

CU Investment Solutions LLC

Confidential Pursuant to Rule 17a-5 (c)(3)

Financial Statements

For the Years Ended September 30, 2019 and 2018

CU Investment Solutions LLC
Table of Contents

Report of Independent Registered Public Accounting Firm	3-4
Financial Statements	
Statements of Financial Condition	5
Statements of Operations	6
Statements of Changes in Members' Equity	7
Statements of Cash Flows	8
Notes to Financial Statements	9-15
Supplementary Information	
Schedule I, Computation of Net Capital Under Rule 15c 3-1 and Statement Pursuant to Rule 17a-5(d)(4)	17-18
Schedule II, Computation for Determination of Reserve Requirements Under Rule 15c 3-3 of the Securities and Exchange Commission	19
Schedule III, Information Relating to Possession or Control Requirements Under Rule 15c 3-3 of the Securities and Exchange Commission	20



Report of Independent Registered Public Accounting Firm

To the Board of Mangers
CU Investment Solutions, LLC

Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of CU Investment Solutions, LLC ("Company") as of September 30, 2019 and 2018, the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

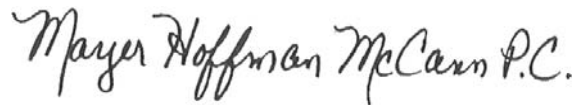
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. CU Investment Solutions, LLC is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The computation of net capital under rule 15c3-1 and statement pursuant to rule 17a-5(d)(4), computation for determination of reserve requirements under rule 15c 3-3 of the Securities and Exchange Commission (SEC) and information relating to possession or control requirements under rule 15c 3-3 of the SEC (together “supplemental information”) has been subjected to audit procedures performed in conjunction with the audit of CU Investment Solutions, LLC financial statements. The supplemental information is the responsibility of CU Investment Solutions, LLC’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.



We have served as the Company's auditor since 2010.
Kansas City, Missouri
November 15, 2019

CU Investment Solutions LLC
Statements of Financial Condition
As of September 30, 2019 and 2018

	September 30,	
	2019	2018
Assets		
Cash and cash equivalents	\$ 2,042,126	\$ 505,491
Investment securities, at Fair Value	-	1,226,256
Receivables		
Commissions	58,547	8,305
Advisory fees	4,466	8,632
Other	-	3,794
Accrued interest	-	724
Total receivables	63,013	21,455
Other assets	38,959	47,471
Total Assets	\$ 2,144,098	\$ 1,800,672
Liabilities and Equity		
Liabilities		
Commissions payable	\$ 220,574	\$ 52,053
Deferred revenue	375,000	375,000
Accounts payable	26,873	34,376
Accrued expenses	182,925	218,656
Total Liabilities	805,372	680,085
Members' Equity		
Members' shares	800,000	800,000
Retained earnings	538,726	320,586
Total Members' Equity	1,338,726	1,120,586
Total Liabilities and Members' Equity	\$ 2,144,098	\$ 1,800,672

See accompanying notes to financial statements.

CU Investment Solutions LLC
Statements of Operations
For the years ended September 30, 2019 and 2018

	2019	2018
Revenue		
Commissions - corporate agent program	\$ 2,130,788	\$ 1,469,993
Commissions - financial product sales	759,059	512,415
Corporate platform fee	500,000	125,000
Advisory and other revenue	192,572	180,824
Net gain (loss) on investment securities	12,155	(3,458)
Interest income	15,385	17,427
Total Revenue	<u>3,609,959</u>	<u>2,302,201</u>
Expenses		
Salaries and benefits	1,125,296	1,100,354
Commissions	1,672,188	1,112,257
Professional and outside services	324,406	304,816
Office occupancy and administration	98,409	93,052
Data processing	63,679	60,491
Memberships and registration fees	34,475	32,932
Travel	20,041	27,450
Insurance and other	53,325	80,556
Total Expenses	<u>3,391,819</u>	<u>2,811,909</u>
Net Income (Loss)	<u>\$ 218,140</u>	<u>\$ (509,708)</u>

See accompanying notes to financial statements.

