2019 ANNUAL REPORT

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ANNUAL REPORT 2019

Section I: Financial Reports

CONTENTS

REPORT OF THE CHAIRMAN AND PRESIDENT

In some ways, 2019 was a surprising year. You may recall that after four rate increases totaling 100 basis points by the Federal Open Market Committee during 2018, many predicted additional rate increases for 2019. Instead, 2019 brought three decreases totaling 75 basis points. Many also predicted that tariffs generated as a result of trade wars would depress GDP levels. Perhaps that was the case, as GDP growth in the United States was 2.3% for 2019. Comparatively, the nation's economy averaged growth above 4% in the 50s and 60s and dropped to around 3% in the 70s and 80s. During the last ten years of the current expansion period, annual GDP has averaged less than 2%.

Throughout 2019 we saw historically low investment rates with a flat or even inverted yield curve at times. Strong loan demand hovering around a 10% growth rate was met with fierce competition, applying downward pressure on already low loan rates. We also witnessed the lowest unemployment rate in fifty years. Unemployment usually brings inflation as a dance partner; however, inflation didn't show up to the dance at the Fed's desired rate of 2%. Despite challenging market forces and unpredictable economic conditions, CACU worked hard for you in the background.

WE WANT YOU TO THRIVE so we listen. We often ask members what would benefit them and allow us to serve you even better. Many of our newest products and services have been developed as a result of feedback from YOU.

CACU now offers web branch capture in teller mode, which allows incoming presented items to be scanned right at the teller window. This not only increases efficiency for your front line, but also adds a layer of security when coupled with a fraud detection module powered by our partner, Advanced Fraud Solutions. When a teller processes an item, the program provides instant feedback for decision making, allowing you to immediately communicate with the member at the time of the transaction. CACU's Corporate Checking can serve as the first line of defense against fraudulent items being presented for payment against a credit union's account. Our program provides positive pay functionality to mitigate fraud and other features such as auto-reconcilement, returns and issue file delivery. This offers an affordable and convenient alternative to a bank checking account or money transfer company.

Delivering nearly $500 million in cash in our first full year of providing cash services, we have established vaults in Alabama, Florida, California, Texas and Georgia with more vaults being established as you read this report. Simplify your cash processes by partnering with CACU.

WE WANT YOU TO THRIVE so we take action. A portal was created providing for online purchases of brokered CD's along with online report access, adding to other automated options at CACU. The Board supported an action of waiving fees for services rendered the month of June to acknowledge your support and loyalty. The Board also approved a 50 basis point bonus dividend to contributed capital holders to acknowledge your support and loyalty. Our Super 30 account continued to pay ten basis points above the Fed's Interest on Excess Reserves rate.

WE WANT YOU TO THRIVE so we apply resources and energy into cultural excellence under this mindset. We engage in training on leadership, products & services, member service, self-awareness, and other personal development led by both outside experts and CACU executives. Team members are encouraged to be the best versions of themselves and to fight against mediocrity. Clear direction about desired results is communicated, and we coach our team members to feel safe sharing opinions and speaking up when identifying a better way. This energy and focus are driven by our desire for you to thrive.

We seek and acquire intellectual capital with a team that brings much expertise to the table. Master's Degrees, Bachelor's Degrees, CPA's, CFA's and many other certifications and licenses permeate CACU. Combining such talent with vetted and expert business partners and a drive to advance technology manifests a corporate credit union poised to excel and serve you well.

WE WANT YOU TO THRIVE so we look to the future. Our most important initiative associated with advancing technology is a real-time payments solution. We credit unions must be in the game and top of mind with consumers in the payment system world. It is important that we offer modern solutions as other non-financials are competing in this space and seek to replace our role.

WE WANT YOU TO THRIVE because it is the reason we exist. Therefore, we will continue to listen, take action, improve and grow by constantly staying focused on the needs of our valued members.

Thank you for your continued support and allowing us to serve you!

Bradley A. Long, Chairman

Pete Pritts, President/CEO

REPORT OF THE TREASURER

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

Below are some key financial ratios for 2019:

Capital Ratios - December 2019

Description	Regulatory Minimum	CACU's Ratio
Retained Earnings	1.00%	2.30%
Tier 1 RBC Ratio	4.00%	15.78%
Total RBC Ratio	8.00%	16.24%
Base NEV Ratio	3.00%	4.94%
NEV Ratio – Shock scenario	2.00%	4.33%

CACU ended 2019 with $2.9 billion in assets, 499 members, 177 credit unions using item processing, 142 using ACH origination and/or receipt and 157 credit unions using remote deposit capture services. The Board of Directors is appreciative for the confidence you continuously put into CACU. On behalf of the management and staff we extend our sincerest gratitude for the trust exhibited. Thank you for the opportunity to serve you!

Respectfully submitted,

Blane Mink, Secretary/Treasurer

REPORT OF THE SUPERVISORY COMMITTEE

It has been a pleasure to chair the Supervisory Committee at Corporate America Credit Union along with Karen DeLuca from America's First Federal Credit Union and our newest Committee members Tangela Souders from All In Credit Union, Whitney Oswalt from Alabama One Credit Union, and Ed Turk from Heritage Community Credit Union, for the year 2019.

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 2019, the Supervisory Committee engaged the accounting firm of CliftonLarsonAllen LLP to assist in the fulfillment of these objectives.

The accounting firm performed an opinion audit as of as of December 31, 2019, 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, CliftonLarsonAllen LLP examined internal controls over financial reporting as of December 31, 2019, and determined Corporate America maintained effective internal controls over financial reporting. Corporate America also has an internal auditor that follows an audit plan based on an annual risk assessment which is approved by the Committee. The NCUA and ACUA jointly performed their examination in July of 2019.

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

Respectfully submitted,

Miles Strickland, Chairman

Karen DeLuca, Vice Chairman
Whitney Oswalt, Member
Tangela Souders, Member
Ed Turk, Member

REPORT OF THE LOAN OFFICER

The Loan Officer granted 1,760 loans totaling $1,308,731,678 during 2019. Aggregate Member Advised Lines of Credit to 322 members was $2,391,385,247. Cash held on balance sheet, liquid marketable securities, and tested sources of funds provide for approximately $2.7 billion of liquidity to be raised at Corporate America Credit Union. Having the ability to quickly cover 100% of our position, we are positioned to be responsive to member needs should a severe liquidity event occur.

