LOUISIANA CORPORATE CREDIT UNION

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

CRI CARR RIGGS & INGRAM
CPAs and Advisors
CRIcpa.com

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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, 2018 and 2017, 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, 2018 and 2017, 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, 2018, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated May 21, 2019 expressed an unmodified opinion.

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

Metairie, Louisiana
May 21, 2019

FINANCIAL STATEMENTS

December 31,	**2018**	2017
Assets		
Cash and cash equivalents		
Cash and due from banks	**$ 18,260,807**	$ 37,936,800
Interest bearing deposits	**4,912,252**	2,012,512
Total cash and cash equivalents	**23,173,059**	39,949,312
Investment securities, available for sale	**75,177,939**	92,896,007
Other securities, at cost	**1,359,900**	1,333,000
Loans to members	**3,375,396**	1,314,407
Accrued interest receivable	**208,777**	175,485
Premises and equipment, net	**19,220**	22,710
Investment in credit union service organizations	**384,192**	366,188
Prepaid expenses and other assets	**360,058**	22,942
NCUSIF deposit	**191,234**	204,076
Total assets	**$ 104,249,775**	$ 136,284,127
Liabilities and Members' Equity		
Members' shares and share equivalents	**$ 67,705,461**	$ 103,292,591
Borrowed funds	**28,000,000**	25,000,000
Accrued interest payable	**105,635**	91,463
Accounts payable and other liabilities	**120,482**	143,300
Total liabilities	**95,931,578**	128,527,354
Members' equity, substantially restricted		
Perpetual contributed capital	**7,128,821**	7,128,821
Undivided earnings	**2,671,804**	2,309,384
Accumulated other comprehensive loss	**(1,482,428)**	(1,681,432)
Total members' equity	**8,318,197**	7,756,773
Total liabilities and members' equity	**$ 104,249,775**	$ 136,284,127

See the accompanying notes to the financial statements.

Statements of Income

Years ended December 31,	**2018**	2017
Interest income		
Investments	**$ 2,771,175**	$ 2,017,409
Loans to members	**55,456**	19,928
Total interest income	**2,826,631**	2,037,337
Interest expense		
Members' shares and share equivalents	**1,373,498**	929,704
Borrowed funds	**238,795**	81,024
Total interest expense	**1,612,293**	1,010,728
Net interest income	**1,214,338**	1,026,609
Non-interest income		
Service fees	**865,755**	864,093
Miscellaneous	**32,983**	165
Total non-interest income	**898,738**	864,258
Non-interest expense		
Professional and outside services	**690,625**	702,305
Compensation and benefits	**624,593**	637,790
Office operations and occupancy	**81,335**	96,326
Administrative expenses	**45,860**	41,004
Other-than-temporary impairment of securities	**-**	13,200
Loss on sale of securities available for sale	**304,681**	-
Total non-interest expense	**1,747,094**	1,490,625
Net income	**$ 365,982**	$ 400,242

See the accompanying notes to the financial statements.

Years ended December 31,	**2018**	2017
Net income	**$ 365,982**	$ 400,242
Other comprehensive income (loss):		
Reclassification adjustments for losses included in income	**304,681**	13,200
Net change in unrealized losses on securities available for sale	**(105,677)**	414,782
Total other comprehensive income	**199,004**	427,982
Total comprehensive income	**$ 564,986**	$ 828,224

See the accompanying notes to the financial statements.

Statements of Changes in Members' Equity

	Perpetual Contributed Capital	Undivided Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2016	$ 7,128,821	$ 1,912,701	$ (2,109,414)	$ 6,932,108
Dividends paid on perpetual contributed capital	-	(3,559)	-	(3,559)
Total comprehensive income	-	400,242	427,982	828,224
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**

See the accompanying notes to the financial statements.

