\$ 635,136,484	\$ 2,530,235	\$ (1,464,732)	\$ 636,201,987
Mortgage-backed securities: Residential	1,622,654	2,835	-	1,625,489
Agency	2,776,060	-	(40,569)	2,735,491
SBA loan pools	<u>273,108,040</u>	<u>4,461,645</u>	<u>(70,746)</u>	<u>277,498,939</u>
	<u>912,643,238</u>	<u>6,994,715</u>	<u>(1,576,047)</u>	<u>918,061,906</u>
Non-Agency Securities:				
Private placement commercial MBS	<u>3,476,320</u>	-	(37,439)	3,438,881
Asset-backed securities				
FFELP backed student loans	243,855,240	37,802	(11,982,535)	231,910,507
NON FFELP student loans	10,497,898	-	(726,398)	9,771,500
Non FFELP other assets loans	<u>58,389,095</u>	<u>31,543</u>	<u>(50,081)</u>	<u>58,370,557</u>
	<u>312,742,233</u>	<u>69,345</u>	<u>(12,759,014)</u>	<u>300,052,564</u>
 Total Debt Securities	 <u>1,228,861,791</u>	 <u>7,064,060</u>	 <u>(14,372,500)</u>	 <u>1,221,553,351</u>
 Mutual fund investments	 <u>73,841,213</u>	 <u>1,364,892</u>	 <u>-</u>	 <u>75,206,105</u>
 Total Available-For-Sale	 <u>\$ 1,302,703,004</u>	 <u>\$ 8,428,952</u>	 <u>\$ (14,372,500)</u>	 <u>\$ 1,296,759,456</u>

Proceeds from sales and calls of investments classified as available-for-sale were \$566,289,530 and \$989,941,258 the years ended December 31, 2013 and 2012, respectively. Gains and losses on the sales and calls of these investments are as follows:

	2013	2012
Realized gains	\$ 1,997,736	\$ 12,243,317
Realized losses	<u>(1,329,561)</u>	<u>(9,275,792)</u>
	<u>\$ (668,175)</u>	<u>\$ 2,967,525</u>

There was no other-than-temporary impairment recognized in accumulated other comprehensive income was during 2013.

U.S. Government Agency or Government Sponsored Enterprises: At December 31, 2013, Corporate America's available-for-sale portfolio was comprised of approximately 52% in debt obligations of U.S. Government Agencies or Government Sponsored Enterprises (GSEs). Approximately 39% of these agency securities were comprised of mortgage obligations (CMOs and MBS) that were either issued by a U.S. Government Agency such as the Government National Mortgage Association (Ginnie Mae) or GSEs such as the Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac). GSEs are independent organizations generally considered to be of high credit quality that are in part sponsored by the U.S. Government and generally carry an implicit guarantee. In addition, approximately 60% of the agency portfolio at December 31, 2013 consisted of Small Business Administration (SBA) loan pools that are fully guaranteed by the full faith and credit of the U.S. Government and are considered to have the highest credit quality.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - INVESTMENT SECURITIES - AVAILABLE-FOR-SALE (Continued)

Non-Agency Securities: At December 31, 2013, non-agency securities were comprised almost entirely by asset-backed securities with senior structures that contain multiple credit enhancements including subordination, cross/over-collateralization and yield spreads. Additionally, as of December 31, 2013, nearly half of the Corporate's asset-backed securities are collateralized by student loans that are insured 97%-98% by the Federal Family Education Loan Program (FFELP).

As of December 31, 2013 and 2012, the Corporate's non-agency securities consisted of:

<u>Underlying Collateral</u>	2013		
	Amortized Cost	Estimated Fair Value	Unrealized Gain/(Loss)
FFELP Backed Student Loans			
Structured term security	\$ 224,283,099	\$ 221,236,571	\$ (3,046,528)
Auction rate security	<u>61,012,024</u>	<u>60,649,875</u>	<u>(362,149)</u>
	285,295,123	281,886,446	(3,408,677)
Non FFELP student loans	27,148,367	27,125,180	(23,187)
Non FFELP other assets loans	<u>251,542,086</u>	<u>251,194,394</u>	<u>(347,692)</u>
	<u>313,525,454</u>	<u>278,319,567</u>	<u>(370,879)</u>
	<u>\$ 563,985,576</u>	<u>\$ 560,206,020</u>	<u>\$ (3,779,556)</u>
	2012		
<u>Underlying Collateral</u>	Amortized Cost	Estimated Fair Value	Unrealized Gain/(Loss)
Private placement commercial MBS	\$ 3,476,320	\$ 3,438,881	\$ (37,439)
FFELP Backed Student Loans			
Structured term security	99,646,790	96,647,692	(2,999,098)
Auction rate security	<u>144,208,450</u>	<u>135,262,815</u>	<u>(8,945,635)</u>
	243,855,240	231,910,507	(11,944,733)
Non FFELP student loans	10,497,898	9,771,500	(726,398)
Non FFELP other assets loans	<u>58,389,095</u>	<u>58,370,557</u>	<u>(18,538)</u>
	<u>312,742,233</u>	<u>300,052,564</u>	<u>(12,689,669)</u>
	<u>\$ 316,218,553</u>	<u>\$ 303,491,445</u>	<u>\$ (12,727,108)</u>

Maturity of Available-for-Sale Securities: The amortized cost and fair value of available-for-sale investment securities at December 31, 2013 and 2012, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - INVESTMENT SECURITIES - AVAILABLE-FOR-SALE (Continued)