Respectfully submitted,

Pete Pritts, Loan Officer

BOARD OF DIRECTORS

Bradley A. Long
Chairman
First Florida CU

Gary Fairley
1st Vice Chairman
Jackson Area FCU

Joey Hand
2nd Vice Chairman
eCO CU

Blane Mink
Secretary/Treasurer
APCO Employees CU

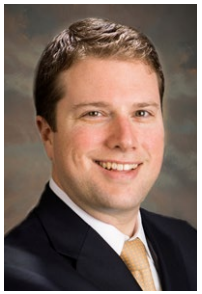
George Glasser
Director
Memorial Employees FCU

Heath Harrell
Director
Guardian CU

Joyce Harrison
Director
Mobile Postal Employees CU

Monte Hill
Director
Family Savings CU

BOARD OF DIRECTORS



Brad Houle
Director
CAHP CU

Mark Johnson
Director
Naheola CU

Nancy Kline
Director
Fire Police City County FCU

Mike Miller
Director
iTHINK Financial CU

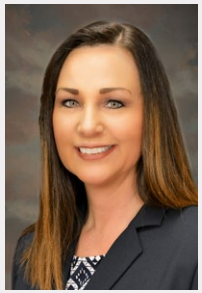
Steve Nix
Director
AlaTrust CU

Eric Renaud
Director
Pima FCU

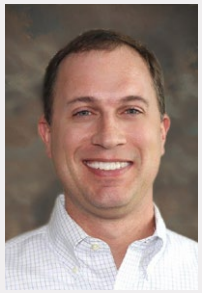
Kendall Speed
Director
Mutual Savings CU

SUPERVISORY COMMITTEE

Miles Strickland
Chairman
USF FCU



Karen DeLuca
Vice Chairman
America's First FCU



Whitney Oswalt
Member
Alabama One CU

Tangela Souders
Member
All In CU

Ed Turk
Member
Heritage Community CU

CORPORATE AMERICA STAFF

Pete Pritts
President/CEO

Lisa Coffey
Chief Innovation Officer

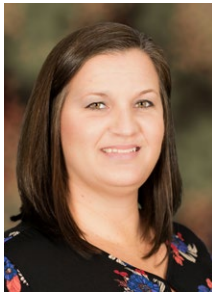
Rachel Dodson
Chief Financial Officer

Donald Eagen
Chief Technology Officer

Dave Filby
Chief Investment Officer

Lauren Howle
Chief Strategy Officer

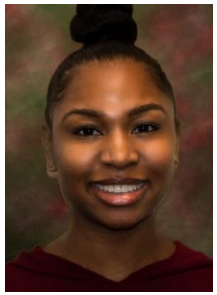
CORPORATE AMERICA STAFF



Alison Dagnan
VP Operations

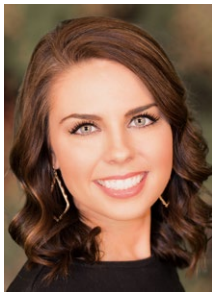
Michael Kennedy
VP Electronic Payments

Trey Rudder
VP Strategic Balance Sheet Management



Jasmine Aaron
Operations Specialist

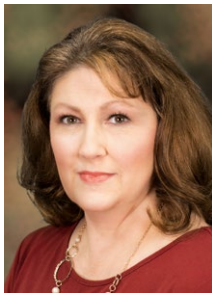
Theresa Aguirre
Operations Specialist



Kayla Barnett
Human Resources & Culture Director

John Basco
IT Leader

Wanda Bearden
Electronic Payments Specialist

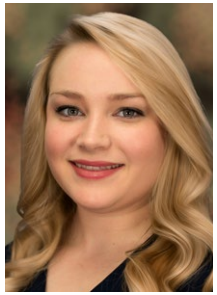


Kellanee Beavers
Accountant

Tameka Bray
Operations Leader

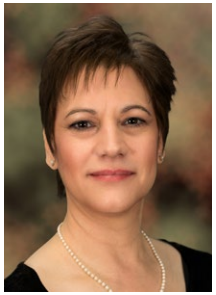
Anita Burke
Electronic Payments Specialist

CORPORATE AMERICA STAFF

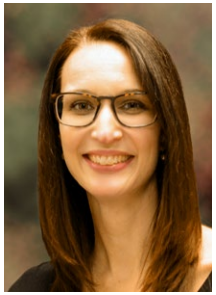


Ashley Campbell-Jones
Investment Analyst

Sharon Childs
Cash Vault Specialist

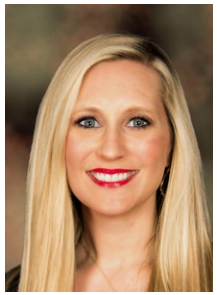


Lisa Chimento
Electronic Payments Specialist



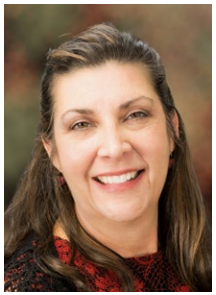
Allison Cobb
Investment Credit Analyst

Danny Crosby
Physical Assets/ Security Specialist



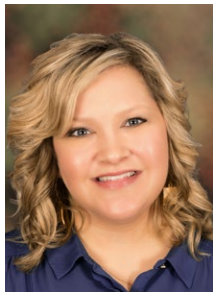
Ashley Daniels
Marketing & Communications Leader

Tanya DeVlieger
Member Investment Director



Jenny Edgeworth
Electronic Payments Director

Jill Felton
Operations Specialist



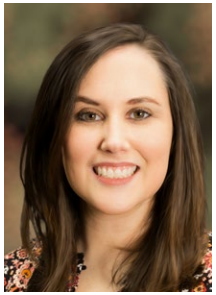
Laura Filasek
Board Liaison/ Executive Assistant

Kevin Ford
Member Advisor

Allyson Gilbert
Investment Portfolio Manager

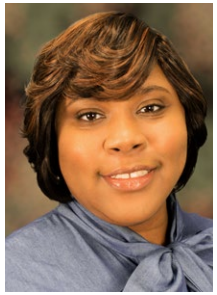
CORPORATE AMERICA STAFF

Carol Glover
Internal Auditor



Victoria Hamm
Product Implementation Leader

Denise Hill
Member Investment Director

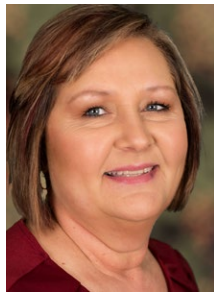


Natassha Hogan
ACH Specialist

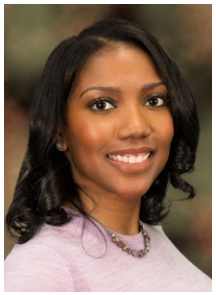
Russ Holmes
Information Security Director

Tonya Jackson
Operations Specialist

Mori Jammeh
IT Specialist



Lisa Johnson
Operations Specialist



Raven Johnson
ACH Leader

Trent Kirk
Electronic Payments Specialist

John Lorenzo
Member Advisor

Gisli Magnusson
Member Advisor Leader

CORPORATE AMERICA STAFF

Taylor McBride
Electronic Payments Specialist

George McGeehan
IT Implementation Specialist

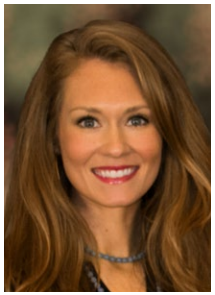
Lynn Middleton
Operations Specialist

Alonda Montgomery
IT Specialist

Gina Murray
HR Specialist

Harold Nelson
Systems Administrator /Programmer

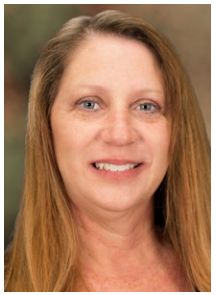
Brandy Norvell
Cash Vault Specialist



Elizabeth Ogle
Administrative Specialist

Dan Olley
Member Advisor

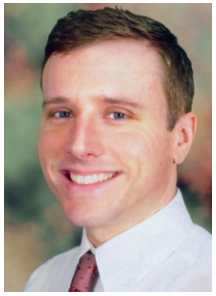
Trey Ragland
Product Development Director



