



Corporate
Central
Credit Union

**CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

Audit Committee and Board of Directors
Corporate Central Credit Union and Subsidiaries
Muskego, Wisconsin

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corporate Central Credit Union and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

We also have audited in accordance with auditing standards generally accepted in the United States of America, Corporate Central Credit Union and Subsidiaries internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with National Credit Union Administration (NCUA) Rules and Regulations Part 704.15(a), as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 5, 2020 expressed an unmodified opinion.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 5, 2020

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 549,895,054	\$ 493,824,453
Securities - Available-for-Sale	1,887,892,694	1,432,420,490
Loans, Net	74,366,683	169,558,900
Accrued Interest Receivable	2,653,381	2,819,347
Premises and Equipment, Net	2,594,751	2,454,742
NCUSIF Deposit	547,978	540,731
Other Assets	3,826,021	8,752,828
	\$ 2,521,776,562	\$ 2,110,371,491
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' Share and Certificate Deposits	\$ 2,306,612,052	\$ 1,814,022,263
Borrowed Funds	53,000,000	139,500,000
Accrued Interest Payable	1,072,285	1,320,274
Accrued Expenses and Other Liabilities	1,502,854	1,749,745
Total Liabilities	2,362,187,191	1,956,592,282
MEMBERS' EQUITY		
Regular Reserves	3,000,000	3,000,000
Undivided Earnings	58,956,149	53,411,006
Members' Perpetual Contributed Capital	103,589,158	101,368,643
Accumulated Other Comprehensive Loss	(5,955,936)	(4,000,440)
Total Members' Equity	159,589,371	153,779,209
Total Liabilities and Members' Equity	\$ 2,521,776,562	\$ 2,110,371,491

See accompanying Notes to Consolidated Financial Statements.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
INTEREST INCOME		
Asset Backed Securities	\$ 30,482,647	\$ 23,176,802
U.S. Government Agency Mortgage Backed Securities	7,971,021	4,825,573
Other Investments	22,275,451	12,370,770
Loans	1,601,480	2,185,152
Total Interest Income	62,330,599	42,558,297
INTEREST EXPENSE		
Plateau Daily Shares	9,576,928	5,830,462
Premier Shares	4,063,081	2,719,213
LIBOR Investment Shares	12,576,177	5,075,178
Money Market Shares	2,618,414	2,513,521
Variable Rate/Plus Shares	1,830,314	1,062,565
Fixed Rate Shares	11,566,308	9,608,155
Other Shares	5,231,324	1,952,261
Nonperpetual Capital Accounts	1,339,157	1,170,300
Notes Payable	512,364	1,612,444
Total Interest Expense	49,314,067	31,544,099
NET INTEREST INCOME	13,016,532	11,014,198
NONINTEREST INCOME		
Service Charges and Fees	5,845,874	5,433,301
Other Noninterest Income	1,082,548	745,682
Net Gain on Sale of Investments	354,573	282,510
Total Noninterest Income	7,282,995	6,461,493
NONINTEREST EXPENSE		
Compensation and Employee Benefits	5,850,385	4,801,306
Occupancy and Equipment	278,350	327,204
Advertising and Training	357,629	326,769
Contracted Operating Service Expense	2,893,445	2,595,620
Depreciation Expense	111,018	115,556
Other Expenses	2,196,761	1,866,388
Total Noninterest Expense	11,687,588	10,032,843
NET INCOME	\$ 8,611,939	\$ 7,442,848

See accompanying Notes to Consolidated Financial Statements.

**CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
NET INCOME	\$ 8,611,939	\$ 7,442,848
OTHER COMPREHENSIVE INCOME (LOSS)		
Securities - Available-for-Sale		
Unrealized Gain Loss During the Period	(277,126)	(2,562,592)
Reclassification Adjustment for Gains Realized in Income	(354,573)	(282,510)
Subtotal	(631,699)	(2,845,102)
Defined Benefit Plan		
Net Loss During the Period	(1,691,033)	(1,600,594)
Amortization of Net Loss	367,236	228,150
Subtotal	(1,323,797)	(1,372,444)
TOTAL OTHER COMPREHENSIVE LOSS	(1,955,496)	(4,217,546)
TOTAL COMPREHENSIVE INCOME	\$ 6,656,443	\$ 3,225,302

See accompanying Notes to Consolidated Financial Statements.

**CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Regular Reserve	Undivided Earnings	Member Perpetual Contributed Capital	Accumulated Other Comprehensive Income (Loss)	Total
BALANCES AT DECEMBER 31, 2017	\$ 3,000,000	\$ 48,881,771	\$ 101,368,752	\$ 217,106	\$ 153,467,629
Net Income	-	7,442,848	-	-	7,442,848
Other Comprehensive Loss	-	-	-	(4,217,546)	(4,217,546)
Perpetual Contributed Capital Dividends	-	(2,913,613)	-	-	(2,913,613)
Change in Members' Perpetual Contributed Capital	-	-	(109)	-	(109)
BALANCES AT DECEMBER 31, 2018	3,000,000	53,411,006	101,368,643	(4,000,440)	153,779,209
Net Income	-	8,611,939	-	-	8,611,939
Other Comprehensive Loss	-	-	-	(1,955,496)	(1,955,496)
Perpetual Contributed Capital Dividends	-	(3,066,796)	-	-	(3,066,796)
Change in Members' Perpetual Contributed Capital	-	-	2,220,515	-	2,220,515
BALANCES AT DECEMBER 31, 2019	<u>\$ 3,000,000</u>	<u>\$ 58,956,149</u>	<u>\$ 103,589,158</u>	<u>\$ (5,955,936)</u>	<u>\$ 159,589,371</u>

See accompanying Notes to Consolidated Financial Statements.

**CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 8,611,939	\$ 7,442,848
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	111,018	120,465
Net Securities Discount/Premium Amortization	(7,075,136)	(2,334,038)
Net Gain on Sale of Investments	(354,573)	(282,510)
Changes in:		
Accrued Interest Receivable	165,966	(1,253,588)
Other Assets	3,603,010	(595,556)
Accrued Interest Payable	(247,989)	446,408
Pension Funding Asset	-	1,161,388
Accrued Expenses and Other Liabilities	(246,891)	771,510
Net Cash Provided by Operating Activities	4,567,344	5,476,927
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Securities Available-for-Sale	(1,886,257,109)	(1,151,881,283)
Proceeds from Maturities of Securities Available-for-Sale	1,330,303,364	634,015,732
Proceeds from Sales of Securities Available-for-Sale	107,279,551	94,677,912
Loan Originations Net of Principal Collected on Loans to Members	95,192,217	(16,415,533)
Increase in NCUSIF Deposit	(7,247)	(15,539)
Expenditures for Property and Equipment	(251,027)	(101,626)
Net Cash Used by Investing Activities	(353,740,251)	(439,720,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Members' Share and Certificate of Deposits	492,589,789	264,021,837
Advances on Term Borrowings	53,000,000	139,500,000
Repayments on Term Borrowings	(139,500,000)	(58,000,000)
Net Decrease in Member Perpetual Contributed Capital	2,220,515	(109)
Dividends on Member Perpetual Contributed Capital	(3,066,796)	(2,913,613)
Net Cash Provided by Financing Activities	405,243,508	342,608,115
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,070,601	(91,635,295)
Cash and Cash Equivalents - Beginning of Year	493,824,453	585,459,748
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 549,895,054	\$ 493,824,453
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Borrowed Funds Interest Paid	\$ 712,657	\$ 1,497,553
Members' Shares and Certificate Interest Paid	\$ 48,849,401	\$ 29,600,139

See accompanying Notes to Consolidated Financial Statements.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Corporate Central Credit Union (Credit Union) is a state-chartered cooperative association headquartered in Muskego, Wisconsin, organized in accordance with the provisions of the state of Wisconsin for the purpose to be a place for member credit unions to invest funds at a competitive return and to create a source of credit for these members at a reasonable rate of interest, under a national field of membership. This is accomplished primarily by accepting deposits from members and lending to members or making other investments.

Additionally, the Credit Union obtains service fee revenue through fees that it charges members for providing a variety of correspondent services.

The Credit Union derives its authority to operate from Chapter 186 of the Wisconsin Statutes. The Wisconsin Department of Financial Institutions Office of Credit Unions (OCU) regulates the Credit Union. The member accounts at the Credit Union are federally insured. As a federally insured Corporate, the National Credit Union Administration (NCUA) - Office of National Examinations and Supervision performs an annual exam of the Credit Union.

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union and its wholly owned subsidiaries; InterLutions, LLC, Emergifi, LLC, and QuantyPhi, LLC (the CUSOs). InterLutions, LLC, purpose is to provide innovative business solutions to advance the credit union industry and movement. Emergifi, LLC, purpose is to provide credit union-focused technology solutions. QuantyPhi, LLC, purpose is to provide balance sheet optimization services to credit unions. All significant intercompany accounts and transactions have been eliminated.

Uses of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A material estimate that is particularly susceptible to significant change in the near term is the valuation of securities.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

The Credit Union is subject to certain risks and uncertainties including, but not limited to, interest rate, prepayment, market, geographic concentration, regulatory and credit risk. Net interest income and dividends result from the difference between interest income and dividends earned on interest-earning assets and the interest and dividend expense incurred on interest-bearing liabilities and shares. Net interest income and dividends can be significantly affected by changes in the relative amounts of, and the interest rates and dividend rates associated with these assets, liabilities, and shares. Additionally, during periods of falling interest rates, the loans underlying the Credit Union's securities portfolio are more likely to prepay, and the Credit Union may not be able to reinvest the proceeds from prepayments in securities and other financial assets with yields similar to those of the prepaying securities.

Moreover, the Credit Union's assets, liabilities, and shares are primarily interest and credit sensitive financial instruments and, as such, are subject to a degree of market risk, which may affect their fair value.

Concentration

As of December 31, 2019 and 2018, one member had deposits of approximately \$242,344,000 and \$241,562,000, respectively, with the Credit Union. These concentrations are within regulatory limits.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and funds due from other financial institutions and brokerage firms. For purposes of the statements of cash flows, the Credit Union considers demand deposit cash accounts, share and daily interest deposit accounts, and certificates of deposit with a maturity of three months or less to be cash equivalents.

The Credit Union maintains cash and some investments in deposit accounts at financial institutions that may, at times, exceed federally insured limits.

Certain cash balances represent deposits made by the Credit Union's members that have not cleared various depository institutions. On December 31, 2019 and 2018, the uncollected cash balances totaled \$285,460,766 and \$218,109,681, respectively. Such amounts generally become available for investment or withdrawal within one to three business days.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities

Securities are classified as “available-for-sale” and recorded at fair value, with the unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Realized gains and losses on securities available-for-sale are included in other noninterest income or expense and, when applicable, are reported as a reclassification adjustment in other comprehensive income (loss). Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Declines in the fair value of individual available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union’s intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more likely than not that the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in noninterest income.

