

TRUPARTNER CREDIT UNION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

WITH

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
TruPartner Credit Union, Inc.

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

Management's Responsibility for the Financial Statements

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

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.

To the Board of Directors and Members of
TruPartner Credit Union, Inc.
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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 TruPartner Credit Union, Inc. as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Whitmer & Company CPAs, LLP".

Whitmer & Company CPAs, LLP
Cincinnati, Ohio

February 19, 2020

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents (Note B)	\$ 14,383,167	\$ 1,623,601
Deposits at a Corporate Credit Union (Note C)	1,185,196	1,185,196
Time Deposits (Note D)	22,207,375	20,281,947
Securities Held-to-Maturity (Note E)	19,246,877	28,738,598
Securities Available-for-Sale (Note F)	105,687	101,865
Other Investments (Note G)	3,845,661	3,671,168
Loans to Members, Net of Allowance for Loan Losses (Note H)	83,697,633	85,651,522
Loans in Process of Liquidation (Note H)	-	20,150
Accrued Interest Receivable	507,832	523,619
Premises and Equipment, Net (Note I)	4,833,639	5,044,846
American Share Insurance Deposit	1,742,997	1,721,509
Foreclosed Assets (Note J)	228,972	359,854
Core Deposit Intangible	12,018	60,090
Prepaid Expenses and Other Assets	<u>1,524,752</u>	<u>1,188,897</u>
Total Assets	<u>\$ 153,521,806</u>	<u>\$ 150,172,862</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities		
Members' share and savings accounts (Note L)	\$ 136,833,299	\$ 134,076,729
Line of credit (Note K)	-	-
Accrued expenses and other liabilities	<u>338,002</u>	<u>247,382</u>
Total Liabilities	<u>137,171,301</u>	<u>134,324,111</u>
Commitments and Contingent Liabilities (Note O and P)	<u>-</u>	<u>-</u>
Members' Equity, Substantially Restricted		
Regular reserves	3,379,315	3,379,315
Undivided earnings	6,483,336	5,985,404
Equity acquired in acquisition	6,482,924	6,482,924
Accumulated other comprehensive income	<u>4,930</u>	<u>1,108</u>
Total Members' Equity	<u>16,350,505</u>	<u>15,848,751</u>
Total Liabilities and Members' Equity	<u>\$ 153,521,806</u>	<u>\$ 150,172,862</u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Interest Income		
Interest and fees on loans	\$ 5,466,328	\$ 5,206,895
Interest on investments debt and cash equivalents	<u>1,296,021</u>	<u>1,147,288</u>
Total Interest Income	<u>6,762,349</u>	<u>6,354,183</u>
Interest Expense		
Dividends on members' share and savings accounts	967,725	664,441
Interest on borrowed funds	<u>1,454</u>	<u>5,322</u>
Total Interest Expense	<u>969,179</u>	<u>669,763</u>
Net Interest Income	5,793,170	5,684,420
Provision for Loan Losses	<u>449,626</u>	<u>261,367</u>
Net Interest Income after Provision for Loan Losses	<u>5,343,544</u>	<u>5,423,053</u>
Non-Interest Income		
Income from fees and charges	737,422	759,614
Insurance commissions	91,296	89,170
Income on rental of foreclosed assets	9,891	11,468
Gain (loss) on sale of assets	(12,293)	7,980
Gain (loss) on sale of foreclosed assets	<u>(281)</u>	<u>3,434</u>
Total Non-Interest Income	<u>826,035</u>	<u>871,666</u>
Non-Interest Expense		
Compensation and benefits	2,545,428	2,456,340
Operations	2,093,864	2,214,312
Occupancy	497,126	522,552
American Share Insurance Premium	36,000	-
Education and promotion	209,177	175,986
Core deposit intangible amortization	48,072	48,072
Professional and outside services	150,122	363,130
Foreclosed assets expense	<u>94,423</u>	<u>117,907</u>
Total Non-Interest Expense	<u>5,674,212</u>	<u>5,898,299</u>
Excess of Assets Acquired Over Liabilities Assumed in the Acquisition of CACU	<u>2,565</u>	<u>2,565</u>
Net Income	<u>\$ 497,932</u>	<u>\$ 398,985</u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Net Income	\$ 497,932	\$ 398,985
Changes in net unrealized gain (loss) on debt securities available-for-sale	<u>3,822</u>	<u>(955)</u>
Total Comprehensive Income	<u>\$ 501,754</u>	<u>\$ 398,030</u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>Regular Reserves</u>	<u>Undivided Earnings</u>	<u>Equity Acquired in Acquisition</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Equity</u>
Balances, December 31, 2017	\$ 3,379,315	\$ 5,586,419	\$ 6,482,924	\$ 2,063	\$ 15,450,721
Comprehensive Income (Loss)	<u>-</u>	<u>398,985</u>	<u>-</u>	<u>(955)</u>	<u>398,030</u>
Balances, December 31, 2018	3,379,315	5,985,404	6,482,924	1,108	15,848,751
Comprehensive Income (Loss)	<u>-</u>	<u>497,932</u>	<u>-</u>	<u>3,822</u>	<u>501,754</u>
Balances, December 31, 2019	<u>\$ 3,379,315</u>	<u>\$ 6,483,336</u>	<u>\$ 6,482,924</u>	<u>\$ 4,930</u>	<u>\$ 16,350,505</u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Net income	\$ 497,932	\$ 398,985
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	329,528	341,283
Amortization of premiums and discounts	(8,274)	6,420
Amortization of loan discounts	2,566	2,566
Provision for loan losses	449,626	565,171
(Gain) loss on sale of foreclosed assets	281	(3,434)
(Increase) decrease in interest receivable	15,787	(62,437)
(Increase) decrease core deposit	48,072	48,073
(Increase) decrease in prepaid expenses and other assets	(335,855)	40,480
Increase (decrease) in accrued expenses and other liabilities	90,620	(703,424)
Total adjustments	<u>592,351</u>	<u>234,698</u>
Net Cash Provided by (Used in) Operating Activities	<u>1,090,283</u>	<u>633,683</u>
Cash Flows from Investing Activities		
Proceeds from maturities of time deposits	10,199,000	7,722,000
Payments for the purchase of time deposits	(12,124,433)	(5,436,000)
Proceeds from investments held-to-maturity	18,750,000	3,250,000
Payments for investments held-to-maturity	(9,250,000)	(6,000,000)
(Increase) decrease in other investments	(174,493)	(177,521)
(Increase) decrease in American Share Insurance deposit	(21,488)	2,368
Net (increase) decrease in consumer loans	1,521,847	(3,930,303)
Proceeds from sale of foreclosed assets	39,689	625,781
Net (increase) decrease in value of foreclosed assets	90,912	70,931
Additions to foreclosed assets	-	(45,158)
Purchase of fixed assets	<u>(118,321)</u>	<u>(221,567)</u>
Net Cash Provided by (Used in) Investing Activities	<u>8,912,713</u>	<u>(4,139,469)</u>

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Financing Activities		
Advance on line of credit	5,950,606	17,590,094
Payment on line of credit	(5,950,606)	(17,590,094)
Net increase (decrease) in members' share and savings accounts, net of acquisition	<u>2,756,570</u>	<u>1,321,972</u>
Net Cash Provided by (Used in) Financing Activities	<u>2,756,570</u>	<u>1,321,972</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>12,759,566</u>	<u>(2,183,814)</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,623,601</u>	<u>3,807,415</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,383,167</u>	<u>\$ 1,623,601</u>
Supplemental Cash Flow Disclosure:		
Cash paid for interest expense	\$ 969,179	\$ 669,763
Increase (decrease) in unrealized gain on securities available-for-sale	\$ 3,822	\$ (955)
Loans transferred to foreclosed assets	\$ -	\$ 45,158

See accompanying notes and independent auditor's report.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through February 19, 2020, the date which the financial statements were available to be issued.