Melissa Reeves
Operations Specialist

Joe Rodgers
ALM Director/Senior Analyst

CORPORATE AMERICA STAFF

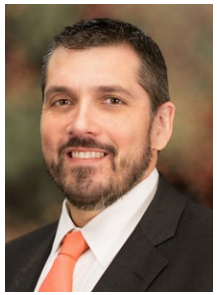


Kevin Sample
Systems Security Specialist

David Short
Electronic Payments Specialist

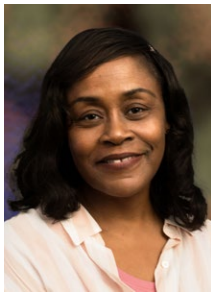
Paul Simpson
Software Administrator

Mary Ann Spiegel
Project Management Director



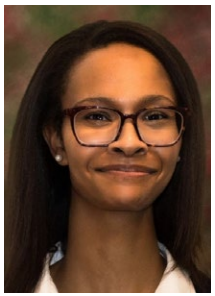
Shane St. John
IT Director

Penny Swindle
Risk Officer

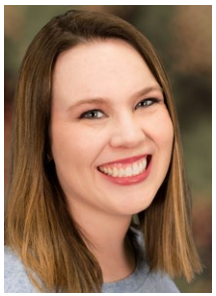


Carolyn Thornton
Electronic Payments Specialist

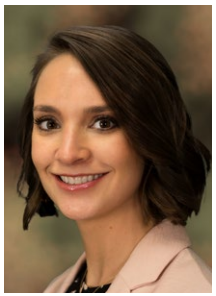
Jackie Walker
ALM /Liquidity Director



Lauren Wallace
ALM Analyst



Brittany Walters
Accounting Director



Mallory Wear
Corporate Events & Implementation Director

Sheryll Wilson
Electronic Payments Specialist

Call to Order
Chairman Brad Long called the thirty-seventh annual meeting of Corporate America Credit Union to order at 8:30 a.m. Central at the Hilton Sandestin Beach Golf Resort & Spa in Destin, FL.

Invocation
First Vice Chairman Gary Fairley gave the invocation.

Pledge of Allegiance
First Vice Chairman Fairley requested everyone stand for the Pledge of Allegiance.

Recording Secretary
Chairman Long appointed Ms. Laura Filasek, Board Liaison/Executive Assistant, as Recording Secretary.

Parliamentarian
Chairman Long appointed Second Vice Chairman Joey Hand with eCo Credit Union as Parliamentarian.

Attendance
Chairman Long determined that a quorum was present.

Introduction of Board
Chairman Long introduced the Board of Directors of Corporate America Credit Union.

Introduction of Supervisory Committee
Chairman Long introduced the Supervisory Committee of Corporate America Credit Union.

Approval of Consent Agenda
Chairman Long referred to the Consent Agenda, containing the Report of the Chairman and President on pages 4 and 5, Report of the Treasurer on page 6, Report of the Supervisory Committee on page 7, Report of the Loan Officer on page 7, and the Minutes of the Annual Meeting held on April 25, 2018, on pages 16-19.

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

Comments from the Chairman
Chairman Long thanked CACU staff for planning the Annual Meeting and Conference and expressed gratitude to attendees for participating. He noted there were 56 credit unions from nine states represented at the conference: AL, AZ, CA, FL, GA, IN, MS, NE, AND TX, with a total of 95 attendees and 41 guests. In closing, Chairman Long thanked membership for allowing CACU the privilege of serving them every day and for their continued support over the years.

Comments from the President
Chairman Long called upon President Pete Pritts for his comments. President Pritts recognized and thanked CACU staff for planning a successful event and welcomed attendees. President Pritts noted that in 2018, CACU was able to give back $40 million to members, accumulate $10 million in capital, and pay $6 million to staff all because of the support of the membership, Board of Directors and Supervisory Committee. CACU continues to represent members by looking ahead at new technologies including real time payments and artificial intelligence.

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

Unfinished Business
None.

New Business
Chairman Long called upon the Nominating Committee Chairman Nancy Kline to give the report. Nominating Committee Chairman Kline introduced the members of the Nominating Committee: Blane Mink and George Glasser. She thanked the Committee for assisting in the nominations.

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

BOARD OF DIRECTORS

Position	Term	Nominee	Credit Union
Director	3 Years	Gary Fairley	Jackson Area Federal CU
Director	3 Years	Joyce Harrison	Mobile Postal Employees CU
Director	3 Years	Monte Hill	Family Savings CU
Director	3 Years	Steve Nix	AlaTrust CU
Director	3 Years	Brad Houle	CAHP CU
Director	1 Year	Michael Miller	IBM Southeast Employees CU
Director	1 Year	Eric Renaud	Pima Federal CU

SUPERVISORY COMMITTEE

Position	Term	Nominee	Credit Union
SC Member	3 Years	Karen DeLuca	America's First Federal CU
SC Member	1 Year	Tangela Souders	All In Credit Union

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

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

Introduction of Business Partners
Chairman Long introduced the Business Partners in attendance.

Years of Service Recognition
President Pritts recognized Joey Hand for 15 years of service with Corporate America.

MINUTES
THIRTY-SEVENTH ANNUAL MEETING - APRIL 24, 2019

Adjournment
Chairman Long asked for a motion to adjourn. The meeting was duly adjourned at 9:05 a.m. Central.

Bradley A. Long
Chairman

Blane Mink
Secretary/Treasurer

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

For The Years Ended December 31, 2019 and 2018

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

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

Management's Assessment of Compliance with Designated Laws and Regulations
Management of Corporate America Credit Union and Subsidiary has assessed its compliance with the federal laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends during the fiscal year that ended on December 31, 2019. Based upon its assessment, management has concluded that the Corporate America Credit Union and Subsidiary complied with the federal laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends during the fiscal year that ended on December 31, 2019.

Management's Assessment of Internal Control Over Financial Reporting
Corporate America Credit Union and Subsidiary'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 and financial statements for regulatory reporting purposes, i.e., call reports. Corporate America Credit Union and Subsidiary's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Corporate America Credit Union and Subsidiary; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of Corporate America Credit Union and Subsidiary are being

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

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

Management assessed the effectiveness of Corporate America Credit Union and Subsidiary's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for NCUA Form 5310, as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based upon its assessment, management has concluded that, as of December 31, 2019, Corporate America Credit Union and Subsidiary's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for NCUA Form 5310, is effective based on criteria established in Internal Control – Integrated Framework (2013), issued by COSO.

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for NCUA Form 5310, as of December 31, 2019, has been audited by CliftonLarsonAllen LLP, an independent public accounting firm, as stated in their report dated March 18, 2020.

Corporate America Credit Union and Subsidiary
March 18, 2020

Pete Pritts, President/CEO

Rachel Dodson, VP Accounting

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Supervisory Committee
Corporate America Credit Union and Subsidiary
Irondale, Alabama

We have audited Corporate America Credit Union and Subsidiary's internal control over financial reporting, including controls over the preparation of regulatory consolidated financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions) as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying *Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control Over Financial Reporting.*

Auditors' Responsibility

Our responsibility is to express an opinion on Corporate America Credit Union and Subsidiary's internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditors' judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control Over Financial Reporting

Corporate America Credit Union and Subsidiary'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 and financial statements for regulatory reporting purposes, i.e., call reports.