The Credit Union did not record any other than temporary impairment during the years ended December 31, 2019 and 2018.

Loans, Net

Loans are made to members that meet established credit requirements. The loans are used by members to meet short-term and long-term liquidity needs. Loans are stated at the amount of unpaid principal. Loans are for outstanding balances on advised lines of credit granted to member credit unions. Interest on loans to members is recognized over the terms of the loans and is calculated using the simple interest method on principal amounts outstanding.

The accrual of interest on a loan is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured. There were no loans on nonaccrual status at December 31, 2019 and 2018.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans, Net (Continued)

The Credit Union has not capitalized, to be amortized over the life of the loan, any loan origination costs because the amounts have been determined to be insignificant.

Allowance for Loan Losses

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature, and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement.

The Credit Union has not modified any loans as a troubled debt restructuring during the years ended December 31, 2019 and 2018.

The Credit Union's portfolio segments and their risk characteristics are described as follows:

Fixed Rate Term Loans: Fixed rate term loans have maturities ranging from less than one month to five years and are available to members with an approved line of credit. The inherent risk in these loans is due to interest rate risk on long-term loans.

Line of Credit: Line of credit loans are used for members' daily settlement transactions. There is low inherent risk with these loans as they are short term in nature and require the member to maintain a settlement deposit account with the Credit Union.

The Credit Union assigns a risk rating to loans and periodically performs detailed internal reviews of all member credit unions to identify credit risks and to assess any changes to line of credit agreements upon review. During the internal reviews, management monitors and analyzes the financial condition of member credit unions. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Good Standing: A credit with no existing or known potential weaknesses deserving of management's close attention.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Watch: Loans classified as watch have a potential weakness that deserves management's attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Watch loans are not adversely classified and do not expose the Credit Union to sufficient risk to warrant adverse classification.

As of December 31, 2019 and 2018, all loans were performing in accordance with the contractual terms. Management believes that no loan loss reserve is currently necessary due to the loans being generally short term in nature, secured by the members' assets, and because the Credit Union has not historically incurred loan losses.

Off-Consolidated Statement of Financial Condition 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.

Premises and Equipment, Net

Land is carried at cost. Building, office furniture and fixtures, and equipment are carried at cost, less accumulated depreciation. Building, office furniture, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets.

Advertising Costs

Advertising costs are expensed as incurred and are not deemed significant in either 2019 or 2018.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The NCUA has the ability to assess premiums related to this fund as deemed necessary.

Members' Share and Certificate Deposits

The Credit Union offers various types of shares to members, from daily shares to fixed-term certificates with interest rates that are fixed or variable. In case of dissolution, after assets are liquidated and debts paid, members would be paid a liquidating dividend in proportion to their deposits.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Members' Share and Certificate Deposits (Continued)

Nonperpetual capital accounts (NCA) are capital investments by member credit unions and denote their commitment in the Credit Union. Notice of intent to redeem is required and once notification is given, the deposit will be redeemed in five years.

Under the definitions of NCA accounts and perpetual contributed capital (PCC) in Part 704.2 of Rules and Regulations of the NCUA, capital is available to cover losses that exceed retained earnings. In May 2009, the NCUA published Letter to Credit Unions 09-CU-10, reinforcing the regulatory requirement in Part 704.2 that PCC accounts and NCA accounts are available to cover losses that exceed retained earnings and stating that when there is an accumulated deficit (retained earnings deficit) at a corporate credit union, PCC and NCA accounts must be depleted to the extent necessary to eliminate the accumulated deficit. As of December 31, 2019 and 2018, the Credit Union was not required to deplete membership capital as retained earnings increased due to net income.

In addition, all credit union deposits up to \$250,000, other than NCA and PCC accounts, in the Credit Union were guaranteed by NCUSIF through December 31, 2019.

The Credit Union's ability to pay the interest or dividends contractually due its members may be restricted in the event it accumulates an undivided earnings deficit.

In the event claims were placed on the Credit Union's assets to satisfy its liabilities, members' shares would be satisfied after creditors, but before NCA and PCC accounts.

Members' Equity

Members' equity is restricted for specific purposes by the Credit Union's Bylaws, board directive, or regulation. The Credit Union's PCC is a wholly at risk investment for those members who subscribed, with neither the dividends nor the repayment of principal guaranteed by any share or deposit insurance fund. Dividends and principal on PCC are subordinate to payment of dividends and principal on members' share deposits. There is no maturity on the PCC and the funds are callable at the option of the Credit Union only. There is no public or private market on PCC. The terms of the PCC shares are such that the amounts qualify as equity for both regulatory capital purposes and under GAAP.

The Credit Union is also required by regulation to maintain a statutory regular reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest or dividends.

NCUA Regulation 704 is the federal regulation governing corporate credit unions. For 2019 and 2018, the regulation requires maintaining a leverage ratio of 4% or greater, a Tier 1 risk-based capital ratio of 4% or greater, and a total risk-based capital ratio of 8% or greater. See Note 7 for additional discussion of regulatory net worth requirements.

**CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss). Accumulated other comprehensive loss, also recognized as a separate component of members' equity, includes valuation adjustments for available-for-sale securities, and transition obligations, prior service credits and other gains and losses related to the Credit Union's defined benefit pension.

The components of accumulated other comprehensive income (loss) included in members' equity are as follows:

	December 31,	
	2019	2018
Unrealized Gain on Available-for-Sale Securities	\$ (158,622)	\$ 473,077
Defined Benefit Plan Net Loss	(5,797,314)	(4,473,517)
Total Accumulated Other Comprehensive Income (Loss)	\$ (5,955,936)	\$ (4,000,440)

Income Taxes

The Credit Union is exempt, under Internal Revenue Code (IRC) 501(c)(14), from federal and state income taxes.

The taxing authorities have the ability to assess taxes, penalties, and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities potentially deemed to be unrelated to the Credit Union's exempt purpose is not expected to have a material effect on the Credit Union's financial position or results of operations.

The Credit Union follows the income tax accounting standard for uncertain tax positions. As a result, the Credit Union evaluated its tax positions and determined no uncertain tax positions exist as of December 31, 2019 and 2018.

The Credit Union's 2016 and subsequent tax years are open for examination by federal and state taxing authorities.

Service Fee Income

Service fee income consists of fees related to item processing, Automated Clearing House (ACH) processing, cash orders, ATM servicing, wire transfers, settlement services, depository services, and other correspondent services that the Credit Union provides to its members.

Retirement Plans

Defined Benefit Pension Plan – The Credit Union provides a defined benefit pension plan covering substantially all of the Credit Union's employees who are eligible as to age and length of service. The Credit Union's funding practice is to make at least the minimum annual contribution that is required by the Employee Retirement Income Security Act of 1974.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans (Continued)

401(k) Plan – The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union’s employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the statutory limits. The Credit Union has the ability to make discretionary contributions to the 401(k) plan. The Credit Union did not make matching discretionary contributions to the 401(k) plan in 2019 or 2018.

457(b) Plan – The Credit Union provides a 457(b) plan, which covers eligible Credit Union employees. The Credit Union did not make any contributions into the 457(b) plan during 2019 or 2018.

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis with changes to fair value recognized through the income statement. The Credit Union adopted the policy to value certain financial instruments at fair value. However, the Credit Union has not elected to measure any existing financial instruments using the fair value option. The Credit Union may elect to measure newly acquired financial instruments at fair value in the future.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

The Credit Union adopted ASU 2014-09 *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as foreclosed assets. The majority of the Credit Union's revenues come from interest income and other sources, including loans and investment securities, which are outside the scope of ASC 606. The Credit Union's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Credit Union satisfies its obligation to the member. Services within the scope of ASC 606 include service charges and fees on depository services. On January 1, 2019, the Credit Union adopted the accounting guidance in ASC 606 using the modified retrospective method applied to those contracts with members which were not completed as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605, *Revenue Recognition*. The adoption of this ASU did not have an impact to our financial statements. Accordingly, no cumulative effect adjustment to opening retained earnings was deemed necessary.

Upon adoption, the Credit Union has elected to use the following optional exemptions that are permitted under the Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Credit Union recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Credit Union would have recognized is one year or less.
- For performance obligations satisfied over time, if the Credit Union has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Credit Union's performance completed to date, the Credit Union will generally recognize revenue in the amount to which the Credit Union has a right to invoice.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

- The Credit Union does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Credit Union recognizes revenue in the amount to which the Credit Union has a right to invoice.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. In addition, certain noninterest income streams are also not within the scope of the new guidance. Topic 606 is applicable to noninterest income such as service charges on deposits, interchange income, investment brokerage fees and insurance commissions. However, the recognition of these revenue streams did not change significantly upon adoption of Topic 606. Furthermore, noninterest income considered to be within the scope of Topic 606 is immaterial to the financial statements as a whole.

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

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through March 5, 2020, the date the consolidated financial statements were available to be issued.

Reclassification of 2018 Data

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

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 SECURITIES AND OTHER INVESTMENTS

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 (Carrying Value)
<u>December 31, 2019</u>				
U.S. Government Agency Securities	\$ 60,496,380	\$ 43,010	\$ (14,130)	\$ 60,525,260
Asset Backed Securities	1,216,135,925	2,756,680	(2,412,613)	1,216,479,992
U.S. Government Agency Mortgage Backed Securities	113,782,280	31,806	(365,488)	113,448,598
U.S. Government Agency Commercial Mortgage Backed Securities	130,465,033	30,644	(215,237)	130,280,440
Commercial Paper	367,171,698	1,658	(14,952)	367,158,404
Total	<u>\$ 1,888,051,316</u>	<u>\$ 2,863,798</u>	<u>\$ (3,022,420)</u>	<u>\$ 1,887,892,694</u>
<u>December 31, 2018</u>				
U.S. Government Agency Securities	\$ 35,500,000	\$ 53,635	\$ (16,290)	\$ 35,537,345
Asset Backed Securities	1,012,511,496	2,551,975	(1,089,719)	1,013,973,752
U.S. Government Agency Mortgage Backed Securities	102,590,186	88,113	(173,962)	102,504,337
U.S. Government Agency Commercial Mortgage Backed Securities	131,720,848	-	(932,291)	130,788,557
Commercial Paper	149,624,883	-	(8,384)	149,616,499
Total	<u>\$ 1,431,947,413</u>	<u>\$ 2,693,723</u>	<u>\$ (2,220,646)</u>	<u>\$ 1,432,420,490</u>