CU Investment Solutions LLC
Statements of Changes in Members' Equity
For the years ended September 30, 2019 and 2018

	<u>Shares</u>	<u>Members'</u> <u>Shares</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u>
Opening Balance, October 1, 2017	<u>80</u>	<u>\$ 800,000</u>	<u>\$ 830,294</u>	<u>\$ 1,630,294</u>
Net Loss	-	-	(509,708)	(509,708)
Ending Balance, September 30, 2018	<u>80</u>	<u>\$ 800,000</u>	<u>\$ 320,586</u>	<u>\$ 1,120,586</u>
Net Income	-	-	218,140	218,140
Ending Balance, September 30, 2019	<u>80</u>	<u>\$ 800,000</u>	<u>\$ 538,726</u>	<u>\$ 1,338,726</u>

See accompanying notes to financial statements.

CU Investment Solutions LLC
Statements of Cash Flows
For the years ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Net Gain (Loss)	\$ 218,140	\$ (509,708)
Adjustments to reconcile net income to net cash used in operating activities:		
Net (accr) amort of (discounts)/premiums securities	(1,370)	(1,496)
Net change in unrealized loss on investment securities	(13,374)	3,458
Realized loss on investment securities	1,218	-
Changes in operating assets and liabilities:		
Receivables from customers	(50,242)	5,866
Other receivables	8,684	(3,003)
Other assets	8,510	(4,609)
Commissions payable	168,521	(28,428)
Accounts payable and accrued expenses	(43,234)	34,701
Deferred Revenue	-	375,000
<i>Net cash provided by (used in) operating activities</i>	<u>296,853</u>	<u>(128,219)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	247,782	-
Maturities of investment	992,000	-
<i>Net cash provided by investing activities</i>	<u>1,239,782</u>	<u>-</u>
<i>Net increase (decrease) in cash</i>	1,536,635	(128,219)
Cash and cash equivalents, beginning of year	505,491	633,710
Cash and cash equivalents, end of year	<u>\$ 2,042,126</u>	<u>\$ 505,491</u>

See accompanying notes to financial statements.

CU Investment Solutions LLC Notes to Financial Statements

1. Nature of Organization

CU Investment Solutions LLC (the “Company”) is registered with the Securities and Exchange Commission as a securities broker/dealer under the Securities Exchange Act of 1934 and is also a registered investment adviser with the State of Kansas. The Company is a member of the Financial Industry Regulatory Authority, Inc. and the Securities Investor Protection Corporation.

The Company was incorporated in Kansas on December 21, 1988, and as of September 29, 2011 operated as a wholly owned subsidiary of U.S. Central Bridge Corporate Federal Credit Union. The Company was formed for the purpose of providing investment services to the corporate credit union network. In anticipation of a change in ownership, the Company converted from an incorporated entity to a single member limited liability company (“LLC”) under the Kansas Revised LLC act on June 30, 2011.

On September 30, 2011 the Company was acquired by a group of corporate credit unions and continues to provide broker/dealer and investment advisory services to the corporate and natural person credit union sector.

The Company derives the majority of revenues and expenses from its relationships with its owner members and other corporate and natural person credit unions. Future revenues depend on the continued reliance of these entities on the Company for securities transaction processing and other services.

The Company clears all transactions for its customers on a fully-disclosed basis with a clearing broker-dealer, who carries all customers’ accounts and maintains the related records. Accordingly, the Company is exempt from Rule 15c3-3 of the Securities Exchange Act of 1934, under paragraph (k)(2)(ii) of that Rule.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the financial statements of the Company. These accounting policies conform to accounting principles generally accepted in the United States (“GAAP”) and reflect practices appropriate to the industry in which the Company operates.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of the amounts of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CU Investment Solutions LLC Notes to Financial Statements

Cash and cash equivalents

Cash and cash equivalents represent funds on deposit at financial institutions. Share/deposit insurance at the natural person credit union is provided by the National Credit Union Share Insurance Fund ("NCUSIF"), a U.S. Government insurance fund for account balances up to \$250,000. Deposit insurance at the U.S. bank and trust company is provided by the Federal Deposit Insurance Corporation ("FDIC"). Cash and cash equivalents held on deposit at a U.S. bank and trust company exceeding insurance coverage was \$757,480 in the operating accounts as of September 30, 2019. Cash balances held at the U.S. clearing firm are insured by the Securities Investor Protection Corporation ("SIPC") up to \$250,000. Cash balances exceeding insurance coverage was \$805,480 at the U.S. clearing firm as of September 30, 2019.

Securities Transactions

Customer securities transactions, executed on a fully-disclosed basis by the Company's clearing broker-dealer, are recorded on a settlement-date basis, generally within two business days after trade date, with related transaction revenue recorded on a trade-date basis. In certain cases, another broker/dealer or customer will fail to deliver securities to the clearing broker-dealer, and as a result, the clearing broker-dealer will fail to deliver securities to the counterparty to the transaction. The Company's clearing broker-dealer promptly forwards securities upon receipt and settles cash when the securities are delivered.

