LOUISIANA CORPORATE
CREDIT UNION

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Louisiana Corporate Credit Union
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December 31, 2019 and 2018

REPORT

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Supervisory Committee
Louisiana Corporate Credit Union
Metairie, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Louisiana Corporate Credit Union (the "Credit Union"), which comprise the statements of financial condition as of December 31, 2019 and 2018, and the related statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Credit Union's preparation and fair presentation of the 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 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 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the Credit Union's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated May 15, 2020 expressed an unmodified opinion.

Carr, Riggs & Ingram, L.L.C.

Metairie, Louisiana
May 15, 2020

FINANCIAL STATEMENTS

Louisiana Corporate Credit Union
Statements of Financial Condition

December 31,		**2019**		2018
Assets				
Cash and cash equivalents				
Cash and due from banks	**$**	**41,063,083**	$	23,173,059
Total cash and cash equivalents		**41,063,083**		23,173,059
Investment securities, available for sale		**82,860,425**		75,177,939
Investment securities, mutual fund		**1,817,616**		-
Other securities, at cost		**1,394,600**		1,359,900
Loans to members		**-**		3,375,396
Accrued interest receivable		**173,772**		208,777
Premises and equipment, net		**32,995**		19,220
Investment in credit union service organizations		**404,834**		384,192
Prepaid expenses and other assets		**307,321**		360,058
NCUSIF deposit		**183,689**		191,234
Total assets	**$**	**128,238,335**	$	104,249,775
Liabilities and Members' Equity				
Members' shares and share equivalents	**$**	**118,980,475**	$	67,705,461
Borrowed funds		**-**		28,000,000
Accrued interest payable		**115,702**		105,635
Accounts payable and other liabilities		**76,872**		120,482
Total liabilities		**119,173,049**		95,931,578
Members' equity, substantially restricted				
Perpetual contributed capital		**7,301,494**		7,128,821
Undivided earnings		**2,034,804**		2,671,804
Accumulated other comprehensive loss		**(271,012)**		(1,482,428)
Total members' equity		**9,065,286**		8,318,197
Total liabilities and members' equity	**$**	**128,238,335**	$	104,249,775

Louisiana Corporate Credit Union
Statements of Income

Years ended December 31,		**2019**		2018
Interest income				
Investments	**$**	**3,102,062**	$	2,771,175
Loans to members		**29,129**		55,456
Total interest income		**3,131,191**		2,826,631
Interest expense				
Members' shares and share equivalents		**1,810,993**		1,373,498
Borrowed funds		**79,079**		238,795
Total interest expense		**1,890,072**		1,612,293
Net interest income		**1,241,119**		1,214,338
Non-interest income				
Service fees		**834,343**		865,755
Miscellaneous		**4,546**		32,983
Total non-interest income		**838,889**		898,738
Non-interest expense				
Professional and outside services		**675,017**		690,625
Compensation and benefits		**660,769**		624,593
Office operations and occupancy		**99,134**		81,335
Administrative expenses		**63,781**		45,860
Change in unrealized loss on mutual fund		**1,290**		-
Loss on sale of securities available for sale, net of gains		**-**		304,681
Total non-interest expense		**1,499,991**		1,747,094
Net income	**$**	**580,017**	$	365,982

Years ended December 31,	**2019**	2018
Net income	**$ 580,017**	$ 365,982
Other comprehensive income (loss):		
Reclassification adjustments for losses, net of gains, included in income	**-**	304,681
Net change in unrealized losses on securities available for sale	**1,632**	(105,677)
Total other comprehensive income	**1,632**	199,004
Total comprehensive income	**$ 581,649**	$ 564,986

