



Louisiana Corporate Credit Union

FINANCIAL STATEMENTS

December 31, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

Supervisory Committee
Louisiana Corporate Credit Union
Metairie, Louisiana

Opinion

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, 2020 and 2019, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Credit Union as of December 31, 2020 and 2019, 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.

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, 2020, based on criteria established in the *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated May 6, 2021 expressed an unmodified opinion.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Credit Union and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cam, Riggs & Ingram, L.L.C.

Metairie, Louisiana

May 6, 2021

**Louisiana Corporate Credit Union
Statements of Financial Condition**

| <i>December 31,</i> | 2020 | 2019 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents | | |
| Cash and due from banks | \$ 45,283,274 | \$ 41,063,083 |
| Cash and cash equivalents | 45,283,274 | 41,063,083 |
| Investment securities, available for sale | 159,079,532 | 82,860,425 |
| Investment securities, mutual fund | - | 1,817,616 |
| Other securities, at cost | 4,670,398 | 1,394,600 |
| Loans to members | 102,443 | - |
| Accrued interest receivable | 76,855 | 173,772 |
| Premises and equipment, net | 19,661 | 32,995 |
| Investment in credit union service organizations | 424,130 | 404,834 |
| Prepaid expenses and other assets | 1,033,606 | 307,321 |
| NCUSIF deposit | 191,068 | 183,689 |
| Total assets | \$ 210,880,967 | \$ 128,238,335 |
| Liabilities and Members' Equity | | |
| Members' shares and share equivalents | \$ 200,634,646 | \$ 118,980,475 |
| Accrued interest payable | 12,079 | 115,702 |
| Accounts payable and other liabilities | 91,944 | 76,872 |
| Total liabilities | 200,738,669 | 119,173,049 |
| Members' equity, substantially restricted | | |
| Perpetual contributed capital | 7,301,494 | 7,301,494 |
| Undivided earnings | 2,247,010 | 2,034,804 |
| Accumulated other comprehensive income (loss) | 593,794 | (271,012) |
| Total members' equity | 10,142,298 | 9,065,286 |
| Total liabilities and members' equity | \$ 210,880,967 | \$ 128,238,335 |

The accompanying notes are an integral part of these financial statements.

Louisiana Corporate Credit Union
Statements of Income

| <i>For the years ended December 31,</i> | 2020 | 2019 |
|---|---------------------|-------------------|
| Interest income | | |
| Investments | \$ 1,431,897 | \$ 3,102,062 |
| Loans to members | 825 | 29,129 |
| Total interest income | 1,432,722 | 3,131,191 |
| Interest expense | | |
| Members' shares and share equivalents | 427,271 | 1,810,993 |
| Borrowed funds | - | 79,079 |
| Total interest expense | 427,271 | 1,890,072 |
| Net interest income | 1,005,451 | 1,241,119 |
| Non-interest income | | |
| Service fees | 818,186 | 834,343 |
| Miscellaneous | 16 | 4,546 |
| Unrealized gain on mutual fund | 1,324 | - |
| Total non-interest income | 819,526 | 838,889 |
| Non-interest expense | | |
| Professional and outside services | 696,746 | 675,017 |
| Compensation and benefits | 741,428 | 660,769 |
| Office operations and occupancy | 102,380 | 99,134 |
| Administrative expenses | 64,919 | 63,781 |
| Unrealized loss on mutual fund | - | 1,290 |
| Total non-interest expense | 1,605,473 | 1,499,991 |
| Net income | \$ 219,504 | \$ 580,017 |
| Other comprehensive (loss) income: | | |
| Net change in unrealized losses on securities available for sale | 864,806 | 1,632 |
| Total other comprehensive income | 864,806 | 1,632 |
| Total comprehensive income | \$ 1,084,310 | \$ 581,649 |

The accompanying notes are an integral part of these financial statements.

Louisiana Corporate Credit Union
Statements of Comprehensive Income

| <i>For the years ended December 31,</i> | 2020 | 2019 |
|--|---------------------|-------------------|
| Net income | \$ 219,504 | \$ 580,017 |
| Other comprehensive income (loss): | | |
| Net change in unrealized losses on investment securities available for sale | 864,806 | 1,632 |
| Total comprehensive income | \$ 1,084,310 | \$ 581,649 |

The accompanying notes are an integral part of these financial statements.