Because management's assessment and our audit were conducted to meet the reporting requirements of Part 704 of the National Credit Union Administration's rule on corporate credit unions, our audit of Corporate America Credit Union and Subsidiary's internal control over financial reporting included controls over the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and with the call report instructions. Corporate America Credit Union and Subsidiary's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Corporate America Credit Union and Subsidiary; (2) provide reasonable assurance that the transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of Corporate America Credit Union and Subsidiaryvare 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 Corporate America Credit Union and Subsidiary's assets that could have a material effect on the consolidated financial statements.

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

Opinion

In our opinion, Corporate America Credit Union and Subsidiary maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013), issued by COSO.

Report on Consolidated Financial Statements

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Corporate America Credit Union and Subsidiary and our report dated March 18, 2020, expressed an unmodified opinion.

Other Matter

This report is intended solely for the information and use of the Supervisory Committee, Board of Directors, and Management of Corporate America Credit Union and its regulators and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 18, 2020

INDEPENDENT AUDITORS' REPORT

CliftonLarsonAllen LLP
CLAconnect.com

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

Report on Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Corporate America Credit Union and Subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 of 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 auditors' 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. 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 Subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting
We also have audited in accordance with auditing standards generally accepted in the United States of America, Corporate America Credit Union and Subsidiary's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income (call report instructions), as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 18, 2020, expressed an unqualified opinion.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 18, 2020

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STATEMENTS OF FINANCIAL CONDITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	$ 515,814,586	$ 761,594,234
Securities - Available-for-Sale	2,379,983,902	1,569,784,846
Loans, Net	12,589,697	24,991,742
Accrued Interest Receivable	7,994,189	7,911,715
Premises and Equipment, Net	3,299,203	2,341,032
NCUSIF (National Credit Union Share Insurance Fund) Deposit	912,235	908,340
Federal Home Loan Bank (FHLB) Stock	2,145,200	2,365,800
Other Assets	22,891,949	13,621,449
Total Assets	$ 2,945,630,961	$ 2,383,519,158
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Certificate Deposits	$ 2,797,203,754	$ 2,248,843,607
Accrued Interest Payable	425,594	1,632,066
Accrued Expenses and Other Liabilities	7,054,398	3,945,138
Total Liabilities	2,804,683,746	2,254,420,811
MEMBERS' EQUITY		
Perpetual Paid-In Capital	100,095,520	100,095,520
Undivided Earnings	64,361,131	50,783,081
Accumulated Other Comprehensive Loss	(23,509,436)	(21,780,254)
Total Members' Equity	140,947,215	129,098,347
Total Liabilities and Members' Equity	$ 2,945,630,961	$ 2,383,519,158

See accompanying notes to consolidated financial statements.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

INTEREST INCOME		
Loans	$ 506,449	$ 670,017
Securities, Interest Bearing Deposits, and Cash Equivalents	73,664,261	57,233,223
Total Interest Income	74,170,710	57,903,240
INTEREST EXPENSE		
Members' Share and Nonperpetual Capital Accounts	47,981,669	37,152,135
Borrowed Funds	168,175	663,290
Total Interest Expense	48,149,844	37,815,425
NET INTEREST INCOME	26,020,866	20,087,815
NONINTEREST INCOME		
Service Charges and Fees	6,434,797	6,151,181
Other Non-Interest Income	4,317	-
Gain on Sale of Assets	107,040	718,530
Total Noninterest Income	6,546,154	6,869,711
NONINTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	10,002,101	8,544,787
Occupancy and Operations	1,646,055	1,564,699
Operations	901,972	1,030,353
Professional and Outside Services	1,197,812	1,423,763
Educational and Promotional	716,168	700,997
Travel and Conference Expense	579,388	494,352
Other Operating Expenses	1,030,709	1,024,103
Loss on Sale of Assets	354,799	1,537,977
Non-Operating Pension Expense	558,768	576,755
Total Noninterest Expense	16,987,772	16,897,786
NET INCOME	$ 15,579,248	$ 10,059,740

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
NET INCOME	$ 15,579,248	$ 10,059,740
OTHER COMPREHENSIVE (LOSS) INCOME:		
Securities - Available-for-Sale		
Unrealized Holding Loss Arising During the Period	(906,895)	(15,667,657)
Reclassification for Losses included in Net Income	283,996	773,512
Subtotal	(622,899)	(14,894,145)
Defined Benefit Plan		
Net Loss Arising During the Period	(1,700,038)	(4,921,105)
Amortization of Net Loss	593,755	474,595
Subtotal	(1,106,283)	(4,446,510)
Total Other Comprehensive Loss	(1,729,182)	(19,340,655)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 13,850,066	$ (9,280,915)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Perpetual Paid-In Capital	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE - DECEMBER 31, 2017	$ 100,095,520	$ 42,474,910	$ (2,439,599)	$ 140,130,831
Net Income	-	10,059,740	-	10,059,740
Other Comprehensive Loss	-	-	(19,340,655)	(19,340,655)
Perpetual Contributed Capital Dividends	-	(1,751,569)	-	(1,751,569)
BALANCE - DECEMBER 31, 2018	100,095,520	50,783,081	(21,780,254)	129,098,347
Net Income	-	15,579,248	-	15,579,248
Other Comprehensive Loss	-	-	(1,729,182)	(1,729,182)
Perpetual Contributed Capital Dividends	-	(2,001,198)	-	(2,001,198)
BALANCE - DECEMBER 31, 2019	$ 100,095,520	$ 64,361,131	$ (23,509,436)	$ 140,947,215

See accompanying notes to consolidated financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 15,579,248	$ 10,059,740
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	306,113	346,129
Amortization of Security Premiums/Discounts, Net	19,823,530	22,603,515
Loss on Sale of Securities, Net	283,996	773,512
Loss (Gain) on Disposal of Assets, Net	(36,237)	45,935
Changes in:		
Accrued Interest Receivable	(82,474)	50,237
Other Assets	(10,376,783)	(2,182,571)
Accrued Interest Payable	(1,206,472)	426,050
Accrued Expenses and Other Liabilities	3,109,260	2,185,089
Net Cash Provided by Operating Activities	27,400,181	34,307,636
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Securities:		
Available-for-Sale	(1,835,549,397)	(861,096,659)
Proceeds from Maturities and Principal Paydowns of Securities:		
Available-for-Sale	828,228,693	625,972,516
Proceeds from Sales of Securities - Available-for-Sale	176,391,223	708,639,068
Redemptions of FHLB Stock	220,600	450,500
Loan Originations Net of Principal Collected on Loans to Members	12,402,045	(12,235,895)
Increase in NCUSIF Deposit	(3,895)	(12,234)
Proceeds from Sales of Premises and Equipment	67,670	10,200
Expenditures for Premises and Equipment	(1,295,717)	(229,039)
Net Cash Provided (Used) by Investing Activities	(819,538,778)	461,498,457
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Members' Share and Certificate Deposits	548,360,147	(221,623,173)
Repayments on Term Borrowings	-	(15,000,000)
Dividends on Member Perpetual Contributed Capital	(2,001,198)	(1,751,569)
Net Cash Provided (Used) by Financing Activities	546,358,949	(238,374,742)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(245,779,648)	257,431,351
Cash and Cash Equivalents - Beginning of Year	761,594,234	504,162,883
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 515,814,586	$ 761,594,234
SUPPLEMENTAL DISCLOSURE OF NONCASH AND CASH FLOW INFORMATION		
Borrowed Funds Interest Paid	$ 158,427	$ 935,063
Members' Share and Nonperpetual Capital Accounts Interest Paid	$ 49,197,888	$ 36,454,313

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

Management has evaluated subsequent events through March 18, 2020, the date on which the financial statements were available to be issued.

