IDB GLOBAL
FEDERAL CREDIT UNION

# Financial Statements

December 31, 2020 and 2019
*(With Independent Auditors' Report Thereon)*

DoerenMayhew
CPAs AND ADVISORS

2020
## Annual Report

# IDB GLOBAL FEDERAL CREDIT UNION

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DoerenMayhew
CPAs AND ADVISORS

12060 S.W. 129th Court, Ste. 201
Miami, Florida 33186-4582
305.232.8272
doeren.com

Independent Auditor's Report

April 26, 2021

To the Supervisory Committee and Board of Directors
of IDB Global Federal Credit Union

**Report on the Financial Statements**

We have audited the accompanying financial statements of IDB Global Federal Credit Union, which comprise the statements of financial condition as of December 31, 2020 and 2019, and the related statements of income, comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IDB Global Federal 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.

*Doeren Mayhew*

Doeren Mayhew
Miami, FL

# IDB GLOBAL FEDERAL CREDIT UNION

## STATEMENTS OF FINANCIAL CONDITION
## AS OF DECEMBER 31, 2020 AND 2019

| Assets | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $54,819,272 | $52,770,765 |
| Interest bearing deposits | 10,180,000 | 23,467,000 |
| Available-for-sale investments (Note 2) | 155,097,350 | 52,942,306 |
| Loans, net of allowance for loan losses (Note 3) | 451,524,238 | 442,519,320 |
| Accrued interest receivable | 1,307,807 | 1,372,249 |
| Prepaid and other assets | 10,441,492 | 9,317,954 |
| Property and equipment, net (Note 4) | 146,468 | 185,156 |
| National Credit Union Share Insurance Fund (NCUSIF) deposit | 4,472,216 | 4,057,473 |
| Total assets | $687,988,843 | $586,632,223 |
| **Liabilities and Members' Equity** | | |
| Liabilities: | | |
| Members' shares and savings accounts (Note 5) | $572,844,616 | $492,835,156 |
| Borrowed funds (Note 7) | 27,127,859 | 11,956,024 |
| Accrued expenses and other liabilities | 1,772,491 | 2,295,758 |
| Total liabilities | 601,744,966 | 507,086,938 |
| Commitments and contingent liabilities | | |
| Members' equity: | | |
| Regular reserve | 4,300,000 | 4,300,000 |
| Undivided earnings | 79,341,496 | 74,870,639 |
| Accumulated other comprehensive income | 2,602,381 | 374,646 |
| Total members' equity | 86,243,877 | 79,545,285 |
| Total liabilities and members' equity | $687,988,843 | $586,632,223 |

See accompanying notes to the financial statements.

# IDB GLOBAL FEDERAL CREDIT UNION

## STATEMENTS OF INCOME
## YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| Interest income: | | |
| Loans | $14,400,297 | $14,159,284 |
| Investment securities | 2,196,101 | 3,172,439 |
| Total interest income | 16,596,398 | 17,331,723 |
| Interest expense: | | |
| Members' shares and savings accounts | 2,996,369 | 3,262,091 |
| Borrowed funds | 310,222 | 271,658 |
| Total interest expense | 3,306,591 | 3,533,749 |
| Net interest income | 13,289,807 | 13,797,974 |
| Provision for loan losses | 528,000 | 40,000 |
| Net interest income after provision for loan losses | 12,761,807 | 13,757,974 |
| Non-interest income: | | |
| Fees and charges | 1,253,409 | 1,361,070 |
| Other income | 150,130 | 733,725 |
| Interchange income | 123,113 | 162,752 |
| Total non-interest income | 1,526,652 | 2,257,547 |
| Non-interest expenses: | | |
| Compensation and benefits | 5,892,765 | 5,369,297 |
| Office operations | 2,444,302 | 2,843,198 |
| Professional and outside services | 807,848 | 871,721 |
| Other | 440,946 | 866,555 |
| Loan servicing | 193,181 | 190,472 |
| Office occupancy | 38,560 | 62,137 |
| Total non-interest expenses | 9,817,602 | 10,203,380 |
| Net income | $4,470,857 | $5,812,141 |

See accompanying notes to the financial statements.

# IDB GLOBAL FEDERAL CREDIT UNION

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

| | 2020 | 2019 |
|---|---|---|
| Net income | $4,470,857 | $5,812,141 |
| Other comprehensive income: | | |
| Available-for-sale investments: | | |
| Net unrealized holding gains on available-for-sale investments | 2,272,858 | 1,122,079 |
| Reclassification adjustment for net securities (gains) and losses included in net income | (45,123) | 162,243 |
| Other comprehensive income | 2,227,735 | 1,284,322 |
| Comprehensive income | $6,698,592 | $7,096,463 |

See accompanying notes to the financial statements.