Nature of Business

The TruPartner Credit Union, Inc.'s operations are principally related to holding deposits for and making loans to members of the Credit Union who are employees of selected groups in southwest Ohio. The Credit Union's primary source of income is interest generated from credit card, automobile and real estate loans to members.

Use of Estimates

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

Investment Securities

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

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

Available-for-Sale: Government and government agency bonds, notes and certificates are classified 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.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment (OTTI) losses, management considers (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, and (3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and the costs of securities sold are determined using the specific identification method.

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

Loans Held for Sale

The Credit Union had no loans held for sale at December 31, 2019 and 2018.

Loans to Members

Loans are reported at their recorded investment, which is the outstanding principal balance plus accrued interest and net of any unearned income, such as deferred fees or costs, charge-offs and unamortized premiums or discounts on originated loans. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. When principal or interest is delinquent for 61 days or more, the Credit Union evaluates the loan for nonaccrual status.

After a loan is placed on nonaccrual status, all interest previously accrued but not collected is reversed against current period interest income. Subsequent collections of interest payments on nonaccrual loans are recognized as interest income unless ultimate collectability of the loan is in doubt. Cash collections on loans where ultimate collectability remains in doubt are applied as reductions of the loan principal balance and no interest income is recognized until the principal balance has been collected.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Allowance for Loan Losses

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio. The Credit Union uses a disciplined process and methodology to establish the allowance for loan losses each month. To determine the total allowance for loan losses, management estimates the reserves needed for each segment of the portfolio, including loans analyzed individually and loans analyzed on a pooled basis. The allowance for loan losses consists of amounts applicable to: (i) the new automobile portfolio, (ii) the used automobile portfolio, (iii) the other collateral portfolio, (iv) the first mortgage portfolio, (v) the home equity portfolio, (vi) the unsecured portfolio, (vii) the non-participation business loans, (viii) the share secured portfolio, (ix) the credit card portfolio, (x) the indirect loan portfolio, and (xi) the student loan portfolio. The allowance includes automobile loan participations that are to be segregated by new and used collateral. The allowance is based on the Credit Union's new and used loan allowance percentages as the Credit Union builds history and adjusts periodically.

To determine the balance of the allowance account, loans are pooled by portfolio segment and losses are modeled using historical experience and quantitative and other mathematical techniques over the loss emergence period. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment. The Credit Union uses internally developed models in this process. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the allowance are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices and end-user controls are appropriate and properly documented.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, member behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts to or release balances from the allowance for loan losses. The Credit Union's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions and delinquency trends driving statistically modeled reserves. Individual loan risk ratings are evaluated based on each situation by experienced senior credit officers.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by senior management of loan portfolios and the models used to estimate incurred losses in those portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Loan Charge-offs

For consumer loans, the Credit Union generally fully or partially charges down to the fair value of collateral securing the asset when:

- management judges the asset to be uncollectible;
- repayment is deemed to be protracted beyond reasonable time frames;
- the asset has been classified as a loss by either the Credit Union's internal loan review process or external examiners;
- the member has filed bankruptcy and the loss becomes evident owing to a lack of assets; or
- the loan is 180 days past due unless well secured and/or in the process of collection.

The Credit Union's charge-off policies by segment of the loan portfolio are as follows:

- *New Automobile Loans* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *Used Automobile Loans* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *Indirect - New and Used Automobile Loans* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *First Mortgage Loans* - The Credit Union generally writes down to the net realizable value when the loan is 180 days past due.
- *Home Equity Loans* - The Credit Union generally writes down to the net realizable value when the loan is 180 days past due.
- *Other Mortgage* - The Credit Union generally writes down to the net realizable value when the loan is 180 days past due.
- *Credit Cards* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *Other Secured* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *Other Unsecured* - The Credit Union generally fully charges off when the loan is 180 days past due.
- *Participation Loans* - The Credit Union fully charges off when the primary source determines that a loss has been incurred.
- *Student Loans* - The student loans are no longer insured by an outside third party. The Credit Union has not experienced any losses in this segment thus far. Per policy, the Credit Union will charge off when the loan is 180 days past due.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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Troubled Debt Restructurings

In situations where, for economic or legal reasons related to a member's financial difficulties, the Credit Union grants a concession for other than an insignificant period of time to the member that the Credit Union would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Credit Union strives to identify members in financial difficulty early and work with them to modify to more affordable terms before their loan reaches nonaccrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. In cases where the Credit Union grants the member new terms that provide for a reduction of either interest or principal, the Credit Union measures any impairment on the restructuring as previously noted for impaired loans.

In addition to the allowance for the pooled portfolios, the Credit Union develops a separate allowance for loans that are identified as impaired through a TDR.

Premises and Equipment

Land is carried at cost. Buildings, improvements, leasehold improvements, furniture, fixtures and equipment are carried at cost, less accumulated depreciation and amortization. The building, furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases.

Impairment of Long-Lived Assets

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

American Share Insurance Deposit

The deposit in American Share Insurance is in accordance with the insurance company's regulations which require 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 or it converts to insurance coverage from another source.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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American Share Insurance Premiums

American Share Insurance did not charge a special premium assessment during 2018. During 2019, American Share Insurance charged a special premium assessment of \$36,000.

Foreclosed Assets

Real estate properties acquired through or in lieu of loan foreclosure is initially recorded at fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Members' Share and Savings Accounts

Members' share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' share 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 and savings accounts are set by the Board of Directors based on an evaluation of current and future market conditions.

Members' Equity

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of members' equity, is not available for the payment of interest.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income that includes unrealized gains and losses on securities available-for-sale.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes except for certain products and services which have been deemed by the Internal Revenue Service (IRS) to be unrelated to the specific entity's exempt purpose. The net taxable income from these products and services is subject to income taxes under Unrelated Business Income Tax (UBIT) regulations.

The Credit Union adopted FASB Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes* and has evaluated its tax positions taken for all open tax years. Currently 2019, 2018, 2017 and 2016 tax years are open and subject to examination by the Internal Revenue Service. However, the Credit Union is not currently under audit nor has the Organization been contacted by the Internal Revenue Service.

Advertising

The Credit Union expenses advertising costs as incurred. Advertising expense amounted to \$174,399 and \$154,620 for the years ended December 31, 2019 and 2018, respectively.

Off-Balance-Sheet Credit Related Financial Instruments

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

Fair Value Measurements

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

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Total members' equity and net income are unchanged due to these reclassifications.

NOTE B - CASH AND CASH EQUIVALENTS

For purposes of the statements of financial condition and the statements of cash flows, the Credit Union considers all highly liquid debt instruments purchased with a maturity of three months or less and any certificates of deposit that do not contain early withdrawal penalties to be cash equivalents.

The composition of these investments at December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Cash Due from Financial Institutions	\$ 134,815	\$ 134,805
Cash Due from (to) Corporate Credit Union	7,367,116	(421,748)
Cash Due from Federal Reserve	5,736,694	887,733
Change Fund	<u>1,144,542</u>	<u>1,022,811</u>
Total Cash and Cash Equivalents	<u>\$ 14,383,167</u>	<u>\$ 1,623,601</u>

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE C - DEPOSITS AT A CORPORATE CREDIT UNION

The Credit Union has a total of \$8,552,312 on deposit at a Corporate Credit Union at December 31, 2019 and \$763,448 at December 31, 2018. The Credit Union is required to maintain permanent capital with the Corporate Credit Union as uninsured membership shares.