Nature of Business

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

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

Principles of Consolidation

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

Financial Statement Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 across the nation. Corporate America makes loans to these member credit unions; substantially all of the borrowing credit unions' assets, excluding residential real estate loans, are secured as collateral. Periodic credit reviews are made in order to assist the Corporate in determining the appropriate levels of allowance for doubtful accounts. Corporate America has certain member credit unions which maintain significant deposit balances. Deposits of the top five members aggregated 25% and 24% of total member deposits at December 31, 2019 and 2018.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk (Continued)

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

Cash and Cash Equivalents

For purposes of statement of financial condition classification and the statement of cash flows, cash and cash equivalents include cash on deposit, cash items in the process of collection and amounts due from correspondent depository institutions with maturities less than 90 days. Cash flows from loans and FHLB investments, members' accounts and borrowed funds are reported net in the statement of cash flows.

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. There was no OTTI as of December 31, 2019 and 2018.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities (Continued)

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 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, 2019 and 2018, the Corporate maintains the minimum investment required by the FHLB, which amounted to $2,145,200 and $2,365,800, 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

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

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, 2019 and 2018, 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.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Union Service Organization (CUSOs) Equity Investments

CUSOs are entities created to serve credit unions and are subject to review by the NCUA. The Corporate is a less than 20% owner in Primary Financial Company, LLC, which is a CUSO. As of December 31, 2019 and 2018, the stock in Primary Financial Company, LLC is reported in other assets at the equity value of $277,195 and $269,888, respectively. Management evaluates CUSO stock annually for impairment. The Corporate's consolidated wholly owned subsidiary, SmartSource Solutions, LLC is a CUSO.

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.

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, and are not deemed material at December 31, 2019 and 2018.

Members' Accounts

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

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

As of December 31, 2019 and 2018, Corporate America had the following perpetual contributed capital and perpetual paid-in capital outstanding:

- PIC III is a nonvoting class of membership equity investment in Corporate America that is perpetual nonmaturing and noncumulative. As of December 31, 2019 and 2018, $85,320,000 in PIC III was outstanding with no stated maturity.
- PCC I is a nonvoting class of membership equity investment in Corporate America that is perpetual nonmaturing and noncumulative. As of December 31, 2019 and 2018, $8,180,817 in PCC I was outstanding with no stated maturity.
- PCC II is a nonvoting class of membership equity investment in Corporate America that is perpetual nonmaturing and noncumulative. As of December 31, 2019 and 2018, $6,594,703 in PCC II was outstanding with no stated maturity.

NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Equity - Perpetual Contributed Capital and Perpetual Paid-in-Capital (Continued)

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, 2019 and 2018, 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, nonvoting class of membership equity investment in Corporate America that is perpetual nonmaturing and noncumulative. Payment of dividends and repayment of principal is subordinate to all share certificate accounts and all previous issues of paid-in capital accounts (PIC I and 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 with prior permission from both the NCUA and the ACUA, 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 and all previously issued paid–in capital.

Perpetual Contributed Capital (PCC I) is a subordinate, nonvoting class of membership equity investment in Corporate America that is perpetual nonmaturing and noncumulative. 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 has 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 with prior permission from both the NCUA and ACUA, 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.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Equity - Perpetual Contributed Capital and Perpetual Paid-in-Capital (Continued)

Perpetual Contributed Capital (PCC II) is a subordinate, nonvoting 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. However, paid-in capital that is used to cover losses in a calendar year previous to the year of liquidation has 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 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 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 7 - Regulatory Capital).

Income Taxes

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

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-

NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 Internal Revenue Service (IRS) for many years. During 2007, the 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 2016 through 2018 are subject to audit by Federal and State tax authorities.

Retirement Plans

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.

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018, accumulated other comprehensive loss was comprised of the following:

	Securities - Available-for-Sale	Defined Benefit Plan	Total
BALANCE - DECEMBER 31, 2017	$ (1,275,791)	$ (1,163,808)	$ (2,439,599)
Other Comprehensive Loss Before Reclassifications	(15,667,657)	(4,446,510)	(20,114,167)
Amounts Reclassified from Accumulated Other Comprehensive Loss	773,512	-	773,512
Net Prior Period Other Comprehensive Loss	(14,894,145)	(4,446,510)	(19,340,655)
BALANCE - DECEMBER 31, 2018	(16,169,936)	(5,610,318)	(21,780,254)
Other Comprehensive Loss Before Reclassifications	(906,895)	(1,700,038)	(2,606,933)
Amounts Reclassified from Accumulated Other Comprehensive Loss	283,996	593,755	877,751
Net Current Period Other Comprehensive Loss	(622,899)	(1,106,283)	(1,729,182)
BALANCE - DECEMBER 31, 2019	$ (16,792,835)	$ (6,716,601)	$ (23,509,436)

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-Statement of Financial Condition Credit Related Financial Instruments

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

NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

The Corporate adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with members that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as foreclosed assets. The majority of the Corporate's revenues come from interest income on loans and investment securities, which are outside the scope of ASC 606. The Corporate's services that fall within the scope of ASC 606 are presented within Non-Interest Income and are recognized as revenue as the Corporate satisfies its obligation to the member. Significant services within the scope of ASC 606 include service charges on deposits. On January 1, 2019, the Corporate adopted the accounting guidance in ASC 606 using the modified retrospective method applied to those contracts with members which were not completed as of January 1, 2019. Results for reporting periods beginning January 1, 2019 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605, *Revenue Recognition*. Refer to Note 12 Revenue from Contracts with Members for further discussion on the Corporate's accounting policies for revenue sources within the scope of ASC 606. Except for the addition of required disclosures, the adoption of this ASU did not have an impact to our financial statements.

In 2019 the Corporate adopted ASU 2017-07 *Compensation – Retirement Benefits (Topic 715)*. This standard requires employers to present the service cost component of net benefit cost as compensation cost and the other components of net benefit cost as other non-operating costs.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* This ASU changes how entities account for equity investments that do not result in consolidation and are not accounted for under the equity method of accounting. Entities will be required to measure these investments at fair value at the end of each reporting period and recognize changes in fair value in net income. A practicability exception is available for equity investments that do not have readily determinable fair values; however, the exception requires the Corporate to adjust the carrying amount for impairment and observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This guidance also changes certain disclosure requirements and other aspects of current GAAP. This guidance is effective for fiscal years beginning after December 15, 2018 and for interim reporting periods beginning after December 15, 2019. The Corporate adopted ASU 2016-01 effective January 1, 2019 and there was no material impact related to the adoption.

Reclassification of 2018 Data

Data in the 2018 financial statements has been reclassified to conform with the presentation of the 2019 financial statements. This reclassification did not result in any change to net income or members' equity.