Statements of Changes in Members' Equity

	Perpetual Contributed Capital	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2017	$ 7,128,821	$ 2,309,384	$ (1,681,432)	$ 7,756,773
Dividends paid on perpetual contributed capital	-	(3,562)	-	(3,562)
Total comprehensive income	-	365,982	199,004	564,986
Balance at December 31, 2018	7,128,821	2,671,804	(1,482,428)	8,318,197
Cumulative effect of change in accounting principle	-	(1,209,784)	1,209,784	-
Perpetual contributed capital issued	172,673	-	-	172,673
Dividends paid on perpetual contributed capital	-	(7,233)	-	(7,233)
Total comprehensive income	-	580,017	1,632	581,649
Balance at December 31, 2019	**$ 7,301,494**	**$ 2,034,804**	**$ (271,012)**	**$ 9,065,286**

Years ended December 31,	**2019**	2018
Cash Flows from Operating Activities		
Net income	**$ 580,017**	$ 365,982
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities:		
Depreciation and amortization	**12,762**	11,035
Amortization of securities, net	**121,262**	79,643
Loss on sale of securities available for sale	**1,290**	304,681
Net changes in operating assets and liabilities:		
Decrease (increase) in accrued interest receivable	**35,005**	(33,292)
Decrease (increase) in prepaid expenses and other assets	**52,737**	(337,116)
Increase in accrued interest payable	**10,067**	14,172
Decrease in accounts payable and other liabilities	**(43,610)**	(22,818)
Net cash provided by operating activities	**769,530**	382,287
Cash Flows from Investing Activities		
Purchases of investment securities, available for sale	**(21,989,464)**	(10,914,264)
Proceeds from calls, sales, maturities, and pay-downs of securities, available for sale	**12,368,442**	28,447,012
Purchases of other securities, at cost	**(34,700)**	(26,900)
Loans to members, net of principal collections	**3,375,396**	(2,060,989)
Purchases of premises and equipment	**(26,537)**	(7,545)
Decrease in investment in credit union service organizations	**(20,642)**	(18,004)
Decrease in NCUSIF deposit	**7,545**	12,842
Net cash (used in) provided by investing activities	**(6,319,960)**	15,432,152

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Years ended December 31,	**2019**	2018
Cash Flows from Financing Activities		
Net increase (decrease) in members' shares and share equivalents	**$ 51,275,014**	$ (35,587,130)
Perpetual contributed capital issued	**172,673**	-
Dividends paid on perpetual contributed capital	**(7,233)**	(3,562)
(Decrease) Increase in borrowed funds	**(28,000,000)**	3,000,000
Net cash proivded by (used in) financing activities	**23,440,454**	(32,590,692)
Net Increase (Decrease) in Cash and Cash Equivalents	**17,890,024**	(16,776,253)
Cash and Cash Equivalents at Beginning of Year	**23,173,059**	39,949,312
Cash and Cash Equivalents at End of Year	**$ 41,063,083**	$ 23,173,059
Supplementary Cash Flow Information		
Cash paid during the year for interest	**$ 1,880,005**	$ 1,598,121

See the accompanying notes to the financial statements.

NOTE 1: DESCRIPTION OF THE BUSINESS

Louisiana Corporate Credit Union (the "Credit Union") is a cooperative association organized in accordance with the provisions of the Louisiana Credit Union Act for the purpose of serving corporate accounts through money management and creating a source of credit for its members who are principally state and federally chartered credit unions located in the United States. The Credit Union competes with other asset management and investment companies, including other corporate credit unions. The Credit Union is chartered by the State of Louisiana and regulated by the State as well as by the federal government through the National Credit Union Administration ("NCUA"), which also provides insurance on members' deposits.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to the assessment of other than temporary impairment on investments.

Cash and Cash Equivalents

For purposes of financial statement classification, the Credit Union considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposit accounts.

Investment Securities

The Credit Union's investments in securities are classified and accounted for as follows:

Held-to-Maturity - Government and government agency, and corporate bonds, notes, and certificates which the Credit Union has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts which are recognized in interest income using the interest method over the period to maturity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities (Continued)

Available-for-Sale - Government and government agency, and corporate bonds, notes, and certificates are classified as available-for-sale when the Credit Union 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 debt securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. Unrealized gains and losses on the mutual fund is reported in net income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in fair value of held-to-maturity and available-for-sale securities that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment (OTTI) losses, management considers the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. 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.