A summary of funds reported on the accompanying financial statements at December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Cash Due from (to) Corporate Credit Union	\$ 7,367,116	\$ (421,748)
Perpetual Capital Contributed	<u>1,185,196</u>	<u>1,185,196</u>
Total Deposits at a Corporate Credit Union	8,552,312	763,448
Cash Due (from) to Corporate Credit Union	<u>(7,367,116)</u>	<u>421,748</u>
	<u>\$ 1,185,196</u>	<u>\$ 1,185,196</u>

The weighted average yield and carrying value of the deposits at a Corporate Credit Union at December 31 are as follows:

	<u>2019</u>		<u>2018</u>	
	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value
Deposits at a Corporate Credit Union	1.75%	<u>\$ 1,185,196</u>	1.38%	<u>\$ 1,185,196</u>

The carrying value of deposits at a Corporate Credit Union shown by contractual maturity at December 31 is summarized below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	<u>2019</u>	<u>2018</u>
No Maturity - Perpetual Capital Contributed	<u>\$ 1,185,196</u>	<u>\$ 1,185,196</u>

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE D - TIME DEPOSITS

The Credit Union has certificates at December 31, 2019 that bear interest ranging from 0.20% to 3.35% and have penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

The weighted average yields and carrying values of the time deposits at December 31 are as follows:

	<u>2019</u>		<u>2018</u>	
	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value
Time deposits	2.26%	<u>\$ 22,207,375</u>	2.10%	<u>\$ 20,281,947</u>

The carrying values of time deposits shown by contractual maturity are summarized below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

	<u>2019</u>	<u>2018</u>
Maturity within One Year	\$ 4,295,375	\$ 6,826,012
Maturity after One through Five Years	<u>17,912,000</u>	<u>13,455,935</u>
	<u>\$ 22,207,375</u>	<u>\$ 20,281,947</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE E - SECURITIES HELD-TO-MATURITY

The weighted average yields, amortized cost and estimated fair values of securities classified as held-to-maturity at December 31 are as follows:

December 31, 2019					
	Weighted Average Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
FHLB	1.87%	\$ 2,750,000	\$ -	\$ (31,508)	\$ 2,718,492
FHLMC	1.89%	10,497,944	-	(166,782)	10,331,162
FNMA	1.45%	2,500,110	-	(47,200)	2,452,910
FFCB	1.77%	<u>3,498,823</u>	<u>-</u>	<u>(49,278)</u>	<u>3,449,545</u>
		<u>\$ 19,246,877</u>	<u>\$ -</u>	<u>\$ (294,768)</u>	<u>\$ 18,952,109</u>

December 31, 2018					
	Weighted Average Yield	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
FHLB	1.80%	\$ 4,249,580	\$ 3,055	\$ (34,578)	\$ 4,218,057
FHLMC	1.72%	17,239,837	5,432	(180,731)	17,064,538
FNMA	1.52%	4,751,037	65	(46,932)	4,704,170
FFCB	1.72%	<u>2,498,144</u>	<u>-</u>	<u>(37,809)</u>	<u>2,460,335</u>
		<u>\$ 28,738,598</u>	<u>\$ 8,552</u>	<u>\$ (300,050)</u>	<u>\$ 28,447,100</u>

The amortized cost and estimated fair value of securities held-to-maturity at December 31 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.

	2019		2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Maturity within One Year	\$ 5,000,110	\$ 4,903,899	\$ 4,248,077	\$ 4,228,540
Maturity after One through Five Years	<u>14,246,767</u>	<u>14,048,210</u>	<u>24,490,521</u>	<u>24,218,560</u>
	<u>\$ 19,246,877</u>	<u>\$ 18,952,109</u>	<u>\$ 28,738,598</u>	<u>\$ 28,447,100</u>

TRUPARTNER CREDIT UNION, INC.
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Information pertaining to securities with gross unrealized gains (losses) aggregated by investment category and length of time that individual securities have been in a continuous gain (loss) position follows:

	December 31, 2019					
	Less Than 12 Months		12 Months or Greater		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Gains (Losses)	Fair Value	Unrealized Gains (Losses)	Fair Value	Unrealized Gains (Losses)
FHLB	\$ 499,180	\$ (820)	\$ 2,219,312	\$ (30,688)	\$ 2,718,492	\$ (31,508)
FHLMC	493,840	(4,104)	9,837,322	(162,678)	10,331,162	(166,782)
FNMA	-	-	2,452,910	(47,200)	2,452,910	(47,200)
FFCB	-	-	3,449,545	(49,278)	3,449,545	(49,278)
	<u>\$ 993,020</u>	<u>\$ (4,924)</u>	<u>\$ 17,959,089</u>	<u>\$ (289,844)</u>	<u>\$ 18,952,109</u>	<u>\$ (294,768)</u>

	December 31, 2018					
	Less Than 12 Months		12 Months or Greater		Total	
	Gross		Gross		Gross	
	Fair Value	Unrealized Gains (Losses)	Fair Value	Unrealized Gains (Losses)	Fair Value	Unrealized Gains (Losses)
FHLB	\$ 1,003,055	\$ 3,055	\$ 3,215,002	\$ (34,578)	\$ 4,218,057	\$ (31,523)
FHLMC	3,995,715	4,090	13,068,823	(179,389)	17,064,538	(175,299)
FNMA	999,950	(50)	3,704,220	(46,817)	4,704,170	(46,867)
FFCB	496,900	(822)	1,963,435	(36,987)	2,460,335	(37,809)
	<u>\$ 6,495,620</u>	<u>\$ 6,273</u>	<u>\$ 21,951,480</u>	<u>\$ (297,771)</u>	<u>\$ 28,447,100</u>	<u>\$ (291,498)</u>

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis and more frequently when economic or market concerns warrant such evaluation. Consideration is given to 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, and 3) the intent and ability of the Credit Union to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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Market changes in interest rates and market changes in credit spreads will cause normal fluctuations in the market price of securities and the possibility of temporary unrealized gains and losses. These securities were purchased during 2016 through 2019 and the temporary gains and losses are due primarily to the rising and falling of market interest rates during that period. The Credit Union reviews all of its securities for impairment at least quarterly. The Credit Union has determined that there were no additional other-than-temporary impairments associated with these securities at December 31, 2019 and 2018.

NOTE F - SECURITIES AVAILABLE-FOR-SALE

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

	December 31, 2019			
	Weighted Average <u>Yield</u>	Amortized <u>Cost</u>	Gross Unrealized <u>Gain</u>	Estimated Fair <u>Value</u>
United Government Securities A-Bond Fund	1.62%	<u>\$ 100,757</u>	<u>\$ 4,930</u>	<u>\$ 105,687</u>
	December 31, 2018			
	Weighted Average <u>Yield</u>	Amortized <u>Cost</u>	Gross Unrealized <u>Gain</u>	Estimated Fair <u>Value</u>
United Government Securities A-Bond Fund	1.44%	<u>\$ 100,757</u>	<u>\$ 1,108</u>	<u>\$ 101,865</u>

There is no contractual maturity for this investment.