Proprietary securities transactions, executed for the account and benefit of the Company, are recorded on a trade-date basis. As of September 30, 2019, the company did not hold any investment securities. As of September 30, 2018, the Company held investment securities with a fair value of \$1,226,256. The investment securities are recorded at fair value, with changes in fair value recorded in the statement of operations.

Interest and dividend revenues are accounted for on an accrual basis and included in interest income. Direct trading expenses associated with proprietary security transactions are recorded when incurred, which is typically the trade-date.

Revenue recognition

The Company adopted ASC Topic 606, Revenue from Contracts with Customers during the year, by applying the modified retrospective method. Adoption had no material impact on the Company's financial condition, results of operations or cash flows. Accordingly, the adoption of the new standard did not result in a transition adjustment to opening retained earnings, and as a result, revenues for contracts with customers would not have been adjusted in prior periods and are not presented herein on an adjusted basis.

The Company's revenue recognition methods for its contracts with customers prior to the adoption of Topic 606 were consistent with its methods after the adoption of Topic 606. The

CU Investment Solutions LLC Notes to Financial Statements

Company records a receivable when revenue is recognized prior to payment and when the Company has an unconditional right to payment. The Company records a contract liability when payment is received prior to the time at which the satisfaction of the contract obligation occurs.

The new revenue guidance does not apply to revenue associated with financial instruments, including securities that are accounted for under other U.S. GAAP, and as a result, did not have an impact on the elements of the Company's consolidated statement of comprehensive income most closely associated with financial instruments, including interest income. The new standard primarily impacts the presentation of the following revenue streams:

Corporate agent program ("CAP") and financial product sales ("FPS") revenues represent payment for the execution of securities transactions on behalf of corporate and natural person credit union customers. Revenues are recognized on the date of execution (trade date). The Company's performance obligations consist of trade execution and clearing services and are fully satisfied on the settlement date. Substantially all revenue received is from related parties.

Advisory revenues represent fees paid by corporate customers for assistance with asset/liability management reporting and analysis of their investment strategies. Advisory revenues are recognized when earned, generally when the services are rendered. The Company's performance obligations have been fulfilled on invoice date. Substantially all revenue received is from related parties.

Platform fee revenues represent fees paid by corporate owners for their usage of the Company's business infrastructure and services over the following twelve months. Platform fees are recorded when invoiced as Deferred Revenue and accreted to income over a twelve-month period at a straight-line rate. The Company's performance obligation is satisfied at the end of the twelve-month period. Substantially all revenue received is from related parties.

Income Taxes

The Company is treated for tax purposes substantially as a partnership and, accordingly, is not subject to federal or state income taxes.

3. Investment Securities

Investments securities at September 30, 2018 were as follows:

CU Investment Solutions LLC
Notes to Financial Statements

	2018			Estimated Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Brokered Certificates of Deposit	1,239,630	-	(13,374)	1,226,256
	<u>\$ 1,239,630</u>	<u>\$ -</u>	<u>\$ (13,374)</u>	<u>\$ 1,226,256</u>

There were realized losses of (\$1,218) due to securities sales during the year ended 2019 and no realized gains or losses due to no sales of securities during the year ended September 30, 2018.

4. Fair Value Measurement

The Company follows Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*. ASC 820 establishes a hierarchy for determining the fair value of financial and non-financial instruments. The hierarchy consists of three levels of valuations based on the evidence used to determine the fair value. ASC 820 requires that the highest level of valuation available be used based on market observable data. A “Level 1” valuation is a quoted market price for a particular (or identical) asset in a market that is actively trading. A valuation is considered to be “Level 2” when a quoted market price (in an active market) is not available, but all significant inputs into the calculation of fair value represent data observable in an active market. A valuation is considered “Level 3” when any significant component of the fair value calculation is based on data that is not observable in an active market, but rather is based on estimates by management or outside parties.

The following table presents the balances of investments measured at fair value as of September 30, 2018:

	2018 Fair Value Using			Total Fair Value
	Level 1	Level 2	Level 3	
Brokered Certificates of Deposit	-	1,226,256	-	1,226,256
	<u>\$ -</u>	<u>\$ 1,226,256</u>	<u>\$ -</u>	<u>\$ 1,226,256</u>

The fair value of certificates of deposits is estimated using third-party quotations as provided by our clearing firm, which applies commonly used pricing services and practices. These deposits are categorized in Level 2 of the fair value hierarchy.