Years ended December 31,	**2018**	2017
Cash Flows from Operating Activities		
Net income	**$ 365,982**	$ 400,242
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities:		
Depreciation and amortization	**11,035**	13,270
Amortization of securities, net	**79,643**	81,126
Gain on sale of securities available for sale	**304,681**	-
Other-than-temporary impairment of securities	**-**	13,200
Net changes in operating assets and liabilities:		
Increase in accrued interest receivable	**(33,292)**	(53,373)
Decrease in prepaid expenses and other assets	**(337,116)**	128,616
Increase in accrued interest payable	**14,172**	55,387
Increase in accounts payable and other liabilities	**(22,818)**	59,101
Net cash provided by operating activities	**382,287**	697,569
Cash Flows from Investing Activities		
Purchases of investment securities, available for sale	**(10,914,264)**	(15,654,387)
Proceeds from calls, sales, maturities, and pay-downs of securities, available for sale	**28,447,012**	22,918,938
Purchases of other securities, at cost	**(26,900)**	(330,100)
Loans to members, net of principal collections	**(2,060,989)**	(298,473)
Purchases of premises and equipment	**(7,545)**	(14,670)
Decrease in investment in credit union service organizations	**(18,004)**	127,411
Decrease in NCUSIF deposit	**12,842**	14,411
Net cash provided by investing activities	**15,432,152**	6,763,130

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Years ended December 31,	**2018**	2017
Cash Flows from Financing Activities		
Net decrease in members' shares and share equivalents	**$ (35,587,130)**	$ (14,346,187)
Dividends paid on perpetual contributed capital	**(3,562)**	(3,559)
Increase in borrowed funds	**3,000,000**	5,000,000
Net cash used in financing activities	**(32,590,692)**	(9,349,746)
Net Decrease in Cash and Cash Equivalents	**(16,776,253)**	(1,889,047)
Cash and Cash Equivalents at Beginning of Year	**39,949,312**	41,838,359
Cash and Cash Equivalents at End of Year	**$ 23,173,059**	$ 39,949,312
Supplementary cash flow information		
Cash paid during the year for interest	**$ 1,598,121**	$ 955,341

See the accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through May 21, 2019, the date which the financial statements were available to be issued.

Nature of 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.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specifically, management has made estimates based on the amount of uncollectible loan receivables, assumptions for fair value of financial instruments, and the assessment of other than temporary impairment on investments. Actual results could differ from those estimates.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
>
> 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 securities available-for-sale are recognized as direct increases or decreases in other comprehensive 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 Securities

Restricted stock is stock from the Federal Home Loan Bank of Dallas (FHLB), which is restricted as to their 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 1 – 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, 2018 and 2017 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 2018 or 2017.

Premises and Equipment

All premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

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.

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 $4,680 and $3,442 for the years ended December 31, 2018 and 2017, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

The Credit Union follows the guidance of FASB ASC 825, *Financial Instruments*, and FASB ASC 820, *Fair Value Measurements and Disclosures*. This guidance permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." In applying the revenue model to contracts within its scope, an entity:

- Identifies the contract(s) with a customer (step 1)
- Identifies the performance obligations in the contract (step 2)
- Determines the transaction price (step 3)
- Allocates the transaction price to the performance obligations in the contract (step 4)
- Recognizes revenue when (or as) the entity satisfies a performance obligation (step 5)

ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018. Subsequent to the issuance of ASU No. 2014-09, various ASU amendments to the revenue guidance have been issued. These updates address 1) Principal versus Agent Considerations (Reporting Revenue Gross versus Net); 2) Identifying Performance Obligations and Licensing; 3) Rescission of Certain SEC Staff Observer Comments upon Adoption of Topic 606; and 4) Narrow-Scope Improvements and Practical Expedients. The effective date for each of these revenue amendments is concurrent with the effective date of ASU 2014-09, as referenced above. Management is still evaluating the impact that implementation of these ASUs will have on the Credit Union's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments—Overall (Topic 825-10): "Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 amends the guidance on the classification and measurement of financial instruments. Among other amendments, ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. For nonpublic business entities, the amendments of ASU 2016-01 are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Entities must apply the standard using a cumulative-effect adjustment to the statement of financial condition as of the beginning of the fiscal year of adoption. The provisions related to this standard are to be applied prospectively to equity investments as of the adoption date. Any unrealized losses at the date of adoption for the Credit Union, January 1, 2019, will be recorded as a cumulative effect of a change in accounting principle, and any change in unrealized losses prospectively will be required to be presented in undivided earnings, rather than accumulated other comprehensive income.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards (Continued)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Topic 842 supersedes Topic 840, Leases, and effects how entities account for operating and capital leases. The main provision of Topic 842 requires entities to recognize a lease asset and lease liability for leases classified as operating under previous guidance. A lessee should recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The guidance allows for accounting policy election to not recognize a lease asset or liability for leases with terms of 12 months or less. The amendments of ASU 2016-02 are effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Management is evaluating the impact the adoption of ASU 2016-02 will have on the Credit Union's financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (the ASU), which introduces the current expected credit losses methodology. Among other things, the ASU requires the measurement of all expected credit losses for financial assets, including available-for-sale debt securities, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The new model will require institutions to calculate all probable and estimable losses that are expected to be incurred through the loan's entire life.

