J. Tenbrink & Associates
Certified Public Accountants

February 15, 2019

Millennium Corporate Credit Union
Wichita, Kansas

To the Board of Directors, Supervisory Committee, President and Chief Executive Officer Larry Eisenhauer, Executive Vice President Kent Gleason, and Chief Financial Officer Kathleen Gray of Millennium Corporate Credit Union:

We have audited the financial statements of Millennium Corporate Credit Union for the year ended December 31, 2018 and the credit union's internal control over financial reporting as of December 31, 2018 ("integrated audit"), and have issued our report thereon dated February 15, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 7, 2018. Professional standards also require that we communicate to you the following information related to our integrated audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Millennium Corporate Credit Union are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during our audit period. We noted no transactions entered into by the institution during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The credit union does not have a significant estimate affecting the financial statements.

11272 S. Ridgeview Olathe, Kansas 66061 913-894-6214 Fax 913-894-6238

Significant Audit Findings

Qualitative Aspects of Accounting Practices (Cont'd)

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> Management's disclosure of the fair value of financial instruments in Note 10 is based on the discounting of future cash flows associated with the financial instruments utilizing a significant number of assumptions within the fair value model concerning the future performance of these financial instruments. Given this fact, actual future results could vary significantly from projected performance with unforeseen changes in the indicators in which management based their original assumptions.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 15, 2019.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the institution's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Audit Findings (Cont'd)

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the credit union's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the use of the Board of Directors, Supervisory Committee, President and Chief Executive Officer Larry Eisenhauer, Executive Vice-President Kent Gleason and Chief Financial Officer Kathleen Gray and should not be used for any other purpose.

We will be pleased to discuss this report with you further at your convenience.

Yours truly,

J. TENBRINK & ASSOCIATES

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT
December 31, 2018 and 2017

J. Tenbrink & Associates
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Millennium Corporate Credit Union
Wichita, Kansas

Report on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying financial statements of Millennium Corporate Credit Union, which comprise the statements of financial condition as of December 31, 2018 and 2017, and the related statements of income, statements of comprehensive income, statements of members' equity, statements of cash flows for the years then ended, and the related notes to the financial statements. We also have audited management's assertion concerning the effectiveness of Millennium Corporate Credit Union's internal controls and procedures over financial reporting as of December 31, 2018.

Management's Responsibility for the Financial Statements and Internal Control over Financial Reporting

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, for maintaining internal control over financial reporting including the design, implementation, and maintenance of controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to error or fraud, and for its assertion about the effectiveness of internal control over financial reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on management's assertion regarding the effectiveness of Millennium Corporate Credit Union's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and our audit of internal control over financial reporting in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the credit union's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of internal control over financial reporting involves obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Definition and Inherent Limitations of Internal Control

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

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

Opinion on Internal Control over Financial Reporting

In our opinion, Millennium Corporate Credit Union maintained effective control over financial reporting, in all material respects, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA-5310, as of December 31, 2018 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Basis for Qualified Opinion on Financial Statements

Millennium Corporate Credit Union has reported members' accounts as equity in the accompanying statements of financial condition. Accounting principles generally accepted in the United States of America require members' accounts to be reported as liabilities in the statement of financial condition. If the credit union had properly reported these members' accounts as liabilities, liabilities would increase and equity would decrease by $481,126,422 and $540,192,226 as of December 31, 2018 and 2017, respectively.

Qualified Opinion on Financial Statements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph presents fairly, in all material respects, the financial condition of Millennium Corporate Credit Union as of December 31, 2018 and 2017, and the results of its operations and its cash flows, in conformity with generally accepted accounting principles in the United States of America.

J. TENBRINK & ASSOCIATES

Olathe, Kansas
February 15, 2019

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

STATEMENTS OF FINANCIAL CONDITION
December 31

ASSETS	2018	2017
Cash	$ 21,425,093	$ 17,778,187
Cash-interest bearing	208,678,460	206,864,656
Securities available-for-sale (Note 2)	278,320,341	310,256,418
Securities purchased under agreements to resell (Note 3)	40,000,000	40,000,000
Other investments	3,022,000	3,647,004
Loans to members (Note 4)	45,593,147	23,230,751
Accrued interest receivable	616,657	368,818
Property and equipment (Note 5)	537,919	539,115
Investments in credit union service organizations (Note 6)	2,809,468	2,968,716
Other assets	1,957,785	2,205,448
Total Assets	$ 602,960,870	$ 607,859,113

LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Borrowings (Note 8)	$ 50,000,000	$ -
Accrued interest payable	781,372	419,279
Accrued expenses and other liabilities	362,210	393,089
Total Liabilities	$ 51,143,582	$ 812,368
Commitments and Contingent Liabilities (Note 12)		
Members' Equity		
Members' accounts (Note 7)	$ 481,126,422	$ 540,192,226
Perpetual contributed capital	54,208,507	54,208,507
Equity acquired in merger	1,679,681	1,679,681
Retained earnings	14,823,250	11,223,758
Accumulated other comprehensive income	(20,572)	(257,427)
Total Members' Equity	$ 551,817,288	$ 607,046,745
Total Liabilities and Members' Equity	$ 602,960,870	$ 607,859,113