**Louisiana Corporate Credit Union
Statements of Changes in Members' Equity**

| | Perpetual Contributed Capital | Undivided Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|---|--|-------------------------------|--|----------------------|
| Balance at January 1, 2019 | \$ 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 |
| Dividends paid on perpetual contributed capital | - | (7,298) | - | (7,298) |
| Total comprehensive income | - | 219,504 | 864,806 | 1,084,310 |
| Balance at December 31, 2020 | \$ 7,301,494 | \$ 2,247,010 | \$ 593,794 | \$ 10,142,298 |

The accompanying notes are an integral part of these financial statements.

Louisiana Corporate Credit Union
Statements of Cash Flows

| <i>For the years ended December 31,</i> | 2020 | 2019 |
|--|---------------------|--------------------|
| Operating Activities | | |
| Net income | \$ 219,504 | \$ 580,017 |
| Adjustments to reconcile net income to cash and cash equivalents from operating activities: | | |
| Depreciation and amortization | 14,617 | 12,762 |
| Net amortization (accretion) of securities | 78,123 | 121,262 |
| (Gain) loss on mutual fund | (1,324) | 1,290 |
| Net change in: | | |
| Accrued interest receivable | 96,917 | 35,005 |
| Prepaid expenses and other assets | (726,285) | 52,737 |
| Accrued interest payable | (103,623) | 10,067 |
| Accounts payable and other liabilities | 15,072 | (43,610) |
| Net cash provided by (used in) operating activities | (406,999) | 769,530 |
| Investing Activities | | |
| Purchases of investment securities, available for sale | (90,517,403) | (21,989,464) |
| Proceeds from calls, sales, maturities, and pay-downs of investment securities, available for sale | 16,903,919 | 12,368,442 |
| Purchases of other securities, at cost | (3,275,798) | (34,700) |
| Loans to members, net of principal collections | (102,443) | 3,375,396 |
| Purchases of premises and equipment | (1,283) | (26,537) |
| Increase in investment in credit union service organizations | (19,296) | (20,642) |
| Net change in NCUSIF deposit | (7,379) | 7,545 |
| Net cash provided by (used in) investing activities | (77,019,683) | (6,319,960) |

(Continued)

The accompanying notes are an integral part of these financial statements.

Louisiana Corporate Credit Union
Statements of Cash Flows (Continued)

| <i>For the years ended December 31,</i> | 2020 | 2019 |
|--|----------------------|----------------------|
| Financing Activities | | |
| Net increase in members' shares and share equivalents | \$ 81,654,171 | \$ 51,275,014 |
| Perpetual contributed capital issued | - | 172,673 |
| Dividends paid on perpetual contributed capital | (7,298) | (7,233) |
| Decrease in borrowed funds | - | (28,000,000) |
| Net cash provided by (used in) financing activities | 81,646,873 | 23,440,454 |
| Net Increase in cash and cash equivalents | 4,220,191 | 17,890,024 |
| Beginning cash and cash equivalents | 41,063,083 | 23,173,059 |
| Ending cash and cash equivalents | \$ 45,283,274 | \$ 41,063,083 |
| Supplementary cash flow information | | |
| Interest paid | \$ 530,894 | \$ 1,880,005 |

The accompanying notes are an integral part of these 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 Revised Statutes Section 6.641 "Credit Unions" for the purpose of serving corporate accounts by providing money management services, creating a source of credit and offering various back office correspondent services to 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 (State) 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.

Louisiana Corporate Credit Union Notes to Financial Statements

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 Securities, at Cost

Federal Home Loan Bank (FHLB) Stock

FHLB of Dallas 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.

Central Liquidity Facility (CLF) Stock

In 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which included legislative changes that strengthened the CLF program. The CLF is a liquidity lender for credit unions experiencing liquidity shortfalls by allowing access to funds from the U.S. Treasury. The Credit Union invested \$3,263,099 on behalf of member credit unions to join the CLF as an agent member. CLF 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.

Louisiana Corporate Credit Union Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 rates as stipulated in the loan agreements. The Credit Union evaluates each member's credit worthiness on a case-by-case basis.

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, 2020 and 2019 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 2020 or 2019.

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 CUSOs are investments accounted for using the equity method. A detailed description of the CUSOs is noted in Note 6.