# IDB GLOBAL FEDERAL CREDIT UNION

## STATEMENTS OF MEMBERS' EQUITY
## YEARS ENDED DECEMBER 31, 2020 AND 2019

| | Regular Reserve | Undivided Earnings | Accumulated Other Comprehensive Income/(Loss) | Total |
|---|---|---|---|---|
| Balance, December 31, 2018 | $4,300,000 | $69,058,498 | ($909,676) | $72,448,822 |
| Net income | — | 5,812,141 | — | 5,812,141 |
| Other comprehensive income | — | — | 1,284,322 | 1,284,322 |
| Balance, December 31, 2019 | 4,300,000 | 74,870,639 | 374,646 | 79,545,285 |
| Net income | — | 4,470,857 | — | 4,470,857 |
| Other comprehensive income | — | — | 2,227,735 | 2,227,735 |
| Balance, December 31, 2020 | $4,300,000 | $79,341,496 | $2,602,381 | $86,243,877 |

See accompanying notes to the financial statements.

# IDB GLOBAL FEDERAL CREDIT UNION

## STATEMENTS OF CASH FLOWS
## YEARS ENDED DECEMBER 31, 2020 AND 2019

| | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $4,470,857 | $5,812,141 |
| Adjustments to net cash provided from operating activities: | | |
| Provision for loan losses | 528,000 | 40,000 |
| Depreciation and amortization | 151,909 | 157,084 |
| (Increase)/decrease in: | | |
| Prepaid and other assets | (1,123,538) | (4,063,858) |
| Accrued interest receivable | 64,442 | (921) |
| Increase/(decrease) in: | | |
| Accrued expenses and other liabilities | (523,267) | 49,161 |
| Total adjustments | (902,454) | (3,818,534) |
| Net cash provided from operating activities | 3,568,403 | 1,993,607 |

See accompanying notes to the financial statements.

# IDB GLOBAL FEDERAL CREDIT UNION

## STATEMENTS OF CASH FLOWS
## YEARS ENDED DECEMBER 31, 2020 AND 2019

**Cash Flows (Continued)**

| | 2020 | 2019 |
|---|---|---|
| Cash flows from investing activities: | | |
| Net change in loans | 1,279,517 | 1,025,233 |
| Purchase of loan participations | (10,812,435) | (43,968,119) |
| Proceeds from interest bearing deposits | 22,516,000 | 32,460,000 |
| Purchase of interest bearing deposits | (9,229,000) | (5,927,000) |
| Proceeds from the sale or maturity of available-for-sale investments | 26,211,392 | 31,984,057 |
| Purchase of available-for-sale investments | (126,138,701) | (22,904,194) |
| Increase in NCUSIF deposit | (414,743) | (422,384) |
| Purchase of property and equipment | (113,221) | (66,737) |
| Net cash used in investing activities | (96,701,191) | (7,819,144) |
| Cash flows from financing activities: | | |
| Net change in members' shares and savings accounts | 80,009,460 | 29,331,540 |
| Proceeds from borrowed funds | 20,001,100 | — |
| Payments on borrowed funds | (4,829,265) | (14,321,021) |
| Net cash provided from financing activities | 95,181,295 | 15,010,519 |
| Net change in cash and cash equivalents | 2,048,507 | 9,184,982 |
| Cash and cash equivalents - beginning | 52,770,765 | 43,585,783 |
| Cash and cash equivalents - ending | $54,819,272 | $52,770,765 |

**Supplemental Information**

| | | |
|---|---|---|
| Interest paid | $3,786,575 | $3,549,657 |

See accompanying notes to the financial statements.

**Note 1 - Nature of Business and Significant Accounting Policies**

Organization

IDB Global Federal Credit Union (the Credit Union) is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among, and creating a source of credit for, its members. Participation in the Credit Union is limited to those individuals who qualify for membership including principally staff members, officers and retirees of Inter-American Development Bank (the Bank) and IDB Invest. The field of membership is defined by the Credit Union's Charter and Bylaws.

Use of Estimates

The preparation of 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 the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change include the determination of the allowance for loan losses and fair value of investments. The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information, are summarized below.

Concentrations of Credit Risk

A significant amount of the Credit Union's business activity is with members who work for or have retired from the Bank or IDB Invest. Therefore, the Credit Union may be exposed to credit risk by the economic climate of the overall geographical region in which borrowers work and reside.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) is limited to the changes in unrealized gain/(loss) on available-for-sale investments. When available-for-sale investments are sold, the gain or loss realized on the sale is reclassified from accumulated other comprehensive income/(loss) to the gain or loss on sale of investments reported in the statements of income.

## Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand and amounts due from banks (including cash items in the process of clearing). Amounts due from banks may, at times, exceed federally insured limits.

Interest Bearing Deposits

Interest bearing deposits are time deposits with financial institutions with an original maturity in excess of 90 days. These deposits are all 100% insured and no deposit to one individual institution exceeds $250,000.