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

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

STATEMENTS OF INCOME
Years ended December 31

	2018	2017
Interest income		
Interest on investments	$ 12,212,899	$ 7,991,514
Interest on loans	901,183	360,953
	$ 13,114,082	$ 8,352,467
Interest expense		
Interest and dividends on members' accounts	$ 6,425,575	$ 3,473,012
Interest on borrowed funds	334,498	103,019
	$ 6,760,073	$ 3,576,031
Net Interest Income	$ 6,354,009	$ 4,776,436
Non-interest income		
Financial services fees	$ 3,748,007	$ 3,624,515
Asset-liability management fees	325,697	346,639
Credit union service organizations	(43,741)	238,230
Other	761,627	929,200
Total non-interest income	$ 4,791,590	$ 5,138,584
Non-interest expenses		
Payroll and benefits	$ 2,262,655	$ 2,261,079
Financial services charges	2,273,639	2,166,990
Office operations	1,187,717	1,174,841
Professional and outside services	303,089	229,050
Other	291,191	283,438
Total non-interest expenses	$ 6,318,291	$ 6,115,398
NET INCOME	$ 4,827,308	$ 3,799,622

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

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31

	2018	2017
Net Income	$ 4,827,308	$ 3,799,622
Other comprehensive income:		
Unrealized holding gains (losses) on securities available-for-sale	233,933	(121,363)
Reclassification adjustment for gains realized in net income	2,922	31,038
	$ 236,855	$ (90,325)
Total Comprehensive Income	$ 5,064,163	$ 3,709,297

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

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

STATEMENTS OF MEMBERS' EQUITY
Years ended December 31

	Perpetual Contributed Capital	Equity Acquired in Merger	Retained Earnings	Accumulated Other Comprehensive Income
Balance, December 31, 2016	$ 54,148,613	$ 1,679,681	$ 8,103,156	$ (167,102)
Net Income	-	-	3,799,622	-
Additional capital raised	66,744	-	-	-
Return of capital	(6,850)	-	-	-
Dividends paid on perpetual contributed capital	-	-	(679,020)	-
Change in valuation of securities available-for-sale	-	-	-	(90,325)
Balance, December 31, 2017	$ 54,208,507	$ 1,679,681	$ 11,223,758	$ (257,427)
Net Income	-	-	4,827,308	-
Additional capital raised	-	-	-	-
Dividends paid on perpetual contributed capital	-	-	(1,227,816)	-
Change in valuation of securities available-for-sale	-	-	-	236,855
Balance, December 31, 2018	$ 54,208,507	$ 1,679,681	$ 14,823,250	$ (20,572)

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

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

STATEMENTS OF CASH FLOWS
Years ended December 31

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 4,827,308	$ 3,799,622
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	78,726	92,316
Premium amortization, net	152,196	117,581
Gain on sales of securities available-for-sale	(2,922)	(31,038)
Undistributed (income) loss on investments in credit union service organizations	159,248	(66,206)
Net change in accrued interest receivable	(247,839)	(149,644)
Net change in other assets	247,663	(426,809)
Net change in accrued interest payable	362,093	281,749
Net change in accrued expenses and other liabilities	(30,879)	73,027
Net cash provided by operating activities	$ 5,545,594	$ 3,690,598
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of securities available-for-sale	$ (81,162,229)	$ (76,536,695)
Sales of securities available-for-sale	29,870,206	17,047,140
Maturities and paydowns on securities available-for-sale	83,315,681	87,226,349
Net change in other investments	625,004	(1,331,599)
Net change in loans to members	(22,362,396)	10,472,644
Expenditures for property and equipment	(77,530)	(61,581)
Net cash provided by investing activities	$ 10,208,736	$ 36,816,258
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in members' accounts	$ (59,065,804)	$ (32,119,787)
Advance on line of credit	50,000,000	-
Additional capital raised	-	66,744
Return of capital	-	(6,850)
Dividends paid on perpetual contributed capital	(1,227,816)	(679,020)
Net cash used in financing activities	$ (10,293,620)	$ (32,738,913)
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ 5,460,710	$ 7,767,943
Cash and cash equivalents at beginning of year	224,642,843	216,874,900
Cash and cash equivalents at end of year	$ 230,103,553	$ 224,642,843
Cash paid during the year for interest	$ 6,397,980	$ 3,294,282
Other comprehensive income	$ 236,855	$ (90,325)

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

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through February 15, 2019, the date which the financial statements were available to be issued.

Nature of Business

Millennium Corporate Credit Union (Millennium Corporate) is a cooperative association organized in accordance with the provisions of the Kansas Credit Union Act for the purpose of providing correspondent banking services as well as investment products and a source of credit for its member credit unions. Millennium Corporate is a cooperative that is owned and directed by its member credit unions. Membership is available to retail credit unions and approved affiliates located in the United States; however, the majority of the members are located in Kansas, Missouri, Montana, and Nebraska.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues 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 these estimates.