<u>December 31, 2013</u>	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
U.S. Government Agency or GSE:		
Collateralized mortgage obligations:		
Due in one to five years	\$ 1,790,214	\$ 1,810,353
Due in five to ten years	11,583,930	11,671,408
Due after ten years	<u>216,651,719</u>	<u>211,958,120</u>
	<u>230,025,863</u>	<u>225,439,881</u>
Mortgage backed securities:		
Due in five to ten years	7,243,846	7,125,242
Due after ten years	<u>1,532,854</u>	<u>1,531,959</u>
	<u>8,776,699</u>	<u>8,657,201</u>
Agency:		
Due in one to five years	1,880,021	1,833,649
Due in five to ten years	<u>5,000,000</u>	<u>4,573,014</u>
	<u>6,880,021</u>	<u>6,406,663</u>
SBA loan pools:		
Due in one to five years	17,056,754	16,162,000
Due in five to ten years	177,756,819	178,845,952
Due after ten years	<u>162,366,276</u>	<u>163,087,348</u>
	<u>357,179,849</u>	<u>359,095,341</u>
Asset-backed securities:		
Due in one to five years	163,570,951	163,569,763
Due in five to ten years	202,394,988	201,785,193
Due after ten years	<u>198,019,630</u>	<u>194,851,064</u>
	<u>563,985,576</u>	<u>560,206,020</u>
	<u>\$ 1,166,848,008</u>	<u>\$ 1,159,805,106</u>
<u>December 31, 2012</u>		
U.S. Government Agency or GSE:		
Collateralized mortgage obligations:		
Due in five to ten years	\$ 46,240,422	\$ 46,317,792
Due after ten years	<u>588,896,062</u>	<u>589,884,195</u>
	<u>635,136,484</u>	<u>636,201,987</u>
Mortgage backed securities:		
Due after ten years	<u>1,622,654</u>	<u>1,625,489</u>
Agency:		
Due in one to five years	<u>2,776,060</u>	<u>2,735,491</u>
SBA loan pools:		
Due in one to five years	19,745,051	19,900,250
Due in five to ten years	188,215,656	190,910,331
Due after ten years	<u>65,147,333</u>	<u>66,688,358</u>
	<u>273,108,040</u>	<u>277,498,939</u>
Non-agency Securities:		
Private mortgage backed securities:		
Due in five to ten years	<u>3,476,320</u>	<u>3,438,881</u>
Asset-backed securities:		
Due in one to five years	54,101,696	54,069,869
Due in five to ten years	33,403,349	33,288,266
Due after ten years	<u>225,237,188</u>	<u>212,694,429</u>
	<u>312,742,233</u>	<u>300,052,564</u>
Mutual funds with no stated maturity date	<u>73,841,213</u>	<u>75,206,105</u>
	<u>\$ 1,302,703,004</u>	<u>\$ 1,296,759,456</u>



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - INVESTMENT SECURITIES - AVAILABLE-FOR-SALE (Continued)

Securities pledged at year-end 2013 and 2012 had a carrying amount of \$555,537,065 and \$775,887,534 and were pledged to secure public deposits and repurchase agreements.

At year-end 2013 and 2012, there were holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of members' equity. Those securities are listed below:

<u>December 31, 2013</u>	<u>Total Market Value</u>	<u>Members' Equity</u>
Issuer:		
**NORTHSTAR ED FIN	\$ 30,796,875	29%
**ACSS SERIES	29,853,000	28
FIAOT 2013-3A A2	29,343,052	28
**SLMA 2013-2 A	28,304,284	27
**COLLE2007-2 A1	28,049,083	27
NAVMT 2013	26,377,083	25
AMOT	25,950,633	25
**SLMA 2013-3 A2	25,910,213	25
CCCIT 2013-A2 A2	25,876,152	25
**SLMA 2008-5	25,819,317	25
LRF 2013-1 A3	25,000,000	24
**ELAB 2013-1A A1	24,712,648	23
**SLMA 2013-B A1	17,311,493	16
**SLMA 2013-6 A2	16,000,384	15
CNH 2013-C A2	15,016,016	14
CRART 2013-2 A2	14,988,743	14
**SLMA 2005-7 A3	14,953,391	14
EART 2013-2A A	13,292,828	13
CAALT 2012-2A A	12,792,839	12
CAALT 2013-2A A	11,997,144	11
**NSLT 2010-4A A	10,368,383	10

<u>December 31, 2012</u>	<u>Total Market Value</u>	<u>Members' Equity</u>
Issuer:		
**ACSS SERIES	\$ 53,462,044	53%
**NORTHSTAR ED FIN	41,321,553	41
**COLLE 2007-2 A1	36,456,904	36
**SLMA 2005-7 A3	19,663,361	20
NEF SERIES 2007-1 CLASS A5	19,076,020	19
FORDF	15,044,064	15
PHEAA SERIES 2004-1 CLASS A2	11,569,006	12
COMNI 2009-A	10,588,853	11
US EDUCATION IV 2006 1A-7	9,564,625	10

** Collateralized by student loans that are insured 97%-98% by the U.S. Government through the Federal Family Education Loan Program (FFELP)

There are no holdings of securities of any one issuer, other than the U.S. Government and its agencies, that exceed 25% of regulatory capital and the Corporate is in full compliance with NCUA rules and regulations as prescribed by Part 704.6.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - INVESTMENT SECURITIES - AVAILABLE-FOR-SALE (Continued)

Temporarily Impaired Securities: Information pertaining to securities available-for-sale with gross unrealized losses at December 31, 2013 and 2012 aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2013						
U.S. Government Agency or GSE:						
Federal agency securities	\$ 4,573,014	\$ (426,986)	\$ 1,833,649	\$ (46,372)	\$ 6,406,663	\$ (473,358)
CMO's	128,014,043	(5,614,938)	11,970,520	(73,583)	139,984,563	(5,688,521)
SBA loan pools	105,132,733	(382,745)	15,255,796	(135,697)	120,388,529	(518,442)
MBS's	8,657,201	(119,498)	-	-	8,657,201	(119,498)
	<u>246,376,991</u>	<u>(6,544,167)</u>	<u>29,059,965</u>	<u>(255,652)</u>	<u>275,436,956</u>	<u>(6,799,818)</u>
Non-agency securities:						
FFELP backed student loans	103,053,158	(287,391)	81,353,280	(3,305,855)	184,406,438	(3,683,246)
Non-FFELP student loans	109,837,118	(564,247)	7,071,875	(8,972)	116,908,993	(573,219)
Non-FFELP other assets loans	27,125,172	(23,187)	-	-	27,125,171	(23,187)
	<u>240,015,448</u>	<u>(874,825)</u>	<u>88,425,155</u>	<u>(3,314,827)</u>	<u>328,440,602</u>	<u>(4,279,652)</u>
Total	<u>\$ 486,392,439</u>	<u>\$ (7,418,992)</u>	<u>\$ 117,485,120</u>	<u>\$ (3,570,479)</u>	<u>\$ 603,877,558</u>	<u>\$ (11,169,469)</u>
December 31, 2012						
U.S. Government Agency or GSE:						
Federal agency securities	\$ 2,735,491	\$ (40,569)	\$ -	\$ -	\$ 2,735,491	\$ (40,569)
CMO's	279,051,398	(1,203,654)	54,291,311	(261,078)	333,342,709	(1,464,732)
SBA loan pools	13,669,026	(37,641)	6,347,558	(33,105)	20,016,584	(70,746)
	<u>295,455,915</u>	<u>(1,281,864)</u>	<u>60,638,869</u>	<u>(294,183)</u>	<u>356,094,784</u>	<u>(1,576,047)</u>
Private mortgage backed securities						
	-	-	3,438,872	(37,439)	3,438,872	(37,439)
Non-agency securities:						
FFELP backed student loans	10,784,076	(33,052)	203,780,982	(11,949,483)	214,565,058	(11,982,535)
Non-FFELP student loans	-	-	9,771,500	(726,398)	9,771,500	(726,398)
Non-FFELP other assets loans	31,506,896	(50,081)	-	-	31,506,896	(50,081)
	<u>42,290,972</u>	<u>(83,133)</u>	<u>213,552,482</u>	<u>(12,675,881)</u>	<u>255,843,454</u>	<u>(12,759,014)</u>
Total	<u>\$ 337,746,887</u>	<u>\$ (1,364,997)</u>	<u>\$ 277,630,223</u>	<u>\$ (13,007,503)</u>	<u>\$ 615,377,110</u>	<u>\$ (14,372,500)</u>