Available-for-Sale Investments:

Investments 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 available-for-sale investments are recognized as direct increases or decreases in other comprehensive income. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the estimated fair value of available-for-sale securities below their cost that are other-than-temporary are reflected as realized losses in the statements of income. Factors affecting the determination of whether an other-than-temporary impairment has occurred include, among other things: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) the Credit Union does not intend to sell these securities, and (4) it is more likely than not that the Credit Union will not be required to sell before 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.

Federal Home Loan Bank (FHLB) Stock

As a member of the FHLB, the Credit Union is required to invest in stock of the FHLB. The FHLB stock is carried at cost and its disposition is restricted. Based on its restricted nature, no ready market exists for this investment and it has no quoted market value. The FHLB stock was approximately $1,736,000 and $1,069,000 as of December 31, 2020 and 2019, respectively, and is included in prepaid and other assets.

**Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Loans

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and costs. Interest on loans 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 loans is discontinued at the time the loan is 90 days delinquent. Interest income on non-accrual loans is recognized only to the extent cash payments are received. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

Certain direct loan origination costs are deferred and recognized as an adjustment to interest income over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

Allowance for Loan Losses

The allowance for loan losses (allowance) is an estimate of loan losses inherent in the Credit Union's loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Loan losses are charged off against the allowance when the Credit Union determines the loan balance to be uncollectible. Cash received on previously charged-off amounts is recorded as a recovery to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic assessment 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.

Management has an established methodology to determine the adequacy of the allowance that assesses the risks and losses inherent in the loan portfolio. For purposes of determining the allowance, the Credit Union has segmented certain loans in the portfolio by product type. Loans are divided into the following segments: real estate and consumer. The Credit Union further disaggregates these segments into classes based on the associated risks within those segments. Real estate loans are divided into four classes: first mortgage, first mortgage participations, home equity lines of credit (HELOC), first trust, and HELOC, second trust. Consumer loans are divided into four classes: auto participations, other consumer (primarily unsecured loans), vehicle, and credit card.

**Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Allowance for Loan Losses (Continued)

The allowance consists of specific and general components. The specific component covers impaired loans and specific allowances are established for these loans based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flows, the loan's estimated market value, or the estimated fair value of the underlying collateral. The general component covers non-impaired loans and is based on historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment or class of loans. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. These factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment. The Credit Union maintains a separate general valuation allowance for each portfolio segment.

*Real Estate and Consumer Segment Allowance Methodology*

For loans not individually evaluated for impairment, the Credit Union determines the allowance on a collective basis utilizing historical losses adjusted for current factors. This actual loss experience is adjusted for economic factors, credit quality of the assets comprising the portfolio and the ongoing evaluation process based on the risks present for each portfolio segment or class of loans. As of December 31, 2020 and 2019, the historical loss time frame for each class was the average loss rate of the previous three years.

*Impaired Loans*

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. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

**Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Allowance for Loan Losses (Continued)

*Consumer and Real Estate Credit Quality Indicators*

The majority of the Credit Union's consumer and residential loan portfolio is comprised of secured loans that are evaluated at origination on a centralized basis against standardized underwriting criteria. The ongoing measurement of credit quality of the consumer and residential loan portfolios is largely done on an exception basis. If payments are made on schedule, as agreed, then no further monitoring is performed. However, if delinquency occurs, the delinquent loans are turned over to the Credit Union's collections department for resolution, which generally occurs fairly rapidly and often through repossession and foreclosure. Credit quality for the entire consumer and residential loan portfolio is measured by the periodic delinquency rate, non-accrual amounts, and actual losses incurred.

The Credit Union evaluates the credit quality of loans in the real estate and consumer loan portfolio based primarily on the aging status of the loan and payment activity. Accordingly, non-accrual loans and loans modified under troubled debt restructurings that are past due in accordance with the loans' original contractual terms are considered to be in a non-performing status for purposes of credit quality evaluation.

*Loan Charge-off Policies*

The Credit Union's quality control process includes preparing lists to monitor and track delinquent loans. Tracking the loans on these lists enables management to assess the performance of the loan portfolio and act to mitigate risk therein through necessary changes in policy and procedures. The quality control process also serves as a tool to assist the Credit Union in identifying loans for charge-off on a timely basis.

Real estate and consumer loans are generally charged off when the loan is deemed to be uncollectible. Factors considered when assessing collectability include:

- aging of delinquent non-performing loans;
- estimated deficiency in the value of the underlying collateral for non-performing loans determined to be collateral dependent;
- additional collection efforts are expected to be non-productive;
- classification as loss as the result of the Credit Union's internal review process.

**Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Allowance for Loan Losses (Continued)

TDR Designation and COVID-19 Loan Modifications

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. Section 4013 of the CARES Act, "Temporary Relief From Troubled Debt Restructurings," provided financial institutions the option to temporarily suspend certain requirements under GAAP related to TDRs until December 31, 2020 to account for the effects of COVID-19. On December 27, 2020, the 2021 Consolidated Appropriations Act was signed into law, extending this option until January 1, 2022.