Proceeds from sales of securities available-for-sale during the years ended December 31, 2019 and 2018 were approximately \$107,280,000 and \$94,678,000, respectively. These sales resulted in gross gains of approximately \$355,000 and \$283,000 and no gross losses during the years ended December 31, 2019 and 2018, respectively.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

At December 31, 2019 and 2018, securities carried at approximately \$231,980,000 and \$226,814,000, respectively, were pledged as collateral to secure borrowed funds at the Federal Reserve Bank. At December 31, 2019 and 2018, securities carried at approximately \$146,833,000 and \$144,684,000, respectively, were pledged as collateral to secure borrowed funds at U.S. Bank. At December 31, 2019 and 2018, securities carried at approximately \$334,130,000 and \$404,594,000, respectively were pledged as collateral to secure borrowed funds at Federal Home Loan Bank of Chicago.

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

	Available-for-Sale	
	Amortized Cost	Fair Value (Carrying Value)
Asset Backed Securities and Agency Securities:		
Less Than One Year	\$ 9,821,856	\$ 9,844,087
One to Five Years	731,939,488	732,419,096
Five to Ten Years	329,478,678	330,575,760
After Ten Years	205,392,283	204,166,309
Subtotal	<u>1,276,632,305</u>	<u>1,277,005,252</u>
Commercial Paper:		
Less Than One Year	<u>367,171,698</u>	<u>367,158,404</u>
Subtotal	367,171,698	367,158,404
Mortgage Backed Securities	<u>244,247,313</u>	<u>243,729,038</u>
Total	<u>\$ 1,888,051,316</u>	<u>\$ 1,887,892,694</u>

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

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

	Less Than Twelve Months		Greater Than Twelve Months	
	Gross		Gross	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
<u>December 31, 2019</u>				
U.S. Government Agency Securities	\$ -	\$ -	\$ (14,130)	\$ 8,985,870
Asset Backed Securities	(1,437,445)	279,877,139	(975,168)	122,573,576
U.S. Government Agency Mortgage Backed Securities	(124,534)	52,527,235	(240,954)	74,453,338
U.S. Government Agency Commercial Mortgage Backed Securities	(53,287)	19,556,153	(161,950)	35,670,019
Commercial Paper	(14,952)	342,172,654	-	-
Total Available-for-Sale	\$ (1,630,218)	\$ 694,133,181	\$ (1,392,202)	\$ 241,682,803
	Less Than Twelve Months		Greater Than Twelve Months	
	Gross		Gross	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
<u>December 31, 2018</u>				
U.S. Government Agency Securities	\$ -	\$ -	\$ (16,290)	\$ 8,983,710
Asset Backed Securities	(845,595)	390,140,309	(244,124)	49,369,926
U.S. Government Agency Mortgage Backed Securities	(34,738)	33,360,503	(139,224)	33,869,228
U.S. Government Agency Commercial Mortgage Backed Securities	(932,291)	130,788,558	-	-
Commercial Paper	(8,384)	99,616,499	-	-
	\$ (1,821,008)	\$ 653,905,869	\$ (399,638)	\$ 92,222,864

At December 31, 2019, the 145 securities with unrealized losses have depreciated 0.33% from the Credit Union's amortized cost basis. These unrealized losses relate principally to current yields for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold securities until maturity or for the foreseeable future for those classified as available for sale, no declines are deemed to be other than temporary.

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

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

OTHER INVESTMENTS:

FHLB Stock

The Credit Union has an investment in Federal Home Loan Bank of Chicago (FHLB) stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and as such is not subject to investment security accounting treatment and is, therefore, reported at cost, subject to impairment. FHLB Stock totaled \$2,565,000 and \$6,277,500, at December 31, 2019 and 2018, respectively, and are included in Other Assets on the consolidated statement of financial condition.

NOTE 3 LOANS, NET

The composition of loans to members is as follows:

	December 31,	
	2019	2018
Fixed Rate Term Loans	\$ 36,800,000	\$ 56,500,000
Line of Credit	37,566,683	63,058,900
Demand Loans	-	50,000,000
Total	<u>\$ 74,366,683</u>	<u>\$ 169,558,900</u>

The following table shows the Credit Union's loan portfolio allocated by management's internal risk ratings:

	December 31,	
	2019	2018
Risk Rating:		
Good Standing	\$ 70,402,610	\$ 127,293,718
Watch	3,964,073	42,265,182
Total	<u>\$ 74,366,683</u>	<u>\$ 169,558,900</u>

The Credit Union has not recorded an allowance for loan losses as there are no past due, impaired, or trouble debt restructured loans at December 31, 2019 and 2018.