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to many factors including, (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) whether or not the Corporate intends or will be required to sell the security prior to recovery of its cost basis. In analyzing an issuer's financial condition, management considers many factors, including, whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of the issuer's financial condition.

Government Agency/Sponsored Enterprises Debt Securities: The decline in fair values of Corporate America's agency and GSE debt securities are primarily attributable to interest rate changes and changes in credit spreads and do not reflect the underlying credit quality and expected performance of Corporate America's holdings. Additionally, the contractual terms of the investments do not permit the issuers to settle the securities at a price less than the amortized cost basis of the investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because Corporate America does not intend to sell the investments and it is not more-likely-than-not that the Corporate will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, Corporate America does not consider these investments to be other-than-temporarily impaired at December 31, 2013.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - INVESTMENT SECURITIES - AVAILABLE-FOR-SALE (Continued)

Non-Agency Asset-Backed Securities: The unrealized losses associated with Corporate America's non-agency asset-backed securities are primarily driven by interest rate changes, changes in credit spreads and the failed auction process of auction rate securities (ARS) and do not reflect the underlying credit quality and expected performance of Corporate America's holdings. At December 31, 2013, substantially all of Corporate America's non-agency asset-backed securities were purchased at significant discounts relative to their face amount, are High-Grade to AAA-rated senior structures and contain multiple credit enhancements including subordination, cross/over-collateralization and yield spreads. Furthermore, 51% of these asset-backed securities (including all auction rate securities) are collateralized by student loans that are insured 97%-98% by the U.S. Government through the Federal Family Education Loan Program (FFELP).

There has not been a successful auction process for the Corporate's ARS since the beginning of the economic crisis in early 2008. While these securities generally have long-term nominal maturities that exceed one year, historically under the normal auction process, the interest rates would reset periodically in scheduled auctions (generally every 7-35 days). Due to the auction failures, Corporate America has realized higher interest rates for many of these ARS than it would have otherwise. Although the Corporate has been receiving interest payments at these generally higher rates, the related principal amounts will not be accessible until a successful auction occurs, a buyer is found outside of the auction process, the issuer calls the security, or the security matures according to contractual terms. Corporate America does not currently expect to liquidate any auction rate securities going forward through the normal auction process.

At December 31, 2013, the estimated fair values of the Corporate's auction rate securities were approximately \$57,785 less than their amortized cost (0.22% depreciation). Management attributes the decline in market value to, 1) the complexities of the instruments in projecting interest rates and cash flows, 2) the infrequent trading of identical or similar securities, and 3) the long term nominal maturities of the securities. No credit issues have been identified that cause management to believe the declines in market value are other-than-temporary. Based on this evaluation and based on the fact that management does not intend to sell the investments and it is not more-likely-than-not that the Corporate will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Corporate does not consider the declines in market value to be other-than-temporary as of December 31, 2013.

At December 31, 2013, Corporate America also held 2 non-FFELP private student loan Sallie Mae securities which comprised approximately 5% of the asset backed portfolio that were all High Grade rated by Moody's and Standard & Poor's. The unrealized losses on these securities are primarily driven by interest rate changes and do not reflect the underlying credit quality and expected performance of these securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because Corporate America does not intend to sell the investments and it is not more-likely-than-not that the Corporate will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, Corporate America does not consider these investments to be other-than-temporarily impaired at December 31, 2013.

Other-Than-Temporary Impairment (OTTI): Management routinely performs internal reviews of investment securities to determine whether other-than-temporary impairment has occurred. While all securities are considered, the securities primarily impacted by OTTI analysis are non-agency securities (including but not limited to those whose fair value is less than their amortized cost basis). Management utilizes models to help determine whether an other-than-temporary impairment has occurred on an analyzed security. Management also considers a number of factors, including, 1) the bond's overall structure and underlying collateral; 2) whether the security or collateral are issued or backed by the federal government or its agencies; 3) whether down-grades by bond rating agencies have occurred; 4) other credit enhancements such as credit spreads and over collateralization; 5) general market and economic conditions, as well as; 6) whether or not the Corporate intends or will be required to sell a security prior to recovery of its cost basis. For securities that project potential principal and interest losses, management further evaluates securities for OTTI using models



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 2 - INVESTMENT SECURITIES - AVAILABLE-FOR-SALE (Continued)

that incorporate various inputs and assumptions; the most significant of which are prepayment, default rate and loss severity assumptions. If management determines that a security's position will be subject to a write-down or loss, the expected credit loss is recorded as a charge to earnings. As of December 31, 2013, substantially all of the Corporate's non-agency asset-backed securities at year end were High-Grade to AAA rated by more than one credit rating service. As result of its OTTI analysis at December 31, 2013, management determined that there were no securities other-than-temporarily impaired due to risk of credit default.

Other-than-temporary impairment losses for the year ended December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance of losses previously recognized in earnings due to regulatory obligor concentration restrictions	\$ 2,775,785	\$ 6,970,864
Amount related to losses for securities above obligor concentration limits for which an other-than temporary impairment was not previously recognized in earnings	-	2,775,785
Reductions for previous credit losses realized on securities sold during the year	(106,051)	(6,970,864)
Recapture of other-than temporary impairment on previously impaired securities	<u>(2,669,734)</u>	<u> </u>
Ending balance of losses related to exceeding obligor concentration limits recognized in earnings	<u>\$ -</u>	<u>\$ 2,775,785</u>

During 2013, there were no OTTI amounts related to credit losses recognized in earnings for which a portion of the OTTI was recognized in other comprehensive income.