On April 7, 2020, regulatory agencies issued a statement, "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working With Customers Affected by the Coronavirus (Revised)" (Statement), to encourage financial institutions to work prudently with borrowers and to describe the agencies' interpretation of how accounting rules under Accounting Standards Codification (ASC) No. 310-40, "Troubled Debt Restructurings by Creditors," apply to certain COVID-19-related modifications. The regulatory agencies have confirmed with staff of the Financial Accounting Standards Board (FASB) that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not TDRs.

Under the guidance, modifications should be short term in nature (e.g., six-months or less) and COVID-19 related. Subsequent modifications should be re-evaluated. The presumption is that the borrower would not be experiencing financial difficulty had it not been for COVID-19. Therefore, if the borrower is not current for reasons other than COVID-19 or is requesting a long-term modification, the traditional TDR designation may apply. Further, the agencies' examiners will exercise judgment in reviewing loan modifications, including TDRs, and will not automatically adversely risk rate credits that are affected by COVID-19, including those considered TDRs. The Statement also provides guidance on past due reporting, non-accrual loans and charge-offs among other items.

Given the uncertainty in general related to the ultimate impact of COVID-19, the impact of loans modified under this guidance is unknown.

**Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Property and Equipment

Furniture and equipment is carried at cost, less accumulated depreciation. Depreciation is computed principally by the straight-line method based upon the useful lives of the related assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized.

National Credit Union Share Insurance Fund (NCUSIF) Deposit

The deposit in the 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 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. The NCUSIF deposit is required to be periodically reviewed for impairment.

Members' Shares and Savings Accounts

Members' shares are the savings deposit accounts of the owners of the Credit Union. Share ownership entitles the members to vote in annual elections of the Board of Directors. Irrespective of the number of shares owned, no member has more than one vote. Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' shares and savings accounts 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 set by the Board of Directors, based on an evaluation of current and future market conditions.

Borrowed Funds

The Credit Union has borrowed funds outstanding from FHLB of Atlanta as of December 31, 2020 and 2019. The FHLB borrowed funds are secured by pledges of qualified collateral, as defined in the FHLB Statement of Credit Policy.

Regular Reserve

The Credit Union is required to maintain a statutory reserve (regular reserve) in accordance with the Federal Credit Union Act. This statutory reserve represents a regulatory restriction and is not available for the payment of interest.

**Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

Fees and Charges

The Credit Union earns fee and commission income from a range of services it provides to its members. Deposit fee income and interchange fee income are earned on the execution of financial services performed. This includes fees arising from 1) Participating in transactions with members and third-party financial institutions, such as interchange fee income for authorizing and settling member debit card transactions and member use of third-party ATMs; 2) Certain services initiated or requested by the member, including paper statement delivery fees, overdrawn account charges, insufficient funds charges, and stop payment fees.

Income Taxes

The Credit Union is exempt, by Internal Revenue Code Sections 501(c)(14) and 501(c)(1)(a)(I), from federal and state income taxes.

Recent Accounting Pronouncements

*Accounting for Financial Instruments – Credit Losses*

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments-Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing GAAP and may result in material changes to the Credit Union's accounting for loans. The Credit Union has not determined the effect that ASU No. 2016-13 will have on its financial statements and its related disclosures. The ASU will be effective on January 1, 2023. Early application is permitted for annual periods beginning January 1, 2019.

Subsequent Events

Management has evaluated subsequent events through April 26, 2021, the date the financial statements were available to be issued. No significant such events or transactions were identified.

## Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Reclassifications

Certain 2019 financial statement amounts have been reclassified to conform with classifications adopted in 2020. Total members' equity and net income are unchanged due to these reclassifications.

## Note 2 - Investments

The following table presents the amortized cost and estimated fair value of investments as of December 31, 2020:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Available-for-sale: | | | | |
| Mortgage-backed securities | $131,494,988 | $2,492,954 | ($154,170) | $133,833,772 |
| CMOs | 17,341,671 | 242,524 | — | 17,584,195 |
| State and Municipal securities | 1,918,753 | 14,862 | — | 1,933,615 |
| Corporate bonds | 1,498,942 | 7,553 | — | 1,506,495 |
| SBA securities | 240,615 | — | (1,342) | 239,273 |
| Total | $152,494,969 | $2,757,893 | ($155,512) | $155,097,350 |

The following table presents the amortized cost and estimated fair value of investments as of December 31, 2019:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Available-for-sale: | | | | |
| Mortgage-backed securities | $34,258,335 | $425,408 | ($58,792) | $34,624,951 |
| Federal agency bonds | 7,610,066 | — | (11,990) | 7,598,076 |
| CMOs | 5,447,328 | 38,438 | (20,873) | 5,464,893 |
| State and Municipal securities | 2,789,871 | 6,932 | (6,761) | 2,790,042 |
| Corporate bonds | 1,999,419 | 11,418 | (1,448) | 2,009,389 |
| SBA securities | 462,641 | — | (7,686) | 454,955 |
| Total | $52,567,660 | $482,196 | ($107,550) | $52,942,306 |