The Credit Union does not maintain a trading portfolio. Other investments are classified separately, stated at cost and subject to OTTI evaluation.

Other Securites, at Cost

Federal Home Loan Bank (FHLB) Stock

Federal Home Loan Bank of Dallas (FHLB) stock is restricted as to its marketability. Because no ready market exists for these investments and they have no quoted market value, the Credit Union's investment in these stocks is carried at cost.

Loans to members

The Credit Union grants installment and demand loans to its members. Loans receivable are stated at unpaid principal balances. Interest on loans, which is recognized on the accrual basis, is calculated based on the principal balance using variable rates as stipulated in the loan agreements. The Credit Union evaluates each member’s credit worthiness on a case-by-case basis.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

The allowance for loan losses is based on management's evaluation of the collectability of the loans. The evaluation of management includes consideration of prior loan-loss experience, the results of internal review procedures, the current financial condition of the borrower, the quality of the collateral, and current economic condition 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. The Credit Union has not historically incurred loan losses. Management believes that no allowance for loan losses is necessary for the years ended December 31, 2019 and 2018 because the loans are generally short-term in nature and secured by member deposits and other assets. The Credit Union does not grant unsecured loans. There were no losses or delinquent loans in 2019 or 2018.

Premises and Equipment, net

Premises and equipment are stated at cost less accumulated depreciation. Furniture, fixtures and equipment generally depreciate using the straight-line method with useful lives ranging from three to seven years.

Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

Investments in Credit Union Service Organizations (CUSOs)

Investments in Credit Union Service Organizations (CUSOs) are investments accounted for using the equity method. A detailed description of the CUSOs is noted in Note 6.

NCUSIF Deposit

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 one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NCUSIF Insurance Premiums

The Credit Union is required to pay an annual insurance premium equal to a percent of its total insured shares as determined by the NCUA, unless the payment is waived or reduced by the NCUA Board.

Members' Shares and Share Equivalents

Members' shares are subordinated to all other liabilities of the Credit Union other than membership capital share deposits, member paid-in-capital deposits, perpetual contributed capital, and non-perpetual capital accounts upon liquidation. Interest on members' shares and share equivalents is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are established by the Board of Directors, based on an evaluation of current and future market conditions.

Perpetual Contributed Capital

Perpetual Contributed Capital (PCC) represents the investment required for membership capital voting rights and membership by credit unions. Members of record with balances lower than the required amount due to a charge down of their members' capital shares and/or Paid-in-capital shares qualified for full membership by transferring their remaining amount of members' capital shares to PCC. PCC is not negotiable or assignable but may be transferable to another eligible member credit union under certain provisions. PCC may not be pledged or used as security for borrowing. PCC dividends are determined based on net earnings and the overall capital needs of the Credit Union. Additionally, PCC dividends are not guaranteed and may be suspended if earnings are negative and/or capital levels fall below regulatory and/or policy minimum levels.

Revenue Recognition

The primary source of revenue is interest income from interest-earnings assets, such as loan agreements and securities contracts. The recognition of revenues from interest-earning assets is based upon formulas from underlying loan agreements, securities contracts, or other similar contracts. Noninterest income is recognized on the accrual basis of accounting as the performance obligations are met and the collectability is reasonably assured. Noninterest income includes fees from deposit/share accounts, servicing fees, and other miscellaneous services and transactions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensation for Future Absences

The Credit Union has accrued compensation for future absences. The Credit Union's vacation policy is to allow the employee to accrue up to 240 hours. Any amounts in excess of this limit may be paid to the employee on an annual basis at the request of the employee and with approval of the Board of Directors. When proper notice of resignation or termination is given, the employee will be paid for accumulated vacation. Sick leave may be carried over to the next year, but the Credit Union does not compensate for accumulated sick leave time upon termination of employment.