NOTE 3 - LOANS TO MEMBERS

The summary of the major categories of loans at December 31, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Loans to members:		
Fixed-rate term loans:	\$ 23,450,000	\$ 26,450,000
Settlement lines of credit	<u>8,932,430</u>	<u>4,143,683</u>
	<u>\$ 32,382,430</u>	<u>\$ 30,593,683</u>

Loan participations have been purchased from and sold to member credit unions. At December 31, 2013 and 2012, the Corporate had \$586,308 and \$596,362, respectively, in purchased participations and \$586,308 and \$596,362, respectively, in sold re-participations. At December 31, 2013 and 2012, there were no past-due, impaired, restructured or nonaccrual loans and management determined that all loans to member credit unions were collectible in full and therefore no allowance for loan losses was deemed necessary. Management considers loan balances to a single member greater than 20% of total loans to have a concentration. At December 31, 2013, Corporate had loans to one member totaling \$8,500,000 (26% of total loans) and an interest rate of 1.21%. Due to the limited nature of lending, the Corporate does not have an internal risk rating system for loans.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of the Corporate's property and equipment as of December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 459,127	\$ 459,127
Building	2,192,203	2,192,708
Furniture and equipment	<u>1,820,617</u>	<u>1,893,120</u>
	4,471,947	4,544,955
Less accumulated depreciation	<u>(1,559,033)</u>	<u>(1,399,508)</u>
Property and equipment, net	<u>\$ 2,912,914</u>	<u>\$ 3,145,447</u>

Depreciation expense for the years ended December 31, 2013 and 2012 amounted to \$521,407 and \$561,635, respectively.

NOTE 5 - MEMBERS' SHARE AND CAPITAL ACCOUNTS

Members' share and capital accounts are summarized as follows:

	<u>Balance</u>	<u>Dividend and Interest Expense</u>
<u>December 31, 2013</u>		
Share accounts	\$1,373,166,036	\$ 1,122,344
Non-perpetual contributed capital account (NCA)	19,090,522	144,014
Membership capital accounts (MCA)	8,002,977	1,719
Non-perpetual paid-in capital accounts (PIC I & II)	<u>5,668,704</u>	<u>40,759</u>
	1,405,928,239	1,308,836
Member share certificates	<u>157,713,000</u>	<u>1,972,075</u>
	<u>\$1,563,641,239</u>	<u>\$ 3,280,911</u>
<u>December 31, 2012</u>		
Share accounts	\$1,790,684,545	\$ 1,744,233
Non-perpetual contributed capital account (NCA)	22,127,664	307,885
Membership capital accounts (MCA)	8,709,028	1,768
Non-perpetual paid-in capital accounts (PIC I & II)	<u>6,147,104</u>	<u>97,392</u>
	1,827,668,341	2,151,278
Member share certificates	<u>240,442,000</u>	<u>4,600,956</u>
	<u>\$2,068,110,341</u>	<u>\$ 6,752,234</u>

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, 2013 AND 2012

NOTE 5 - MEMBERS' SHARE AND CAPITAL ACCOUNTS (Continued)

The composition of share certificates at December 31, 2013 and 2012 were as follows:

<u>Certificates</u>	<u>2013</u>	<u>2012</u>
Fixed-rate term	\$ 157,713,000	\$ 239,542,000
Fixed-rate structured	-	900,000
	<u>\$ 157,713,000</u>	<u>\$ 240,442,000</u>

Scheduled contractual maturities of share certificates as of December 31, 2013 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2014	\$ 102,017,000
2015	33,350,000
2016	12,848,000
2017	6,349,000
2018	<u>3,149,000</u>
	<u>\$ 157,713,000</u>

The aggregate amount of members' share and certificate accounts, excluding MCAs, NCAs and PIC, in excess of \$100,000 at December 31, 2013 and 2012, was \$1,495,529,094 and \$1,993,086,958, respectively. The aggregate amount of members' share and savings accounts in excess of \$250,000 at December 31, 2013 and 2012 was \$1,447,483,173 and \$1,940,972,326, respectively. Under the NCUA's Temporary Corporate Credit Union Stabilization Fund (TCCUSF), all Corporate America member credit union deposits in excess of \$250,000, excluding MCAs, NCAs and paid-in capital, are 100% fully guaranteed until December 31, 2013.

Member Contributed Capital under Revised Corporate Rule 704

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) and the term "nonperpetual capital account" (NCA) replaced the term "membership capital account" (MCA). Under the revised rule, MCAs that were not converted to NCAs or PCC by October 20, 2011, were put on notice by the Corporate and, to the extent not needed to cover operational losses, returned to the member at the end of the notice period. (See also Note 7 - Regulatory Capital and Revised Corporate Rule 704).

Non-perpetual 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; and cannot be pledged against borrowings; are available to cover losses that exceed the Corporate's retained earnings, all capital accounts issued before January 18, 2011 and perpetual capital accounts issued on or after January 18, 2011. 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.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - MEMBERS' SHARE AND CAPITAL ACCOUNTS (Continued)

Membership Capital Account (MCA) - All remaining MCA accounts as of December 31, 2013, have been put on notice by Corporate America and will be accounted for in accordance with the original terms and conditions of the accounts for the remaining notice period. The original terms and conditions of the MCA accounts require a three-year notice for withdrawal, may not be pledged in whole or in part, and are not insured by the NCUSIF. They are available to cover losses that exceed the Corporate's retained earnings and paid-in capital (PIC I, II & III). In the event of liquidation, membership capital accounts are payable only after the satisfaction of all liabilities, including uninsured share obligations to members and the NCUSIF, NCAs, and perpetual contributed capital (PCC).

Non-Perpetual Paid-In Capital Accounts (PIC I & PIC II) - Non-perpetual PIC accounts were offered at the discretion of Corporate America, are not subject to share insurance coverage by the NCUSIF, are callable only at the option of the Corporate, and may not be pledged in whole or in part. Paid-in capital share deposits are available to cover losses that exceed retained earnings, and in the event of liquidation, funds in the PIC I and PIC II accounts are payable only after satisfaction of all liabilities including NCAs, perpetual contributed capital (PCC), membership capital, but not including perpetual paid-in capital (PIC III). As of December 31, 2013, Corporate America's non-perpetual paid-in capital consisted of two separate issuances.

- PIC I, issued January 1, 1998 with a maturity date of December 31, 2017; \$5,264,008 and \$5,742,408 outstanding as of December 31, 2013 and 2012, respectively.
- PIC II, issued June 29, 2001 with a maturity date of June 28, 2021, \$404,696 outstanding as of December 31, 2013 and 2012.

For financial statement presentation, PIC I and PIC II are classified as member deposit account liabilities due to the fact that they are non-perpetual.