Basis of Accounting

Millennium Corporate uses the accrual basis of accounting, which includes in the total of net income all revenues earned and expenses incurred, regardless of when actual cash payments are received or paid. Millennium Corporate is also required to report comprehensive income, of which net income is a component. Comprehensive income is defined as the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including all changes in equity during a period, except those resulting from investments by, and distributions to, owners. Accumulated other comprehensive income consists entirely of net unrealized gains (losses) on available-for-sale debt securities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash in vaults, cash on deposit, and cash held in interest bearing accounts at the Federal Reserve Bank of Kansas City and the Federal Home Loan Bank of Topeka.

Cash and cash equivalents are insured to $250,000. The aggregate uninsured portion of cash and cash equivalents over $250,000 was $208,256,712 at December 31, 2018. Of the aggregate uninsured portion of cash and cash equivalents at December 31, 2018, $205,992,104 was with the Federal Reserve Bank of Kansas City.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment Securities

Available-for-Sale: Mortgage backed pass-throughs, agency notes and small business administration debentures of United States government agencies, asset backed pass-throughs, and private-issue securities are classified as available-for-sale when the credit union anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments, and other market and economic factors. These securities are reported at fair value. The fair values on available-for-sale securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Millennium Corporate has no investment securities classified as held-to-maturity or held for trading purposes.

Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in other comprehensive income. Cost of securities sold is recognized using the specific identification method.

Individual available-for-sale securities that have fair value declines below their cost that is other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other than temporary losses, management considers (1) the length of time and the extent to which the fair value has been less than the 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 sufficient to allow for anticipated recovery in fair value.

Securities Purchased Under Agreements to Resell

Millennium Corporate has reverse repurchase agreements with parties through a tri-party arrangement with the Bank of New York, which is responsible for the administration of the transaction including collateral allocation, marking to market, and substitution of the collateral.

Millennium Corporate purchases investment securities from the parties for specified periods of time. Millennium Corporate has the right to pledge, sell, or otherwise transfer the securities if the transferor was to default on their obligation. Millennium Corporate requires a minimum margin based on pre-arranged spreads that are commensurate with the investment securities purchased. Millennium Corporate is obligated to resell identical or substantially the same securities to the transferor at the termination of the repurchase agreements under fixed-price arrangements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Federal Home Loan Bank Stock

Millennium Corporate, as a member of the Federal Home Loan Bank (FHLB) of Topeka, is required to maintain an investment in capital stock of the FHLB based on a formula developed by the FHLB that considers the corporate credit union's total assets and outstanding advances from the FHLB. The FHLB stock is carried at cost within other investments and its disposition is restricted. No ready market exists for the FHLB stock, and it has no quoted market value.

Investments in Credit Union Service Organizations

Millennium Corporate has invested in credit union service organizations (CUSOs) to obtain certain services, including brokered certificates of deposit program for member credit unions (Primary Financial, LLC), business services to member credit unions (CU Business Group), and investment brokerage and advisory services (CU Investment Services, LLC). Millennium Corporate also invested in a CUSO to support credit unions access to certain services using block chain technology (CULedger Heartland, LLC). As part of the merger of Missouri Corporate, the investment in Missouri Corporate's data processing CUSO, Core Network Processing LLC (CNP), was written down to $1 prior to the merger effective date.

The investments in Primary Financial, LLC and CU Investment Services, LLC are accounted for under the equity method. The investments in CU Business Group and CULedger Heartland, LLC are accounted for under the cost method.

Loans to Members

Loans to members are stated at the amount of unpaid principal balance. Interest on loans is recognized over the terms of the loans and is calculated using the simple-interest method on principal amounts outstanding. Based on the availability of collateral, analyses of the creditworthiness of member borrowers, and past loan performance, management does not consider an allowance for loan losses necessary.

Regulatory agencies, as an integral part of their examination process, periodically review the credit union's loan portfolio, and may require the credit union to provide an allowance based on their judgment about information available to them at the time of their examinations.

Property and Equipment

Land is carried at cost. Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided for using the straight-line method over the terms of the related leases.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with NCUA regulations, which requires the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to Millennium Corporate if its insurance coverage is terminated or if the operations of the fund are transferred from the NCUA Board. Millennium Corporate is required to pay an annual insurance premium equal to one-twelfth of one percent of its total insured shares, unless the payment is waived, reduced, or increased by the NCUA Board of Directors. The NCUA assessed no premium in 2018 and 2017.

Members' Accounts

Members' accounts are classified as equity to denote the ownership interest of its members. This classification conforms to their statutory definition and is consistent with past longstanding practice. Accounting principles generally accepted in the United States of America require that members' shares and deposits accounts be classified as liabilities, similar to deposit accounts at other financial institutions.

Members' accounts are subordinated to all other liabilities of Millennium Corporate upon liquidation. Interest on members' accounts is based on available earnings at the end of an interest period and is not guaranteed by the corporate credit union. Interest rates on members' share accounts are set by the Board of Directors based on an evaluation of current and future market conditions.

Perpetual Contributed Capital

Perpetual contributed capital (PCC) is perpetual, non-cumulative accounts with no stated maturity, and qualifies as equity under United States generally accepted accounting principles. In addition, PCC is not negotiable or assignable but may be transferable to another eligible member credit union under certain provisions.