NOTE 2

SECURITIES AND OTHER INVESTMENTS

AVAILABLE-FOR-SALE

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Carrying Value)
December 31, 2019				
U.S. Government and Federal Agency Securities	$ 36,025,457	$ 91,038	$ (132,282)	$ 35,984,213
SBA Loan Pools	777,952,981	884,281	(15,573,555)	763,263,707
Collateralized Mortgage Obligation Securities	188,462,741	583,260	(351,288)	188,694,713
Asset-Backed Securities:				
FFELP Backed Student Loans	422,964,509	68,268	(4,359,856)	418,672,921
Non FFELP Student Loans	101,266,689	145,194	(685,687)	100,726,196
Non FFELP Other Assets Loans	870,104,359	2,632,547	(94,754)	872,642,152
Total	$ 2,396,776,736	$ 4,404,588	$ (21,197,422)	$ 2,379,983,902
December 31, 2018				
U.S. Government and Federal Agency Securities	$ 38,037,497	$ 842	$ (258,705)	$ 37,779,634
SBA Loan Pools	718,705,131	166,669	(12,813,561)	706,058,239
Collateralized Mortgage Obligation Securities	105,250,420	27,570	(2,604,105)	102,673,885
Asset-Backed Securities:				
FFELP Backed Student Loans	256,400,789	235,699	(568,623)	256,067,865
Non FFELP Student Loans	96,414,597	83,677	(156,379)	96,341,895
Non FFELP Other Assets Loans	371,146,347	270,630	(553,649)	370,863,328
Total	$ 1,585,954,781	$ 785,087	$ (16,955,022)	$ 1,569,784,846

Sales of securities available-for-sale resulted in gross gains of approximately $71,000 and $713,000 and gross losses of approximately $355,000 and $1,487,000 during the years ended December 31, 2019 and 2018, respectively.

NOTE 2

SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE (CONTINUED)

The amortized cost and fair value of securities, at December 31, 2019, 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.

	Available-for-Sale	
	Amortized Cost	Fair Value (Carrying Value)
U.S. Government and Federal Agency Securities:		
After Ten Years	$ 36,025,457	$ 35,984,213
Subtotal	36,025,457	35,984,213
SBA Loan Pools:		
Less Than One Year	21,208	19,343
One to Five Years	34,283,461	33,307,864
Five to Ten Years	484,613,315	477,119,928
After Ten Years	259,034,997	252,816,572
Subtotal	777,952,981	763,263,707
Collateralized Mortgage Obligation Securities:		
Less Than One Year	-	-
One to Five Years	18,414,346	18,371,405
Five to Ten Years	111,235,693	111,223,495
After Ten Years	58,812,702	59,099,813
Subtotal	188,462,741	188,694,713
Asset-Backed Securities:		
Less Than One Year	16,959,850	16,964,312
One to Five Years	694,015,621	696,249,101
Five to Ten Years	227,046,987	226,733,859
After Ten Years	456,313,099	452,093,997
Subtotal	1,394,335,557	1,392,041,269
Total	$ 2,396,776,736	$ 2,379,983,902

NOTE 2

SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE (CONTINUED)

Temporarily Impaired Securities

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

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2019				
U.S. Government and Federal Agency Securities	$ (14,027)	$ 1,807,642	$ (118,255)	$ 14,477,045
SBA Pools	(2,159,275)	211,727,144	(13,414,280)	415,989,107
Collateralized Mortgage Obligation Securities	(172,946)	98,284,562	(178,342)	6,679,801
Asset-Backed Securities:				
FFELP Student Loans	(2,856,225)	275,336,771	(1,503,631)	93,783,727
Non FFELP Student Loans	(685,687)	79,695,462	-	-
Non FFELP Other Asset Loans	(94,569)	155,876,316	(185)	323,516
Total	$ (5,982,729)	$ 822,727,897	$ (15,214,693)	$ 531,253,196

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
December 31, 2018				
U.S. Government and Federal Agency Securities	$ (116,882)	$ 10,997,910	$ (141,823)	$ 21,565,949
SBA Pools	(4,015,154)	324,369,954	(8,798,407)	289,401,894
Collateralized Mortgage Obligation Securities	(303,838)	30,796,132	(2,300,267)	67,209,513
Asset-Backed Securities:				
FFELP Student Loans	(488,069)	120,103,768	(80,554)	23,094,262
Non FFELP Student Loans	(54,520)	59,155,838	(57,309)	5,973,078
Non FFELP Other Asset Loans	(430,681)	247,529,422	(167,518)	25,058,206
Total	$ (5,409,144)	$ 792,953,024	$ (11,545,878)	$ 432,302,902

NOTE 2

SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE (CONTINUED)

Temporarily Impaired Securities (Continued)

At December 31, 2019, the 310 securities with unrealized losses have depreciated 1.54% from the Credit Union's amortized cost basis. All of these securities are either guaranteed by federal insurance, the U.S. Government, and/or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold securities until maturity or for the foreseeable future for those classified as available-for-sale, no declines are deemed to be other than temporary.

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

NOTE 3

LOANS, NET

The composition of loans is as follows:

	December 31, 2019	December 31, 2018
Loans to Members:		
Fixed-Rate Term Loans	$ 8,506,000	$ 14,590,930
Settlement Lines of Credit	4,083,697	10,400,812
Loans, Net	$ 12,589,697	$ 24,991,742

There were no past due, impaired, restructured or nonaccrual loans and management determined that all loans to member credit unions were collectable in full and therefore no allowance for loan losses was deemed necessary as of December 31, 2019 and 2018. Management considers loan balances to a single member greater than 20% of loans to be a concentration. At December 31, 2019, the Corporate had five loans to two members totaling $6,998,174 (56% of total loans) at interest rates of 2.54% to 3.41%. Despite the limited lending volume, the Corporate has established an internal risk rating system for loans to monitor member's financial health.

NOTE 4

PREMISES AND EQUIPMENT, NET

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

	December 31, 2019	December 31, 2018
Land	$ 459,127	$ 459,127
Buildings	3,147,577	2,272,715
Furniture and Equipment	3,181,727	2,905,015
Subtotal	6,788,431	5,636,857
Less: Accumulated Depreciation	(3,489,228)	(3,295,826)
Total	$ 3,299,203	$ 2,341,031

NOTE 5

MEMBERS' SHARE AND CAPITAL ACCOUNTS

Members' share and capital accounts are as follows:

December 31, 2019	Balance	Dividend and Interest Expense
Share Accounts	$ 2,527,022,084	$ 37,602,678
Nonperpetual Contributed Capital Account (NCA)	4,760,681	4,827
Nonperpetual Paid-in-Capital Accounts (PIC I and II)	404,696	405
Share Certificates	265,016,293	10,373,759
Total	$ 2,797,203,754	$ 47,981,669

December 31, 2018	Balance	Dividend and Interest Expense
Share Accounts	$ 1,695,540,156	$ 27,517,975
Nonperpetual Contributed Capital Account (NCA)	4,760,681	4,954
Nonperpetual Paid-in-Capital Accounts (PIC I and II)	404,696	506
Share Certificates	548,138,074	9,628,700
Total	$ 2,248,843,607	$ 37,152,135

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.

NOTE 5

MEMBERS' SHARE AND CAPITAL ACCOUNTS (CONTINUED)

Scheduled contractual maturities of share certificates as of December 31, 2019 are as follows:

Year Ending December 31,	Amount
2020	$ 212,535,296
2021	6,447,763
2022	20,468,060
2023	-
2024	25,565,174
Total	$ 265,016,293

The aggregate amount of members' share and savings accounts in excess of $250,000 at December 31, 2019 and 2018 was $1,602,144,076 and $1,227,119,607, respectively.

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.)