NOTE 6 - FEDERAL HOME LOAN BANK BORROWINGS

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, 2013 and 2012, the Corporate had total outstanding advances of \$170,000,000 for each year. The maximum credit available at December 31, 2013 and 2012 was \$367,900,000 and \$558,330,000, respectively; this amount is evaluated and adjusted monthly based on the size of the Corporate's assets. At December 31, 2013 and 2012, the advances are collateralized by investments with market values totaling \$244,658,826 and \$213,016,170, respectively.

A summary of the outstanding advances are as follows:

	<u>Balance</u>	<u>Current Interest Rate</u>	<u>Contractual Maturity Date</u>	<u>Next Option Date</u>	<u>Rate Reset</u>	<u>Interest Payment Frequency</u>
December 31, 2013						
European Convertible (***)	\$ 10,000,000	4.31500%	06/29/2018	6/29/2015	Fixed	Quarterly
Fixed Rate Advance	10,000,000	4.71000%	06/29/2018	N/A	Fixed	Quarterly
Fixed Rate Advance	20,000,000	4.67000%	08/01/2018	N/A	Fixed	Quarterly
Fixed Rate Advance	20,000,000	4.70000%	08/01/2018	N/A	Fixed	Quarterly
Fixed Rate Advance	25,000,000	4.56700%	08/27/2018	N/A	Fixed	Quarterly
Floating to Fixed (*)	15,000,000	3.34585%	04/03/2020	N/A	Quarterly	Quarterly
Floating to Fixed (*)	10,000,000	3.24585%	04/03/2020	N/A	Quarterly	Quarterly
Floating to Fixed (*)	50,000,000	2.95935%	04/04/2017	N/A	Quarterly	Quarterly
Floating to Fixed (*)	<u>10,000,000</u>	2.63435%	04/04/2017	N/A	Quarterly	Quarterly
	<u>\$ 170,000,000</u>					



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 6 - FEDERAL HOME LOAN BANK BORROWINGS (Continued)

	<u>Balance</u>	Current Interest Rate	Contractual Maturity Date	Next Option Date	Rate Reset	Interest Payment Frequency
December 31, 2012						
European Convertible (**)	\$ 50,000,000	4.7650%	08/31/2015	N/A	Fixed	Quarterly
European Convertible (***)	10,000,000	4.3150%	06/29/2018	6/29/2015	Fixed	Quarterly
Fixed Rate Advance	15,000,000	5.6550%	07/06/2017	N/A	Fixed	Quarterly
Fixed Rate Advance	10,000,000	5.5120%	07/31/2017	N/A	Fixed	Quarterly
Fixed Rate Advance	10,000,000	4.7100%	06/29/2018	N/A	Fixed	Quarterly
Fixed Rate Advance	10,000,000	4.5080%	06/30/2015	N/A	Fixed	Quarterly
Fixed Rate Advance	20,000,000	4.6700%	08/01/2018	N/A	Fixed	Quarterly
Fixed Rate Advance	20,000,000	4.7000%	08/01/2018	N/A	Fixed	Quarterly
Fixed Rate Advance	<u>25,000,000</u>	4.5670%	08/27/2018	N/A	Fixed	Quarterly
	<u>\$ 170,000,000</u>					

(*) The Corporate restructured these advances during 2013 and the interest rate converts from floating to fixed on 4/03/2015 (maturing 4/03/2020) & 4/06/2015 (maturing 4/04/2017). There were no fees associated with these modifications.

(**) European convertible advance that contained conversion features that allowed the FHLB to 1) extend the advance to the contractual maturity at the same fixed rate or 2) terminate the advance at the conversion date. At the conversion date, the FHLB chose to extend the advance for the remainder of the contractual maturity.

(***) 10 year / 7 year European Convertible has a conversion option after the 7th year that allows the FHLB to 1) extend the advance to the contractual maturity at the same fixed rate or 2) terminate the advance at the conversion date.

NOTE 7 - 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 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.

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

- **"Leverage" ratio and "Interim Leverage" ratio** The 4% "interim" leverage ratio became effective on October 21, 2011 and is defined as the sum of any form of capital (retained earnings, perpetual contributed capital (PCC) or nonperpetual capital (NCA)) to moving daily average net assets (MDANA). The 4% permanent 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** 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** The total risk-based capital ratio is defined as the ratio of total capital (retained earnings, perpetual contributed capital (PCC) or nonperpetual capital (NCA) to moving monthly average net risk-weighted assets (MMANRA).



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 7 - REGULATORY CAPITAL (Continued)

Failure to meet any of these three minimum ratios, triggers a capital restoration plan requirement and, potentially, other, new PCA provisions. The new capital requirements will be phased-in over the next ten years. The first significant phase-in date was October 21, 2011, which is when the new minimum risk based capital ratios and an "interim" leverage ratio became effective. The next significant phase-in date was October 21, 2013, which is when the new regulation required a minimum 45 basis points of retained earnings in conjunction with total Tier 1 capital of at least 4%. In 2016, corporates will be required to have a 1% retained earnings ratio; after ten years, in 2020, the new regulation requires a 2% retained earnings ratio.

As part of the new capital requirements, the final revised 704 rule also contains contributed capital conversion requirements. Effective October 20, 2011, the revised 704 rule established new capital types that are different from the old Part 704. The term "perpetual contributed capital" (PCC) replaces "paid-in-capital" (PIC) and the term "nonperpetual capital account" (NCA) replaces the term "membership capital account" (MCA). Under the new rule, membership capital accounts (MCAs) that are not converted to NCAs or PCC by October 2011, must be put on notice by the corporate and, to the extent not needed to cover operational losses, returned to the member at the end of the notice period. Under the revised final 704 rule, non-perpetual contributed capital (NCAs) and non-perpetual paid-in capital qualify as Tier 2 capital.

As of December 31, 2013, the most recent NCUA Call Reporting period, the Corporate was categorized as "adequately capitalized" under the regulatory framework for prompt corrective action. To remain categorized as "adequately capitalized", the Corporate will have to maintain minimum Total risk-based, Tier 1 risk-based, Permanent leverage, and Tier 1 leverage (interim) ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Corporate's prompt corrective action category.