Advertising

The Credit Union’s policy is to expense advertising costs as incurred. Advertising expense was $4,306 and $4,680 for the years ended December 31, 2019 and 2018, respectively.

Comprehensive Income (Loss)

Comprehensive income or loss consists of net income or loss and other comprehensive income or loss that includes unrealized gains and losses on securities available for sale, which are also recognized as separate components of equity.

Income Taxes

The Credit Union is exempt by statute from federal and state income taxes, except for certain products and services deemed by the IRS to be unrelated to the Credit Union’s exempt purpose.

Off-Balance Sheet Credit Related Financial Instruments

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

Fair Value Measurements

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Groups of Concentrations and Credit Risk

The Credit Union may be exposed to credit risk from a regional economic standpoint because a significant concentration of its borrowers are located in Louisiana. The Credit Union continually monitors operations, including loan and investment portfolios, for potential impairment. However, the loan portfolio is well diversified in terms of geographical location within Louisiana and the Credit Union does not have any significant concentrations of credit risk.

Subsequent Events

Management has evaluated subsequent events through May 15, 2020, the date which the financial statements were available to be issued (see Note 16).

Recently Issued Accounting Standards

On January 1, 2019, the Credit Union adopted Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" and all subsequent amendments to the ASU that comprise ASC 606, "Revenue from Contracts with Customers" (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as OREO. The Credit Union adopted ASU 2014-09 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under the new guidance while prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASU 2014-09 did not result in a significant change to the accounting for any in-scope revenue streams. As such, no cumulative effect adjustment was recorded. The majority of the Credit Union's revenues comes from interest income from securities, which fall outside the scope of ASU 2014-09. The Credit Union's services that fall within the scope of ASC 606 are presented within non-interest income and are recognized as revenue as the Credit Union satisfies its performance obligation to the customer. Services within the scope of ASC 606 include service charges on deposit accounts, interchange fees and other fees. The adoption of this ASU was not significant to the Credit Union and had no material effect on how the Credit Union recognizes revenue nor did it result in any presentation changes to the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards (Continued)

On January 1, 2019, the Credit Union adopted Accounting Standards Update ("ASU") 2016-01, *Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. The Credit Union adopted ASU 2019-01 using the modified retrospective method as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under the new guidance while prior period amounts continue to be reported in accordance with legacy GAAP. Any unrealized losses on equity securities, previously accounted for as available for sale securities, at the date of adoption for the Credit Union, January 1, 2019, were recorded as a cumulative effect of a change in accounting principle. This adjustment resulted in an adjustment to reclassify these unrealized losses of $1,209,784 into undivided earnings, rather than accumulated other comprehensive income.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases.* Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Credit Union is currently evaluating the impact of the guidance on its financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is essentially the final rule on use of the so-called CECL model, or current expected credit losses. Among other things, the amendments in this ASU require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. For non-public entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2022. Early adoption will be permitted for all organizations for fiscal years beginning after December 15, 2018.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards (Continued)

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The guidance modifies the disclosure requirements on fair value by removing some requirements, modifying others, adding changes in unrealized gains and losses included in other comprehensive income (loss) ("OCI") for recurring Level 3 fair value measurements, and providing the option to disclose certain other quantitative information with respect to significant unobservable inputs in lieu of a weighted average. The Credit Union is currently evaluating the impact of the guidance on its financial statements.