NOTE G - OTHER INVESTMENTS

The Credit Union has an investment at PSCU Financial Services which represents cumulative allocated equities at a value of \$89,616 and \$92,570 as of December 31, 2019 and 2018, respectively.

The investment in the Central Liquidity Facility at December 31, 2019 and 2018 was \$358,758 and \$352,094, respectively.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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The Credit Union has a whole life insurance policy issued by New York Life Insurance Company which is a funding mechanism used to offset employee benefit costs. The surrender value at December 31, 2019 and 2018 approximated \$3,397,287 and \$3,226,504, respectively.

	<u>2019</u>	<u>2018</u>
PSCU Financial Services	\$ 89,616	\$ 92,570
Central Liquidity Facility	358,758	352,094
New York Life Insurance	<u>3,397,287</u>	<u>3,226,504</u>
Total Other Investments	<u>\$ 3,845,661</u>	<u>\$ 3,671,168</u>

NOTE H - LOANS TO MEMBERS

The composition of recorded investment in loans by segment at December 31 is as follows:

	<u>2019</u>	<u>2018</u>
New Automobiles	\$ 5,130,294	\$ 4,797,954
Used Automobiles	16,804,296	16,997,039
Indirect-New and Used Automobiles	-	2,224
First Mortgages	15,407,936	14,612,613
Home Equity Loans	6,646,448	6,520,427
Other Mortgages	-	20,616
Member Business Loans	2,160,035	2,365,795
Other Secured	1,394,729	1,191,029
Other Unsecured	3,334,889	3,417,026
Credit Cards	5,464,541	5,783,453
Automobile Loan Participations	7,292,577	11,640,738
Commercial Business Loan Participations	13,940,228	12,052,665
Student Loan Participations	3,824,031	3,277,588
Purchased Notes, Net (see following summary)	<u>2,885,526</u>	<u>3,511,347</u>
Total	84,285,530	86,190,514
Less: Allowance for Loan Losses	(587,897)	(518,842)
Loans in Process of Liquidation	<u>-</u>	<u>(20,150)</u>
Loans to Members, Net	<u>\$ 83,697,633</u>	<u>\$ 85,651,522</u>

Included in other unsecured loans to members are negative shares in the amount of \$78,943 and \$51,083 as of December 31, 2019 and 2018, respectively.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A summary of purchased notes acquired as of December 31 is as follows:

	<u>2019</u>	<u>2018</u>
New Automobiles	\$ 27,403	\$ 97,250
Used Automobiles	36,515	167,831
First Mortgages	1,895,682	2,237,859
Home Equity Loans	895,876	1,013,609
Other Secured	96,231	116,980
Other Unsecured	<u>69,765</u>	<u>83,012</u>
 Total Purchased Notes	 3,021,472	 3,716,541
Less: Purchased Note Discounts		
Loan Credit Adjustment	(135,305)	(201,988)
Loan Discount Rate	<u>(641)</u>	<u>(3,206)</u>
 Purchased Notes, Net	 <u>\$ 2,885,526</u>	 <u>\$ 3,511,347</u>

A summary of estimated loan balances by principal maturity as of December 31 is as follows:

	<u>2019</u>	<u>2018</u>
No Contractual Maturity	\$ 7,269,284	\$ 7,770,308
Maturity within One Year	12,443,961	12,290,288
Maturity from One to Five Years	39,116,587	36,538,477
Maturity over Five Years	<u>14,475,035</u>	<u>14,673,115</u>
 Total Loans to Members	 <u>\$ 73,304,867</u>	 <u>\$ 71,272,188</u>

The maturities for student loan participations and auto loan participations are not available and therefore are not included in the above table.

The maximum term of a real estate loan is thirty years.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

There were no loans in process of foreclosure at December 31, 2019 and 2018, respectively.

There were no loans in process of liquidation at December 31, 2019. Loans in process of liquidation were outstanding for \$20,150 as of December 31, 2018.

ALLOWANCE FOR LOAN LOSSES

The Credit Union has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Credit Union's portfolio. For purposes of determining the allowance for loan losses, the Credit Union segments certain loans in its portfolio by product type. The Credit Union's loans are segmented into the following pools: new automobiles, used automobiles, indirect-new and used automobiles, first mortgages, real estate, credit card, other and student loans. The Credit Union also sub-segments one of these segments into classes based on the associated risks within that segment. Other loans are divided into the following four classes: (a) other collateral, (b) unsecured, (c) lease, and (d) share secured. Each class of loan requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The Credit Union uses an internally developed model in this process. Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions the Credit Union uses to determine the allowance are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

The following are the factors the Credit Union uses to determine the balance of the allowance account for each segment or class of loans.

Secured by Personal Property Loans

Secured by personal property loans are pooled by portfolio class and a historical loss percentage is applied to each class. The historical loss percentage time frame used is twelve months. This time frame is based on historical loss experience modeling and other quantitative and mathematical migration techniques over the loss emergence period.

Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional loss multipliers to loan balances.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Real Estate

Real estate loans are pooled by portfolio class and a historical loss percentage is applied to each class. The historical loss percentage time frame used is twelve months. This time frame is based on historical loss experience modeling and other quantitative and mathematical migration techniques over the loss emergence period.

Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional loss multipliers to loan balances.

Consumer Secured

Consumer secured loans include loans secured by shares, certificate of deposits and other investments. These loans are not assessed at an underlying class level. A historical loss percentage is applied to the segment. The historical loss period for 2019 was twelve months. The Credit Union has suffered few losses in this segment historically.

Consumer Unsecured and Credit Cards

Unsecured consumer loans are pooled by portfolio class and a historical loss percentage is applied to each class. The historical loss percentage time frame used is twelve months. This time frame is based on historical loss experience modeling and other quantitative and mathematical migration techniques over the loss emergence period.

Based on credit risk assessment and the Credit Union's analysis of leading predictors of losses, the Credit Union may apply additional loss multipliers to loan balances.

Commercial Business Portfolio

Commercial business loans include loans primarily secured by commercial real estate and business property. These loans are not assessed at an underlying class level. A historical loss percentage is applied to the segment. The historical loss period for 2019 was twelve months. The Credit Union has suffered no losses in this segment historically.

Commercial Loan Participations

Commercial participation offerings are reviewed and selected if the loan meets the Credit Union's criteria. These loans are risk rated under criteria established by CBS. The risk ratings are reviewed periodically and modified when necessary. The Credit Union adjusts the allowance on a monthly basis as a result of the ratings.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Automobile Loan Participations

Automobile loan participation offerings are reviewed by the loan department to ensure proper underwriting standards required by the Credit Union. These loans will be segregated by new and used autos within the portfolio. The portfolios report historical loss percentages based on the type of loan. These percentages are applied on a monthly basis and adjusted as needed.

Student Loan Participations

Student loans are no longer fully insured by an outside third party. A historical loss percentage is applied to the segment as well as other qualitative and environmental factors.

The Credit Union's Estimation Process

The balance of the allowance account for each loan segment is based on a twelve-month rolling average for all but commercial loan participations. The balance of the allowance account for commercial loan participations is based upon their commercial risk rating.

Reflected in the portions of the allowance previously described is an amount for imprecision or uncertainty that incorporates the range of probable outcomes inherent in estimates used for the allowance, which may change from period to period. This amount is the result of the management's judgment of risks inherent in the portfolios, economic uncertainties, historical loss experience and other subjective factors, including industry trends, calculated to better reflect the Credit Union's view of risk in each loan portfolio. No single statistic or measurement determines the adequacy of the allowance for loan loss. Changes in the allowance for loan loss and the related provision expense can materially affect net income.

