



CorporateAmerica
CREDIT UNION

DIFFERENT STARTS HERE™

2020 ANNUAL REPORT



CorporateAmerica
CREDIT UNION

DIFFERENT STARTS HERE™

ANNUAL REPORT 2020

Section I: Financial Reports

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REPORT OF THE CHAIRMAN AND PRESIDENT



Perhaps your 2020 story resembles our story:

- Deposits kept coming driven by government stimulus payments and enhanced unemployment benefits
- Deposits stayed on the balance sheet as consumers woke up to disposable income spending options being significantly reduced
- We learned to operate with many or all employees deployed remotely
- We got really good at video conferencing, and now I can even share a screen

CACU began 2020 as a \$3 billion corporate credit union, peaked at \$6 billion for a short period of time, and leveled at \$5 billion in assets. Our office was shuttered in March as we deployed 100% of our fine staff to work remotely and became very adept at communication via video conferencing. Decisions were guided by our “North Stars” or guiding lights:

- Take action to ensure the health and well-being of the CACU team
- Provide uninterrupted service to our beloved members
- Do our part to drive the nation’s struggling economy

Although pre-COVID we had some employees working remotely around the nation, sending the entire team home to work was uncharted waters for us. Our technology team stepped up, issued equipment, provided a secure remote working environment, and kept systems functioning. The entire CACU team stepped up by remaining engaged and effectively adapting to this sweeping operational change. As time passed, we partially opened the building with 10 – 15% of the team occupying the office for various reasons on any given day. We now look forward to reopening the building every day to all in September of 2021, requiring staff to be present some days with the option to work remotely others.

Keeping the payments flowing as many consumers received needed stimulus payments was critical in supporting the world’s most robust economy at a time when economic activity was severely slowed in our great nation and around the globe. Together we all did our part driving the velocity of money with each transaction driving economic activity. Additionally, CACU created and filled positions with very qualified individuals seeking career opportunities.

At the time this report was crafted, the GDP forecast was above 6% for 2021, indicating the return to a thriving economy as consumer acceptance of vaccines appears to have momentum. These forecasts coming to fruition signal an economy reopening with the worst of the pandemic behind us. Administering the “eye test” and seeing more vehicles on the road, full

restaurants, and inflationary forces at work supports the notion that the effects of the pandemic have subsided.

When asking ourselves why we exist, our answer has been, and remains, “Collaborate and Ease Burdens so Credit Unions Thrive!” The board and senior management are committed to this concept, which is communicated to the entire CACU team frequently. We believe that our performance during the pandemic exhibited our commitment to the success of members.

MOVING FORWARD - As noted in this report, CACU’s offices reopen in September, and we are applying a hybrid approach upon reaching this important date. We will be adding the word “flexibility” to our HR philosophy of fewer team members, high performers, reward as we can. Our goal is to continue to provide the highest levels of service and value to credit unions and employing quality people supports this goal. As the mindsets of many have changed regarding commute time and life preferences, we strive to employ the very best as we strive to serve the very best. We believe that providing flexibility, professional development, and relentlessly striving for a positive and productive culture drives superior service levels and a solid value proposition.

Our payment system philosophy remains constant, “Contactless, Digitized, and Faster.” We have a suite of products supporting this philosophy, some in beta test mode, and others lined up for testing. We believe that the pandemic drove increased acceptance of modern payment options. That being the case, we continue to advance technology. Clearly, we credit unions need to be in the game and top of mind with consumers regarding modernized payment systems or we will be left behind as irrelevant. At CACU we choose to be in the game as the inflection point is behind us and the masses adopt new payment technologies.

The low interest rate environment compounds challenges associated with maintaining a solid bottom line during a period of slower loan growth for many. A point of emphasis at CACU will continue to be injecting value into your operation paying the best rates possible. We engage this initiative perhaps as you do:

- Managing the balance sheet emphasizing credit quality
- Managing the balance sheet emphasizing ample liquidity for member needs (easy in these times)
- Providing as much value as possible for member credit unions in the form of competitive rates

All the best as we progress through these unique times, and prayers and thoughts from the CACU board, committee members and staff as we know that many have suffered in some way related to COVID-19. Thank you for your support and we appreciate the opportunity to work for you.

Bradley A. Long, Chairman

Pete Pritts, President/CEO

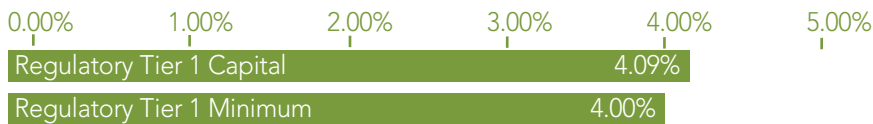
REPORT OF THE TREASURER



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 2020:

Capital Ratios - December 2020



Description	Regulatory Minimum	CACU's Ratio
Retained Earnings	1.00%	1.93%
Tier 1 RBC Ratio	4.00%	11.79%
Total RBC Ratio	8.00%	12.09%
Base NEV Ratio	2.00%	3.81%
NEV Ratio – Shock Scenario	2.00%	3.38%

CACU ended 2020 with \$4.9 billion in assets, 503 members, 176 credit unions using item processing, 140 using ACH origination and/or receipt and 155 credit unions using remote deposit capture services. The Board of Directors is appreciative for the confidence you continuously put into CACU. On behalf of the management and staff we extend our sincerest gratitude for the trust exhibited. Thank you for the opportunity to serve you!

Respectfully submitted,

Blane Mink, Secretary/Treasurer

REPORT OF THE LOAN OFFICER

The Loan Officer granted 682 loans totaling \$311,733,945 during 2020. Aggregate Member Advised Lines of Credit to 316 members were \$2,366,120,747. Cash held on balance sheet, liquid marketable securities, and tested sources of funds provide for approximately \$4.6 billion of liquidity to be raised at Corporate America Credit Union.