Nonperpetual Capital Accounts (NCA) – have an indefinite term with a minimum withdrawal notice of five years; are not insured by the NCUSIF or other share or deposit insurers; cannot be pledged against borrowings; and are available to cover losses that exceed the Corporate's retained earnings, 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.

Nonperpetual Paid-In Capital Accounts (PIC II) – Nonperpetual 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 with prior permission from both the NCUA and the ACUA, 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 II accounts are payable only after satisfaction of all liabilities including NCAs and perpetual contributed capital (PCC), but not including perpetual paid-in capital (PIC III). Corporate America's nonperpetual paid-in capital (PIC II) consisted of one separate issuance on June 29, 2001 with a maturity date of June 28, 2021, with $404,696 outstanding as of both December 31, 2019 and 2018, respectively.

NOTE 5

MEMBERS' SHARE AND SAVINGS ACCOUNTS (CONTINUED)

Member Contributed Capital under Revised Corporate Rule 704 (Continued)

For financial statement presentation, PIC II is classified as a member deposit account liability due to the fact that it is nonperpetual.

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

NOTE 6

BORROWED FUNDS

The Corporate maintains a line of credit with the Federal Home Loan Bank (FHLB) of Atlanta from which it obtains structured collateralized advances. As of December 31, 2019 and 2018, the Corporate had total outstanding advances of $-0- and $-0-, respectively. The maximum credit available at December 31, 2019 and 2018 was $740,134,000 and $624,614,750, respectively; this amount is evaluated and adjusted monthly based on the size of the Corporate's assets. At December 31, 2019 and 2018, the advances are collateralized by investments with market values totaling $192,897,727 and $274,744,244, respectively. The Corporate has no loan balances outstanding as of December 31, 2019 and 2018 under this borrowing arrangement.

NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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* (4% to be adequately capitalized) (5% to be well capitalized) – The 4% leverage ratio became effective on October 21, 2013 and is defined as the ratio of Tier 1 core capital to moving daily average net assets (MDANA).

- *Tier 1 Risk-Based Capital Ratio* (4% to be adequately capitalized) (6% to be well capitalized) – Tier 1 core capital is defined as the sum of retained earnings and perpetual contributed capital. The Tier 1 risked-based capital ratio is defined as the ratio of Tier 1 capital to the moving monthly average net risk-weighted assets (MMANRA).

- *Total Risk-Based Capital Ratio* (8% to be adequately capitalized) (10% to be well capitalized) – The total risk-based capital ratio is defined as the ratio of total capital (retained earnings, perpetual contributed capital (PCC) or nonperpetual capital (NCA) to moving monthly average net risk-weighted assets (MMANRA)).

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

As of December 31, 2019, the most recent NCUA Call Reporting period, the Corporate was categorized as "well capitalized" based on the Leverage, Tier 1 and Total risk-based capital ratios under the regulatory framework for prompt corrective action. To remain categorized as "adequately capitalized" or "well capitalized", the Corporate will have to maintain minimum Total risk-based, Tier 1 risk-based, and Leverage ratios as disclosed in the tables below. There are no conditions or events since the most recent notification that management believes have changed the Corporate's prompt corrective action category.

NOTE 7

REGULATORY CAPITAL (CONTINUED)

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

	Actual		For Capital Adequacy Purposes		To be Considered Well Capitalized	
December 31, 2019	Amount	Rate	Amount	Rate	Amount	Rate
Leverage Capital (Tier 1 Core Capital to MDANA)	$ 164,179,453	5.86%	$ 111,983,892	>4.0%	$ 139,979,865	>5.0%
Tier 1 Risk-Based Capital (Tier 1 Core Capital to MMANRA)	164,179,453	15.78%	41,629,414	>4.0%	62,444,122	>6.0%
Total Risk-Based Capital (Total Capital to MMANRA)	169,061,541	16.24%	83,258,829	>8.0%	104,073,536	>10.0%
Retained Earnings (Retained Earnings to MDANA)	64,361,126	2.30%	12,598,188	>1.0% (*)	N/A	N/A

	Actual		For Capital Adequacy Purposes		To be Considered Well Capitalized	
December 31, 2018	Amount	Rate	Amount	Rate	Amount	Rate
Leverage Capital (Tier 1 Core Capital to MDANA)	$ 150,608,717	5.91%	$ 101,922,970	≥4.0%	$ 127,403,712	≥5.0%
Tier 1 Risk-Based Capital (Tier 1 Core Capital to MMANRA)	150,608,717	19.30%	31,211,894	≥4.0%	46,817,841	≥6.0%
Total Risk-Based Capital (Total Capital to MMANRA)	155,571,742	19.94%	62,423,788	≥8.0%	78,029,735	≥10.0%
Retained Earnings (Retained Earnings to MDANA)	50,783,081	1.99%	11,466,334	≥1.0% (*)	N/A	N/A

(*) RE ratio requirement increases to 2% in 2020.

Additional Regulatory Capital Information	2019	2018
Moving Daily Average Net Assets (MDANA)	$ 2,799,597,299	$ 2,548,074,246
Moving Monthly Average Net Risk-Weighted Assets (MMANRA)	$ 1,040,735,358	$ 780,297,351
PCC/PIC III Perpetual	100,095,520	100,095,520
PIC I and II Nonperpetual (Unamortized)	121,409	202,348
NCA (Unamortized)	4,760,681	4,760,681
Total	$ 104,977,610	$ 105,058,549

NOTE 8

RELATED PARTY TRANSACTIONS

The board of directors of the Corporate is comprised of employees of member credit unions. During the years ended December 31, 2019 and 2018, the Corporate entered into numerous transactions with these member credit unions. The transactions were based on the individual credit union's investment and liquidity needs and their approved line-of-credit agreements. Management is of the opinion these transactions were made in accordance with existing regulations and were consummated on terms equivalent to those that prevail in arm's length transactions.

As of December 31, 2019 and 2018, there were six loans outstanding to these member credit unions in the amount of $8,300,886 and $4,628,482, respectively. Deposits from these member credit unions at December 31, 2019 and 2018 amounted to $585,962,355 and $347,704,841, respectively.

NOTE 9

COMMITMENTS AND CONTINGENT LIABILITIES

Financial Instruments with Off-Balance-Sheet-Risk

The Corporate, in the normal course of business, is party to conditional commitments to meet the investment and liquidity needs of member credit unions and to reduce its overall exposure to fluctuations in interest rates. These commitments represent financial instruments to extend credit which are primarily advised lines of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statement of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the Corporate has in particular classes of financial instruments. The Corporate's exposure to credit loss is represented by the notional amount of those instruments. The Corporate uses the same credit policies in making commitments as it does for on-balance-sheet instruments. The Corporate requires collateral or other security to support financial instruments with credit risk. As of December 31, 2019 and 2018, unfunded commitments under advised lines of credit approximated $2,378,915,865 and $2,303,928,000, 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, 2019.