Louisiana Corporate Credit Union Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Louisiana Corporate Credit Union Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Credit Union records noninterest income from certain contracts with members under ASC 606, *Revenue from Contracts with Customers*, including fee income, servicing fees, and other miscellaneous services and transactions. Contracts within the scope of ASC 606 are often terminable on demand and the Credit Union has no remaining obligation to deliver future services. For arrangements with a fixed term, the Credit Union may commit to deliver services in the future. Revenue associated with these remaining performance obligations typically depends on the occurrence of future events, and is not recognized until the outcome of these events is known.

The primary source of revenue is interest income from interest-earnings assets, such as loan agreements and securities contracts, which fall outside the scope of ASC 606. 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.

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 \$3,410 and \$4,306 for the years ended December 31, 2020 and 2019, 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 investment securities available for sale, which are also recognized as separate components of members' 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.

Louisiana Corporate Credit Union Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 modified 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 guidance is effective for fiscal years beginning after December 15, 2019. Thus, on January 1, 2020, the Credit Union applied the provisions of this ASU using the prospective or retrospective approach as required by the transition provisions of this new guidance.

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.

COVID-19 Pandemic

Business operations and financial results are influenced by the economic environment in which the Credit Union operates. The adverse economic conditions and uncertainty driven by the COVID-19 pandemic impacted 2020 and expectations are the impact will continue into the future.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 6, 2021. See Note 16 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Louisiana Corporate Credit Union Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Standards

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. The Credit Union is currently evaluating the impact of the guidance on its financial statements.

Louisiana Corporate Credit Union
Notes to Financial Statements

Note 3: SECURITIES

The following table summarizes the amortized cost and fair value of securities available for sale at December 31, 2020 and 2019 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss):

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|--------------------------------------|-----------------------|------------------------------|-------------------------------|-----------------------|
| 2020 | | | | |
| Available for sale | | | | |
| U.S. agency securities | \$ 65,803,846 | \$ 403,758 | \$ (57,205) | \$ 66,150,399 |
| Mortgage-backed securities | 84,550,088 | 587,698 | (67,600) | 85,070,186 |
| Student loan asset-backed securities | 8,131,803 | - | (272,856) | 7,858,947 |
| Mutual fund | - | - | - | - |
| Total available for sale | \$ 158,485,737 | \$ 991,456 | \$ (397,661) | \$ 159,079,532 |

| | 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 | 23,223,055 | 6,271 | (122,309) | 23,107,017 |
| Student loan asset-backed securities | 10,033,524 | - | (225,118) | 9,808,406 |
| 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 |

Louisiana Corporate Credit Union
Notes to Financial Statements

Note 3: SECURITIES (Continued)

The amortized cost and estimated fair value of investment securities, at December 31, 2020, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| <i>December 31, 2020</i> | Amortized Cost | Fair Value |
|--------------------------|-----------------------|-----------------------|
| Available for sale | | |
| Within one year | \$ 6,797,318 | \$ 6,735,900 |
| One to five years | 40,868,687 | 40,872,512 |
| Five to ten years | 89,696,124 | 90,253,885 |
| Beyond ten years | 21,123,608 | 21,217,235 |
| Total | \$ 158,485,737 | \$ 159,079,532 |

Approximately \$131.2 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 losses at December 31, 2020 and 2019, aggregated by major security type and length of time in a continuous unrealized 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, 2020 | | | | | | |
| Available for sale | | | | | | |
| U.S. agency securities | \$ 5,000,000 | \$ (16,742) | \$ 10,070,455 | \$ (40,463) | \$ 15,070,455 | \$ (57,205) |
| Mortgage-backed securities | 8,482,654 | (29,116) | 2,667,525 | (38,484) | 11,150,179 | (67,600) |
| Student loan asset-backed securities | - | - | 8,131,803 | (272,856) | 8,131,803 | (272,856) |
| Mutual fund | - | - | - | - | - | - |
| Total available for sale | \$ 13,482,654 | \$ (45,858) | \$ 20,869,783 | \$ (351,803) | \$ 34,352,437 | \$ (397,661) |

Louisiana Corporate Credit Union
Notes to Financial Statements

Note 3: SECURITIES (Continued)

| | 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) | 6,946,663 | (81,575) | 19,856,104 | (122,309) |
| Student loan asset-backed securities | - | - | 9,808,406 | (225,118) | 9,808,406 | (225,118) |
| Mutual fund | - | - | 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) |

During 2020, there was one (1) sale of securities available for sale, and no sales of securities available for sale during 2019.