REPORT OF THE SUPERVISORY COMMITTEE



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

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

For the year 2020, 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 December 31, 2020, 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, 2020, 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 2020.

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

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

Having the ability to quickly cover well over 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**



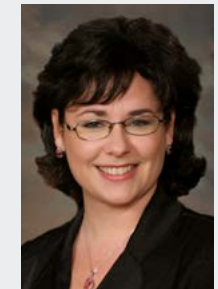
Miles Strickland
Chairman
USF FCU



Ed Turk
Vice Chairman
Heritage
Community CU



Whitney Oswalt
Member
Alabama One CU



Tangela Souders
Member
All In 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



Kayla Barnett
VP Human Resources
& Culture



Alison Dagnan
VP Operations



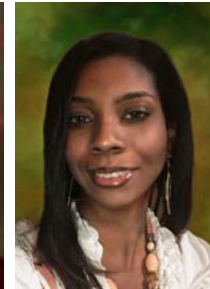
Michael Kennedy
VP Electronic
Payments



Trey Rudder
VP Strategic Balance
Sheet Management



Jasmine Aaron
Operations Specialist



Olivia Anderson
Electronic Payments
Specialist



John Basco
IT Leader



Kellanee Beavers
Accountant



Tameka Bray
Operations Leader



Anita Burke
Electronic Payments
Specialist



**Ashley
Campbell-Jones**
Investment Analyst



Sharon Childs
Cash Vault Specialist



CORPORATE AMERICA STAFF



Lisa Chimento
Electronic Payments
Specialist



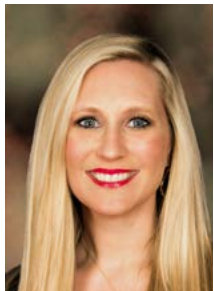
Mallory Clayton
Internal Auditor



Allison Cobb
Investment Credit
Analyst



Danny Crosby
Physical Assets/
Security Specialist



Ashley Daniels
Marketing &
Communications
Leader



Jennifer Davis
Project Management
Leader



Tanya DeVlieger
Member Investment
Director



Jenny Edgeworth
Electronic Payments
Director



Jill Felton
Operations Specialist



Laura Filasek
Board Liaison/
Executive Assistant



Amy Floyd
Investment Credit
Specialist

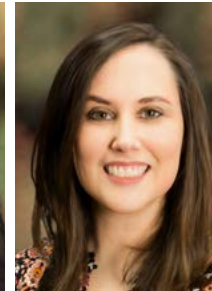


Kevin Ford
Member Advisor

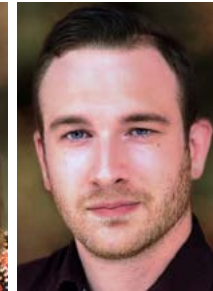
CORPORATE AMERICA STAFF



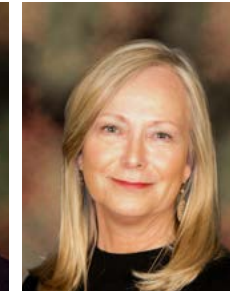
Allyson Gilbert
Investment Portfolio
Manager



Victoria Hamm
Product
Implementation
Leader



Nathan Hicks
Member Advisor



Denise Hill
Member Investment
Director



Natassa Hogan
ACH Specialist



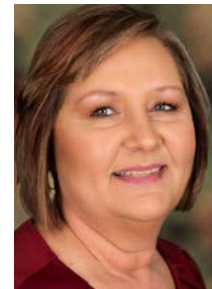
Russ Holmes
Information Security
Director



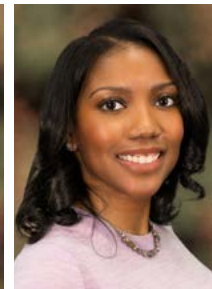
Tonya Jackson
Operations Specialist



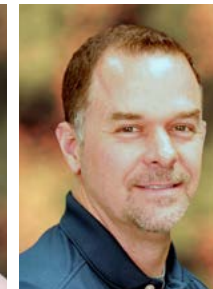
Mori Jammeh
IT Specialist



Lisa Johnson
Operations Specialist



Raven Johnson
ACH Leader



Trent Kirk
Electronic Payments
Specialist



John Lorenzo
Member Advisor



CORPORATE AMERICA STAFF



Gisli Magnusson
Member Advisor
Leader



Taylor McBride
Electronic Payments
Specialist



George McGeehan
IT Implementation
Specialist



Lynn Middleton
Operations Specialist



Alonda Montgomery
IT Specialist



Lorenzo Moore
Member Credit
Specialist



Gina Murray
HR Specialist



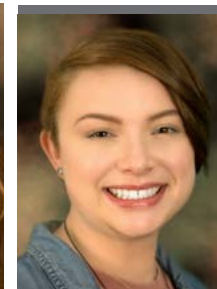
Harold Nelson
Systems Administrator
/Programmer



Brandy Norvell
Cash Vault Specialist



Elizabeth Ogle
Administrative
Specialist



Hali Oliver
Electronic Payment
Specialist



Dan Olley
Member Advisor

CORPORATE AMERICA STAFF



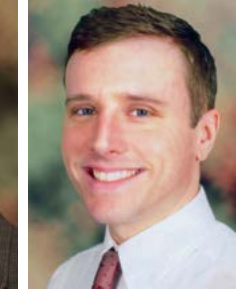
Trey Ragland
Product Development
Director



Melissa Reeves
Operations Specialist



Joe Rodgers
ALM Director/Senior
Analyst



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



CORPORATE AMERICA STAFF



Brittany Walters
Accounting Director



Mallory Wear
Corporate Events
& Implementation
Director



Sheryll Wilson
Electronic Payments
Specialist

MINUTES

THIRTY-EIGHTH ANNUAL MEETING - AUGUST 17, 2020

Call to Order

Chairman Brad Long called the thirty-eighth annual meeting of Corporate America Credit Union to order at 2:00 p.m. Central. The meeting was held virtually.