NOTE 3: SECURITIES

The following table summarizes the amortized cost and fair value of securities available-for-sale at December 31, 2019 and 2018 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2019				
Available-for-sale				
U.S. agency securities	**$ 49,874,855**	**$ 136,115**	**$ (65,968)**	**$ 49,945,002**
Mortgage-backed securities	**33,256,579**	**6,271**	**(347,427)**	**32,915,423**
Mutual fund	**2,651,800**	**-**	**(834,184)**	**1,817,616**
Total available-for-sale	**$ 85,783,234**	**$ 142,386**	**$ (1,247,579)**	**$ 84,678,041**

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2018				
Available-for-sale				
U.S. agency securities	$ 56,826,546	$ 161,585	$ (327,712)	$ 56,660,419
Mortgage-backed securities	15,988,021	17,755	(124,272)	15,881,504
Mutual fund	3,845,800	-	(1,209,784)	2,636,016
Total available-for-sale	$ 76,660,367	$ 179,340	$ (1,661,768)	$ 75,177,939

NOTE 3: SECURITIES (CONTINUED)

The amortized cost and estimated fair value of investment securities, at December 31, 2019, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

December 31, 2019	**Amortized Cost**	**Fair Value**
Available-for-sale		
Within one year	$ -	$ -
One to five years	37,729,318	37,676,284
Five to ten years	34,728,353	34,570,855
Beyond ten years	10,673,763	10,613,286
Total	$ 83,131,434	$ 82,860,425

Approximately $50.2 million of investments were pledged as collateral for the Credit Union's line of credit with the Federal Home Loan Bank of Dallas.

The following table summarizes securities with unrealized and unrecognized losses at December 31, 2019 and 2018, aggregated by major security type and length of time in a continuous unrealized or unrecognized loss position:

	Less Than 12 Months		**12 Months or Longer**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2019						
Available-for-sale						
U.S. agency securities	**$ 8,194,139**	**$ 9,387**	**$ 18,772,730**	**$ 56,581**	**$ 26,966,869**	**$ 65,968**
Mortgage-backed securities	**12,909,441**	**40,734**	**16,755,069**	**306,693**	**29,664,510**	**347,427**
Mutual funds	**-**	**-**	**1,817,616**	**834,184**	**1,817,616**	**834,184**
Total available-for-sale	**$ 21,103,580**	**$ 50,121**	**$ 37,345,415**	**$ 1,197,458**	**$ 58,448,995**	**$ 1,247,579**

	Less Than 12 Months		**12 Months or Longer**		**Total**	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2018						
Available-for-sale						
U.S. agency securities	$ 13,914,179	$ 64,095	$ 20,584,655	$ 263,617	$ 34,498,834	$ 327,712
Mortgage-backed securities	3,332,061	8,560	6,071,503	115,712	9,403,564	124,272
Mutual funds	-	-	2,636,016	1,209,784	2,636,016	1,209,784
Total available-for-sale	$ 17,246,240	$ 72,655	$ 29,292,174	$ 1,589,113	$ 46,538,414	$ 1,661,768

NOTE 3: SECURITIES (CONTINUED)

During 2019, there were no sales of securities available for sale. In 2018, proceeds from sale of securities available for sale amounted to $12,338,365 with gross losses of $359,283 and gross gains of $54,602.

Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market price of securities and the possibility of temporary unrealized losses. The twelve (12) government agency mortgage backed securities in a loss position have government sponsored enterprise ("GSE") backing and therefore are not considered to have credit risk nor is the loss considered to be other than temporary. The forty-five (45) U.S government and federal agency securities in a loss position are either GSE securities or have Federal Education Loan Program insurance coverage and are not considered to have other than temporary losses. The one mutual fund is comprised of underlying GSE securities and cash and is not subject to other-than-temporary impairment analysis. Management obtains, from an independent third party, an analysis of the Credit Union's investments quarterly and neither the third party nor management believes that the mutual fund losses are subject to other than temporary impairment analysis. Unrealized losses in the Credit Union's investment portfolio are consistent with changes in market interest rates over the past year and are considered temporary.

At December 31, 2019 and 2018, the Credit Union held, in its available for sale investment portfolio, no securities that were determined to have other-than-temporary impairment losses.