NOTE 10

FAIR VALUE

Recurring Basis

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

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
U.S. Government and Federal Agency Securities	$ 35,984,213	$ -	$ 35,984,213	$ -
SBA Loan Pools	763,263,707	-	763,263,707	-
Collateralizes Mortgage Obligation Securities	188,694,713	-	188,694,713	-
Asset-backed Securities:				
FFELP Backed Student Loans	418,672,921	-	418,672,921	-
Non FFELP Student Loans	100,726,196	-	100,726,196	-
Non FFELP Other Asset Loans	872,642,152	-	872,642,152	-
Total	$ 2,379,983,902	$ -	$ 2,379,983,902	$ -

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
U.S. Government and Federal Agency Securities	$ 37,779,634	$ -	$ 37,779,634	$ -
SBA Loan Pools	706,058,239	-	706,058,239	-
Collateralizes Mortgage Obligation Securities	102,673,885	-	102,673,885	-
Asset-backed Securities:				
FFELP Backed Student Loans	256,067,865	-	256,067,865	-
Non FFELP Student Loans	96,341,895	-	96,341,895	-
Non FFELP Other Asset Loans	370,863,328	-	370,863,328	-
Total	$ 1,569,784,846	$ -	$ 1,569,784,846	$ -

NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 11

RETIREMENT PLANS

Defined Benefit

The Corporate's defined benefit pension plan as of December 31, 2019 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.

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

	2019	2018
Change in Projected Benefit Obligation		
Benefit Obligation - Beginning of Year	$ 7,860,687	$ 2,202,534
Service Cost	1,000,254	741,414
Interest Cost	338,796	239,605
Assumption Changes	1,833,869	(1,258,987)
Plan Amendments	-	5,937,550
Actuarial (Gain) Loss	365,024	(1,429)
Benefits Paid	(104,714)	-
Benefit Obligation - End of Year	$ 11,293,916	$ 7,860,687
Accumulated Benefit Obligation - End of Year	$ 11,293,916	$ 7,860,687
Change in Plan Assets		
Fair Value of Plan Assets - Beginning of Year	$ 6,229,722	$ 2,178,246
Actual Return on Plan Assets	872,638	(106,526)
Employer Contribution	693,711	4,158,002
Benefits Paid, including Expenses	(104,714)	-
Fair Value of Plan Assets - End of Year	$ 7,691,357	$ 6,229,722
Funded Status	$ (3,602,559)	$ (1,630,965)
Amounts Recognized in Statement of Financial Position		
Noncurrent Assets (Liabilities)	$ (3,602,560)	$ (1,630,965)
Amounts Recognized in Accumulated Other Comprehensive Income		
Net Loss	$ 1,818,122	$ 118,084
Prior Service Cost	4,898,479	5,492,234
Total Amount Recognized	$ 6,716,601	$ 5,610,318

NOTE 11

RETIREMENT PLANS (CONTINUED)

	2019	2018
Components of Net Periodic Pension Cost		
Service Cost	$ 1,000,254	$ 741,414
Interest Cost	338,796	239,605
Expected (Return) on Plan Assets	(373,783)	(137,445)
Amortization of Net Loss	-	29,279
Amortization of Prior Service Costs	593,755	445,316
Net Periodic Pension Cost	$ 1,559,022	$ 1,318,169
Other Amounts Recognized in Other Comprehensive Income		
Net (Gain) Loss	$ (133,831)	$ 242,542
Assumption Changes	1,833,869	(1,258,987)
Plan Provision Changes	-	5,937,550
Amortization of Net Loss	-	(29,279)
Amortization of Prior Service Costs	(593,755)	(445,316)
Total Recognized in Other Comprehensive Income	$ 1,106,283	$ 4,446,510
Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	$ 2,665,305	$ 5,764,679
Assumptions at Year-End		
Weighted Average Discount Rate (Pension Benefit Obligations)	3.38%	4.31%
Weighted Average Discount Rate (Net Periodic Pension Cost)	4.31%	3.60%
Expected Long-Term Return on Plan Assets	6.00%	6.00%
Rate of Increase in Future Compensation Levels	3.00%	3.00%
Cash Flows		
Expected Contributions for Period Beginning January 01, 2020	$ 250,000	
Expected Benefit Payments for Period Beginning:		
2020	$ 992,000	
2021	505,000	
2022	-	
2023	73,000	
2024	565,000	
Five Years Thereafter	9,484,000	

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 for the years ended December 31, 2019 and 2018 are $66,160 and $-0-, respectively.

NOTE 11

RETIREMENT PLANS (CONTINUED)

Basis Used to Determine Discount Rate – The discount rate is determined using the FTSE Above Median Pension Liability Index (formerly Citigroup Pension Curve) as of December 31, 2019.

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

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

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

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
JH LS Balance Active Strategy	$ 331,904	$ 331,904	$ -	$ -
JH LS Moderate Active Strategy	4,104,152	4,104,152	-	-
JH LS Conservative Active Strategy	3,255,301	3,255,301	-	-
Total	$ 7,691,357	$ 7,691,357	$ -	$ -

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
JH LS Balance Active Strategy	$ 279,500	$ 279,500	$ -	$ -
JH LS Moderate Active Strategy	3,252,538	3,252,538	-	-
JH LS Conservative Active Strategy	2,697,684	2,697,684	-	-
Total	$ 6,229,722	$ 6,229,722	$ -	$ -

Level 1 Inputs

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

NOTE 11

RETIREMENT PLANS (CONTINUED)

401(k) Plan

The Corporate sponsors a profit sharing 401(k) retirement plan covering substantially all employees. Under the plan, the Corporate matches the first 5% of the participant's deferral. The Corporate's expenses related to this plan for the years ended December 31, 2019 and 2018 totaled $225,400 and $189,539, respectively.

NOTE 12

REVENUE FROM CONTRACTS WITH MEMBERS

On January 1, 2019, the Corporate adopted ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)", and all subsequent amendments. As stated in Note 1, the implementation of the new standard did not have a material impact on the measurement, timing, or recognition of revenue. Accordingly, no cumulative effect adjustment to opening retained earnings was deemed necessary. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606, while prior period amounts were not adjusted and continue to be reported in accordance with our historic accounting under Topic 605. Upon adoption, the Corporate has elected to use the following optional exemptions that are permitted under the Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Corporate recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Corporate would have recognized is one year or less.
- For performance obligations satisfied over time, if the Corporate has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Corporate's performance completed to date, the Corporate will generally recognize revenue in the amount to which the Corporate has a right to invoice.
- The Corporate does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Corporate recognizes revenue in the amount to which the Corporate has a right to invoice.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to Non-Interest Income such as deposit related fees. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Significant components of Non-Interest Income considered to be within the scope of Topic 606 is discussed below.

Service Charges and Member Account Fees

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

NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 12

REVENUE FROM CONTRACTS WITH MEMBERS (CONTINUED)

Other Income

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

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

The following presents Non-Interest Income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the year ended December 31, 2019:

In scope of ASC 606	
Service Charge and Deposit Account Fees	$ 5,473,235
Other	313,162
Non-Interest Income in scope of ASC 606	5,786,397
Non-Interest Income not within the scope of ASC 606	759,757
Total Non-Interest Income	$ 6,546,154

The Corporate does not typically enter into long-term revenue contracts with members, and therefore, does not experience significant contract balances. As of December 31, 2019 and 2018, the Corporate did not have any significant contract balances. As of December 31, 2019, the Corporate did not capitalize any contract acquisition costs.

NOTE 13

SUBSEQUENT EVENTS

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Corporate, COVID-19 may impact various parts of its 2020 operations and financial results including but not limited to costs for emergency preparedness, or potential shortages of personnel. Management believes the Corporate is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

During the period from January 1, 2020 through March 18, 2020, both domestic and international equity markets have experienced significant declines. These losses are not reflected in the financial statements as of and for the year ended December 31, 2019 as these events occurred subsequent to year end and are still developing

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