Loans by Segment

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. The Credit Union considers the allowance for loan losses of \$584,484 adequate to cover loan losses inherent in the loan portfolio at December 31, 2019.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

The following table presents the changes in the allowance for loan losses.

	<u>2019</u>	<u>2018</u>
Balance, Beginning of Year	\$ 518,842	\$ 562,880
Provision Charged to Operations (including negative shares)	449,626	565,171
Loans Charged Off	(483,771)	(755,853)
Recoveries	<u>103,200</u>	<u>146,644</u>
Balance, End of Year	<u>\$ 587,897</u>	<u>\$ 518,842</u>

The following table presents the net losses and required allowance by portfolio segment for the year ended December 31:

	<u>2019</u>		<u>2018</u>	
	12 Month Net Losses (Recoveries)	Required Allowance	12 Month Net Losses (Recoveries)	Allowance
Allowance for Loan Losses				
Used Vehicle Loans	\$ 122,136	\$ 121,562	\$ 231,049	\$ 83,769
First Mortgages	5,771	5,811	-	-
Home Equity Loans	(18,383)	-	995	1,051
Other Secured	(647)	-	6,640	7,216
Other Unsecured	119,085	129,447	152,215	84,852
Credit Cards	75,097	76,571	149,694	93,861
Automobile Loan Participations	27,831	14,585	54,334	23,281
Commercial Business				
Loan Participations	-	194,420	-	142,877
Student Loan Participations	<u>49,681</u>	<u>38,240</u>	<u>14,282</u>	<u>32,776</u>
Subtotal	<u>\$ 380,571</u>	580,636	<u>\$ 609,209</u>	469,683
Management Adjustment		<u>7,261</u>		<u>49,159</u>
Total Required Allowance		<u>\$ 587,897</u>		<u>\$ 518,842</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

CREDIT QUALITY INFORMATION

The following table represents credit exposures by creditworthiness category for the year ended December 31, 2019 and 2018. The use of creditworthiness categories to grade loans permits management's use of migration analysis to estimate a portion of credit risk. The Credit Union's internal creditworthiness grading system is based on experiences with similarly graded loans. Category ratings are reviewed each quarter, at which time management analyzes the resulting scores, as well as other external statistics and factors, to track the migration of loan performance. Loans that trend upward toward higher levels generally have a lower risk factor associated; whereas, loans that migrate toward lower ratings generally will result in a higher risk factor being applied to those related loan balances.

The Credit Union's internal risk ratings are based on Beacon Scores.

A+ 720 and above	Member poses little to no additional risk.
A 680 to 719	Member poses a nominal risk of loss.
B 640 to 679	Member poses more than a nominal risk but is not showing signs of financial stress. The additional risk-based migration analysis of this part of the portfolio based on whether the migration of the portfolio is remaining constant or moving higher or lower.
C 600 to 639	Members are experiencing some degree of stress. Additional risk factors are based on migration analysis of this portfolio.
D 550 to 599	Members are showing above average risk. Additional risk factors are based on migration analysis of portfolio.
E 549 and below	Members are high risk. Additional risk factors are based on migration analysis of portfolio.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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Credit Quality Indicators
As of December 31, 2019
Consumer Credit Exposure
Credit Risk Profile by Creditworthiness Category by Class of Loan

	<u>New Automobile</u>	<u>Used Automobile</u>	<u>Other Secured</u>	<u>Credit Cards and Other Unsecured</u>
720 and above	\$ 3,812,226	\$ 7,847,269	\$ 892,464	\$ 1,379,838
680 to 719	629,641	2,514,711	221,424	800,729
640 to 679	419,819	2,827,633	193,225	822,852
600 to 639	126,640	1,793,851	123,404	593,787
550 to 599	45,734	1,073,387	92,222	247,431
549 and below	<u>-</u>	<u>327,701</u>	<u>16,933</u>	<u>95,878</u>
Total	<u>\$ 5,034,060</u>	<u>\$ 16,384,552</u>	<u>\$ 1,539,672</u>	<u>\$ 3,940,515</u>

Credit Quality Indicators
As of December 31, 2018
Consumer Credit Exposure
Credit Risk Profile by Creditworthiness Category by Class of Loan

	<u>New Automobile</u>	<u>Used Automobile</u>	<u>Other Secured</u>	<u>Credit Cards and Other Unsecured</u>
720 and above	\$ 3,457,866	\$ 7,505,033	\$ 884,078	\$ 1,386,966
680 to 719	698,047	2,669,740	166,246	796,871
640 to 679	281,042	2,797,288	247,797	736,801
600 to 639	146,852	1,954,156	85,627	602,110
550 to 599	54,542	1,089,228	133,348	310,141
549 and below	<u>-</u>	<u>413,143</u>	<u>13,364</u>	<u>98,618</u>
Total	<u>\$ 4,638,349</u>	<u>\$ 16,428,588</u>	<u>\$ 1,530,460</u>	<u>\$ 3,931,507</u>

The above table are not inclusive of the Credit Union's entire loan portfolio. Commercial loan participations, automobile loan participations, student loan participations and loans where the member does not have a credit score due to a lack of credit history are not tracked, and therefore, not included in the above table.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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The following tables present performing and nonperforming real estate loans based on payment activity for the years ended December 31, 2019 and 2018. Payment activity is reviewed by management on a quarterly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent are greater than 60 days in the previous quarter.

Nonperforming loans also include certain loans that have been modified in TDRs where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Credit Union's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of the restructure and may only be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period, generally six months.

The performing and nonperforming real estate loans as of December 31, 2019 is as follows:

	<u>First Mortgages</u>	<u>Home Equity</u>	<u>Commercial Business</u>	<u>Other Mortgages</u>
Performing	\$ 15,229,489	\$ 6,479,506	\$ 15,862,206	\$ -
Nonperforming	<u>178,447</u>	<u>166,942</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,407,936</u>	<u>\$ 6,646,448</u>	<u>\$ 15,862,206</u>	<u>\$ -</u>

The performing and nonperforming real estate loans as of December 31, 2018 is as follows:

	<u>First Mortgages</u>	<u>Home Equity</u>	<u>Commercial Business</u>	<u>Other Mortgages</u>
Performing	\$ 14,406,637	\$ 6,402,263	\$ 14,174,194	\$ 20,616
Nonperforming	<u>205,976</u>	<u>118,164</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,612,613</u>	<u>\$ 6,520,427</u>	<u>\$ 14,174,194</u>	<u>\$ 20,616</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

AGE ANALYSIS OF PAST DUE LOANS TO MEMBERS BY CLASS

Following are tables which include an aging analysis of the recorded investment of past due loans to members as of December 31, 2019 and 2018.