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

	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>To Be Considered Well Capitalized</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
December 31, 2013						
Permanent leverage capital (*) (Tier 1 core capital to MDANA)	\$112,935,610	5.46%	\$82,736,711	≥4.0%	\$103,420,889	≥5.0%
Tier 1 risk-based capital (Tier 1 core capital to MMANRA)	112,921,115	32.23%	14,014,498	≥4.0%	21,021,747	≥6.0%
Total risk-based capital (Total capital to MMANRA)	127,498,806	36.39%	28,028,996	≥8.0%	35,036,244	≥10.0%
Retained earnings (Retained earnings to MDANA)	13,266,671	0.64%	9,307,880	≥0.45% (**)	N/A	N/A
Tier 1 core capital (Tier 1 core capital to MDANA)	113,362,196	5.48%	82,736,711	≥4.0% (*) (**)	N/A	N/A



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 7 - REGULATORY CAPITAL (Continued)

<u>December 31, 2012</u>	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>To Be Considered Well Capitalized</u>	
	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>
Interim leverage capital (*) (Total capital to MDANA)	\$131,384,267	4.35%	\$120,907,765	>4.0%	\$151,134,706	>5.0%
Tier 1 risk-based capital (Tier 1 core capital to MMANRA)	114,137,581	38.59%	11,831,852	>4.0%	17,747,777	>6.0%
Total risk-based capital (Total capital to MMANRA)	134,131,878	45.35%	23,633,703	>8.0%	29,579,629	>10.0%
Retained earnings (Retained earnings to MDANA)	14,857,066	0.49%	13,602,124	>0.45% (**)	N/A	N/A
Tier 1 core capital (Tier 1 core capital to MDANA)	114,504,987	3.79%	120,907,765	>4.0% (*) (**)	N/A	N/A

(*) Permanent leverage ratio became effective in October 2013; definition changes from total capital to Tier 1 capital.

(**) RE ratio became effective October 2013 in conjunction with 4% Tier 1 capital ratio; RE ratio requirement increases to 1% in 2016 and increases to 2% in 2020.

Additional Regulatory Capital Information:

	<u>2013</u>	<u>2012</u>
Moving daily average net assets (MDANA)	<u>\$ 2,068,417,773</u>	<u>\$3,022,694,124</u>
Moving monthly average net risk-weighted assets (MMANRA)	<u>350,362,445</u>	<u>\$ 295,796,289</u>
PCC/PIC III perpetual	\$ 100,095,520	\$ 93,500,817
PIC I & II non-perpetual	404,696	6,147,104
NCA (unamortized)	<u>15,219,132</u>	<u>18,537,106</u>
	<u>\$ 115,719,348</u>	<u>\$ 118,185,027</u>

Net Economic Value (NEV) and Operating Authority Levels

In addition to the regulatory capital requirements, Part 704 also establishes minimum Net Economic Value (NEV) and NEV ratio thresholds as well as various levels of operating authority based upon the level of investment authority sought by the corporate credit union and authorized by the NCUA Board. Under the revised Part 704, Corporate America has obtained "Base-Plus" operating authority. As such, NEV sensitivity is limited to a 20% change from base and the NEV ratio must be greater than the minimum required ratio of 2%. If any violation of these regulatory limits persists for 30 calendar days, a detailed, written action plan that sets forth the time needed and means by which it intends to correct the violation must be submitted to NCUA. The Corporate's NEV measures as of December 31, 2013 were as follows:

	<u>Actual</u>	<u>Part 704 NEV Requirements</u>
NEV Ratio	5.48 %	≥ 2.0%
% NEV Change (+) 300 bp	(18.45)%	(20)%
% NEV Change (-) 100 bp (*)	(5.39)%	(20)%

(*) As of December 31, 2012, the NCUA has waived the down (-) 300bp analysis.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 - TRANSACTIONS WITH AFFILIATES

The Board of Directors of the Corporate includes employees and directors of member credit unions. During the years ended December 31, 2013 and 2012, 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 that these transactions were made in accordance with existing regulations and were consummated on terms equivalent to those that prevail in arm's length transactions.

As of December 31, 2013 there was one loan outstanding to these members' credit unions in the amount of \$8,500,000. As of December 31, 2012 there were no loans outstanding to these members' credit unions. Deposits from these members' credit unions at December 31, 2013 and 2012 amounted to \$227,623,680 and \$242,159,898, respectively.

NOTE 9 - RETIREMENT PLANS

Defined Benefit: The Corporate's defined benefit pension plan, as of December 31, 2013, 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.

Effective February 2, 2013, Corporate America amended the pension plan to eliminate future benefit accruals. The benefits earned through February 2, 2013 will not be affected by the change and will be paid in accordance with the terms of the plan.

Information about the plan's funded status and amounts recognized in the Corporate's financial statements for the years ended December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
<u>Change in projected benefit obligation</u>		
Benefit obligation at beginning of year	\$ 3,566,291	\$ 3,223,309
Service cost	54,984	497,491
Interest cost	95,817	153,107
Actuarial (gain) loss	(1,184,188)	610,378
Benefits paid	<u>(684,519)</u>	<u>(917,994)</u>
Benefit obligation at end of year	<u>\$ 1,848,385</u>	<u>\$ 3,566,291</u>
Accumulated benefit obligation at end of year	<u>\$ 1,848,385</u>	<u>\$ 2,794,412</u>
<u>Change in plan assets</u>		
Fair value of plan assets at beginning of year	\$ 2,292,882	\$ 3,133,340
Actual return on plan assets	59,179	77,536
Benefits paid	<u>(684,519)</u>	<u>(917,994)</u>
Fair value of plan assets at end of year	<u>\$ 1,667,542</u>	<u>\$ 2,292,882</u>
Funded status	<u>\$ (180,843)</u>	<u>\$ (1,273,409)</u>
<u>Amounts recognized in statement of financial position</u>		
Noncurrent assets (liabilities)	<u>\$ (180,843)</u>	<u>\$ (1,273,409)</u>
Total amount recognized	<u>\$ (180,843)</u>	<u>\$ (1,273,409)</u>



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 9 - RETIREMENT PLANS (Continued)

	<u>2013</u>	<u>2012</u>
<u>Amounts recognized in accumulated other comprehensive income</u>		
Net income (gain)	\$ 1,046,966	\$ 2,241,054
Transition obligation (asset)	-	(27,689)
Total amount recognized	<u>\$ 1,046,966</u>	<u>\$ 2,213,365</u>

Components of net periodic pension cost

Service cost	\$ 54,984	\$ 497,491
Interest cost	95,817	153,107
Expected (return) on plan assets	(149,037)	(203,667)
Amortization of net loss (gain)	72,503	109,871
Amortization of transition obligation (asset)	(434)	(5,208)
Net periodic pension benefit (cost)	<u>\$ 73,833</u>	<u>\$ 551,594</u>

Other amounts recognized in other comprehensive income

Net loss (gain)	\$ (1,121,585)	\$ 736,509
Prior service cost (credit)	\$ 27,255	\$ -
Amortization of net (loss)	(72,503)	(109,871)
Amortization of transition (obligation) asset	434	5,208
Total recognized in other comprehensive income	<u>\$ (1,166,399)</u>	<u>\$ 631,846</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (1,092,566)</u>	<u>\$ 1,183,440</u>

Assumptions at year end

Weighted average discount rate	4.75%	4.00%
Expected long-term return on plan assets	6.00%	6.50%
Rate of increase in future compensation levels	0.00%	2.50%

Cash flows

Expected contributions for period beginning 1/1/2014		\$ Unknown
Expected benefit payments for period beginning:		
1/1/2014	\$	-
1/1/2015		66,457
1/1/2016		54,625
1/1/2017		206,825
1/1/2018		110,875
Five years thereafter		885,168

The estimated net loss and transition asset 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 are \$74,968 and \$0.