Each member holding PCC is entitled to one vote on any matter subject to vote by the membership, including election of the Board of Directors. In accordance with NCUA Regulation 704.2, PCC is not subject to share insurance coverage by the NCUSIF and is available to cover losses that exceed retained earnings.

Dividends on PCC are not guaranteed and may be suspended if earnings are negative and/or capital levels fall below regulatory and/or policy minimum levels.

Equity Acquired in Merger

Equity acquired in a merger represents equity accounted for in accordance with the acquisition method of accounting. Under this accounting method, retained earnings, restricted and unrestricted, of the acquiree are combined on the acquirer's statement of financial condition as a component of equity called merged equity. This component is considered part of retained earnings as defined by regulations established by the NCUA.

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accumulated Other Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gain and losses on available-for-sale securities, are reported as a separate component of the members' equity section of the statements of financial condition.

Income Taxes

Millennium Corporate is exempted from most federal, state, and local taxes under the provisions of the Internal Revenue Code and state tax laws. FASB ASC 740-10-25, *Income Taxes, Overall Recognition* clarifies accounting for uncertain income taxes reported in the financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they meet the "more likely than not" standard for sustainability upon examination by tax authorities. Millennium Corporate is a state-chartered credit union as defined in Internal Revenue Code (IRC) Section 501(c) (14). As such, Millennium Corporate is exempt from federal taxation of income derived from the performance of activities directly related to its exempt purposes. However, IRA Section 511 imposes a tax on the unrelated business income (UBI) derived by a state-chartered credit union.

With few exceptions, Millennium Corporate is no longer subject to U.S. Federal or state and local income tax examinations by tax authorities for years before 2015.

Off-Balance Sheet Credit Related Financial Instruments

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

NOTE 2 SECURITIES AVAILABLE-FOR-SALE

Securities available-for-sale consists of the following as of December 31, 2018:

December 31, 2018 Securities Available-for-Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies				
Mortgage backed pass-throughs	$ 84,672,354	$ 49,003	$ (303,144)	$ 84,418,213
Agency notes	89,249,894	904,870	(227,214)	89,927,550
SBA debentures	17,208,446	-	(91,757)	17,116,689
Asset backed pass-throughs	87,132,581	16,598	(365,978)	86,783,201
Private-issue security	77,638	-	(2,950)	74,688
Total Investments	$ 278,340,913	$ 970,471	$ (991,043)	$ 278,320,341

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 SECURITIES AVAILABLE-FOR-SALE (CONT'D)

Securities available-for-sale consists of the following as of December 31, 2017:

December 31, 2017 Securities Available-for-Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies				
Mortgage backed pass-throughs	$ 98,718,930	$ 51,070	$ (300,146)	$ 98,469,854
Agency notes	79,249,831	191,590	(310,486)	79,130,935
SBA debentures	6,712,668	-	(88,467)	6,624,201
Asset backed pass-throughs	125,734,443	226,592	(23,730)	125,937,305
Private-issue security	97,974	-	(3,851)	94,123
Total Investments	$ 310,513,846	$ 469,252	$ (726,680)	$ 310,256,418

The amortized cost and estimated market value of investment securities, by contractual maturity and expected 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.

	Contractual Maturity		Expected Maturity	
Maturity	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ -	$ -	$ 26,910,549	$ 26,905,482
Due in one to three years	32,966,174	32,987,094	45,127,613	45,078,776
Due in three to ten years	174,084,937	174,075,345	190,302,751	190,230,243
After 10 years	71,289,802	71,257,902	16,000,000	16,105,840
	$ 278,340,913	$ 278,320,341	$ 278,340,913	$ 278,320,341

MILLENNIUM CORPORATE CREDIT UNION
Wichita, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 SECURITIES AVAILABLE-FOR-SALE (CONT'D)

Below is information as of December 31, 2018 and 2017, respectively that has aggregated gross unrealized losses by investment category and length of time that the individual securities have been in a continuous loss position:

	Less Than Twelve Months		Greater Than Twelve Months	
December 31, 2018 Securities Available-for-Sale	**Market Value**	**Gross Unrealized Losses**	**Market Value**	**Gross Unrealized Losses**
U.S. government and agencies				
Mortgage backed pass-throughs	$ 24,042,098	$ (121,341)	$ 33,854,167	$ (181,802)
Agency notes	25,790,060	(209,940)	5,232,620	(17,274)
SBA debentures	12,474,552	(38,373)	4,642,137	(53,385)
Asset backed pass-throughs	80,588,744	(324,402)	2,559,161	(41,576)
Private-issue security	-	-	74,688	(2,950)
Totals	$ 142,895,454	$ (694,056)	$ 46,362,773	$ (296,987)

	Less Than Twelve Months		Greater Than Twelve Months	
December 31, 2017 Securities Available-for-Sale	**Market Value**	**Gross Unrealized Losses**	**Market Value**	**Gross Unrealized Losses**
U.S. government and agencies				
Mortgage backed pass-throughs	$ 22,007,687	$ (172,447)	$ 47,406,964	$ (127,699)
Agency notes	22,704,570	(295,430)	5,234,775	(15,056)
SBA debentures	-	-	6,624,201	(88,467)
Asset backed pass-throughs	1,777,030	(313)	2,996,205	(23,417)
Private-issue security	-	-	94,123	(3,851)
Totals	$ 46,489,287	$ (468,190)	$ 62,356,268	$ (258,490)