NOTE 4: LOANS TO MEMBERS

Loans at year-end were as follows:

December 31,	**2019**	2018
Demand/line-of-credit loans available	**$ -**	$ 3,375,396
Total loans to members	**$ -**	$ 3,375,396

The loans receivable balance as of December 31, 2019 was $0. The loans receivable balance as of December 31, 2018 was made up of seven (7) demand loans to member credit unions which were originated in 2018.

The Credit Union has not established an allowance for loan losses as all outstanding loans are secured either by a general or a specific pledge of the member credit unions' assets and there has been no historical loss.

There were no impaired loans as of December 31, 2019 or 2018. Additionally, none of the loans were past due or had been modified as troubled as of December 31, 2019 or 2018.

NOTE 5: PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

December 31,		**2019**		2018
Furniture, fixtures and equipment	**$**	**209,709**	$	203,963
Leasehold improvements		**8,039**		8,039
		217,748		212,002
Less: Accumulated depreciation		**(184,753)**		(192,782)
Premises and equipment, net	**$**	**32,995**	$	19,220

Depreciation expense for the years ended December 31, 2019 and 2018 was $12,762 and $11,035, respectively.

NOTE 6: INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS

Investments in Credit Union Service Organizations are summarized as follows:

December 31,		**2019**		2018
Primary Financial Company, LLC	**$**	**277,128**	$	269,814
CU Business Group, LLC		**127,706**		114,378
Investment in Credit Union Service Organizations	**$**	**404,834**	$	384,192

Primary Financial Company, LLC (“Primary”) offers a program, SimpliCD, which enables the Credit Union’s members to invest in and issue federally insured certificates of deposit.

CU Business Group, LLC (“CUBG”) provides business lending and deposit consulting services to credit unions nationwide.

NOTE 7: MEMBERS' SHARES AND SHARE EQUIVALENTS

A summary of members' shares and money market accounts is as follows:

December 31,	2019	2018
Daily shares	$ 118,943,330	$ 67,668,316
Paid-in capital shares	37,145	37,145
Total	$ 118,980,475	$ 67,705,461

The aggregate amounts of members' share and money market accounts over $250,000 were approximately $113.84 million and $62.35 million as of December 31, 2019 and 2018, respectively.

NOTE 8: BORROWED FUNDS

The Credit Union maintains a line of credit with the Federal Home Loan Bank of Dallas ("FHLB"). The Credit Union had outstanding balances of $0 and approximately $28.0 million on this line of credit as of December 31, 2019 and 2018, respectively. The Credit Union's remaining availability under this line of credit was approximately $50.2 million and $26.3 million as of December 31, 2019 and 2018, respectively. The line of credit is secured by the Credit Union's securities available for sale as deemed eligible by the FHLB and is renewable annually. The interest rate at December 31, 2018 was 2.70%.

NOTE 9: LEASE COMMITMENTS

The Credit Union leases its main office facilities under an operating lease as follows:

Location	Term (Years)	Expiration Date	Approximate Annual Rent
Main Office	5	September 2023	$ 58,489

Rent expense was approximately $60,953 and $45,612 for the years ended December 31, 2019 and 2018, respectively.

The total future minimum lease payments under the non-cancelable operating lease above is as follows:

2020	$ 59,924
2021	60,308
2022	61,460
2023	46,095
Total	$ 227,786

NOTE 10: OFF-BALANCE SHEET ACTIVITIES

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which includes lines of credit and standby letters of credit that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the financial statements.

The Credit Union's exposure to credit loss, in the event of non-performance by the other party to the financial instrument for commitments to extend credit, is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for on-balance sheet instruments.

The following financial instruments were outstanding whose contract amounts represent credit risk:

December 31,	**2019**	2018
Advised lines of credit - unused	**$ 126,587,000**	$ 118,793,604
Standby letters of credit - unused	**503,314**	508,914
Total lines of Credit	**$ 127,090,314**	$ 119,302,518

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Credit Union upon extension of credit is based on management's credit evaluation of the counterparty. Collateral generally consists of the total assets of the member.