Credit Quality Information
Age Analysis of Past Due Loans to Members by Class of Loan to Member
As of December 31, 2019

	30-60 Days Past <u>Due</u>	61-180 Days Past <u>Due</u>	Greater than 181 Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	Total Loans to <u>Members</u>
New Automobiles	\$ 48,433	\$ 40,626	\$ 23,810	\$ 112,869	\$ 5,017,424	\$ 5,130,293
Used Automobiles	133,695	133,127	158,867	425,689	16,378,608	16,804,297
First Mortgages	329,210	-	33,130	362,340	15,045,596	15,407,936
Home Equity Loans	66,239	96,367	23,000	185,606	6,460,842	6,646,448
Member Business Loans	-	-	-	-	2,160,035	2,160,035
Other Secured	-	3,509	23,714	27,223	1,367,507	1,394,730
Other Unsecured	34,530	29,334	10,967	74,831	3,260,057	3,334,888
Credit Cards	19,182	30,598	25,623	75,403	5,389,137	5,464,540
Automobile Loan Participations	165,971	9,994	-	175,965	7,116,611	7,292,576
Commercial Business Loan Participations	-	-	-	-	13,940,228	13,940,228
Student Loan Participations	38,075	21,292	-	59,367	3,764,665	3,824,032
Purchased Notes, Net	<u>66,167</u>	<u>8,763</u>	<u>-</u>	<u>74,930</u>	<u>2,810,597</u>	<u>2,885,527</u>
 Total	 <u>\$ 901,502</u>	 <u>\$ 373,610</u>	 <u>\$ 299,111</u>	 <u>\$ 1,574,223</u>	 <u>\$ 82,711,307</u>	 <u>\$ 84,285,530</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Credit Quality Information
Age Analysis of Past Due Loans to Members by Class of Loan to Member
As of December 31, 2018

	30-60 Days Past <u>Due</u>	61-180 Days Past <u>Due</u>	Greater than 181 Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	Total Loans to <u>Members</u>
New Automobiles	\$ -	\$ 76,064	\$ -	\$ 76,064	\$ 4,721,890	\$ 4,797,954
Used Automobiles	305,886	258,067	123,554	687,507	16,309,532	16,997,039
Indirect-New and Used Automobiles	-	-	-	-	2,224	2,224
First Mortgages	251,153	127,580	78,396	457,129	14,155,484	14,612,613
Home Equity Loans	110,245	115,764	2,400	228,409	6,292,018	6,520,427
Other Mortgages	-	-	-	-	20,616	20,616
Member Business Loans	-	-	-	-	2,365,795	2,365,795
Other Secured	6,213	4,476	-	10,689	1,180,340	1,191,029
Other Unsecured	82,364	47,945	32,317	162,626	3,254,400	3,417,026
Credit Cards	29,403	69,527	24,464	123,394	5,660,059	5,783,453
Automobile Loan Participations	46,508	-	-	46,508	11,594,230	11,640,738
Commercial Business Loan Participations	-	-	-	-	12,052,665	12,052,665
Student Loan Participations	13,592	44,007	-	57,599	3,219,989	3,277,588
Purchased Notes, Net	<u>2,816</u>	<u>18,779</u>	<u>1,221</u>	<u>22,816</u>	<u>3,488,531</u>	<u>3,511,347</u>
 Total	 <u>\$ 848,180</u>	 <u>\$ 762,209</u>	 <u>\$ 262,352</u>	 <u>\$ 1,872,741</u>	 <u>\$ 84,317,773</u>	 <u>\$ 86,190,514</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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IMPAIRED LOANS

The Credit Union considers a loan to be impaired when, based on current information and events, the Credit Union determines that the Credit Union will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Credit Union identifies a loan as impaired, the Credit Union measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Credit Union uses the current fair value of the collateral, less estimated selling costs when foreclosure is probable, instead of discounted cash flows. If the Credit Union determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), the Credit Union recognizes impairment through an allowance estimate or a charge-off to the allowance. The Credit Union determines impairment based on a 61-day default period and all loans classified as TDRs.

When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method.

NONACCRUAL LOANS

The Credit Union generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach over 60 days past due.

When the Credit Union places a loan on nonaccrual status, the Credit Union reverses the accrued unpaid interest receivable against interest income and account for the loan on the cash or cost recovery method, until it qualifies for return to accrual status. Generally, the Credit Union returns a loan to accrual status when (a) all delinquent interest and principal become current under the terms of the loan agreement, or (b) the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

The Credit Union has determined that the entire balance of a loan is contractually delinquent for all classes if the minimum payment is not received by the specified due date on the member's statement. Interest and fees continue to accrue on past due loans until the date the loan goes into nonaccrual status, if applicable.

TRUPARTNER CREDIT UNION, INC.
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Loans on which the accrual of interest has been discontinued or reduced amounted to \$672,721 and \$1,024,561 at December 31, 2019 and 2018, respectively. If interest on those loans had been accrued at their original rates income would have been \$37,490 and \$44,750, respectively. All loans past due 61 days or more are on non-accrual status.

The following table presents the loans to members on nonaccrual status as of December 31, 2019 and 2018. The balances are presented by the portfolio segments.

	<u>2019</u>	<u>2018</u>
New Automobiles	\$ 64,436	\$ 76,064
Used Automobiles	291,994	381,621
First Mortgages	33,130	205,976
Home Equity Loans	119,367	118,164
Other Secured	27,223	4,476
Other Unsecured	40,301	80,262
Credit Cards	56,221	93,991
Automobile Loan Participations	9,994	-
Commercial Business Loan Participations	-	-
Student Loans	21,292	44,007
Purchased Notes	<u>8,763</u>	<u>20,000</u>
	<u>\$ 672,721</u>	<u>\$ 1,024,561</u>

Information on troubled debt restructurings is as follows:

	<u>December 31, 2019</u>	
	Pre-modification	Post-modification
	Outstanding	Outstanding
<u>Number of</u>	<u>Recorded</u>	<u>Recorded</u>
<u>Contracts</u>	<u>Investment</u>	<u>Investment</u>
Troubled Debt Restructurings:		
Other Unsecured	<u>2</u>	<u>\$ 8,027</u>
	<u>2</u>	<u>\$ 8,027</u>

The troubled debt restructured loans shown in the table were modified for the year ended December 31, 2019 with two loans in the amount of \$8,056 where the rates or terms have been modified.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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	December 31, 2018		
	Number of <u>Contracts</u>	Pre-modification Outstanding Recorded <u>Investment</u>	Post-modification Outstanding Recorded <u>Investment</u>
Troubled Debt Restructurings:			
Used Automobiles	11	\$ 98,611	\$ 91,186
Credit Cards	4	5,624	6,134
Other Unsecured	<u>4</u>	<u>9,294</u>	<u>9,297</u>
	<u>19</u>	<u>\$ 113,529</u>	<u>\$ 106,617</u>

There were no loans as of December 31, 2019 that had been modified as troubled debt restructurings during the year ended December 31, 2019 and then subsequently redefaulted in the year ended December 31, 2019.

The troubled debt restructured loans shown in the table were modified for the year ended December 31, 2018 with nineteen loans in the amount of \$113,529 where the rates or terms have been modified.

The Credit Union has no commitments to loan additional funds to borrowers whose loans have been modified.

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE I - PREMISES AND EQUIPMENT

Premises and equipment at December 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land and Improvements	\$ 988,992	\$ 988,992
Building and Improvements	6,315,344	6,306,877
Furniture, Fixtures and Equipment	<u>1,250,512</u>	<u>1,140,658</u>
Total Premises and Equipment	8,554,848	8,436,527
 Less: Accumulated Depreciation	 <u>(3,721,209)</u>	 <u>(3,391,681)</u>
 Premises and Equipment, Net	 <u>\$ 4,833,639</u>	 <u>\$ 5,044,846</u>

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to \$329,528 and \$341,283, respectively.

NOTE J - FORECLOSED ASSETS

The balances of real estate acquired through foreclosure (foreclosed assets) are stated separately on the statement of financial condition. At December 31, 2019 and 2018, the Credit Union had foreclosed assets with gross balances of \$228,972 and \$359,854, respectively, which approximated their estimated net realizable values.