**Note 2 - Investments (Continued)**

The amortized cost and estimated fair value of debt securities as of December 31, 2020, by contractual maturity, are shown below. Expected maturities on mortgage-backed securities 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** |
| Within one year | $3,417,695 | $3,440,110 |
| Mortgage-backed securities | 131,494,988 | 133,833,772 |
| CMOs | 17,341,671 | 17,584,195 |
| SBA securities | 240,615 | 239,273 |
| Total | $152,494,969 | $155,097,350 |

Information pertaining to investments with gross unrealized losses as of December 31, 2020, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

| | **Less than 12 Months** | | **12 Months or Longer** | | **Total** | |
|---|---|---|---|---|---|---|
| | **Fair Value** | **Gross Unrealized Losses** | **Fair Value** | **Gross Unrealized Losses** | **Fair Value** | **Gross Unrealized Losses** |
| Available-for-sale: | | | | | | |
| Mortgage-back securities | $31,411,432 | ($154,170) | $— | $— | $31,411,432 | ($154,170) |
| SBA securities | — | — | 239,273 | (1,342) | 239,273 | (1,342) |
| Total | $31,411,432 | ($154,170) | $239,2733 | ($1,342) | $31,650,705 | ($155,512) |

## Note 2 - Investments (Continued)

Information pertaining to investments with gross unrealized losses as of December 31, 2019, aggregated by investment category and length of time that individual investments have been in a continuous loss position follows:

| | Less than 12 Months | | 12 Months or Longer | | Total | |
|---|---|---|---|---|---|---|
| | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses | Fair Value | Gross Unrealized Losses |
| Available-for-sale: | | | | | | |
| Mortgage-backed securities | $— | $— | $2,961,570 | ($58,792) | $2,961,570 | ($58,792) |
| Federal agency bonds | 2,700,054 | (327) | 4,898,022 | (11,663) | 7,598,076 | (11,990) |
| CMOs | — | — | 2,380,542 | (20,873) | 2,380,542 | (20,873) |
| State and Municipal securities | — | — | 2,108,110 | (6,761) | 2,108,110 | (6,761) |
| Corporate bonds | — | — | 1,001,055 | (1,448) | 1,001,055 | (1,448) |
| SBA securities | — | — | 454,954 | (7,686) | 454,954 | (7,686) |
| Total | $2,700,054 | ($327) | $13,804,253 | ($107,223) | $16,504,307 | ($107,550) |

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because of the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline. Management has the ability and intent to hold these securities through to recovery of fair value, which may be maturity.

Proceeds from the sales of investments classified as available-for-sale approximated $5,500,000 and $16,345,000 during the years ended December 31, 2020 and 2019, respectively. Gross gains of approximately $45,000 were realized from the sales during the year ended December 31, 2020. Gross losses of approximately $162,000 were realized from the sales during the year ended December 31, 2019.

Other-Than-Temporary Impairment (OTTI)

The Credit Union conducts periodic reviews of investment securities to determine whether OTTI has occurred. While all securities are considered, the securities primarily impacted by OTTI testing are corporate bonds, and state and municipal securities. For each security, a review is conducted to determine if an OTTI has occurred. To determine if unrealized losses are other-than-temporary, the Credit Union considers underlying collateral and estimated net realizable value in order to determine the impact on cash flows. The Credit Union records the expected credit loss as a charge to earnings. During the years ended December 31, 2020 and 2019, the Credit Union did not record any OTTI.

### Note 3 - Loans

The composition of loans as of December 31, 2020 and 2019 is as follows:

| | 2020 | 2019 |
|---|---|---|
| Real estate: | | |
| First mortgage | $390,820,872 | $376,402,732 |
| First mortgage participations | 10,812,435 | — |
| HELOC, first trust | 4,797,862 | 5,039,572 |
| HELOC, second trust | 5,541,457 | 5,783,315 |
| | 411,972,626 | 387,225,619 |
| Consumer: | | |
| Auto participations | 26,748,781 | 40,503,903 |
| Other consumer | 11,238,401 | 12,458,728 |
| Vehicle | 1,278,382 | 1,177,110 |
| Credit card | 1,403,457 | 1,817,563 |
| | 40,669,021 | 55,957,304 |
| | 452,641,647 | 443,182,923 |
| Less: Allowance for loan losses | (1,117,409) | (663,603) |
| Loans, net | $451,524,238 | $442,519,320 |

**Note 3 - Loans (Continued)**

Allowance for Loan Losses

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2020:

| | Real Estate | Consumer | Total |
|---|---|---|---|
| Allowance for loan losses: | | | |
| Beginning balance | $222,582 | $441,021 | $663,603 |
| Charge-offs | — | (79,255) | (79,255) |
| Recoveries | — | 5,061 | 5,061 |
| Provision for loan losses | 78,693 | 449,307 | 528,000 |
| Ending balance | $301,275 | $816,134 | $1,117,409 |
| Ending balance, individually evaluated for impairment | $— | $51,602 | $51,602 |
| Ending balance, collectively evaluated for impairment | 301,275 | 764,532 | 1,065,807 |
| Ending allowance | $301,275 | $816,134 | $1,117,409 |