ASU 2016-13 also requires the allowance for credit losses for purchased financial assets with credit deterioration since origination to be determined in a manner similar to that of other financial assets measured at amortized cost; however, the initial allowance will be added to the purchase price rather than recorded as credit loss expense. The disclosure of credit quality indicators related to the amortized cost of financing receivables will be further disaggregated by year of origination (or vintage). Disaggregation by vintage will be optional for nonpublic business entities. Institutions are to apply the changes through a cumulative-effect adjustment to their members' equity as of the beginning of the first reporting period in which the standard is effective. The amendments are effective for fiscal years beginning after December 15, 2021. Early application will be permitted for fiscal years beginning after December 15, 2018. Management is evaluating the impact the adoption of this standard will have on the Credit Union's financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards (Continued)

lieu of a weighted average. Management is evaluating the impact the adoption of this standard will have on the Credit Union's financial statements.

NOTE 2 – SECURITIES AVAILABLE FOR SALE

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2018				
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 funds	**3,845,800**	**-**	**(1,209,784)**	**2,636,016**
	$ 76,660,367	**$ 179,340**	**$ (1,661,768)**	**$ 75,177,939**
December 31, 2017				
U.S. agency securities	$ 56,506,994	$ 61,310	$ (225,707)	$ 56,342,597
Mortgage backed securities	17,015,908	14,622	(119,148)	16,911,382
Corporate debt securities	16,054,540	85,858	(883)	16,139,515
Mutual funds	5,000,000	-	(1,497,487)	3,502,513
	$ 94,577,442	$ 161,790	$ (1,843,225)	$ 92,896,007

NOTE 2 – SECURITIES AVAILABLE FOR SALE (CONTINUED)

The amortized cost and estimated fair value of investment securities, at December 31, 2018, 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.

Amounts maturing in	Amortized Cost	Fair Value
Due in one year or less	$ 226,216	$ 226,030
Due after one year through five years	22,898,041	22,798,301
Due after five years through ten years	34,593,725	34,534,656
Due after ten years	15,096,585	14,982,936
Total	$ 72,814,567	$ 72,541,923

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

Information pertaining to securities with gross unrealized losses at December 31, 2018 and 2017 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2018						
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 fund	**-**	**-**	**2,636,016**	**1,209,784**	**2,636,016**	**1,209,784**
Total	**$17,246,240**	**$ 72,655**	**$29,292,174**	**$ 1,589,113**	**$46,538,414**	**$1,661,768**

NOTE 2 – SECURITIES AVAILABLE FOR SALE (CONTINUED)

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2017						
U.S. agency securities	$17,768,481	$ 25,771	$25,012,806	$ 199,936	$42,781,287	$ 225,707
Mortgage backed securities	3,799,465	21,619	9,093,075	97,529	12,892,540	119,148
Corporate debt securities	2,933,571	883	-	-	2,933,571	883
Mutual fund	-	-	3,502,513	1,497,487	3,502,513	1,497,487
Total	$24,501,517	$ 48,273	$37,608,394	$ 1,794,952	$62,109,911	$1,843,225

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. In 2017, there were no investment sales.

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 nineteen 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 twenty-eight 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, 2018, the Credit Union held, in its available for sale investment portfolio, no securities that were determined to have other-than-temporary impairment losses. At December 31, 2017 , there were two (2) securities determined to have other-than-temporary impairment losses. The Credit Union recognized a $13,200, non-cash other-than-temporary charge during the year ended December 31, 2017.

NOTE 3 – LOANS TO MEMBERS

The composition of loans to members is as follows:

December 31,		**2018**		2017
Demand/line-of-credit loans receivable	**$**	**3,375,396**	$	716,488
Term loans		**-**		597,919
Total loans to members	**$**	**3,375,396**	$	1,314,407

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. These loans were considered short-term loans and were fully collected the first business day after year end. The loans receivable balance as of December 31, 2017 was made up of four (4) demand loans and two (2) term loans to member credit unions which were originated in 2017.