5. Related Party Transactions

Certain of the member-owners of the Company currently utilize the CAP to facilitate marketable security transactions on behalf of their natural person credit union members

CU Investment Solutions LLC

Notes to Financial Statements

resulting in revenues earned by the Company from a third party clearing broker-dealer and associated commissions paid to these member-owners.

As of September 30, 2019 and 2018, \$220,574 and \$52,053, respectively, in commissions payable to these member-owners was outstanding. Commissions paid to these member-owners during the years ended September 30, 2019 and 2018 were \$1,510,208 and \$1,004,472, respectively and are included in commissions in the accompanying statements of operations.

During the years ended September 30, 2019 and 2018, the Company recorded CAP, FPS and advisory revenues from member-owner activity totaling \$2,947,320 and \$2,005,209, respectively. Advisory services, specifically, asset-liability management (“ALM”) reporting, are supplemented with information processed pursuant to an agreement with a wholly-owned credit union service organization of a member-owner of the Company. Expenses in connection with this agreement are included in professional and outside services and totaled \$78,607 and \$76,904 for the years ended September 30, 2019 and 2018, respectively. The Company also had receivables from member-owners of \$4,466 and \$8,632 related to advisory services at September 30, 2019 and 2018.

In June 2018, the board approved a Corporate Platform fee that may be charged to the owners annually based on usage of the Company. Fees of \$500,000 were invoiced in June and received in July and August of 2018. These fees were recorded as Deferred Revenue and accreted to income at a straight-line rate of \$41,667 monthly, starting in July 2018 and ending June 2019. The Corporate Platform Fee was renewed for July 2019 in the same aggregate amount and using the same accounting treatment. The balance of Deferred Revenue is \$375,000 as of September 30, 2019.

Approximately 90.8 and 79 percent of total revenue was recorded from four member owners in 2019 and three member owners in 2018, respectively.

6. Income Taxes

At September 30, 2019 and 2018, the Company believes it has retained its’ non-taxable status, and therefore does not have any significant uncertain tax positions which did not meet the more likely than not measurement threshold. The Company’s policy is to recognize interest and penalties related to uncertain tax positions in the income tax provision. The Company is no longer subject to income tax examinations in significant jurisdictions for years before 2016.

7. Retirement Plan

The employees participate in a defined contribution retirement plan sponsored by the Company. Under the terms of the plan, employees of the Company may immediately contribute a percentage of their salary up to certain limitations as defined by the Internal

CU Investment Solutions LLC

Notes to Financial Statements

Revenue Service. The Company matches 100% of the first 3% of the salary of the participant and an additional 50% of the next 2% of the salary of the participant. The employer matching contributions vest immediately. In addition, the Company may make discretionary profit sharing contributions, which are 100% vested when the employee reaches four years of service. The Company contributed a total of \$71,727 and \$69,193 to the plan during the years ended September 30, 2019 and 2018, respectively.

As of June 16, 2016 a deferred compensation agreement went into effect with an Executive of the Company. If the Executive was still employed with the company a \$75,000 bonus was be paid out June 16, 2019. As of December 20, 2016 a retroactive agreement starting in October 1, 2016 went into effect for another Executive of the Company. If the Executive was still employed with the Company a \$45,000 bonus was be paid out September 30, 2019. Each of these agreements was paid out as agreed during 2019. Compensation expense recorded for the years ended September 30, 2019 and 2018 pursuant to these arrangements totaled \$32,708 and \$40,000, respectively.

8. Business Risks and Concentrations

In the normal course of business, the Company acts in the capacity of principal in executing and settling securities transactions. Business risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of settlement. The Company has control procedures regarding securities transactions with counterparties and the manner in which they are settled. The settlement of open transactions as of September 30, 2019, did not have a material adverse effect on the financial statements of the Company.

As of September 30, 2019 and 2018, the Company provided its transaction and advisory services solely to corporate credit unions and members of corporate credit unions throughout the United States. As such, the Company's business is reliant upon its relationship with corporate credit unions, including primarily its member-owners and their natural person credit union members.