The following table presents a summary of the recorded investment in loans by portfolio segment as of December 31, 2020:

| | Real Estate | Consumer | Total |
|---|---|---|---|
| Loans: | | | |
| Ending balance, individually evaluated for impairment | $603,971 | $107,568 | $711,539 |
| Ending balance, collectively evaluated for impairment | 411,368,655 | 40,561,453 | 451,930,108 |
| Total loans | $411,972,626 | $40,669,021 | $452,641,647 |

## Note 3 - Loans (Continued)

Allowance for Loan Losses

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the year ended December 31, 2019:

| | Real Estate | Consumer | Total |
|---|---|---|---|
| Allowance for loan losses: | | | |
| Beginning allowance | $689,763 | $28,740 | $718,503 |
| Charge-offs | — | (98,942) | (98,942) |
| Recoveries | — | 4,042 | 4,042 |
| Provision for loan losses | (467,181) | 507,181 | 40,000 |
| Ending allowance | $222,582 | $441,021 | $663,603 |
| Ending balance, individually evaluated for impairment | $— | $16,193 | $16,193 |
| Ending balance, collectively evaluated for impairment | 222,582 | 424,828 | 647,410 |
| Ending allowance | $222,582 | $441,021 | $663,603 |

The following table presents a summary of the recorded investment in loans by portfolio segment as of December 31, 2019:

| | Real Estate | Consumer | Total |
|---|---|---|---|
| Allowance for loan losses | | | |
| Ending balance, individually evaluated for impairment | $603,971 | $32,386 | $636,357 |
| Ending balance, collectively evaluated for impairment | 386,621,648 | 55,924,918 | 442,546,566 |
| Total loans | $387,225,619 | $55,957,304 | $443,182,923 |

**Note 3 - Loans (Continued)**

Impaired Loans

The table below summarizes key information for impaired loans as of and for the year ended December 31, 2020:

| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|
| Real Estate: | | | | |
| HELOC, first trust | $603,971 | $603,971 | $— | $603,971 |
| Consumer: | | | | |
| Vehicle | $107,568 | $107,568 | $51,602 | $107,568 |
| Totals: | | | | |
| Real Estate | $603,971 | $603,971 | $— | $603,971 |
| Consumer | 107,568 | 107,568 | 51,602 | 107,568 |
| Total | $711,539 | $711,539 | $51,602 | $711,539 |

**Note 3 - Loans (Continued)**

Impaired Loans (Continued)

The table below summarizes key information for impaired loans as of and for the year ended December 31, 2019:

| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment |
|---|---|---|---|---|
| Real Estate: | | | | |
| HELOC, first trust | $603,971 | $603,971 | $— | $301,986 |
| Consumer: | | | | |
| Vehicle | $32,386 | $32,386 | $16,193 | $16,193 |
| Totals: | | | | |
| Real Estate | $603,971 | $603,971 | $— | $301,986 |
| Consumer | 32,386 | 32,386 | 16,193 | 16,193 |
| Total | $636,357 | $636,357 | $16,193 | $318,179 |

### Note 3 - Loans (Continued)

Age Analysis of Past Due Loans

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2020:

| | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days and Greater Past Due | Total Past Due | Current | Total Loans |
|---|---|---|---|---|---|---|
| Real estate: | | | | | | |
| First mortgage | $513,050 | $— | $— | $513,050 | $390,307,822 | $390,820,872 |
| First mortgage participations | — | — | — | — | 10,812,435 | 10,812,435 |
| HELOC, first trust | 23,564 | — | 603,971 | 627,535 | 4,170,327 | 4,797,862 |
| HELOC, second trust | — | — | — | — | 5,541,457 | 5,541,457 |
| | 536,614 | — | 603,971 | 1,140,585 | 410,832,041 | 411,972,626 |
| Consumer: | | | | | | |
| Auto participations | 225,129 | 8,996 | 107,567 | 341,692 | 26,407,089 | 26,748,781 |
| Other consumer | 29,773 | 4,323 | — | 34,096 | 11,204,305 | 11,238,401 |
| Vehicle | — | — | — | — | 1,278,382 | 1,278,382 |
| Credit card | 18,209 | 5,533 | — | 23,742 | 1,379,715 | 1,403,457 |
| | 273,111 | 18,852 | 107,567 | 399,530 | 40,269,491 | 40,669,021 |
| Total | $809,725 | $18,852 | $711,538 | $1,540,115 | $451,101,532 | $452,641,647 |

Loans on which the accrual of interest has been discontinued or reduced approximated $712,000 as of December 31, 2020. There were no loans 90 days or more past due and still accruing interest as of December 31, 2020.