Advised lines of credit are commitments for possible future extensions of credit to existing customers. These lines of credit are collateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

Standby letters of credit are conditional commitments issued by the Credit Union to guarantee the performance of a member credit union to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to members. Standby letters of credit reduce a member credit union's advised line of credit.

NOTE 10: OFF-BALANCE SHEET ACTIVITIES (CONTINUED)

The Credit Union, as agent, entered into an Excess Balance Account (EBA) agreement with participating member credit unions and the Federal Reserve Bank, whereby the Federal Reserve Bank opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in the Credit Union's financial statements. These balances totaled $4 million and $0 as of December 31, 2019 and 2018, respectively. The aggregate balance in the EBA represents a deposit liability of the Federal Reserve Bank solely to the participants. The Credit Union, as agent, is responsible for calculating and distributing the interest payable to each participant on the participant's excess balance.

NOTE 11: CONTINGENCIES

The Credit Union was not party to any legal actions as of December 31, 2019.

During 2009, the Credit Union wrote-off 100% of its investment in U.S. Central Federal Credit Union ("USC"), which was placed in conservatorship by the NCUA on March 20, 2009. The Credit Union is entitled to available recoveries after satisfaction of all liabilities of the liquidation estate based on its pro-rata share of member contributed capital. Based on projections provided by the NCUA as of September 30, 2019, the Credit Union's share of potential recoveries is estimated to be $5 million, however, no assurance can be provided as to the ultimate amount, if any, to be recovered at this time. Final distribution of available funds is scheduled for 2021 as stated in the rules of the liquidation trust.

NOTE 12: REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Failure to meet minimum capital requirements would require the Credit Union to submit a plan of action to correct the shortfall. Additionally, NCUA could require an increase in capital to specific levels, reduction of interest, and ceasing or limiting the Credit Union's ability to accept deposits.

NOTE 12: REGULATORY CAPITAL (CONTINUED)

The Credit Union's actual and required ratios for December 31, 2019 and 2018 are as follows:

	Actual		Minimum To Be Adequately Capitalized Under Prompt Corrective Action Provisions		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
2019						
Leverage	**$ 6,057**	**5.19%**	**$ 4,669**	**4.00%**	**$ 5,836**	**5.00%**
Tier 1 risk -based capital (Tier 1 core capital to MMANRA)	**$ 6,057**	**29.49%**	**$ 822**	**4.00%**	**$ 1,232**	**6.00%**
Total risk -based capital (Total capital to MMANRA)	**$ 8,953**	**43.59%**	**$ 1,643**	**8.00%**	**$ 2,054**	**10.00%**
Retained earnings (Retained earnings to MDANA)	**$ 2,035**	**1.70%**	**$ 525**	**0.45%**	**N/A**	**N/A**
2018						
Leverage	$ 7,350	6.26%	$ 4,699	4.00%	$ 5,874	5.00%
Tier 1 risk -based capital (Tier 1 core capital to MMANRA)	$ 7,350	34.29%	$ 858	4.00%	$ 1,286	6.00%
Total risk -based capital (Total capital to MMANRA)	$ 9,447	44.07%	$ 1,715	8.00%	$ 2,144	10.00%
Retained earnings (Retained earnings to MDANA)	$ 2,672	2.23%	$ 529	0.45%	N/A	N/A

As of December 31, 2019 and 2018, the Credit Union met all capital requirements under Section 704.3 of the NCUA Regulations.