NOTE 4 PREMISES AND EQUIPMENT, NET

The Credit Union's premises and equipment is summarized as follows:

	December 31,	
	2019	2018
Land	\$ 547,287	\$ 607,168
Building	2,856,692	2,856,692
Office Furniture and Equipment	607,796	482,451
Subtotal	4,011,775	3,946,311
Less: Accumulated Depreciation	(1,417,024)	(1,491,569)
Total	<u>\$ 2,594,751</u>	<u>\$ 2,454,742</u>

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 MEMBERS' SHARE AND CERTIFICATE DEPOSITS

Members' share and certificate deposits are as follows:

	December 31,	
	2019	2018
Plateau/Settlement Daily Shares	\$ 587,963,660	\$ 527,004,630
Premier Daily Shares	216,421,388	139,311,896
LIBOR Investment Shares	684,902,774	243,812,071
Money Market Shares	130,000,000	130,000,000
Variable Rate Shares	24,235,117	10,768,117
Variable Plus Shares	61,333,000	24,718,315
Fixed Rate Shares	542,449,201	675,744,883
Nonperpetual Capital Accounts	59,306,912	62,662,351
Total	<u>\$ 2,306,612,052</u>	<u>\$ 1,814,022,263</u>

The aggregate amount of fixed-rate shares in denominations of \$250,000 or more were approximately \$514,633,110 and \$635,662,000 at December 31, 2019 and 2018, respectively. During 2018, notice of intent to redeem has been received on Nonperpetual Capital Accounts totaling approximately \$112,000 and will be redeemed after five years of receipt of the respective notice of intent to redeem.

As of December 31, 2019, the maturities of fixed-rate shares are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 484,489,201
2021	19,454,000
2022	25,493,000
2023	2,248,000
2024	10,765,000
Total	<u>\$ 542,449,201</u>

NOTE 6 BORROWED FUNDS

The Credit Union has a borrowing arrangement with the Federal Reserve Bank of Chicago Discount Window allowing borrowings up to \$250,000,000 as of December 31, 2019 and 2018, contingent upon the loan being collateralized by acceptable assets. No balances were outstanding on this line as of December 31, 2019 and 2018.

The Credit Union has established a \$100,000,000 secured fed funds line through U.S. Bank at December 31, 2019 and 2018. This line is contingent upon the Credit Union maintaining a safekeeping account to hold securities that are used as collateral. No balances were outstanding on this line as of December 31, 2019 and 2018.

The Credit Union has established a \$50,000,000 unsecured fed funds line through PNC Bank, N.A. at December 31, 2019 and 2018. No balances were outstanding on this line as of December 31, 2019 and 2018.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 BORROWED FUNDS (CONTINUED)

The Credit Union has entered into an Advances, Pledge, and Security Agreement in 2017 with the FHLB whereby specific securities of the Credit Union with advance equivalents of approximately \$317,688,000 and \$404,594,000 at December 31, 2019 and 2018, respectively, were pledged to the FHLB as collateral in the event the Credit Union requests any advances on the line. At December 31, 2019 and 2018, outstanding borrowings were \$53,000,000 and \$139,500,000, respectively.

Borrowed funds consisted of the following:

	December 31,	
	2019	2018
FHLB Term Loan with fixed interest rate of 1.720%	\$ 53,000,000	\$ -
FHLB Term Loan with fixed interest rate of 2.520%	-	69,500,000
FHLB Term Loan with fixed interest rate of 2.540%	-	70,000,000
Total	\$ 53,000,000	\$ 139,500,000

All borrowed funds outstanding as of December 31, 2019 mature in 2020.

NOTE 7 REGULATORY NET WORTH REQUIREMENTS

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 consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under regulatory reporting requirements. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulatory capital standards to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the following tables) of total and Tier 1 capital (as defined) to moving monthly average net risk-weighted assets (as defined) and moving daily average net assets (as defined). Management believes, as of December 31, 2019, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2019, the most recent call-reporting period, the NCUA categorized the Credit Union as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Credit Union must maintain a minimum total risk-based, Tier 1 risk-based, and leverage ratios as set forth in the tables. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

The Credit Union's capital amounts and ratios as of December 31 are presented in the tables.

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<u>December 31, 2019</u>						
Total Capital (to Moving Monthly Average Net Risk-Weighted Assets)	\$ 213,916,857	17.69%	\$ 96,749,397	8.00%	\$ 120,936,746	10.00%
Tier 1 Capital (to Moving Monthly Average Net Risk-Weighted Assets)	165,545,307	13.69%	48,374,698	4.00%	72,562,048	6.00%
Tier 1 Capital (to Moving Daily Average Net Assets)	165,545,307	7.44%	88,956,089	4.00%	111,195,111	5.00%
<u>December 31, 2018</u>						
Total Capital (to Moving Monthly Average Net Risk-Weighted Assets)	\$ 206,729,932	23.74%	\$ 69,667,229	8.00%	\$ 87,084,036	10.00%
Tier 1 Capital (to Moving Monthly Average Net Risk-Weighted Assets)	157,779,649	18.12%	34,833,614	4.00%	52,250,422	6.00%
Tier 1 Capital (to Moving Daily Average Net Assets)	157,779,649	9.00%	70,125,862	4.00%	87,657,327	5.00%

NCUA Regulations as of December 22, 2017 were modified to include all PCC received from federally insured credit unions when the corporate credit union's retained earnings ratio is greater than 2.5%. If a corporate credit union's retained earnings ratio is less than 2.50%, PCC received from federally insured credit unions that causes PCC minus retained earnings, all dividend by moving daily average net assets, to exceed two percent would be excluded from Tier 1 capital. The Credit Union has a retained earnings ratio of 2.79% and 3.22% at December 31, 2019 and 2018, respectively. At both December 31, 2019 and 2018, all PCC is included in the calculation of Tier 1 capital.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8 RELATED PARTY TRANSACTIONS

The Credit Union's Board consists of senior executive officers of full member credit unions. Loans made to these credit unions are made in the ordinary course of business with normal credit terms including interest rates and collateral. The loans outstanding to these credit unions were approximately \$8,000,000 and \$37,500,000 at December 31, 2019 and 2018, respectively. The shares outstanding for these credit unions were approximately \$410,758,000 and \$342,276,000 at December 31, 2019 and 2018, respectively.