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 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 2 and 3, Report of the Treasurer on page 4, Report of the Supervisory Committee on page 5, Report of the Loan Officer on pages 4 and 5, and the Minutes of the Annual Meeting held on April 25, 2019, on pages 14-17.



MINUTES

THIRTY-EIGHTH ANNUAL MEETING - AUGUST 17, 2020

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 the attendees for participating in the virtual meeting and all of the membership for their continued support of CACU. Chairman Long congratulated CACU management and staff for another successful year despite the challenges faced during a global pandemic and expressed his confidence in another challenging year ahead.

Comments from the President

Chairman Long called upon President/CEO Pete Pritts for his comments. President/CEO Pritts welcomed attendees and thanked them for participating virtually. President/CEO Pritts stated that in 2019, CACU was able to pay a dividend bonus to capital accounts, provide one month of free services to all members, deliver nearly \$500 million in the first year of offering cash vault services, and enhance technology, all due to the amazing loyalty and support of the members.

President/CEO Pritts noted the challenges CACU and our members are facing during this global pandemic, including rapid asset growth and record low interest rate levels. President/CEO Pritts described how CACU was working to balance dealing with the current economic environment while ensuring we maintain a position of value to members. He also discussed recent accomplishments, such as acting as agent for over 200 members to the Central Liquidity Facility and working to finalize real-time payments products to members.

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. We emphasize a culture driven by our "why" statement – "to collaborate and ease burdens so credit unions thrive."

Unfinished Business

None.

MINUTES

THIRTY-EIGHTH ANNUAL MEETING - AUGUST 17, 2020

New Business

Chairman Long called upon the Nominating Committee Chairman Gary Fairley to give the report. Nominating Committee Chairman Fairley introduced the members of the Nominating Committee: Mark Johnson and Kendall Speed. He thanked the Committee for assisting in the nominations.

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

BOARD OF DIRECTORS

Position	Term	Nominee	Credit Union
Director	3 Years	George Glasser	Memorial Employees FCU
Director	3 Years	Heath Harrell	Guardian CU
Director	3 Years	Nancy Kline	Fire Police City County FCU
Director	3 Years	Blane Mink	APCO Employees CU
Director	3 Years	Eric Renaud	Pima Federal CU

SUPERVISORY COMMITTEE

Position	Term	Nominee	Credit Union
SC Member	3 Year	Tangela Souders	All In Credit Union

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

Nominating Committee Chairman Fairley congratulated the elected Directors and the Supervisory Committee Member.

Adjournment

Chairman Long asked for a motion to adjourn. The meeting was duly adjourned at 2:17 p.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, 2020 and 2019*

MANAGEMENT REPORT

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, 2020. 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, 2020.

Management's Assessment of Internal Control Over Financial Reporting

Corporate America Credit Union and Subsidiary's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., call reports. Corporate America Credit Union and Subsidiary's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Corporate America Credit Union and Subsidiary; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of Corporate America Credit Union and Subsidiary are being made only in accordance with authorizations of management and directors of Corporate America Credit Union and Subsidiary; and (3) provide reasonable assurance regarding prevention, or

MANAGEMENT REPORT

timely detection and correction of unauthorized acquisition, use, or disposition of Corporate America Credit Union and Subsidiary's assets that could have a material effect on the financial statements.

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

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

Management assessed the effectiveness of the Bank'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, 2020, 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, 2020, 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, 2020, has been audited by CliftonLarsonAllen LLP, an independent public accounting firm, as stated in their report dated March 15, 2021.

Corporate America Credit Union and Subsidiary

March 15, 2021



Pete Pritts, President/CEO



Rachel Dodson, CFO

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, 2020, 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.



INDEPENDENT AUDITORS' REPORT - CONTINUED

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 Subsidiary are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of 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, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013), issued by COSO.

Report on 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 15, 2021, 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

Minneapolis, Minnesota

March 15, 2021



INDEPENDENT AUDITORS' REPORT



CliftonLarsonAllen LLP
CLAcconnect.com

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

Report on 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, 2020 and 2019, 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 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, 2020 and 2019, 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, 2020, 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 15, 2021, expressed an unqualified opinion.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 15, 2021





STATEMENTS OF FINANCIAL CONDITION
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
Cash and Cash Equivalents	\$ 1,209,784,657	\$ 515,814,586
Securities - Available-for-Sale	3,621,192,567	2,379,983,902
Other Investments	617,143	277,195
Loans, Net	3,012,087	12,589,697
Accrued Interest Receivable	5,314,775	7,994,189
Premises and Equipment, Net	5,347,987	3,299,203
National Credit Union Share Insurance Fund (NCUSIF) Deposit	933,216	912,235
Federal Home Loan Bank (FHLB) Stock	2,651,100	2,145,200
Central Liquidity Facility (CLF) Stock	32,530,619	-
Other Assets	16,438,882	22,614,754
	\$ 4,897,823,033	\$ 2,945,630,961
 LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Certificate Deposits	\$ 4,709,383,332	\$ 2,797,203,754
Accrued Interest Payable	433,868	425,594
Accrued Expenses and Other Liabilities	5,881,736	7,054,398
	4,715,698,936	2,804,683,746
 MEMBERS' EQUITY		
Perpetual Paid-In Capital	100,095,520	100,095,520
Undivided Earnings	88,888,110	64,361,131
Accumulated Other Comprehensive Loss	(6,859,533)	(23,509,436)
Total Members' Equity	182,124,097	140,947,215
Total Liabilities and Members' Equity	\$ 4,897,823,033	\$ 2,945,630,961