NOTE 13: RETIREMENT PLANS

Defined Contribution Retirement Plans

In 2019, the Credit Union sponsored a defined contribution 401(k) retirement plan for all eligible employees. All full-time employees with one year of service were eligible, and vesting was graduated over six years. The Credit Union made matching contributions equal to 100% of the participant's first 3% of salary contributed. The Credit Union may also make discretionary contributions at the direction of management. During the years December 31, 2019 and 2018, the amount contributed by the Credit Union and charged to expense was $15,841 and $15,435, respectively. The plan was amended effective January 1, 2020 as a safe harbor plan with a 3% non-elective contribution and required minimum vesting schedule.

Supplemental Executive Retirement Plan

During 2018, the Credit Union provided for a supplemental retirement benefit for an executive by entering into a Collateral Assignment Split Dollar plan with the executive. The executive is the policy owner of a life insurance policy and the Credit Union advances the premiums due under the policy. Coincident therewith, the Credit Union executed a limited recourse demand promissory note, which principal outstanding equals the premiums paid by the Credit Union on behalf of the executive. Pursuant to the note, the executive collaterally assigned the policy cash value of the insurance policy to the Credit Union. Termination of the plan occurs upon events specified in the plan agreement. At the termination of the plan, the Credit Union is entitled to repayment of the outstanding loans under the note which may be repaid from the proceeds of the cash value of the policy. Total split-dollar loans outstanding at December 31, 2019 and 2018, respectively, were $278,940 and $185,960, and are included in other assets in the accompanying statement of financial condition. The loans have a 1.0% percent per annum fixed interest rate with interest accrued monthly totaling $930 at December 31, 2019, also included in other assets in the accompanying statement of financial condition. Commitments to fund additional advances to be used to pay life insurance premiums are $650,860 in total over the next seven years through 2026.

NOTE 14: RELATED PARTY TRANSACTIONS

In the normal course of business, the Credit Union made loans to member credit unions with common directors and principal officers. These loans are made on the same terms, including interest rate and collateral, as those prevailing at the time for similar loans with other members. The outstanding loan balances at December 31, 2019 and 2018 were $0 and $461,572, respectively. Deposits from related parties at December 31, 2019 and 2018 amounted to $37,314,514 and $24,240,654, respectively.

NOTE 15: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values.

- Level 1 – Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

- Level 2 – Asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Assets and liabilities whose value is calculated by the use of pricing models and/or discounted cash flow methodologies.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The Credit Union used the following methods and significant assumptions to estimate fair value:

Securities Available for Sale and Mutual Fund

The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2), using matrix pricing. Matrix pricing is a mathematical technique commonly used to price debt securities that are not actively traded, values debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

NOTE 15: FAIR VALUE MEASUREMENTS (CONTINUED)

Securities Available for Sale and Mutual Fund (Continued)

Assets and liabilities measured at fair value on a recurring basis, are summarized below:

	Quoted Prices in Active Markets for Identical Asset Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Fair Value Measurement at December 31, 2019				
Financial assets				
U.S. agency securities	**$ -**	**$49,945,002**	**$ -**	**$ 49,945,002**
Mortgage backed securities	**-**	**32,915,423**	**-**	**32,915,423**
Mutual funds	**1,817,616**	**-**	**-**	**1,817,616**
Total investment securities available-for-sale	**$ 1,817,616**	**$82,860,425**	**$ -**	**$ 84,678,041**
Fair Value Measurement at December 31, 2018				
Financial assets				
U.S. agency securities	$ -	$56,660,419	$ -	$ 56,660,419
Mortgage backed securities	-	15,881,504	-	15,881,504
Mutual funds	2,636,016	-	-	2,636,016
Total investment securities available-for-sale	$ 2,636,016	$72,541,923	$ -	$ 75,177,939

NOTE 16: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2019 through May 15, 2020, the date the Credit Union's financial statements were available to be issued. The following items occurred:

During January 2020, the Credit Union liquidated its remaining mutual fund investment which was recorded at market value at December 31, 2019 in the accompanying balance sheet. Proceeds from the sale totaled $1,817,616 which equaled the recorded amount at December 31, 2019. Accordingly there was no gain or loss as result of the sale.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Credit Union. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.