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, 2018 or 2017. Additionally, none of the loans were past due or had been modified as troubled as of December 31, 2018 or 2017.

NOTE 4 – PREMISES AND EQUIPMENT

Premises and equipment is summarized as follows:

December 31,		**2018**		2017
Furniture and equipment	**$**	**203,963**	$	196,418
Leasehold improvements		**8,039**		8,039
		212,002		204,457
Accumulated depreciation		**(192,782)**		(181,747)
Premises and equipment, net	**$**	**19,220**	$	22,710

Depreciation expense for the years ended December 31, 2018 and 2017 was $11,035 and $13,270, respectively.

NOTE 5 – INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS

Investments in Credit Union Service Organizations are summarized as follows:

December 31,	2018	2017
Primary Financial Company, LLC	**$ 269,814**	$ 260,672
CU Business Group, LLC	**114,378**	105,517
Investment in Credit Union Service Organizations	**$ 384,192**	$ 366,188

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 6 – MEMBERS' SHARES AND SHARE EQUIVALENTS

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

December 31,	2018	2017
Daily Shares	**$ 67,668,316**	$ 103,255,446
Paid-in-capital shares	**37,145**	37,145
Total	**$ 67,705,461**	$ 103,292,591

The aggregate amounts of members' share and savings accounts over $250,000 were approximately $62.35 million and $96.1 million as of December 31, 2018 and 2017, respectively.

NOTE 7 – 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 approximately $28.0 million and $25.0 million on this line of credit as of December 31, 2018 and 2017, respectively. The Credit Union's remaining availability under this line of credit was approximately $26.3 million and $20.9 million as of December 31, 2018 and 2017, 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 and 2017 was approximately 2.70% and 1.30%, respectively.

NOTE 8 – 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 $45,612 and $54,027 for the years ended December 31, 2018 and 2017, respectively.

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

2019	$	59,924
2020		59,924
2021		60,308
2022		61,460
2023		46,095
Total	$	287,709

NOTE 9 – 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,	**2018**	2017
Advised lines of credit - unused	**$ 118,793,604**	$ 121,848,593
Standby letters of credit - unused	**508,914**	1,007,392
Total	**$ 119,302,518**	$ 122,855,985

NOTE 9 – OFF-BALANCE SHEET ACTIVITIES (CONTINUED)

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.

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 $0 and $6,100,000 as of December 31, 2018 and 2017, 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 10 – CONTINGENCIES

The Credit Union was not party to any legal actions as of December 31, 2018.

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 December 31, 2018, 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 11 – 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.

The Credit Union's actual and required ratios for December 31, 2018 and 2017 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)			
December 31, 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**
December 31, 2017						
Leverage	$ 6,914	5.28%	$ 5,237	4.00%	$ 6,545	5.00%
Tier 1 risk -based capital (Tier 1 core capital to MMANRA)	$ 6,914	29.33%	$ 943	4.00%	$ 1,415	6.00%
Total risk-based capital (Total capital to MMANRA)	$ 9,109	38.64%	$ 1,886	8.00%	$ 2,358	10.00%
Retained earnings (Retained earnings to MDANA)	$ 2,309	1.76%	$ 589	0.45%	N/A	N/A

NOTE 11 – REGULATORY CAPITAL (CONTINUED)

As of December 31, 2018 and 2017, the Credit Union met all capital requirements under Section 704.3 of the NCUA Regulations.

NOTE 12 – RETIREMENT PLANS

Defined Contribution Retirement Plans

The Credit Union sponsors a defined contribution 401(k) retirement plan for all eligible employees. All full-time employees with one year of service are eligible, and vesting is graduated over six years. The Credit Union makes matching contributions equal to 100% of the participants first 3% of salary contributed. The Credit Union may also make discretionary contributions at the direction of management. During the years December 31, 2018 and 2017, the amount contributed by the Credit Union and charged to expense was $15,435 and $14,787, respectively.