See accompanying notes to consolidated financial statements.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
INTEREST INCOME		
Loans	\$ 99,585	\$ 506,449
Securities, Interest Bearing Deposits, and Cash Equivalents	49,325,597	73,664,261
Total Interest Income	49,425,182	74,170,710
INTEREST EXPENSE		
Members' Share and Nonperpetual Capital Accounts	15,010,753	47,981,669
Borrowed Funds	126,168	168,175
Total Interest Expense	15,136,921	48,149,844
NET INTEREST INCOME	34,288,261	26,020,866
NONINTEREST INCOME		
Service Charges and Fees	7,161,801	6,434,797
Other Noninterest Income	154,269	4,317
Net Gain (Loss) on Sale of Assets	2,410,835	(247,759)
Total Noninterest Income	9,726,905	6,191,355
NONINTEREST EXPENSE		
General and Administrative:		
Employee Compensation and Benefits	11,139,249	10,002,101
Occupancy and Operations	1,676,491	1,646,055
Operations	776,895	901,972
Professional and Outside Services	1,136,237	1,197,812
Educational and Promotional	509,841	716,168
Travel and Conference Expense	315,475	579,388
Other Pension Expense	580,168	558,768
Other Operating Expenses	1,848,285	1,030,709
Total Noninterest Expense	17,982,641	16,632,973
NET INCOME	\$ 26,032,525	\$ 15,579,248

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
NET INCOME	\$ 26,032,525	\$ 15,579,248
OTHER COMPREHENSIVE INCOME (LOSS):		
Securities - Available-for-Sale		
Unrealized Holding Gain (Loss) Arising During the Period	19,499,578	(906,895)
Reclassification for Net (Gains) Losses included in Net Income	(2,367,314)	283,996
Subtotal	17,132,264	(622,899)
Defined Benefit Plan		
Net Loss Arising During the Period	(1,142,276)	(1,700,038)
Amortization of Net Loss	659,915	593,755
Subtotal	(482,361)	(1,106,283)
Total Other Comprehensive Income (Loss)	16,649,903	(1,729,182)
TOTAL COMPREHENSIVE INCOME	\$ 42,682,428	\$ 13,850,066

See accompanying notes to consolidated financial statements.



**CONSOLIDATED STATEMENTS
OF CHANGES IN MEMBERS EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Perpetual Paid-In Capital</u>
BALANCE - DECEMBER 31, 2018	\$ 100,095,520
Net Income	-
Other Comprehensive Loss	-
Perpetual Contributed Capital Dividends	<u>-</u>
BALANCE - DECEMBER 31, 2019	100,095,520
Net Income	-
Other Comprehensive Income	-
Perpetual Contributed Capital Dividends	<u>-</u>
BALANCE - DECEMBER 31, 2020	<u>\$ 100,095,520</u>

**CONSOLIDATED STATEMENTS
OF CHANGES IN MEMBERS EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Undivided Earnings</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total</u>
BALANCE - DECEMBER 31, 2018	\$ 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	<u>(2,001,198)</u>	<u>-</u>	<u>(2,001,198)</u>
BALANCE - DECEMBER 31, 2019	64,361,131	(23,509,436)	140,947,215
Net Income	26,032,525	-	26,032,525
Other Comprehensive Income	-	16,649,903	16,649,903
Perpetual Contributed Capital Dividends	<u>(1,505,546)</u>	<u>-</u>	<u>(1,505,546)</u>
BALANCE - DECEMBER 31, 2020	<u>\$ 88,888,110</u>	<u>\$ (6,859,533)</u>	<u>\$ 182,124,097</u>

See accompanying notes to consolidated financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 26,032,525	\$ 15,579,248
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	301,245	306,113
Amortization of Security Premiums/Discounts, Net	19,595,079	19,823,530
(Gain) Loss on Sale of Securities, Net	(2,410,835)	283,996
Gain on Disposal of Assets, Net	-	(36,237)
Changes in:		
Accrued Interest Receivable	2,679,414	(82,474)
Other Assets	5,693,511	(10,369,476)
Other Investments	(115,957)	(7,307)
Accrued Interest Payable	8,274	(1,206,472)
Accrued Expenses and Other Liabilities	(1,172,662)	3,109,260
Net Cash Provided by Operating Activities	<u>50,610,594</u>	<u>27,400,181</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Securities:		
Available-for-Sale	(3,027,680,340)	(1,835,549,397)
Proceeds from Maturities and Principal Paydowns of Securities:		
Available-for-Sale	1,179,805,033	828,228,693
Proceeds from Sales of Securities - Available-for-Sale	606,571,141	176,391,223
(Purchases) Redemptions of FHLB Stock	(505,900)	220,600
Purchases of CLF Stock	(32,530,619)	-
Loan Originations Net of Principal Collected on Loans to Members	9,577,610	12,402,045
Increase in NCUSIF Deposit	(20,981)	(3,895)
Purchase of Other Investments	(180,470)	-
Proceeds from Sales of Premises and Equipment	-	67,670
Expenditures for Premises and Equipment	(2,350,029)	(1,295,717)
Net Cash Used by Investing Activities	<u>(1,267,314,555)</u>	<u>(819,538,778)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Members' Share and Certificate Deposits	1,912,179,578	548,360,147
Dividends on Member Perpetual Contributed Capital	(1,505,546)	(2,001,198)
Net Cash Provided by Financing Activities	<u>1,910,674,032</u>	<u>546,358,949</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	693,970,071	(245,779,648)
Cash and Cash Equivalents - Beginning of Year	<u>515,814,586</u>	<u>761,594,234</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,209,784,657</u>	<u>\$ 515,814,586</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH AND CASH FLOW INFORMATION		
Borrowed Funds Interest Paid	\$ 135,918	\$ 158,427
Members' Share and Nonperpetual Capital Accounts Interest Paid	<u>\$ 14,992,729</u>	<u>\$ 49,197,888</u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