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 five (5) 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 29 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 (1) mutual fund is comprised of underlying GSE securities and cash and is not subject to OTTI 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, 2020 and 2019, the Credit Union held, in its available for sale investment portfolio, no securities that were determined to have other-than-temporary impairment losses.

Louisiana Corporate Credit Union
Notes to Financial Statements

Note 4: LOANS TO MEMBERS

Loans at year-end were as follows:

| December 31, | 2020 | 2019 |
|---------------------------------------|------------|------|
| Demand/line-of-credit loans available | \$ 102,443 | \$ - |
| Total loans to members | \$ 102,443 | \$ - |

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, 2020 or 2019. Additionally, none of the loans were past due or had been modified as a troubled debt restructuring as of December 31, 2020 or 2019.

Note 5: PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

| December 31, | 2020 | 2019 |
|-----------------------------------|------------------|------------|
| Furniture, fixtures and equipment | \$ 210,992 | \$ 209,709 |
| Leasehold improvements | 8,039 | 8,039 |
| | 219,031 | 217,748 |
| Less: Accumulated depreciation | (199,370) | (184,753) |
| Premises and equipment, net | \$ 19,661 | \$ 32,995 |

Depreciation expense for the years ended December 31, 2020 and 2019 was \$14,617 and \$12,762, respectively.

Louisiana Corporate Credit Union
Notes to Financial Statements

Note 6: INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS

Investments in Credit Union Service Organizations are summarized as follows:

| December 31, | 2020 | 2019 |
|---|-------------------|-------------------|
| Primary Financial Company, LLC | \$ 285,451 | \$ 277,128 |
| CU Business Group, LLC | 138,679 | 127,706 |
| Investment in Credit Union Service Organizations | \$ 424,130 | \$ 404,834 |

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, | 2020 | 2019 |
|------------------------|-----------------------|-----------------------|
| Daily shares | \$ 200,597,501 | \$ 118,943,330 |
| Paid-in capital shares | 37,145 | 37,145 |
| Total | \$ 200,634,646 | \$ 118,980,475 |

The aggregate amounts of members' share and money market accounts over \$250,000 were \$195,390,991 and \$113,842,764 as of December 31, 2020 and 2019, respectively.

Note 8: BORROWED FUNDS

The Credit Union maintains a line of credit with the FHLB of Dallas. The Credit Union had an outstanding balance of \$0 for the years ending December 31, 2020 and 2019. The Credit Union's remaining availability under this line of credit was \$131,150,923 and \$50,158,780 as of December 31, 2020 and 2019, respectively. The line of credit is secured by the Credit Union's investment securities available for sale as deemed eligible by the FHLB and is renewable annually. The interest rate is priced daily based on the FHLB of Dallas' discount note market.

Louisiana Corporate Credit Union
Notes to Financial Statements

Note 9: LEASE COMMITMENTS

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

| Location | Term (Years) | Expiration Date |
|-------------|-----------------|--------------------|
| Main Office | 5 | September 2023 |

Rent expense was approximately \$59,425 and \$60,953 for the years ended December 31, 2020 and 2019, respectively.

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

| <i>For the years ending December 31,</i> | |
|--|-------------------|
| 2021 | \$ 60,308 |
| 2022 | 61,460 |
| 2023 | 46,095 |
| Total | \$ 167,863 |

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, | 2020 | 2019 |
|------------------------------------|----------------|----------------|
| Advised lines of credit - unused | \$ 126,289,557 | \$ 126,587,000 |
| Standby letters of credit - unused | 508,914 | 508,914 |
| Total lines of credit | \$ 126,798,471 | \$ 127,095,914 |

Louisiana Corporate Credit Union Notes to Financial Statements

Note 10: 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 \$38,000,000 and \$4,000,000 as of December 31, 2020 and 2019, 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, 2020.

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. The Credit Union was issued a claim certificate of \$5,874,197. In April 2021, the Credit Union was notified of an initial payment in the amount of \$522,804 to be recorded in March of 2021. This initial payment was received in April of 2021. The remaining claim after the initial payment is \$5,351,393, however, no assurance can be provided as to the ultimate amount, if any, to be recovered at this time. Further distributions will be evaluated by the liquidating agent on a semi-annual basis on June 30 and December 31 of each year.

Louisiana Corporate Credit Union
Notes to Financial Statements

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.