The bulk of investment securities with unrealized losses are debt securities from federal agencies or government sponsored enterprises, which carry an implicit guarantee of the principal balances of these securities by the United States government. Currently, Millennium Corporate has 67 investment securities with unrealized losses, with 40 of the investment securities experiencing unrealized losses for greater than 12 months. On December 31, 2017, Millennium Corporate had 58 investment securities with unrealized losses, with 49 of the investment securities experiencing unrealized losses for greater than 12 months.

Management believes all the above unrealized losses to be temporary, as all of the investment securities have been issued by the United States government or United States government agencies, except for the private-issue security. Millennium Corporate does not intend to sell the investments, and it is more than likely that the corporate credit union will not be required to sell the investments before recovery of their amortized cost basis.

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NOTE 3 SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Resale agreements are collateralized primarily with U.S. government or government agency securities. Such agreements provide Millennium Corporate with the right to maintain the relationship between the market value of the collateral and the receivable. Millennium Corporate uses Bank of New York to take physical possession of the collateral underlying Millennium Corporate's resale agreements.

At December 31, 2018 and 2017, Millennium Corporate has received collateral under resale agreements that it is permitted by contract or custom to sell or repledge totaling $41,025,543 and $41,035,298, respectively. Of these amounts, none were repledged.

Millennium Corporate's securities purchased under agreements to resell in gross and net amounts at December 31, 2018 and 2017 are as follows:

	12/31/18	12/31/17
Gross amount of recognized assets	$ 40,000,000	$ 40,000,000
Amount offset in statement of financial condition	-	-
Net presented in statement of financial condition	$ 40,000,000	$ 40,000,000

NOTE 4 LOANS TO MEMBERS

The composition of loans to members consists of the following:

	12/31/18	12/31/17
Term loans	$ 32,987,817	$ 13,942,262
Demand loans	12,605,330	9,288,489
Total Loans to Members	$ 45,593,147	$ 23,230,751

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NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost, less accumulated depreciation and amortization:

	12/31/18	12/31/17
Land	$ 92,432	$ 92,432
Building	822,179	822,179
Furniture and equipment	814,656	737,126
Leasehold improvements	27,269	27,269
Total Property and Equipment	$ 1,756,536	$ 1,679,006
Less: Accumulated depreciation and amortization	(1,218,617)	(1,139,891)
Net Property and Equipment	$ 537,919	$ 539,115

Depreciation expense charged to operations totaled $78,726 and $92,316, as of December 31, 2018 and 2017, respectively.

NOTE 6 INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS

Investments in credit union service organizations as of December 31, 2018 were as follows:

- **Primary Financial, LLC** – Millennium Corporate invested $100,000 for two shares in 2003 and acquired five additional shares with the acquisition of Treasure State Corporate Credit Union in December 2011. With the July 2015 Missouri Corporate merger, another two shares were acquired for a total of nine shares. The investment as of December 31, 2018, represented 12% of the total equity and was made for the purpose of providing brokered certificate of deposit services to member credit unions. The investment in this cooperative CUSO is accounted for under the equity method and totaled $2,419,483 and $2,470,987 as of December 31, 2018 and 2017, respectively.

- **CU Investment Solutions, LLC** – Millennium Corporate invested $100,000 for two shares in 2011. With the Missouri Corporate merger, another two shares were acquired for a total of four shares. The investment as of December 31, 2018, represents 25% of the total ownership and was made for the purpose of offering investment brokerage services to member credit unions, in addition to Millennium Corporate receiving net economic valuation reporting services. This investment is accounted for under the equity method and totaled $250,254 and $377,729 as of December 31, 2018 and 2017, respectively.

- **Credit Union Business Group (CUBG), LLC** – Millennium Corporate invested $120,000 for 30 shares in 2007. The investment as of December 31, 2018 represents 4.41% of the total ownership and was made for the purpose of offering business lending services to member credit unions. This investment is accounted for under the cost method and totaled $120,000 as of December 31, 2018 and 2017. Millennium Corporate received no marketing dividends in 2018 and 2017.

NOTE 6 INVESTMENT IN CREDIT UNION SERVICE ORGANIZATIONS (CONT'D)

- **CULedger Heartland, LLC** – Millennium Corporate invested $19,731 for one-thirteenth share in 2018. The investment as of December 31, 2018 represents 7.692% of the total ownership and was made for the purpose for CULedger Heartland, LLC to acquire one share of CULedger, LLC, a fin-tech CUSO using block chain technology to offer call center services, fraud services, identity, etc. This investment is accounted for under the cost method and totaled $19,731 as of December 31, 2018.