Management has evaluated subsequent events through March 15, 2021, the date on which the consolidated 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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management has made assumptions in estimating the fair values of the defined benefit plan, financial investments, in the assessment of other-than-temporary impairment of investments and in the amortization and accretion of premiums and discounts on investments subject to prepayment risks. Actual results could differ from those estimates.

Concentration of Credit Risk

Corporate America may be exposed to credit risk since the majority of the Corporate's business activity is with its members who are primarily credit unions located across the nation. Corporate America makes loans to these member credit unions; substantially all of the borrowing credit unions' assets, excluding residential real estate loans, are secured as collateral. Periodic credit reviews are made in order to assist the Corporate in determining the appropriate levels of allowance for doubtful accounts. Corporate America has certain member credit unions which maintain significant deposit balances. Deposits of the top five members aggregated 14% and 25% of total member deposits at December 31, 2020 and 2019.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 and other asset-backed securities are classified available-for-sale when the Corporate anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

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

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

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, 2020 and 2019.

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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.

Other Investments

Other investments are recorded at cost and evaluated for credit events resulting in impairment.

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, 2020 and 2019, the Corporate maintains the minimum investment required by the FHLB, which amounted to \$2,651,100 and \$2,145,200, respectively. Management evaluates the FHLB stock annually for impairment based on the ultimate recoverability of the cost basis in the FHLB stock.

Central Liquidity Facility Stock

Corporate America is an agent member of the Central Liquidity Facility (CLF). The Coronavirus Aid, Relief and Economic Security Act (CARES Act) allowed Corporate America to become an agent member of the CLF and purchase CLF capital stock on behalf of a select group of member credit unions, with this obligation expiring on December 31, 2020. The Consolidated Appropriations Act, 2021 extended this obligation to December 31, 2021. This and all other obligations of the Consolidated Appropriations Act related to the CLF will expire on December 31, 2021. The stock has no quoted market value and is carried at cost.

Loans to Members

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



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans to Members (Continued)

The allowance for loan losses is based on management's evaluation of the collectability of the loans. The evaluation of management includes consideration of prior loan loss experience, the results of internal review procedures, the current financial condition of the borrower, and the quality of the collateral and current economic conditions affecting the inherent collection risks of the loan portfolio. The accrual of interest is discontinued when management believes that the collection of interest is doubtful. Corporate America has not historically incurred loan losses. At December 31, 2020 and 2019, management determined that all loans were collectable and, therefore, no allowance for loan losses was recorded.

Property and Equipment

Land is carried at cost. Building, furniture, fixtures, and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated over the estimated useful lives of the assets (typically ranging from 2 to 30 years) using the straight-line method.

Credit Union Service Organization (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 and CU Investment Solutions, LLC, which are CUSOs. As of December 31, 2020 and 2019, the stock in Primary Financial Company, LLC is reported in other investments at the equity value of \$284,995 and \$277,195, respectively. As of December 31, 2020 and 2019, the stock in CU Investment Solutions, LLC is reported in other investments at the equity value of \$332,148 and \$-0-, 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, 2020 and 2019.

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.

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

As of December 31, 2020 and 2019, 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, 2020 and 2019, \$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, 2020 and 2019, \$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, 2020 and 2019, \$6,594,703 in PCC II was outstanding with no stated maturity.

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

For consolidated financial statement presentation at December 31, 2020 and 2019, 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.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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

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

The Corporate has evaluated its tax positions and determined no uncertain tax positions exist as of December 31, 2020 and 2019.

Years 2017 through 2019 are subject to audit by Federal and State tax authorities.

Retirement Plans

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



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available-for-sale and changes in the funded status of defined benefit plan assets. At December 31, 2020 and 2019, accumulated other comprehensive loss was comprised of the following:

	Securities - Available-for- Sale	Defined Benefit Plan	Total
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	<u>283,996</u>	<u>593,755</u>	<u>877,751</u>
Net Prior Period Other Comprehensive Loss	<u>(622,899)</u>	<u>(1,106,283)</u>	<u>(1,729,182)</u>
BALANCE - DECEMBER 31, 2019	(16,792,835)	(6,716,601)	(23,509,436)
Other Comprehensive Gain (Loss) Before Reclassifications	19,499,578	(1,142,276)	18,357,302
Amounts Reclassified from Accumulated Other Comprehensive Loss	<u>(2,367,314)</u>	<u>659,915</u>	<u>(1,707,399)</u>
Net Current Period Other Comprehensive Income (Loss)	<u>17,132,264</u>	<u>(482,361)</u>	<u>16,649,903</u>
BALANCE - DECEMBER 31, 2020	<u>\$ 339,429</u>	<u>\$ (7,198,962)</u>	<u>\$ (6,859,533)</u>

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the consolidated 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, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Corporate recognizes revenue in accordance with Revenue from Contract with Customers (Topic 606). Refer to Note 12 Revenue from Contracts with Customers for further details of disaggregated revenue.

The Corporate applies 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 Credit Union 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 Noninterest Income such as service charges and member account fees. Significant components of Noninterest Income considered to be within the scope of Topic 606 is discussed below.

Service Charges and Member Account Fees

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



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (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.