Basis used to determine discount rate - The discount rate is determined using the Mercer Pension Discount Index for an Average Plan. The result is rounded to the nearest quarter percent.

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.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 9 - RETIREMENT PLANS (Continued)

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 entirely in fixed, deferred group annuity contracts to safeguard the benefits promised to employees. The contract provides guaranteed protection of principal with a set rate of return. The investment fund seeks a high level of current income consistent with preservation of capital by investing in U.S. government securities. The fund is guaranteed by CUNA Mutual Insurance Society.

The fair values of the Corporate's pension plan assets at December 31, 2013 and 2012, by asset category are as follows:

	<u>Total</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2013</u>				
CUNA Mutual Investment Fund	\$ 1,667,542	\$ _____	\$ _____	\$ 1,667,542
<u>December 31, 2012</u>				
CUNA Mutual Investment Fund	\$ 2,292,882	\$ _____	\$ _____	\$ 2,292,882

Level 3 Inputs – The CUNA Mutual Stable Value Fund, the value of the fund contracts are determined by the following formula. The market rate of interest less the interest rate earned in the most recent time period (expressed as a decimal) is multiplied by a factor of 3. The result is subtracted from 1 and multiplied by the balance at the date of calculation. A reduction is made on the value of one-half of any excess over 100%. The market rate of interest is found from new money rates. The interest rate earned in the most recent time period is found by applying the current dividend schedule to existing funds, and is determined at the time of calculation.

The table below presents additional information for all pension assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<u>January 1, 2012</u>	\$ 3,133,340
Benefits paid	(917,994)
Return on plan assets	<u>77,536</u>
<u>December 31, 2012</u>	2,292,882
Benefits paid	(684,519)
Return on plan assets	<u>59,179</u>
<u>December 31, 2013</u>	<u>\$ 1,667,542</u>

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, 2013 and 2012 totaled \$125,124 and \$149,059, respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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 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, 2013 and 2012, unfunded commitments under advised lines of credit amounted to \$2,396,918,522 and \$4,898,622,036, 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.

Lawsuits: The Corporate was not party to any legal actions, as of December 31, 2013.

NOTE 11 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of Fair Value: Corporate America uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC 820, *Fair Value Measurements*, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporate's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Fair value accounting guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy: In accordance with fair value guidance, Corporate groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 - 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. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. 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, 2013 AND 2012

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NOTE 11 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or model-derived valuations whose inputs are observable or whose value drivers are observable. This category generally includes Corporate America's U.S. Government agency and government sponsored mortgage-backed and asset-backed securities, and non-agency student loan asset-backed securities.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity); unobservable inputs reflect management's own assumption about the inputs used in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation. This category primarily consists of the Corporate's auction rate securities (ARS) collateralized by FFELP-backed student loans.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following methods and assumptions are used by the Corporate in estimating the fair value of its financial assets and financial liabilities on a recurring basis:

Level 2 Fair Value Measurements - Corporate America's available-for-sale securities, excluding auction rate securities, are valued primarily by third party pricing services. The fair values of these securities are determined on a recurring basis by obtaining quoted prices from nationally recognized pricing vendors (Level 2) or by using pricing models that utilize significant observable inputs such as matrix pricing. Matrix pricing is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities, which is a Level 2 input. Security values were determined by computing an average of the prices/values provided by the third party services.

Level 3 Fair Value Measurements - are based on inputs that are unobservable and significant to the overall valuation. Level 3 fair value measurements include security types that do not have readily determinable market values and/or are not priced by independent data sources. Corporate America's available-for-sale securities measured using Level 3 fair value measurements consisted almost entirely of auction rate securities (ARS) for which the auction process has been in a state of continuous failure since early 2008. As a result of the auction failures, Corporate America's ARS do not have a readily determinable market value. To estimate their fair value, Corporate America obtains values/prices from two third-party valuation services that specialize in valuing hard-to-value less liquid securities. Valuation methods employed by these services include 1) discounted cash flow model valuations, where the expected cash flows of each security is discounted to the present value using a yield that incorporates compensation for credit, illiquidity, and other risk factors and 2) market comparable methods, where each security is valued based on indications, from the secondary market, of what discounts buyers demand (and sellers will accept) when transacting in similar auction rate securities.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 11 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Fair values of available for sale securities that are measured on a recurring basis at December 31, 2013 and 2012 are as follows:

	<u>Total</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2013</u>				
CMO	\$ 225,439,881	\$ -	\$ 225,439,881	\$ -
SBA	359,095,341	-	359,095,341	-
Agency	6,406,663	4,573,014	1,833,649	-
MBS: Residential	<u>8,657,201</u>	<u>-</u>	<u>8,657,201</u>	<u>-</u>
	<u>599,599,086</u>	<u>4,573,014</u>	<u>595,026,072</u>	<u>-</u>
Asset-backed:				
Non-ARS	499,556,145	-	446,507,062	53,049,083
ARS	<u>60,649,875</u>	<u>-</u>	<u>-</u>	<u>60,649,875</u>
	<u>560,206,020</u>	<u>-</u>	<u>446,507,062</u>	<u>113,698,958</u>
	<u>\$ 1,159,805,106</u>	<u>\$ 4,573,014</u>	<u>\$ 1,041,533,134</u>	<u>\$ 113,698,958</u>