- **Core Network Processing (CNP), LLC** – Millennium Corporate acquired the investment in Missouri Corporate's data processing CUSO for which the investment had been written down to $1 prior to the merger effective date. In September 2017, all the managers of CNP consented to dissolve the organization and wind down its affairs prior to year-end. On December 29, 2017, Millennium Corporate received a $172,024 liquidating dividend representing its pro-rata share of the remaining available cash. With the final disposition of CNP, the remaining $1 investment was written off as of December 31, 2017. In 2018, Millennium Corporate received its pro-rata share of the remaining funds previously held in escrow for the final wind down of CNP's affairs which totaled $238.

NOTE 7 MEMBERS' ACCOUNTS

The composition of members' accounts consists of the following:

	12/31/18	12/31/17
Daily shares	$ 180,211,158	$ 221,271,871
Managed liquidity	284,291,764	307,982,355
Certificates of deposits	16,373,500	10,938,000
Membership shares	250,000	-
Total Members' Accounts	$ 481,126,422	$ 540,192,226

The aggregate amount of members' time deposit accounts in denominations greater than $250,000 was $8,430,000 and $6,800,000 as of December 31, 2018 and 2017, respectively.

The aggregate amount of members' insured accounts were $56,631,510 and $57,766,127 as of December 31, 2018 and 2017, respectively.

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NOTE 7 MEMBERS' ACCOUNTS (CONT'D)

Certificates of deposits by maturity are as follows:

	Amount
Certificates maturing within one year	$ 15,373,500
Certificates maturing within one year to two years	100,000
Certificates maturing within two years to three years	100,000
Certificates maturing within three years to four years	200,000
Certificates maturing within four years to five years	600,000
Total Certificates of Deposits	$ 16,373,500

Excess balance accounts (EBAs) are limited-purpose accounts for maintaining excess balances in an interest-earning account at the Federal Reserve Bank through a correspondent financial institution such as Millennium Corporate. EBAs are intended to allow eligible institutions, such as credit unions, to earn interest on their excess balances (i.e., overnight funds that exceed maximum balance limits) in an account relationship directly with the Federal Reserve Bank without significantly disrupting the established correspondent relationship with Millennium Corporate.

Millennium Corporate reserves the rights to retain funds for liquidity purposes and deny instructions from eligible member credit unions to move funds into the EBA product. Millennium Corporate may terminate and/or suspend the EBA product without advanced notice. EBAs are a liability of the Federal Reserve Bank and, therefore, are not included on Millennium Corporate's statement of financial condition.

NOTE 8 BORROWINGS

Millennium Corporate has a secured line of credit available with Federal Home Loan Bank of Topeka totaling $185,926,570. The line of credit is secured by eligible investment securities of Millennium Corporate under a blanket pledge agreement. At December 31, 2018, $192,997,275 of Millennium Corporate's available-for-sale securities was pledged to the FHLB as collateral for the line of credit. Outstanding borrowings totaled $50,000,000 as of December 31, 2018.

NOTE 9 401(k) PLAN

Millennium Corporate maintains a 401(k) Plan and Trust ("Plan") which is a qualified retirement plan that allows employees to defer a portion of their salary into the Plan. Employees are eligible to participate in the Plan after one year of service. Millennium Corporate contributes up to 5% of an employee's annual salary. Participants become 20% vested in the employer contributions per year and become 100% vested after five years of credited service.

401(k) expense for this Plan totaled $83,549 and $76,666 for the years ended December 31, 2018 and 2017, respectively.

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of Fair Value

Fair Value Measurements and Disclosures topic FASB ASC 820 provides a framework for measuring fair value that requires the credit union to derive fair value from that price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within its principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

Fair Value Hierarchy

To increase consistency and comparability in fair value and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to Level 1 and lowest priority to Level 3 as further discussed below.

- Level 1 Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2 Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.
- Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Valuation Techniques for Financial Instruments at Fair Value on a Recurring Basis

Fair values of assets and liabilities measured on a recurring basis at December 31, 2018 are as follows:

Securities Available-for-Sale	Total Fair Value	Level 1	Level 2	Level 3
U.S. government and agencies				
Mortgage backed pass-throughs	$ 84,418,213	$ -	$ 84,418,213	$ -
Agency notes	89,927,550	-	89,927,550	-
SBA debentures	17,116,689	-	17,116,689	-
Asset backed pass-throughs	86,783,201	-	86,783,201	-
Private-issue security	74,688	-	74,688	-
	$ 278,320,341	$ -	$ 278,320,341	$ -

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Valuation Techniques for Financial Instruments at Fair Value on a Recurring Basis (Cont'd)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2017 are as follows:

Securities Available-for-Sale	Total Fair Value	Level 1	Level 2	Level 3
U.S. government and agencies				
Mortgage backed pass-throughs	$ 98,469,854	$ -	$ 98,469,854	$ -
Agency notes	79,130,935	-	79,130,935	-
SBA debentures	6,624,201	-	6,624,201	-
Asset backed pass-throughs	125,937,305	-	125,937,305	-
Private-issue security	94,123	-	94,123	-
	$ 310,256,418	$ -	$ 310,256,418	$ -

Valuation Techniques for Financial Instruments at Fair Value on a Non-Recurring Basis

Millennium Corporate did not have any assets or liabilities that were measured at fair value on a non-recurring basis at December 31, 2018 and 2017.