New Accounting Pronouncements

On January 1, 2020, the Corporate adopted ASU 2017-08, *Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. The guidance requires an entity to shorten the amortization period for certain purchased callable debt securities held at a premium to the earliest call date. ASU 2017-08 did not have an impact on the consolidated financial statements.

Subsequent Events

In preparing these financial statements, the Corporate has evaluated events and transactions for potential recognition or disclosure through March 15, 2021, the date the financial statements were available to be issued.

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification of 2019 Data

Data in the 2019 financial statements has been reclassified to conform with the presentation of the 2020 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, 2020				
U.S. Government and Federal Agency Securities	\$ 302,404,449	\$ 162,000	\$ (1,387,014)	\$ 301,179,435
SBA Loan Pools	833,918,617	1,298,706	(9,396,159)	825,821,164
Collateralized Mortgage Obligation Securities	847,224,185	4,402,809	(45,730)	851,581,264
Asset-Backed Securities:				
FFELP Backed Student Loans	452,960,087	1,738,073	(3,492,034)	451,206,126
Non FFELP Student Loans	122,224,326	627,751	(807,419)	122,044,658
Non FFELP Other Assets Loans	1,062,121,474	7,307,138	(68,692)	1,069,359,920
Total	<u>\$ 3,620,853,138</u>	<u>\$ 15,536,477</u>	<u>\$ (15,197,048)</u>	<u>\$ 3,621,192,567</u>
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	<u>\$ 2,396,776,736</u>	<u>\$ 4,404,588</u>	<u>\$ (21,197,422)</u>	<u>\$ 2,379,983,902</u>

Sales of securities available-for-sale resulted in gross gains of approximately \$2,393,000 and \$71,000 and gross losses of approximately \$25,000 and \$355,000 during the years ended December 31, 2020 and 2019, respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2

SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE (CONTINUED)

The amortized cost and fair value of securities, at December 31, 2020, 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:		
One to Five Years	\$ 5,067,323	\$ 5,072,913
After Ten Years	297,337,126	296,106,522
Subtotal	<u>302,404,449</u>	<u>301,179,435</u>
SBA Loan Pools:		
Less Than One Year	189,158	183,929
One to Five Years	42,244,352	41,258,868
Five to Ten Years	419,892,630	415,689,376
After Ten Years	371,592,477	368,688,991
Subtotal	<u>833,918,617</u>	<u>825,821,164</u>
Collateralized Mortgage Obligation Securities:		
Less Than One Year		
One to Five Years	194,619,051	194,987,718
Five to Ten Years	378,983,057	380,495,537
After Ten Years	273,622,077	276,098,009
Subtotal	<u>847,224,185</u>	<u>851,581,264</u>
Asset-Backed Securities:		
Less Than One Year	6,785,777	6,793,796
One to Five Years	1,032,000,117	1,037,720,031
Five to Ten Years	89,231,182	90,201,482
After Ten Years	509,288,811	507,895,395
Subtotal	<u>1,637,305,887</u>	<u>1,642,610,704</u>
Total	<u>\$ 3,620,853,138</u>	<u>\$ 3,621,192,567</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020				
U.S. Government and Federal Agency Securities	\$ (1,364,890)	\$ 267,353,641	\$ (22,124)	\$ 3,613,355
SBA Pools	(110,669)	51,517,759	(9,285,490)	447,069,820
Collateralized Mortgage Obligation Securities	(38,527)	19,889,256	(7,203)	4,396,967
Asset-Backed Securities:				
FFELP Student Loans	(327,187)	37,345,837	(3,164,847)	317,701,935
Non FFELP Student Loans	(2,622)	7,239,211	(804,797)	48,638,086
Non FFELP Other Asset Loans	(68,692)	111,971,741	-	-
Total	<u>\$ (1,912,587)</u>	<u>\$ 495,317,445</u>	<u>\$ (13,284,461)</u>	<u>\$ 821,420,163</u>
	Less Than Twelve Months	Greater Than Twelve Months	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	<u>\$ (5,982,729)</u>	<u>\$ 822,727,897</u>	<u>\$ (15,214,693)</u>	<u>\$ 531,253,196</u>



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2

SECURITIES AND OTHER INVESTMENTS (CONTINUED)

AVAILABLE-FOR-SALE (CONTINUED)

Temporarily Impaired Securities (Continued)

At December 31, 2020, the 285 securities with unrealized losses have depreciated 1.14% 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.

OTHER INVESTMENTS:

Other investments are summarized as follows:

	December 31,	
	2020	2019
Loans to, and Investments in, CUSOs	\$ 617,143	\$ 277,195
Total	<u>\$ 617,143</u>	<u>\$ 277,195</u>

Loans to, and Investments in, CUSOs

The Credit Union has minor ownership interests CUSOs providing services to the credit union market. Such investments, as a practical expedient, are recorded at cost, less impairment, plus or minus observable price changes.