The Credit Union's actual and required ratios for December 31, 2020 and 2019 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) | | | | | | |
| 2020 | | | | | | |
| Leverage | \$ 7,693 | 4.28% | \$ 7,189 | 4.00% | \$ 8,986 | 5.00% |
| Tier 1 risk -based capital (Tier 1 core capital to MMANRA) | \$ 7,693 | 26.20% | \$ 1,175 | 4.00% | \$ 1,762 | 6.00% |
| Total risk -based capital (Total capital to MMANRA) | \$ 9,137 | 31.11% | \$ 2,349 | 8.00% | \$ 2,937 | 10.00% |
| Retained earnings (Retained earnings to MDANA) | \$ 2,247 | 1.25% | \$ 809 | 0.45% | N/A | N/A |
| 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 | 1.74% | \$ 525 | 0.45% | N/A | N/A |

Louisiana Corporate Credit Union Notes to Financial Statements

Note 12: REGULATORY CAPITAL (Continued)

As of December 31, 2020 and 2019, the Credit Union met all capital requirements under Section 704.3 of the NCUA Regulations.

Note 13: RETIREMENT PLANS

Defined Contribution Retirement Plans

The Credit Union sponsors a defined contribution safe harbor 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 participant's first 5% of salary contributed. The Credit Union may also make discretionary contributions at the direction of management. The plan was amended effective January 1, 2020 to add a safe harbor non-elective contribution equal to 3% of eligible compensation. This safe harbor contribution is fully vested to the participants. During the years December 31, 2020 and 2019, the amount contributed by the Credit Union and charged to expense was \$43,907 and \$41,267, respectively.

Supplemental Executive Retirement Plan

Effective in 2018, as amended in 2020, 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. Effective June 1, 2020, the Company amended and restated the limited recourse term promissory note (the Note) to provide for additional funding related to the amount of the total remaining premium payments due under the policy of \$645,000 as of June 1, 2020. Total split-dollar loans outstanding at December 31, 2020 and 2019, respectively, were \$927,912 and \$278,940, and are included in prepaid expenses and other assets in the accompanying statement of financial condition. In addition, the Note also amended the interest rate to 1.01% from 1.00% per annum fixed interest rate with interest compounded annually. Accrued interest receivable on the Note totaled \$5,495 and \$930, at December 31, 2020 and December 31, 2019, respectively, which amounts are also included in other assets in the accompanying statement of financial condition. 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 or the death benefit.

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 for the years ending December 31, 2020 and 2019 were \$0. Deposits from related parties at December 31, 2020 and 2019 amounted to \$68,888,993 and \$37,314,514, 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 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 – Significant other observable inputs other than Level 1 prices, such as:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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:

Investment 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).

Louisiana Corporate Credit Union
Notes to Financial Statements

Note 15: FAIR VALUE MEASUREMENTS (CONTINUED)

Investment Securities Available for Sale and Mutual Fund (Continued)

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

| | Fair Value | Quoted Prices in Active Markets for Identical Asset Level 1 | Significant Other Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
|---|-----------------------|--|---|--|
| <i>December 31, 2020</i> | | | | |
| Investment securities available for sale | | | | |
| U.S. agency securities | \$ 66,150,399 | \$ - | \$ 66,150,399 | \$ - |
| Mortgage backed securities | 85,070,186 | - | 85,070,186 | - |
| Student loan asset-backed securities | 7,858,947 | - | 7,858,947 | - |
| Total investment securities available for sale | \$ 159,079,532 | \$ - | \$ 159,079,532 | \$ - |
| <i>December 31, 2019</i> | | | | |
| Investment securities available for sale | | | | |
| U.S. agency securities | \$ 49,945,002 | \$ - | \$ 49,945,002 | \$ - |
| Mortgage backed securities | 23,107,017 | - | 23,107,017 | - |
| Student loan asset-backed securities | 9,808,406 | - | 9,808,406 | - |
| Mutual fund | 1,817,616 | 1,817,616 | - | - |
| Total investment securities available for sale | \$ 84,678,041 | \$ 1,817,616 | \$ 82,860,425 | \$ - |

Note 16: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2020 through May 6, 2021, the date the Credit Union's financial statements were available to be issued. The following items occurred:

As discussed in Note 11, in April 2021, the Credit Union was notified of an initial payment from the U.S. Central Federal Credit Union liquidation in the amount of \$522,804 to be recorded in March of 2021.