Estimated Fair Values

The following methods and assumptions were used to estimate the fair value of each major class of financial instrument:

1. Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate the fair values.

2. Securities Available-for-Sale

The mortgage backed pass throughs, agency notes, small business administration debentures, asset backed pass-throughs, and private-issue security are valued using industry-standard models that consider assumptions, including interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, and default rates as well as other observable relevant economic measures.

3. Securities Purchased Under Agreements to Resell

The securities purchased under agreements to resell are valued from quotes obtained from the tri-party custodian.

NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Estimated Fair Values (Cont'd)

4. Loans to Members

The fair value of fixed-rate loans is estimated by discounting the future cash flows for each loan category using the current rates at which similar loans could be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of adjustable-rate loans is assumed to approximate their carrying amount.

5. Accrued Interest Receivable

The carrying amounts of accrued interest receivable approximate the fair values.

6. Members' Accounts

The fair value of managed liquidity and daily shares is the amount payable on demand at the reporting date. The fair value of certificates of deposits is estimated by discounting the future cash flows using the market rates offered as of December 31 for similar deposits with the same remaining maturities.

7. Accrued Interest Payable

The carrying amounts of accrued interest payable approximate the fair values.

8. Commitments to Extend Credit

The fair value of commitments to extend credit is equivalent to the amount of credit extended as the related interest rate is fixed upon market rates when funds are drawn, and the related fees are not significant.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Estimated Fair Values (Cont'd)

The estimated fair values of the credit union's financial instruments are as follows:

	12/31/18		12/31/17	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	$ 230,103,553	$ 230,103,553	$ 224,642,843	$ 224,642,843
Securities available-for-sale	278,320,341	278,320,341	310,256,418	310,256,418
Securities purchased under agreements to resell	40,000,000	40,009,380	40,000,000	40,002,649
Loans to members	45,593,147	45,572,634	23,230,751	23,225,231
Accrued interest receivable	616,657	616,657	368,818	368,818
Financial Liabilities				
Members' accounts	$ 481,126,422	$ 481,067,807	$ 540,192,226	$ 540,150,882
Accrued interest payable	781,372	781,372	419,279	419,279
Unrecognized Financial Instrument				
Commitments to extend credit	$ -	$ 691,175,049	$ -	$ 640,731,443

NOTE 11 REGULATORY REQUIREMENTS

Millennium Corporate is considered to be a corporate credit union under the NCUA regulations with base level authority for investment powers. As a corporate credit union, Millennium Corporate is subject to various regulatory capital and net economic value requirements administered by the NCUA.

In September 2010, the NCUA Board approved new capital regulations. The NCUA also indicated its understanding that the final corporate rule regarding capital regulations was complex and that many corporate credit unions would not meet the targets upon issuance of the final regulation. Instead of an immediate implementation, the NCUA has phased in the new capital requirements over a ten-year period of time.

NOTE 11 REGULATORY REQUIREMENTS (CONT'D)

The structure of the NCUA's phase-in of the capital requirements are noted as follows:

- Beginning on October 20, 2011, corporate credit unions have to be in compliance with new risk-based capital provisions and the present Regulation 704 minimum total capital ratio of 4.0%.

- Beginning on October 20, 2013, corporate credit unions must be in compliance with the new leverage ratio, which includes an additional requirement that retained earnings constitutes 45 basis points of moving daily average net assets (MDANA).

- Beginning on October 20, 2016, corporate credit unions must be in compliance with the retained earnings part of the various capital ratios, and as such, corporate credit unions must have 100 basis points of MDANA as part of the adequately capitalized 4.0% Tier 1 capital ratio.

- Beginning on October 20, 2020, corporate credit unions must have retained earnings of at least 200 basis points of MDANA as part of the adequately capitalized 4.0% Tier 1 capital ratio.

As of December 31, 2018 and 2017, respectively, Millennium Corporate is required by NCUA Regulation 704.3 to meet the following capital ratio requirements:

- Tier 1 capital ratio
- Tier 1 risk-based capital ratio
- Total risk-based capital ratio
- Retained earnings ratio

1. Tier 1 Capital Ratio

Prior to October 20, 2016, this ratio was defined as Millennium Corporate's Tier 1 capital (i.e., the sum of retained earnings, perpetual contributed capital, and equity acquired in merger, modified by deducting equity and debt investments in unconsolidated CUSOs) divided by the MDANA.