NOTE 9 COMMITMENTS AND CONTINGENCY LIABILITIES

Off-Consolidated Statement of Financial Condition 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 that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

The Credit Union's exposure to credit loss 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 those loans recorded in the consolidated financial statements.

As of December 31, 2019 and 2018, the Credit Union had approximately \$68,636,000 and \$51,450,000 in letters of credit extended to credit union members, respectively.

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. Because 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 creditworthiness 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 held varies but may include consumer assets, residential real estate and member share balances.

Unfunded amounts under advised credit lines and overdraft protection agreements represent potential future extensions of credit to existing members. 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 of the credit limits to which the Credit Union has approved. The total advised lines of credit to members as of December 31, 2019 and 2018 were \$3.04 billion and \$2.97 billion, of which \$2.96 billion and \$2.80 billion is available, respectively.

Legal Contingencies

The Credit Union is a party to various collection related legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the financial condition of the Credit Union.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 FAIR VALUE

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis as of December 31:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Available-for-Sale Securities:				
U.S. Government Agency Securities	\$ -	\$ 60,525,260	\$ -	\$ 60,525,260
Asset Backed Securities	-	1,216,479,992	-	1,216,479,992
U.S. Government Agency Mortgage Backed Securities	-	113,448,598	-	113,448,598
Collateralized Mortgage Backed Securities	-	130,280,440	-	130,280,440
Commercial Paper	-	367,158,404	-	367,158,404
Total Assets	<u>\$ -</u>	<u>\$ 1,887,892,694</u>	<u>\$ -</u>	<u>\$ 1,887,892,694</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Available-for-Sale Securities:				
U.S. Government Agency Securities	\$ -	\$ 35,537,345	\$ -	\$ 35,537,345
Asset Backed Securities	-	1,013,973,752	-	1,013,973,752
U.S. Government Agency Mortgage Backed Securities	-	102,504,337	-	102,504,337
Collateralized Mortgage Backed Securities	-	130,788,557	-	130,788,557
Commercial Paper	-	149,616,499	-	149,616,499
Total Assets	<u>\$ -</u>	<u>\$ 1,432,420,490</u>	<u>\$ -</u>	<u>\$ 1,432,420,490</u>

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 FAIR VALUE (CONTINUED)

Investment Securities

When available, the Credit Union uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union's securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained, or cannot be corroborated, a security is generally classified as Level 3.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11 DEFINED BENEFIT PENSION PLAN

The Credit Union's defined benefit pension plan is described in Note 1. The following table sets forth the plan's funded status and amounts recognized in the consolidated statements of financial condition at December 31:

As of Most Recent Actuarial Valuation:

	December 31,	
	<u>2019</u>	<u>2018</u>
Benefit Obligation	\$ 11,440,929	\$ 8,121,740
Fair Value of Plan Assets	<u>10,981,803</u>	<u>7,668,861</u>
Excess of Plan Assets Over Benefit Obligation	<u>\$ (459,126)</u>	<u>\$ (452,879)</u>
Accumulated Benefit Obligation	<u>\$ 9,631,873</u>	<u>\$ 6,673,804</u>

Assumptions used to Determine Benefit Obligation:

Weighted Average Discount Rate	3.25%	4.25%
Expected Long-Term Return on Plan Assets	7.50%	7.50%
Rate of Future Compensation Increase	3.00%	3.00%

Pension Benefits:

Net Pension Cost	\$ 583,335	\$ 241,823
Employer Contribution	-	-
Plan Participants' Contributions	-	-
Benefits Paid	2,102	205,471

Assumptions used to Determine Net Pension Costs:

Weighted Average Discount Rate	3.25%	4.25%
Expected Long-Term Return on Plan Assets	7.50%	7.50%
Rate of Compensation Increase	3.00%	3.00%

Included in Statements of Financial Condition:

Asset for Pension Funding	<u>\$ (459,126)</u>	<u>\$ (452,879)</u>
Accumulated Other Comprehensive Loss	<u>\$ (5,797,314)</u>	<u>\$ (4,473,517)</u>

Included in Other Comprehensive Income:

Accumulated Other Comprehensive Loss:		
Net Unrecognized Loss	<u>\$ (1,323,797)</u>	<u>\$ (1,372,444)</u>

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The discount rate and expected rate of return on plan assets are critical assumptions which significantly affect pension accounting. Even relatively small changes in these rates would significantly change the recorded pension expense and accrued liability. Management believes the discount rate and expected rate of return on plan assets used in determining its year-end pension accounting are reasonable based on currently available information. However, it is at least reasonably possible that these assumed rates will be revised in the near term, based on future events and changes in circumstances.

The overall expected long-term rate of return on plan assets represents a weighted average composition rate based on expected rates of return. The Credit Union's pension plan weighted-average asset allocations by asset category are as follows:

	December 31,	
	2019	2018
Stable Value/Money Market	24.8 %	- %
Equity Securities	42.9	55.5
Debt Securities	-	44.5
Fixed Income	22.6	-
Other	9.8	-
Total	<u>100.0 %</u>	<u>100.0 %</u>

The target asset allocation for the Defined Benefit Pension Plan is developed to meet the plan's long-term objectives based on prudent levels of risk relative to return, diversification, and sufficient liquidity to fund emerging liabilities.