NOTE K - LINE OF CREDIT

The Credit Union maintains a line of credit with Corporate One Credit Union, Inc. The line of credit provides for short-term borrowings up to \$5,000,000. Interest accrues on the unpaid balance of the principal until paid. The line of credit is renewable semi-annually with interest charged at prevailing rates. The line is collateralized by substantially all of the Credit Union's assets.

There was no outstanding loan balance as of December 31, 2019 and 2018.

There was interest expense on borrowed funds as of December 31, 2019 and 2018 in the amount of \$1,454 and \$5,322, respectively.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE L - MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts at December 31 are summarized as follows:

	<u>2019</u>	Weighted Average <u>Rates</u>	<u>2018</u>	Weighted Average <u>Rates</u>
Share Drafts	\$ 24,324,775	.02%	\$ 23,494,018	.02%
Share Accounts	53,731,979	.16%	53,736,852	.16%
IRA and Share Certificates	25,533,748	2.03%	23,718,070	1.25%
Money Market Shares	28,023,210	1.21%	27,768,490	.85%
IRA Shares	<u>5,219,587</u>	.74%	<u>5,359,299</u>	.71%
	<u>\$ 136,833,299</u>		<u>\$ 134,076,729</u>	

The aggregate amount of members' share and savings accounts over the insured limit of \$250,000 at December 31, 2019 and 2018 is \$8,980,493 and \$8,431,656, respectively.

A summary of IRA and share certificates by interest rate at December 31 is as follows:

	<u>2019</u>	<u>2018</u>
0.05% - 0.99%	\$ 670,416	\$ 3,999,140
1.00% - 1.49%	1,487,754	9,988,359
1.50% - 1.99%	7,578,316	3,073,953
2.00% - 2.49%	9,148,978	3,533,019
2.50% - 2.99%	5,872,748	2,650,873
3.00% - 3.49%	<u>775,536</u>	<u>472,726</u>
	<u>\$ 25,533,748</u>	<u>\$ 23,718,070</u>

TRUPARTNER CREDIT UNION, INC.
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At December 31, 2019, scheduled maturities of IRA and share certificates are as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024 and thereafter</u>
0.50% - 0.99%	\$ 572,642	\$ 97,773	\$ -	\$ -	\$ -
1.00% - 1.49%	1,112,615	201,901	173,239	-	-
1.50% - 1.99%	6,567,256	920,017	91,042	-	-
2.00% - 2.49%	7,303,738	448,568	1,004,140	349,933	42,600
2.50% - 2.99%	2,658,412	2,607,167	100,194	182,387	324,588
3.00% - 3.49%	<u>203,484</u>	<u>-</u>	<u>-</u>	<u>433,377</u>	<u>138,675</u>
	<u>\$ 18,418,147</u>	<u>\$ 4,275,426</u>	<u>\$ 1,368,615</u>	<u>\$ 965,697</u>	<u>\$ 505,863</u>

At December 31, 2018, scheduled maturities of IRA and share certificates are as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023 and thereafter</u>
0.50% - 0.99%	\$ 3,246,555	\$ 654,690	\$ 97,895	\$ -	\$ -
1.00% - 1.49%	8,820,553	582,586	242,556	342,664	-
1.50% - 1.99%	1,281,626	1,103,459	604,293	84,575	-
2.00% - 2.49%	1,637,838	634,715	82,550	845,035	332,881
2.50% - 2.99%	51,211	2,323,429	154,665	5,687	115,881
3.00% - 3.49%	<u>-</u>	<u>53,138</u>	<u>-</u>	<u>-</u>	<u>419,588</u>
	<u>\$ 15,037,783</u>	<u>\$ 5,352,017</u>	<u>\$ 1,181,959</u>	<u>\$ 1,277,961</u>	<u>\$ 868,350</u>

Dividend expense on members' share and savings accounts at December 31 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Share Certificates	\$ 355,906	\$ 195,310
IRA Shares	39,233	39,951
IRA Certificates	144,483	104,409
Money Market Shares	338,554	235,358
Share Accounts	<u>89,549</u>	<u>89,413</u>
	<u>\$ 967,725</u>	<u>\$ 664,441</u>

**TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE M - RELATED PARTY TRANSACTIONS

Virtually all officers, directors and employees of the Credit Union, including their immediate families, were loan customers during 2019 and 2018. Such loans were in the ordinary course of business at normal credit terms including interest rates and collateralization and do not represent more than a normal risk of collection. The terms of transactions including these accounts (e.g. interest rates charged and paid) are comparable to other members' accounts except discounts on loan rates to employees which are immaterial to the financial statements. The aggregate loans outstanding to these persons at December 31, 2019 and 2018 amounted to \$3,718,091 and \$3,285,871, respectively. Deposits from related parties at December 31, 2019 and 2018 amounted to \$2,760,030 and \$2,898,051, respectively.

NOTE N - RETIREMENT PLANS

The Credit Union adopted an IRC 401(k) profit sharing plan for substantially all eligible employees as of January 1, 1997. The Credit Union matches a percentage of the employees' deferrals under the 401(k) provision of the plan. Effective January 1, 2006, the plan was amended to allow the Board to determine the amount of the employer base contribution (if any) that will be made each year for participants employed by the Credit Union at year end. For the years ended December 31 the Credit Union contributed the following amounts:

	<u>2019</u>	<u>2018</u>
401(k) match	<u>\$ 80,786</u>	<u>\$ 75,625</u>
Discretionary profit-sharing contribution	<u>\$ 53,357</u>	<u>\$ 37,293</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE O - LEGAL CONTINGENCIES

The Credit Union is a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in the opinion of management and legal counsel, would not be material to the financial condition or results of operations of the Credit Union.

The Credit Union was a party to a lawsuit regarding the termination of a Master Network Services Agreement in the United States District Court for the District of Minnesota. The Plaintiff sought to recover a termination fee of \$343,913 plus interest at 1.5% per month in addition to a \$7,500 de-conversion fee. The Plaintiff also sought to recover its attorneys' fees and costs, in addition to its breach of contract damages. On February 12, 2018, the Plaintiff offered to settle the case for \$358,412, which represents removing a \$7,500 de-conversion fee and attorneys' fees to date. Through mediation the Credit Union signed a settlement on March 9, 2018 agreeing to pay the Plaintiff the sum of \$180,000. The sum was paid in three equal payments of \$60,000.

The Credit Union was a party to a lawsuit regarding a credit reporting complaint in the United States District Court, The Eastern District of Kentucky. The Credit Union has settled the lawsuit for \$99,000 which will be paid by the Credit Union's financial institution bond.

NOTE P - OFF-BALANCE-SHEET ACTIVITIES

Geographical Concentration of Credit Risk

The Credit Union maintains four offices in the Greater Cincinnati area. The Credit Union is dependent upon the economy in the area.

Financial Instruments with Off-Balance-Sheet Risk

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

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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Unless otherwise noted, the Credit Union does not require collateral or other security to support financial instruments with credit risk.