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 3

LOANS, NET

The composition of loans is as follows:

	December 31,	
	2020	2019
Loans to Members:		
Fixed-Rate Term Loans	\$ 2,230,000	\$ 8,506,000
Settlement Lines of Credit	782,087	4,083,697
Loans, Net	<u>\$ 3,012,087</u>	<u>\$ 12,589,697</u>

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, 2020 and 2019. Management considers loan balances to a single member greater than 20% of loans to be a concentration. At December 31, 2020, the Corporate had three loans to two members totaling \$2,782,087 (92% of total loans) at interest rates of 1.25% 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,	
	2020	2019
Land	\$ 459,127	\$ 459,127
Buildings	4,597,187	3,147,577
Furniture and Equipment	4,082,146	3,181,727
Subtotal	9,138,460	6,788,431
Less: Accumulated Depreciation	(3,790,473)	(3,489,228)
Total	<u>\$ 5,347,987</u>	<u>\$ 3,299,203</u>



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5

MEMBERS' SHARE AND CAPITAL ACCOUNTS

Members' share and capital accounts are as follows:

<u>December 31, 2020</u>	<u>Balance</u>	<u>Dividend and Interest Expense</u>
Share Accounts	\$ 4,345,751,212	\$ 11,251,199
Nonperpetual Contributed Capital Account (NCA)	4,760,681	4,840
Nonperpetual Paid-in-Capital Accounts (PIC I and II)	404,696	406
Share Certificates	358,466,743	3,754,308
Total	<u>\$ 4,709,383,332</u>	<u>\$ 15,010,753</u>

<u>December 31, 2019</u>	<u>Balance</u>	<u>Dividend and Interest Expense</u>
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	<u>\$ 2,797,203,754</u>	<u>\$ 47,981,669</u>

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

Scheduled contractual maturities of share certificates as of December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 210,821,764
2022	70,496,431
2023	77,061,374
2024	72,174
2025	15,000
Total	<u>\$ 358,466,743</u>

The aggregate amount of members' share and savings accounts in excess of \$250,000 at December 31, 2020 and 2019 was \$4,610,671,843 and \$1,602,144,076, respectively.

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5

MEMBERS' SHARE AND CAPITAL ACCOUNTS (CONTINUED)

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, 2020 and 2019, respectively.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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. There were no outstanding advances as of December 31, 2020 and 2019. The maximum credit available at December 31, 2020 and 2019 was \$1,297,659,250 and \$740,134,000, respectively; this amount is evaluated and adjusted monthly based on the size of the Corporate's assets. At December 31, 2020 and 2019, the advances are collateralized by investments with market values totaling \$1,060,719,947 and \$192,897,727, respectively. The Corporate has no loan balances outstanding as of December 31, 2020 and 2019 under this borrowing arrangement.

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 consolidated financial statements. The regulatory capital standards are set forth by the NCUA in Part 704 of the NCUA Rules and Regulations. The revised corporate rule Part 704 became effective on October 21, 2011. Among other things, the revised final rule modified the corporate credit union capital requirements to make them more consistent with the Basel 1 capital requirements imposed by banking regulators on banks. The revised final rule 704 establishes a new capital structure, including risk-based capital requirements and established prompt corrective action (PCA) requirements for corporate credit unions.

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

- *Leverage Ratio* (4% to be adequately capitalized) (5% to be well capitalized) – The 4% leverage ratio became effective on October 21, 2013 and is defined as the ratio of Tier 1 core capital to moving daily average net assets (MDANA).
- *Tier 1 Risk-Based Capital Ratio* (4% to be adequately capitalized) (6% to be well capitalized) – Tier 1 core capital is defined as the sum of retained earnings and perpetual contributed capital. The Tier 1 risk-based capital ratio is defined as the ratio of Tier 1 capital to the moving monthly average net risk-weighted assets (MMANRA).
- *Total Risk-Based Capital Ratio* (8% to be adequately capitalized) (10% to be well capitalized) – The total risk-based capital ratio is defined as the ratio of total capital (retained earnings, 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 2.5%. As of September 2018, CACU is not required to reallocate from Tier 1 to Tier 2 capital as a result of the calculation.

As of December 31, 2020, the most recent NCUA Call Reporting period, the Corporate was categorized as "adequately capitalized" based on the Leverage, Tier 1 and Total risk-based capital ratios under the regulatory framework for prompt corrective action. To remain categorized as "adequately capitalized" or "well capitalized", the Corporate will have to maintain minimum Total risk-based, Tier 1 risk-based, and Leverage ratios as disclosed in the tables below. There are no conditions or events since the most recent notification that management believes have changed the Corporate's prompt corrective action category.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 7

REGULATORY CAPITAL (CONTINUED)

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

December 31, 2020	Actual		For Capital Adequacy Purposes		To be Considered Well Capitalized	
	Amount	Rate	Amount	Rate	Amount	Rate
Leverage Capital (Tier 1 Core Capital to MDANA)	\$ 188,366,484	4.09%	\$ 184,252,751	>4.0%	\$ 230,315,938	>5.0%
Tier 1 Risk-Based Capital (Tier 1 Core Capital to MMANRA)	188,366,484	11.79%	63,895,762	>4.0%	95,843,643	>6.0%
Total Risk-Based Capital (Total Capital to MMANRA)	193,167,634	12.09%	127,791,523	>8.0%	159,739,404	>10.0%
Retained Earnings (Retained Earnings to MDANA)	88,888,110	1.93%	20,728,434	>1.0%	N/A	N/A

December 31, 2019	Actual		For Capital Adequacy Purposes		To be Considered Well Capitalized	
	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

Additional Regulatory Capital Information

	2020	2019
Moving Daily Average Net Assets (MDANA)	<u>\$ 4,606,318,767</u>	<u>\$ 2,799,597,299</u>
Moving Monthly Average Net Risk-Weighted Assets (MMANRA)	<u>\$ 1,597,394,042</u>	<u>\$ 1,040,735,358</u>
PCC/PIC III Perpetual	100,095,520	100,095,520
PIC I and II Nonperpetual (Unamortized)	40,470	121,409
NCA (Unamortized)	4,760,681	4,760,681
Total	<u>\$ 104,896,671</u>	<u>\$ 104,977,610</u>

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019, there were two loans outstanding to these member credit unions in the amount of \$2,000,000 and \$8,300,886, respectively. Deposits from these member credit unions at December 31, 2020 and 2019 amounted to \$522,423,249 and \$585,962,355, 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, 2020 and 2019, unfunded commitments under advised lines of credit approximated \$2,363,108,660 and \$2,378,915,865, 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, 2020.