The following tables present the balances of the defined benefit plan assets measured at fair value on a recurring basis as of December 31:

December 31, 2019	Level 1	Level 2	Level 3	Total
Stable Value/Money Market	\$ -	\$ 2,719,606	\$ -	\$ 2,719,606
Equity Securities	-	4,709,455	-	4,709,455
Fixed Income	-	2,478,661	-	2,478,661
Other	-	1,074,081	-	1,074,081
Total	<u>\$ -</u>	<u>\$ 10,981,803</u>	<u>\$ -</u>	<u>\$ 10,981,803</u>

December 31, 2018	Level 1	Level 2	Level 3	Total
Equity Securities	\$ -	\$ 4,252,873	\$ -	\$ 4,252,873
Debt Securities	-	3,415,988	-	3,415,988
Total	<u>\$ -</u>	<u>\$ 7,668,861</u>	<u>\$ -</u>	<u>\$ 7,668,861</u>

At December 31, 2019, the actuary has not calculated, or informed the Credit Union of any contribution requirements.

CORPORATE CENTRAL CREDIT UNION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 2,465,769
2021	199,664
2022	585,483
2023	513,754
2024	213,613
2025-2029	5,958,888



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INDEPENDENT AUDITORS' REPORT

Audit Committee and Board of Directors
Corporate Central Credit Union and Subsidiaries
Muskego, Wisconsin

We have audited Corporate Central Credit Union and Subsidiaries' internal control over financial reporting, including controls over the preparation of regulatory consolidated financial statements in accordance with the regulatory instructions in National Credit Union Administration (NCUA) form 5310 (call report instructions) as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying *Management Report*.

Auditors' Responsibility

Our responsibility is to express an opinion on the Corporate Central Credit Union and Subsidiaries' internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

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

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

Corporate Central Credit Union and Subsidiaries' internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and consolidated financial statements for regulatory reporting purposes, i.e., call reports. Because management's assessment and our audit were conducted to meet the reporting requirements of Part 704 of the National Credit Union Administration's rule on corporate credit unions, our audit of Corporate Central Credit Union and Subsidiaries' internal control over financial reporting included controls over the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and with the call report instructions. Corporate Central Credit Union and Subsidiaries' internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporate Central Credit Union and Subsidiaries; (2) provide reasonable assurance that the transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Corporate Central Credit Union and Subsidiaries are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Corporate Central Credit Union and Subsidiaries' assets that could have a material effect on the consolidated financial statements.

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

Opinion

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

Report on Financial Statements

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the 2019 consolidated financial statements of Corporate Central Credit Union and Subsidiaries and our report dated March 5, 2020, expressed an unmodified opinion.

Other Matter

This report is intended solely for the information and use of the audit committee, board of directors, and management of Corporate Central Credit Union and Subsidiaries and their regulators, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 5, 2020



Management Report

Statement of Management's Responsibilities

The management of Corporate Central Credit Union and Subsidiaries (the "Credit Union") is responsible for preparing the Credit Union's annual consolidated financial statements in accordance with generally accepted accounting principles; for designing, implementing and maintaining an adequate internal control structure and procedures for financial reporting; and for complying with the federal and state laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends, and regulatory reporting that meets full and fair disclosures.

Management's Assessment of Compliance with Designated Laws and Regulations

The management of Corporate Central Credit Union and Subsidiaries has assessed the Credit Union's compliance with the federal and state laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends, and regulatory reporting that meets full and fair disclosures during the fiscal year that ended on December 31, 2019. Based upon its assessment, management has concluded that the Credit Union complied with federal and state laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends, and regulatory reporting that meets full and fair disclosures during the fiscal year that ended on December 31, 2019.

Management's Assessment of Internal Control Over Financial Reporting

The Credit Union's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The Credit Union's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Credit Union; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Credit Union are being made only in accordance with authorizations of management and directors of the Credit Union; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the Credit Union's assets that could have a material effect on the consolidated financial statements.

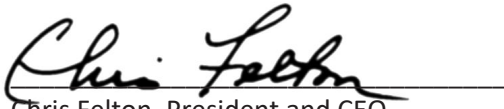
Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or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

Management assessed the effectiveness of Corporate Central Credit Union and Subsidiaries' internal control over financial reporting, as of December 31, 2019, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*. Based upon its assessment, management has concluded that, as of December 31, 2019, Corporate Central

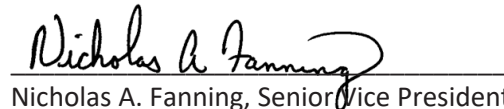
Credit Union and Subsidiaries' internal control over financial reporting, including controls over the preparation of regulatory consolidated financial statements in accordance with the instructions for the call report, is effective based on the criteria established in *Internal Control – Integrated Framework (2013)*.

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory consolidated financial statements in accordance with the instructions for the call report, as of December 31, 2019, has been audited by CliftonLarsonAllen LLP, an independent public accounting firm, as stated in their report dated March 5, 2020.

Corporate Central Credit Union and Subsidiaries

A handwritten signature in black ink, reading "Chris Felton", written over a horizontal line.

Chris Felton, President and CEO
Corporate Central Credit Union

A handwritten signature in black ink, reading "Nicholas A. Fanning", written over a horizontal line.

Nicholas A. Fanning, Senior Vice President and Chief Financial Officer
Corporate Central Credit Union