**Note 3 - Loans (Continued)**

Age Analysis of Past Due Loans (Continued)

The following table presents the aging of the recorded investment in past due loans and loans on non-accrual as of December 31, 2019:

| | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days and Greater Past Due | Total Past Due | Current | Total Loans |
|---|---|---|---|---|---|---|
| Real estate: | | | | | | |
| First mortgage | $316,038 | $184,513 | $— | $500,551 | $375,902,181 | $376,402,732 |
| HELOC, first trust | — | — | 603,971 | 603,971 | 4,435,601 | 5,039,572 |
| HELOC, second trust | — | — | — | — | 5,783,315 | 5,783,315 |
| | 316,038 | 184,513 | 603,971 | 1,104,522 | 386,121,097 | 387,225,619 |
| Consumer: | | | | | | |
| Auto participations | 184,906 | 19,827 | 32,386 | 237,119 | 40,266,784 | 40,503,903 |
| Other consumer | 91,978 | 12,272 | 5,486 | 109,736 | 12,348,992 | 12,458,728 |
| Vehicle | — | — | 18,552 | 18,552 | 1,158,558 | 1,177,110 |
| Credit card | 50,979 | 12,369 | 36 | 63,384 | 1,754,179 | 1,817,563 |
| | 327,863 | 44,468 | 56,460 | 428,791 | 55,528,513 | 55,957,304 |
| Total | $643,901 | $228,981 | $660,431 | $1,533,313 | $441,649,610 | $443,182,923 |

Loans on which the accrual of interest has been discontinued or reduced approximated $56,000 as of December 31, 2019. There were no loans 90 days or more past due and still accruing interest as of December 31, 2019.

**Note 3 - Loans (Continued)**

Real Estate and Consumer Credit Quality

The Credit Union considers the performance of the loan portfolio and its impact on the allowance for loan losses. For real estate and consumer loan classes, the Credit Union evaluates credit quality based on the aging status of the loan and payment activity. Accordingly, non-accrual loans are considered to be in a non-performing status for purposes of credit quality evaluation.

The following tables present the recorded investment based on performance indication as of December 31, 2020 and 2019:

| | As of December 31, 2020 | | As of December 31, 2019 | |
|---|---|---|---|---|
| | Performing Loans | Non-performing Loans | Performing Loans | Non-performing Loans |
| Real estate: | | | | |
| First mortgage | $390,820,872 | $— | $376,402,732 | $— |
| First mortgage participations | 10,812,435 | — | — | — |
| HELOC, first trust | 4,193,891 | 603,971 | 4,435,601 | 603,971 |
| HELOC, second trust | 5,541,457 | — | 5,783,315 | — |
| | 411,368,655 | 603,971 | 386,621,648 | 603,971 |
| Consumer: | | | | |
| Auto participations | 26,641,214 | 107,567 | 40,471,517 | 32,386 |
| Other consumer | 11,238,401 | — | 12,453,242 | 5,486 |
| Vehicle | 1,278,382 | — | 1,158,558 | 18,552 |
| Credit card | 1,403,457 | — | 1,817,527 | 36 |
| | 40,561,454 | 107,567 | 55,900,844 | 56,460 |
| Total | $451,930,109 | $711,538 | $442,522,492 | $660,431 |

## Note 4 - Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and amortization, and is summarized as of December 31, 2020 and 2019 by major classification as follows:

| | 2020 | 2019 |
|---|---|---|
| Furniture and equipment | $2,009,511 | $1,896,290 |
| Leasehold improvements | 423,097 | 423,097 |
| | 2,432,608 | 2,319,387 |
| Less accumulated depreciation and amortization | (2,286,140) | (2,134,231) |
| | $146,468 | $185,156 |

Depreciation and amortization charged to operations was approximately $152,000 and $157,000 for the years ended December 31, 2020 and 2019, respectively.

## Note 5 - Members' Shares and Savings Accounts

Members' shares and savings accounts are summarized as follows as of December 31, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Share draft accounts | $114,362,517 | $99,550,421 |
| Share accounts | 329,247,775 | 288,423,838 |
| Share certificates | 129,234,324 | 104,860,897 |
| | $572,844,616 | $492,835,156 |

As of December 31, 2020, scheduled maturities of share certificates are as follows:

| | 2020 |
|---|---|
| Within one year | $95,094,950 |
| 1 to 2 years | 10,896,701 |
| 2 to 3 years | 7,960,222 |
| 3 to 4 years | 3,861,604 |
| 4 to 5 years | 5,187,259 |
| over 5 years | 6,233,588 |
| | $129,234,324 |

The aggregate amount of members' time deposit accounts in denominations of $250,000 or more was approximately $50,444,000 as of December 31, 2020.

## Note 6 - Employee Benefits

Defined Contribution 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 applicable IRS limitations of the participant's annual compensation. The Credit Union makes discretionary contributions as approved by the Board of Directors. The Credit Union's contributions to the plan were approximately $478,000 and $453,000 during the years ended December 31, 2020 and 2019, respectively.