	<u>Total</u>	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2012</u>				
CMO	\$ 636,201,987	\$ -	\$ 636,201,987	\$ -
SBA	277,498,939	-	277,498,939	-
Agency	2,735,491	-	2,735,491	-
MBS: Residential	<u>1,625,489</u>	<u>-</u>	<u>1,625,489</u>	<u>-</u>
	<u>918,061,906</u>	<u>-</u>	<u>918,061,906</u>	<u>-</u>
PMBS	<u>3,438,881</u>	<u>-</u>	<u>3,438,881</u>	<u>-</u>
Asset-backed:				
Non-ARS	164,789,749	-	128,332,845	36,456,904
ARS	<u>135,262,815</u>	<u>-</u>	<u>-</u>	<u>135,262,815</u>
	<u>300,052,564</u>	<u>-</u>	<u>128,332,845</u>	<u>171,719,719</u>
Mutual fund	<u>75,206,105</u>	<u>75,206,105</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,296,759,456</u>	<u>\$ 75,206,105</u>	<u>\$ 1,049,833,632</u>	<u>\$ 171,719,719</u>



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 11 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The table below presents additional information for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	December 31,	
	2013	2012
Balance, beginning of year	\$ 171,719,720	\$ 425,730,899
Purchases	25,000,000	-
Sales	(88,042,237)	(257,943,578)
Settlements	(2,515,000)	(3,670,000)
Total realized/unrealized losses recognized in:		
Net income (OTTI)	-	(2,014,931)
Other comprehensive income	10,740,544	9,617,330
Transfers in (out) of level 3	(3,204,069)	-
Balance, end of year	<u>\$ 113,698,958</u>	<u>\$ 171,719,720</u>

Quantitative Information about Level 3 Fair Value Measurements: The table below provides an overview of the valuation techniques and significant unobservable inputs used in those techniques to measure financial instruments that are classified within Level 3 of the valuation hierarchy. The range of sensitivities that management utilized in its fair value calculations is deemed acceptable in the industry with respect to the identified financial instruments.

	Level 3 <u>Fair Value as of Decemeber 31, 2013</u>	<u>Valuation Technique</u>	Significant Unobservable <u>Input</u>	Range (<u>Discount</u>)	Weighted Average <u>Discount</u>
<i>Asset-backed securities:</i>					
Non-Auction rate securities	\$53,049,083	Discounted cash flow	Multiple factors, including but not limited to, current operations, financial conditions, cash flows, evaluation of business management and financial plans, and recently executed company transactions related to the investee companies	(7.332)% - 2.427%	0.594%
Auction rate securities	\$60,649,875	Discounted cash flow	Multiple factors, including but not limited to, current operations, financial conditions, cash flows, evaluation of business management and financial plans, and recently executed company transactions related to the investee companies	(0.004)% - 7.973%	4.378%



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 11 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

	Level 3 Fair Value as of December 31, 2013	Valuation Technique	Significant Unobservable Input	Range (Discount)	Weighted Average Discount
<i>Asset-backed securities:</i>					
Non-Auction rate securities	\$ 36,456,904	Discounted cash flow	Multiple factors, including but not limited to, current operations, financial conditions, cash flows, evaluation of business management and financial plans, and recently executed company transactions related to the investee companies	0.4% - 5.65%	1.34%
Auction rate securities	\$135,262,815	Discounted cash flow	Multiple factors, including but not limited to, current operations, financial conditions, cash flows, evaluation of business management and financial plans, and recently executed company transactions related to the investee companies	1.9% - 4.19%	2.35%

The following methods and assumptions were used by the Corporate in estimating fair value disclosures for financial instruments:

Cash and cash equivalents - The carrying amounts reported in the statements of financial condition for cash and cash equivalents approximate those assets' fair values.

Investment securities - Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes and credit spreads. See discussion of investment securities above.

Loans to members - The carrying amount is a reasonable estimate of fair value as the interest rate on these loans generally reset to market on a monthly basis and the fixed rate loan is currently at a market rate.

Accrued interest receivable - The carrying amounts of accrued interest receivable approximates the fair values.

Borrowings from FHLB - The carrying amount of variable rate borrowings approximates their fair value. For fixed rate borrowings, fair values are determined by discounting the remaining payments due using incremental borrowing rates for similar obligations.

Accrued interest payable - The carrying amounts of accrued interest payable approximates the fair values.

Members' Accounts - The carrying amount of daily shares and certificates approximates fair value as the balances are due upon demand or re-price frequently based on current market rates. For fixed-term share certificates, the fair value is estimated by discounting the future cash flows using rates currently available for similar share certificates. For certificates that do not have fixed terms, including membership shares and paid-in capital shares, the fair values were estimated based on fair values of the assets associated with the member accounts. These values were adjusted for the present value of the estimated earnings.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 11 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Commitments to extend credit - Fair values of the Corporate's commitments to extend credit are based on the remaining terms of the agreements and the counterparties' credit standing.

The Corporate has no financial instruments that are held or issued for trading purposes.

The carrying values and estimated fair values of the Corporate's financial instruments as of December 31, 2013 and 2012 are as follows:

	2013		2012	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Cash and cash equivalents	\$ 625,194,268	\$ 625,194,268	\$ 987,305,071	\$ 987,305,071
AFS securities	1,159,805,106	1,159,805,106	1,221,553,351	1,221,553,351
Mutual fund investment	-	-	75,206,105	75,206,105
Loans to members	32,382,430	32,382,430	30,593,683	30,593,683
Accrued interest receivable	3,073,911	3,073,911	3,689,545	3,689,545
Financial liabilities:				
Members' accounts	1,563,641,239	1,563,641,239	2,068,110,341	2,070,053,085
Line of credit to FHLB	170,000,000	181,445,856	170,000,000	197,738,698
Accrued interest payable	1,186,227	1,186,227	976,533	976,533

NOTE 12 – SUPPLEMENTAL INFORMATION

Additional information relating to the non-interest operating expenses for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Compensation and benefits		
Compensation	\$ 4,402,384	\$ 5,622,468
Pension plan costs	221,627	717,912
Payroll taxes	343,794	416,192
Insurance	704,710	807,259
	5,672,515	7,563,831
Occupancy		
Building and equipment maintenance	534,491	449,567
Casualty and liability insurance	376,675	396,248
Depreciation expense	521,407	561,635
Communications	114,936	132,351
Other occupancy	56,216	62,246
	1,603,725	1,602,047
Other Operating		
NCUSIF and stabilization fund expenses	72,946	90,859
Professional and outside services	1,028,032	1,471,947
Advertising and promotions	132,855	190,545
Travel and conference expense	273,237	524,129
Other office operating	240,529	704,378
Examination fees	145,447	248,600
Educational expenses	11,961	87,931
Stationary and supplies	54,684	106,295
CUSO income taxes	40,505	8,699
Association dues	28,367	26,315
Other	78,301	9,487
	2,106,864	3,469,185
Total Operating Expenses	\$ 9,383,104	\$ 12,635,063



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