Supplemental Executive Retirement Plan

During 2018, the Credit Union provided for a supplemental retirement benefit for an executive by entering into a split dollar agreement 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. At the earlier of the termination of the split dollar arrangement or the executive’s retirement/separation from service, 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, 2018 are $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, 2018, also included in other assets in the accompanying statement of financial condition. Total commitments to fund additional advances to be used to pay life insurance premiums of $743,840 in total over the next eight years through 2026.

NOTE 13 – 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, 2018 and 2017 were $461,572 and $0, respectively. Deposits from related parties at December 31, 2018 and 2017 amounted to $24,240,654 and $43,667,660, respectively.

NOTE 14 – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, provides a framework for measuring fair value that requires an entity to determine fair value based on exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- 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 are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

NOTE 14 – FAIR VALUE MEASUREMENTS (CONTINUED)

Securities Available for Sale: Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government bonds, certain mortgage products and exchange-traded equities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include certain collateralized mortgage and debt obligations and certain high-yield debt securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Securities classified within Level 3 include certain residual interests in securitizations and other less liquid securities.

Fair values of assets and liabilities measured on a recurring basis are as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In Thousands)		
December 31, 2018				
Securities available for sale:				
U.S. agency securities	**$ 56,660**	**$ -**	**$ 56,660**	**$ -**
Mortgage backed securities	**15,845**	**-**	**15,845**	**-**
Corporate debt securities	**36**	**-**	**36**	**-**
Mutual funds	**2,636**	**2,636**	**-**	**-**
December 31, 2017				
Securities available for sale:				
U.S. agency securities	$ 56,343	$ -	$ 56,343	$ -
Mortgage backed securities	16,911	-	16,911	-
Corporate debt securities	16,139	-	16,139	-
Mutual funds	3,503	3,503	-	-

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents: The carrying amounts reported in the accompanying Statements of Financial Condition for cash and cash equivalents approximate those assets' fair values.

Securities Available for Sale: Fair values of available-for-sale securities are usually based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Other securities, at cost: The value of Federal Home Loan Bank Stock is set by the FHLB at $100 per share.

Loans to Members: The fair value of loans receivable is determined by discounting the expected cash flows to a present value. The expected cash flows are generated from month-end balances, rates and account characteristics. The discount rates used to calculate the present value are generated from an historical interest rate yield curve.

Accrued Interest: The carrying amounts of accrued interest approximate the fair values for the years ending December 31, 2018 and 2017.

Members' Share Deposits: The fair value of members' shares is determined by discounting the expected cash flows to a present value. The expected cash flows are generated from month-end balances, rates and account characteristics. The discount rates used to calculate the present value are generated from an historical interest rate yield curve.

Lines of Credit: The carrying amounts reported in the accompanying Statements of Financial Condition for current liabilities approximate those liabilities' fair values.

Off-Balance Sheet Commitments: Fair value of off-balance sheet commitments is equivalent to the total available credit limits granted to members through various line of credit agreements.

The Credit Union has no non-financial assets or non-financial liabilities measured at fair value on a non-recurring basis.

NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The estimated fair values and related carrying or notional amounts of the Credit Union's financial instruments are as follows (dollars in thousands):

	Carrying Amount	Fair Value
December 31, 2018		
Financial assets:		
Cash and cash equivalents	**$ 23,173**	**$ 23,173**
Investments available for sale	**75,178**	**75,178**
Other securities, at cost	**1,360**	**1,360**
Loans to members	**3,375**	**3,375**
Accrued interest receivable	**209**	**209**
Financial liabilities:		
Members' shares and share equivalents:		
Daily shares	**67,668**	**67,667**
Paid-in capital shares	**37**	**37**
Lines of credit	**28,000**	**28,000**
Off-Balance-Sheet Credit Related Financial Instruments:		
Commitments to extend credit	**-**	**119,297**
December 31, 2018		
Financial assets:		
Cash and cash equivalents	$ 39,949	$ 39,949
Investments available for sale	92,896	92,896
Other securities, at cost	1,333	1,333
Loans to members	1,314	1,315
Accrued interest receivable	175	175
Financial liabilities:		
Members' shares and share equivalents:		
Daily shares	103,255	103,253
Paid-in capital shares	37	37
Lines of credit	25,000	25,000
Off-Balance-Sheet Credit Related Financial Instruments:		
Commitments to extend credit	-	122,856

The carrying amounts in the preceding table are included in the accompanying Statements of Financial Condition under the applicable captions.