## Note 7 - Borrowed Funds

Federal Home Loan Bank of Atlanta (FHLB)

As of December 31, 2020 and 2019, the Credit Union had access to a pre-approved secured line of credit from the FHLB, secured by eligible one-to-four family first trust mortgage loans, as defined in the FHLB Statement of Credit Policy. The carrying value of pledged first trust mortgage loans approximated $315,464,000 and $312,636,000 as of December 31, 2020 and 2019, respectively. The unused line of credit under this agreement was approximately $139,143,000 and $131,021,000 as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the Credit Union had outstanding borrowed funds with the FHLB that approximated $27,128,000 and $11,956,000, respectively. The interest rates ranged between 0.95% and 2.09% for advances outstanding as of December 31, 2020. The interest rates ranged between 0.97% and 2.09% for advances outstanding as of December 31, 2019. All borrowed funds have a fixed rate of interest and the weighted average interest rates of 1.14% and 1.64% as of December 31, 2020 and 2019, respectively. The repayment schedule of the advances as of December 31, 2020 approximate the following:

| Maturity | Amount |
|---|---|
| Within 1 year | $686,000 |
| 1 to 2 years | 22,703,000 |
| 2 to 3 years | 1,964,000 |
| 3 to 4 years | 400,000 |
| 4 to 5 years | 850,000 |
| Over 5 years | 525,000 |
| | $27,128,000 |

**Note 8 - Contingent Liabilities**

Off Balance-Sheet Risk

The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statements of financial condition.

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. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2020 and 2019, the total unfunded commitments under such lines of credit was approximately $30,785,000 and $28,708,000, respectively. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

**Note 9 - 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. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined in *NCUA Regulations*) to total assets (as defined in *NCUA Regulations*). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR as of December 31, 2020 and 2019 was 7.34% and 7.26%, respectively. The minimum requirement to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2020 and 2019, that the Credit Union meets all capital adequacy requirements to which it is subject.

**Note 9 - Regulatory Capital (Continued)**

As of December 31, 2020, 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 net worth ratio of 7.00% of assets. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual and required net worth amounts and ratios are as follows:

| | As of December 31, 2020 | | As of December 31, 2019 | |
|---|---|---|---|---|
| | Amount | Ratio/ Requirement | Amount | Ratio/ Requirement |
| Actual net worth | $83,641,496 | 12.16% | $79,170,639 | 13.50% |
| Amount needed to be classified as "adequately capitalized" | $41,279,331 | 6.00% | $35,197,933 | 6.00% |
| Amount needed to be classified as "well capitalized" | $48,159,219 | 7.00% | $41,064,256 | 7.00% |
| Amount needed to meet the minimum RBNW requirement | $50,498,381 | 7.34% | $42,589,499 | 7.26% |

Because the RBNWR is less than the net worth ratio, the Credit Union retains its original category. Further, in performing its calculation of total assets, the Credit Union used the quarter end option, as permitted by regulation.

## Note 10 - Fair Values Measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

**Basis of Fair Value Measurements**

**Level 1 -** Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2 -** Valuation is based on inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

**Level 3 -** Valuation is generated from model-based techniques use at least one significant assumption not observable in the market. Level 3 assets and liabilities include financial instruments whose value is determined by using pricing models, discounted cash flow methodologies, or similar techniques.

## Note 10 - Fair Values Measurements (Continued)

Assets measured at fair value on a recurring basis are summarized as follows:

| | Assets at Fair Value as of December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Available-for-sale: | | | | |
| Mortgage-backed securities | $— | $133,833,772 | $— | $133,833,772 |
| CMOs | — | 17,584,195 | — | 17,584,195 |
| State and Municipal securities | — | 1,933,615 | — | 1,933,615 |
| Corporate bonds | — | 1,506,495 | — | 1,506,495 |
| SBA securities | — | 239,273 | — | 239,273 |
| | $— | $155,097,350 | $— | $155,097,350 |

| | Assets at Fair Value as of December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Available-for-sale: | | | | |
| Mortgage-backed securities | $— | $34,624,951 | $— | $34,624,951 |
| Federal agency bonds | — | 7,598,076 | — | 7,598,076 |
| CMOs | — | 5,464,893 | — | 5,464,893 |
| State and Municipal securities | — | 2,790,042 | — | 2,790,042 |
| Corporate bonds | — | 2,009,389 | — | 2,009,389 |
| SBA securities | — | 454,955 | — | 454,955 |
| | $— | $52,942,306 | $— | $52,942,306 |

## Note 11 - Related Party Transactions

Loans

In the ordinary course of business, the Credit Union grants loans to certain directors and executive officers. Such loans were approximately $7,432,000 and $4,636,000 as of December 31, 2020 and 2019, respectively.

Deposits

Deposits of Credit Union directors and executive officers were approximately $5,832,000 and $3,214,000 as of December 31, 2020 and 2019, respectively.

* * * End of Notes * * *