NOTE 11 REGULATORY REQUIREMENTS (CONT'D)

1. Tier 1 Capital Ratio (Cont'd)

Beginning on October 20, 2016, Tier 1 capital and MDANA is further modified by deducting PCC excluded from regulatory capital. PCC excluded from regulatory capital is all PCC in excess of retained earnings further reduced by 2% of MDANA. On December 22, 2018 and as presented in the December 2018 NCUA 5310 Call Report, the calculation was further modified to now include equity acquired in a merger as part of retained earnings when calculating its amount of PCC, excluded from the Tier 1 capital ratio. The resulting Tier 1 capital and MDANA are now utilized as the numerator and denominator for calculating the Tier 1 capital ratio, as follows:

	12/31/18	12/31/17
MDANA	$ 590,887,577	$ 617,892,578
PCC	$ 54,208,507	$ 54,208,507
Retained earnings	(16,502,931)	(12,903,439)
PCC in excess of retained earnings	$ 37,705,576	$ 41,305,068
Allowed PCC (Limited to 2% of MDANA)	-	(12,357,853)
PCC excluded from regulatory capital	$ 37,705,576	$ 28,947,215
MDANA	$ 590,887,577	$ 617,892,578
PCC excluded from regulatory capital	-	(28,947,215)
MDANA less PCC excluded from regulatory capital	$ 590,887,577	$ 588,945,363

An additional change to NCUA Reg. 704.2, allows the corporate credit union to include all of PCC once the corporate credit union's retained earnings ratio equals or exceeds 2.50%.

Millennium Corporate is required to have a minimum 4.0% to be adequately capitalized and a minimum 5.0% level to be well capitalized.

2. Tier 1 Risk-Based Capital Ratio

This ratio is defined as Millennium Corporate's Tier 1 capital divided by moving monthly average net risk-weighted assets.

Millennium Corporate is required to have a minimum 4.0% to be adequately capitalized and a minimum 6.0% level to be well capitalized.

3. Total Risk-Based Capital Ratio

This ratio is defined as Millennium Corporate's total capital (i.e., Tier 1 capital plus PCC excluded from regulatory capital) divided by moving monthly average net risk-weighted assets.

NOTE 11 REGULATORY REQUIREMENTS (CONT'D)

3. Total Risk-Based Capital Ratio (Cont'd)

Millennium Corporate is required to have a minimum 8.0% to be adequately capitalized and a minimum 10.0% level to be well capitalized.

4. Retained Earnings Ratio

This ratio is defined as Millennium Corporate's retained earnings (i.e., the sum of retained earnings and equity acquired in a merger) divided by MDANA.

Millennium Corporate is required to have a minimum 1.00% (or 100 basis points) to be adequately capitalized.

The components utilized in the calculation of the capital ratio requirements at December 31, 2018 are as follows:

	Ratio Calculation Amounts
Perpetual contributed capital	$ 54,208,507
Retained earnings	16,502,931
Investments in credit union service organizations	(2,809,468)
Total capital	$ 67,901,970
PCC excluded from regulatory capital	-
Tier 1 capital	$ 67,901,970
MDANA	$ 590,887,577
MDANA less PCC excluded from regulatory capital	$ 590,887,577
Moving monthly average net risk-weighted assets	$ 79,103,592

Millennium Corporate's calculated capital ratio requirements at December 31, 2018 and 2017, respectively, are as follows:

Corporate Credit Unions Capital Ratio Requirements	Calculated Ratios 12/31/18	Calculated Ratios 12/31/17	Adequately Capitalized Minimum	Well Capitalized Minimum
Tier 1 capital ratio	11.49%	5.98%	4.00%	5.00%
Tier 1 risk based capital ratio	85.84%	41.70%	4.00%	6.00%
Total risk based capital ratio	85.84%	76.00%	8.00%	10.00%
Retained earnings ratio	2.79%	2.09%	1.00%	N/A

NOTE 11 REGULATORY REQUIREMENTS (CONT'D)

Millennium Corporate is also required under NCUA Regulation 704 to maintain a minimum net economic value ratio. The net economic value ratio is calculated by dividing the net economic value amount by the fair value of the assets. The net economic value is defined as the fair value of assets minus the fair value of liabilities.

The regulations require corporate credit unions to have a minimum net economic value ratio of 2.00%. The regulation also requires the net economic ratio to not decline more than 15.00% at any one time when the portfolio undergoes an interest rate shock of plus or minus 300 basis points.

Millennium Corporate engages a third-party pricing service to calculate these ratios on a monthly basis. The net economic value ratios at December 31, 2018 and 2017, respectively, are as follows:

	12/31/18	12/31/17
Net economic value ratio	11.786%	11.069%
Percentage change with 300 basis points down	0.314%	0.000%
Percentage change with 300 basis points up	-1.305%	-0.894%

NOTE 12 COMMITMENTS AND CONTINGENT LIABILITIES

Off-Balance Sheet Risk

Millennium Corporate is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments are commitments to extend credit. These instruments involve, in varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statement of financial condition. The contract or notional amounts of those instruments reflect the extent of involvement the credit union has in particular classes of financial instruments.

Millennium Corporate's exposure to credit loss in the event of non-performance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. Millennium Corporate makes the same credit policies in making commitments as it does for on-balance-sheet instruments.

Millennium Corporate requires collateral or other security to support financial instruments with credit risk.

NOTE 12 COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

Millennium Corporate had the following financial instruments whose contract amounts represent credit risk as of December 31, 2018 and 2017, respectively:

	12/31/18	12/31/17
Unused advised lines of credit	$ 691,175,049	$ 640,731,443
	$ 691,175,049	$ 640,731,443

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. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Millennium Corporate annually evaluates each member's creditworthiness on a case-by-case basis.

Contingent Liabilities

Millennium Corporate management is unaware of any legal claims against Millennium Corporate that may have arisen in the normal course of business.