In the ordinary course of its business, the Company is involved in various legal proceedings involving contractual and employment relationships and a variety of other matters. Additionally during the ordinary course of business the Company may be subjected to fines imposed by regulatory agencies. While the Company cannot predict the outcome of its pending regulatory and legal matters with certainty, the Company does not believe any currently identified claim, proceeding or litigation, either individually or in aggregate, or regulatory fines will have a material impact on the Company's results of operations, financial position or cash flows.

9. Commitments

Effective September 16, 2011, the Company entered into an operating lease agreement for its main operations which required monthly lease payments ranging from approximately \$4,100 to \$4,300 through October 31, 2016. On December 31, 2015, an amendment was signed to extend the lease agreement through October 31, 2019, which required monthly lease payments ranging from approximately \$4,300 to \$4,320. The related lease expense of \$55,090 and \$54,266 for the years ended September 30, 2019 and 2018, respectively, is included in office occupancy and administration expense. On July 23, 2019, an additional amendment was signed to extend the lease agreement through October 31, 2022, which requires monthly lease payments ranging from approximately \$4,315 to \$4,598.

10. Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule ("Rule 15c3-1"). The Company computes its net capital requirements under the basic method provided for in Rule 15c3-1. The basic method requires minimum net capital to be the greater of \$100,000 or 6 2/3% of aggregate indebtedness. Advances to affiliates, repayment of subordinated borrowings, dividend payments, and other equity withdrawals are subject to certain notification and other provisions of the SEC Uniform Net Capital Rule of other regulatory bodies.

At September 30, 2019, the Company had net regulatory capital of \$1,282,301, which was \$1,182,301 in excess of the required net capital of \$100,000. At September 30, 2018, the Company had net regulatory capital of \$1,039,203, which was \$939,203 in excess of the required net capital of \$100,000.

Also, the ratio of aggregate indebtedness to net regulatory capital for the Company is not permitted to exceed 15 to 1. As of September 30, 2019 the ratio of aggregate indebtedness to net capital for the Company was 0.34 to 1. As of September 30, 2018, the ratio was 0.65 to 1.

11. Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, "Leases (Topic 842)." This update is to "increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements." This standard will require the Company to recognize our current office space operating lease as both an asset and offsetting liability on the balance sheet. The standard is effective for reporting periods beginning after December 15, 2020.

12. Subsequent Events

In accordance with ASC 855, Subsequent Events, the Company has evaluated subsequent events through November 15, 2019, which is the date these financial statements were available to be issued.

Supplementary Information

CU Investment Solutions LLC
Schedule I
Computation of Net Capital Under Rule 15c 3-1 and Statement Pursuant to Rule 17a-5(d)(4)
September 30, 2019

	2019
Total Equity	\$ 1,338,726
Non-Allowable Assets:	
Advisory fees receivable	4,466
Property, plant and equipment, net	-
Other assets	38,959
Total Non-Allowable Assets	43,425
Deductions:	
Excess insurance deductible	13,000
Securities haircuts	-
Undue concentration	-
Total Deductions	13,000
Net Capital	\$ 1,282,301
Aggregate Indebtedness	
Accounts payable and accrued expenses	\$ 209,798
Commissions payable	220,574
Total Aggregate Indebtedness	\$ 430,372
Regulatory Minimum Net Capital (Greater of \$100,000 or 6 2/3% of Total Aggregate Indebtedness)	\$ 100,000
Excess Net Capital	\$ 1,182,301
Ratio of Aggregate Indebtedness to Net Capital	0.3356 to 1

CU Investment Solutions LLC
Schedule I

Computation of Net Capital Under Rule 15c 3-1 and Statement Pursuant to Rule 17a-5(d)(4)
September 30, 2019

Statement Pursuant to Rule 17a-5(d)(4)

A reconciliation of the Company's computation of net capital as reported was not prepared as there are no material differences between the Company's computation of net capital included in its unaudited Form X-17A-5 Part II-A and the computation contained herein.

CU Investment Solutions LLC
Schedule II
Computation for Determination of Reserve Requirements Under Rule 15c 3-3
of the Securities and Exchange Commission
September 30, 2019

The Company is exempt from the Reserve Requirement of computation according to the provision of Rule 15c3-3 (k)(2)(ii).

CU Investment Solutions LLC
Schedule III
Information Relating to Possession or Control Requirements Under Rule 15c 3-3
of the Securities and Exchange Commission
September 30, 2019

The company is exempt from Rule 15c3-3 as it relates to Possession and Control requirements according to the provision of Rule 15c3-3 (k)(2)(ii).