The following financial instruments were outstanding whose contract amounts represent credit risk at December 31:

	2019		
	<u>Variable</u>	<u>Fixed Rate</u>	<u>Total</u>
Lines of Credit	\$ 2,533,038	\$ 706,814	\$ 3,239,852
CBS Open-Ended Loans	-	1,342,061	1,342,061
Credit Cards	-	<u>13,291,757</u>	<u>13,291,757</u>
	<u>\$ 2,533,038</u>	<u>\$ 15,340,632</u>	<u>\$ 17,873,670</u>

	2018		
	<u>Variable</u>	<u>Fixed Rate</u>	<u>Total</u>
Lines of Credit	\$ 2,408,730	\$ 1,398,905	\$ 3,807,635
CBS Open-Ended Loans	-	1,363,947	1,363,947
Credit Cards	-	<u>12,774,801</u>	<u>12,774,801</u>
	<u>\$ 2,408,730</u>	<u>\$ 15,537,653</u>	<u>\$ 17,946,383</u>

The annual percentage rate for credit cards can change upon a thirty-day notice to the membership but is considered a fixed rate of interest.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's 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 counter party. Collateral held generally consists of certificates of deposit, share accounts, automobiles and real estate.

TRUPARTNER CREDIT UNION, INC.
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Unfunded commitments under lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing members. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Credit Union is committed.

Financial Instruments with Concentrations of Credit Risk

The Credit Union has approximately 550 sponsor groups. Most of the Credit Union's business activity is with its members and their immediate families. Membership is open to all residents of Hamilton, Butler, Clermont, and Warren Counties in Ohio. The total loans outstanding to those members at December 31, 2019 and 2018 are listed on the statement of financial condition. The Credit Union's policy for requiring collateral is dependent upon the type of loan requested. Adequate collateral is required for all vehicles, share secured, home equity, first mortgage or other collateralized loan requests.

Cash and Investments in Excess of Insured Limits

At December 31, 2019 and 2018, deposits at a Corporate Credit Union totaled \$9,033,131 and \$1,278,184, respectively, per the Corporate Credit Union's records. Funds are insured up to \$250,000 except the capital accounts which are uninsured. At December 31, 2019 and 2018, the Credit Union had funds on deposit at a Corporate Credit Union in excess of insured limits in the amount of \$8,783,131 and \$1,185,196, respectively, which includes the Perpetual Capital Contributed in the amount of \$1,185,196.

At December 31, 2019 and 2018, deposits in a financial institution exceeding the insured limit totaled \$134,815, respectively, per the financial institution's records.

NOTE Q - REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements. 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 principles. 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.

**TRUPARTNER CREDIT UNION, INC.
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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 the regulations) to total assets (as defined). Credit unions are also required to calculate a Risk-Based Net Worth (RBNW) Requirement which establishes whether or not the Credit Union will be considered “complex” under the regulatory framework. The minimum ratio to be considered complex under the regulatory framework is 6%. Management believes, as of December 31, 2019 and 2018, that the Credit Union meets all capital adequacy requirements to which it is subjected.

As of December 31, 2019, the Credit Union is categorized 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% of assets and meet any applicable RBNW Requirement. There are no conditions or events since the calculation date that management believes have changed the Credit Union’s category.

The Credit Union’s actual capital amounts and ratios at December 31, 2019 and 2018 are also presented in the table below:

	<u>Actual</u>		<u>To be Adequately Capitalized under the Prompt Corrective Action Provisions</u>		<u>To be Well Capitalized under the Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
December 31, 2019	\$16,350,505	10.65%	≥\$9,211,308	≥6.0%	≥\$10,746,526	≥7.0%
December 31, 2018	\$15,848,751	10.55%	≥\$9,010,372	≥6.0%	≥\$10,512,100	≥7.0%

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE R - FAIR VALUE MEASUREMENTS

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

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets and or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

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

	<u>Fair Value Measurements at December 31, 2019:</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Time deposits	\$ 22,207,375	\$ -	\$ 22,207,375	\$ -
Securities held-to-maturity	18,952,109	18,952,109	-	-
Securities available-for-sale	105,687	105,687	-	-
Other investments	3,845,661	-	3,397,287	448,374

TRUPARTNER CREDIT UNION, INC.
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	Fair Value Measurements at December 31, 2018:			
	Fair Value	Level 1	Level 2	Level 3
Time deposits	\$ 20,281,947	\$ -	\$ 20,281,947	\$ -
Securities held-to-maturity	28,447,100	28,447,100	-	-
Securities available-for-sale	101,865	101,865	-	-
Other investments	3,671,168	-	3,226,504	444,664

Fair value measurements using significant unobservable inputs (Level 3):

December 31, 2017	\$ 439,867
Reinvested interest income included in earnings	2,837
Equity Payment received	<u>1,960</u>
December 31, 2018	444,664
Equity redeemed	(2,954)
Equity issued	<u>6,664</u>
December 31, 2019	<u>\$ 448,374</u>

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE S - FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the disclosure requirements of FASB ASC 825, *Financial Instruments*, the estimated fair values of the Credit Union's financial instruments, none of which are held for trading purposes, are as follows:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	\$ 14,383,167	\$ 14,383,167	\$ 1,623,601	\$ 1,623,601
Deposits at a corporate credit union	1,185,196	1,185,196	1,185,196	1,185,196
Time deposits	22,207,375	22,207,375	20,281,947	20,281,947
Securities held-to-maturity	19,246,877	18,952,109	28,738,598	28,447,100
Securities available-for-sale	105,687	105,687	101,865	101,865
Other investments	3,845,661	3,845,661	3,671,168	3,671,168
Loans to members, net of allowance for loan losses	83,697,633	83,697,633	85,671,672	85,671,672
Accrued interest receivable	507,832	507,832	523,619	523,619
Foreclosed assets	228,972	228,972	359,854	359,854
Financial Liabilities				
Members' share and savings accounts	\$136,833,299	\$136,833,299	\$134,076,729	\$134,076,729
Unrecognized Financial Instruments				
Commitments to extend credit	\$ -	\$ 17,873,670	\$ -	\$ 17,946,383

The carrying amounts in the preceding table are included in the statement of financial condition under the applicable captions. The contract or notional amounts of the Credit Union's financial instruments with off-balance-sheet risk are disclosed in Note P.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- *Cash and Cash Equivalents:* The carrying amounts reported in the statement of financial condition for cash and cash equivalents approximate those assets' fair values.
- *Deposits at a Corporate Credit Union:* The carrying amounts reported in the statement of financial condition for deposits at a corporate credit union approximate those assets' fair values.
- *Time Deposits:* The carrying amounts reported in the statement of financial condition for time deposits approximate those assets' fair values.
- *Securities Held-to-Maturity:* Fair values of securities are usually based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.
- *Securities Available-for-Sale:* Fair values of securities are usually based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.
- *Other Investments:* The carrying amounts reported in the statement of financial condition for other investments approximate those assets' fair values.
- *Loans to Members:* Fair value has not been discounted for future cash flows expected to be received for a loan or group of loans using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. This method considers interest rate changes and credit risk changes within the discount rate chosen.
- *Impaired Loans:* The carrying amounts of impaired loans is the lower of the recorded investment in the loan or fair value.
- *Accrued Interest Receivable:* The carrying amounts reported in the statement of financial condition for accrued interest receivable approximate those assets' fair values.
- *Foreclosed Assets:* The carrying amounts of foreclosed assets is recorded at the net realizable value.

TRUPARTNER CREDIT UNION, INC.
NOTES TO FINANCIAL STATEMENTS
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- *Members' Share and Savings Deposits:* The fair value of share drafts, regular savings and money market accounts is the amount payable on demand at the reporting date. The fair value of individual retirement accounts and certificates of deposit has not been discounted for future cash flows using the market rates offered as of December 31 for similar deposits with the same remaining maturities.

- *Commitments to Extend Credit:* The estimated fair value of the commitments to extend credit represents the potential unfunded commitments under such lines-of-credit.

The Credit Union has no financial instruments that are held or issued for trading purposes.