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 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, 2020				
U.S. Government and Federal Agency Securities	\$ 301,179,435	\$ -	\$ 301,179,435	\$ -
SBA Loan Pools	825,821,164	-	825,821,164	-
Collateralizes Mortgage Obligation Securities	851,581,264	-	851,581,264	-
Asset-backed Securities:				
FFELP Backed Student Loans	451,206,126	-	451,206,126	-
Non FFELP Student Loans	122,044,658	-	122,044,658	-
Non FFELP Other Asset Loans	1,069,359,920	-	1,069,359,920	-
Total	<u>\$ 3,621,192,567</u>	<u>\$ -</u>	<u>\$ 3,621,192,567</u>	<u>\$ -</u>
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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	<u>\$ 2,379,983,902</u>	<u>\$ -</u>	<u>\$ 2,379,983,902</u>	<u>\$ -</u>

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 11

RETIREMENT PLANS

Defined Benefit

The Corporate's defined benefit pension plan as of December 31, 2020 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 consolidated financial statements for the years ended December 31 are as follows:

	2020	2019
<u>Change in Projected Benefit Obligation</u>		
Benefit Obligation - Beginning of Year	\$ 11,293,916	\$ 7,860,687
Service Cost	1,040,254	1,000,254
Interest Cost	381,734	338,796
Assumption Changes	-	1,833,869
Actuarial Loss	1,677,821	365,024
Benefits Paid	(2,492)	(104,714)
Benefit Obligation - End of Year	<u>\$ 14,391,233</u>	<u>\$ 11,293,916</u>
Accumulated Benefit Obligation - End of Year	<u>\$ 14,391,233</u>	<u>\$ 11,293,916</u>
<u>Change in Plan Assets</u>		
Fair Value of Plan Assets - Beginning of Year	\$ 7,691,357	\$ 6,229,722
Actual Return on Plan Assets	997,026	872,638
Employer Contribution	2,353,000	693,711
Benefits Paid, including Expenses	(2,492)	(104,714)
Fair Value of Plan Assets - End of Year	<u>\$ 11,038,891</u>	<u>\$ 7,691,357</u>
Funded Status	<u>\$ (3,352,342)</u>	<u>\$ (3,602,559)</u>
<u>Amounts Recognized in Statement of Financial Position</u>		
Noncurrent Assets (Liabilities)	<u>\$ (3,352,342)</u>	<u>\$ (3,602,559)</u>
<u>Amounts Recognized in Accumulated Other Comprehensive Income</u>		
Net Loss	\$ 2,894,238	\$ 1,818,122
Prior Service Cost	4,304,724	4,898,479
Total Amount Recognized	<u>\$ 7,198,962</u>	<u>\$ 6,716,601</u>



**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 11

RETIREMENT PLANS (CONTINUED)

	2020	2019
<u>Components of Net Periodic Pension Cost</u>		
Service Cost	\$ 1,040,254	\$ 1,000,254
Interest Cost	381,734	338,796
Expected (Return) on Plan Assets	(461,481)	(373,783)
Amortization of Net Loss	66,160	-
Amortization of Prior Service Costs	593,755	593,755
Net Periodic Pension Cost	\$ 1,620,422	\$ 1,559,022
 <u>Other Amounts Recognized in Other Comprehensive Income</u>		
Net (Gain) Loss	\$ 1,142,276	\$ (133,831)
Assumption Changes	-	1,833,869
Amortization of Net Loss	(66,160)	-
Amortization of Prior Service Costs	(593,755)	(593,755)
Total Recognized in Other Comprehensive Income	\$ 482,361	\$ 1,106,283
 Total Recognized in Net Periodic Benefit Cost and Other Comprehensive Income	\$ 2,102,783	\$ 2,665,305
 <u>Assumptions at Year-End</u>		
Weighted Average Discount Rate (Pension Benefit Obligations)	2.71%	3.38%
Weighted Average Discount Rate (Net Periodic Pension Cost)	3.38%	4.31%
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 1, 2021	\$ -
Expected Benefit Payments for Period Beginning:	
2021	\$ 1,173,000
2022	579,000
2023	-
2024	-
2025	593,000
Five Years Thereafter	10,131,000

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 over the next fiscal year is \$144,357.

**NOTES TO
CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020.

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

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

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

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020</u>				
JH LS Balance Active Strategy	\$ 381,801	\$ 381,801	\$ -	\$ -
JH LS Moderate Active Strategy	5,860,902	5,860,902	-	-
JH LS Conservative Active Strategy	4,796,188	4,796,188	-	-
Total	\$ 11,038,891	\$ 11,038,891	\$ -	\$ -
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2019</u>				
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	\$ -	\$ -

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, 2020 and 2019 totaled \$348,987 and \$225,400, respectively.

NOTE 12

REVENUE FROM CONTRACTS WITH MEMBERS

The following presents Noninterest Income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<i>In scope of ASC 606</i>		
Service Charge and Member Account Fees	\$ 6,110,591	\$5,473,235
Other	<u>380,351</u>	<u>313,162</u>
Noninterest Income in scope of ASC 606	6,490,942	5,786,397
Noninterest Income not within the scope of ASC 606	<u>3,261,167</u>	<u>759,757</u>
Total Noninterest Income	<u>\$ 9,752,109</u>	<u>\$ 6,546,154</u>

The Corporate does not typically enter into long-term revenue contracts with members, and therefore, does not experience significant contract balances. As of December 31, 2020 and 2019, the Corporate did not have any significant contract balances. As of December 31, 2020, the Corporate did not capitalize any contract acquisition costs.

